OFFICIAL STATEMENT DATED AUGUST 3, 2010

NEW ISSUES – BOOK ENTRY ONLY

RATINGS: Fitch: AAA
Moody's: Aa1
Standard & Poor's: AAA
See "Ratings" herein

In the opinion of Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain covenants, the interest to be paid on the Series 2010A Bonds and the Series 2010B Bonds (collectively the "Tax-Exempt Bonds") 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; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and 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. The interest to be paid on the Tax-Exempt Bonds is not includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax. The interest to be paid on the Series 2010C Bonds is includable in gross income of owners thereof for federal income tax purposes; in taxable net income of individuals, estates and trusts for Minnesota income tax purposes; and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. For a discussion of tax matters see "Tax Matters" herein.

$865,000,000
STATE OF MINNESOTA
General Obligation State Bonds
consisting of

$635,000,000 General Obligation State Various Purpose Bonds, Series 2010A

$225,000,000 General Obligation State Trunk Highway Bonds, Series 2010B

$5,000,000 General Obligation Taxable State Bonds, Series 2010C

(collectively referred to as the "Bonds")

Dated: Date of Delivery **Due: as shown on inside cover**

THE BONDS ARE GENERAL OBLIGATIONS OF THE STATE OF MINNESOTA (THE "STATE") 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.

The Bonds are subject to redemption and prepayment by the State as provided herein.

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 Bank of New York Mellon Trust Company, N.A. is the Bond Registrar and Paying Agent for the Bonds.

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

The Bonds are offered by the State subject to the legal opinions of Dorsey & Whitney LLP, Minneapolis, Minnesota, bond counsel, and of the State Attorney General as to the validity of the Bonds, and Dorsey & Whitney LLP as to the tax exemption of the interest on the Tax-Exempt Bonds. Delivery will be made on or about Thursday, August 19, 2010.

$865,000,000
State of Minnesota
General Obligation State Bonds

Maturities, Amounts, Interest Rates, Prices or Yields and CUSIPs*

$635,000,000 General Obligation State Various Purpose Bonds, Series 2010A

Maturity (August 1)	Amount	Interest Rate	Yield	CUSIP* 604129		Maturity (August 1)	Amount	Interest Rate	Yield	CUSIP* 604129
2011	$31,525,000	3.00%	0.250%	UP9		2021	$31,525,000	5.00%	2.780%**	UZ7
2012	31,525,000	5.00	0.362	UQ7		2022	31,525,000	5.00	2.910**	VA1
2013	31,525,000	5.00	0.620	UR5		2023	31,525,000	5.00	3.030**	VB9
2014	31,525,000	5.00	0.840	US3		2024	31,525,000	5.00	3.140**	VC7
2015	36,025,000	5.00	1.300	UT1		2025	31,525,000	5.00	3.240**	VD5
2016	31,525,000	5.00	1.730	UU8		2026	31,525,000	5.00	3.320**	VE3
2017	31,525,000	5.00	2.010	UV6		2027	31,525,000	5.00	3.420**	VF0
2018	31,525,000	5.00	2.230	UW4		2028	31,525,000	5.00	3.500**	VG8
2019	31,525,000	5.00	2.420	UX2		2029	31,525,000	4.00	3.920**	VH6
2020	31,525,000	5.00	2.620	UY0		2030	31,525,000	4.00	4.000	VJ2

$225,000,000 General Obligation State Trunk Highway Bonds, Series 2010B

Maturity (August 1)	Amount	Interest Rate	Yield	CUSIP* 604129		Maturity (August 1)	Amount	Interest Rate	Yield	CUSIP* 604129
2011	$11,250,000	4.00%	0.28 %	TT3		2021	$ 11,250,000	5.00%	2.77%**	UD6
2012	11,250,000	4.00	0.36	TU0		2022	11,250,000	4.00	3.05**	UE4
2013	11,250,000	4.00	0.67	TV8		2023	11,250,000	4.00	3.18**	UF1
2014	11,250,000	5.00	0.92	TW6		2024	11,250,000	4.25	3.35**	UG9
2015	11,250,000	5.00	1.35	TX4		2025	11,250,000	4.25	3.51**	UH7
2016	11,250,000	5.00	1.73	TY2		2026	11,250,000	4.00	3.56**	UJ3
2017	11,250,000	5.00	2.04	TZ9		2027	11,250,000	4.00	3.66**	UK0
2018	11,250,000	5.00	2.25	UA2		2028	11,250,000	4.00	3.76**	UL8
2019	11,250,000	5.00	2.43	UB0		2029	11,250,000	4.00	3.84**	UM6
2020	11,250,000	5.00	2.62	UC8		2030	11,250,000	4.00	4.00	UN4

$5,000,000 General Obligation Taxable State Bonds, Series 2010C

$5,000,000 3.000% Serial Bonds due August 1, 2015 – Price: 105.658 Yield: 1.80% CUSIP No.* 604129TS5

* The State is not responsible for the use of the CUSIP numbers referenced herein nor is any representation made by the State as to their correctness; such CUSIP numbers are included solely for the convenience of the readers of this Official Statement.

**Priced to the first redemption date of August 1, 2020.

STATE OF MINNESOTA OFFICIALS

GOVERNOR	Tim Pawlenty
LIEUTENANT GOVERNOR	Carol Molnau
SECRETARY OF STATE	Mark Ritchie
STATE AUDITOR	Rebecca Otto
ATTORNEY GENERAL	Lori Swanson
LEGISLATIVE AUDITOR	James R. Nobles

COMMISSIONER OF MANAGEMENT AND BUDGET

Tom J. Hanson

TABLE OF CONTENTS

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 contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words “expects,” “forecasts,” “projects,” “intends,” “anticipates,” “estimates,” and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The State disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the State’s expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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.

SUMMARY STATEMENT

(The Summary Statement information is qualified in its entirety by the detailed information contained in this Official Statement)

Issuer:	State of Minnesota
Offering:	$635,000,000 General Obligation State Various Purpose Bonds, Series 2010A (the "Series 2010A Bonds") $225,000,000 General Obligation State Trunk Highway Bonds, Series 2010B (the "Series 2010B Bonds") $5,000,000 General Obligation Taxable State Bonds, Series 2010C (the "Series 2010C Bonds") *(collectively referred to as the "Bonds")*
Principal Amounts:	The principal amounts of the Bonds are set forth on the inside cover pages.
Interest:	Interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months, from the Dated Date of the Bonds, payable semiannually on each February 1 and August 1, commencing February 1, 2011.
Dated Date:	Date of Delivery, expected to be August 19, 2010.
Security:	General obligations of the State of Minnesota to which its full faith, credit and taxing powers are pledged.
Book-Entry Bonds:	The Bonds will be issued in fully registered form without interest coupons in denominations of $5,000 and integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the bonds.
Redemption:	The Series 2010A Bonds and the Series 2010B Bonds maturing on or after August 1, 2021 will be subject to redemption and prepayment in whole or in part at the option of the State on August 1, 2020 and on any business day thereafter. Redemption and prepayment is at a price of par plus accrued interest to the date specified for redemption. The Series 2010C Bonds are not subject to redemption prior to their stated maturity.
Continuing Disclosure:	In the previous five years the Commissioner of Management and Budget has not failed to comply in any material respect with any written continuing disclosure undertaking with respect to any bonds for which the State is an obligated person.
Bond Ratings:	The Bonds described herein have been rated "AAA" by Fitch Ratings, "Aa1" by Moody's Investors Service Inc. and "AAA" by Standard & Poor's Ratings Group.

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Registrar/Paying Agent: The Bank of New York Mellon Trust Company, N.A.

Legal Opinions: The Bonds are approved as to validity by the State Attorney General and Dorsey & Whitney LLP, Minneapolis, Minnesota as bond counsel. Only Dorsey & Whitney LLP will provide the opinion regarding the tax exemption of interest on the Series 2010A Bonds and the Series 2010B Bonds.

Bonds Outstanding: The total amount of State general obligation bonds outstanding on the date of issuance of the Bonds, including these issues will be approximately $5.6 billion. The total amount of general obligation bonds authorized but unissued as of the date of issuance of the Bonds, will be approximately $2.6 billion. See Appendix C, pages C-1 and C-2.

Additional Information: Questions regarding this Official Statement should be directed to Katherine Kardell, Assistant Commissioner, Minnesota Management and Budget, 400 Centennial Office Building, St. Paul, Minnesota 55155, telephone (651) 201-8030, email kathy.kardell@state.mn.us, Susan Gurrola, Financial Analyst, Minnesota Management and Budget, 400 Centennial Office Building, St. Paul, Minnesota 55155, telephone (651) 201-8046, email sue.gurrola@state.mn.us or Thomas Huestis, Public Resources Advisory Group, telephone (610) 565-5990, email thuestis@pragny.com. Questions regarding legal matters should be directed to Leonard S. Rice, Dorsey & Whitney LLP, 50 South Sixth Street, Suite 1500, Minneapolis, Minnesota 55402, telephone (612) 343-7971, email rice.len@dorsey.com.

OFFICIAL STATEMENT

STATE OF MINNESOTA
$865,000,000
General Obligation State Bonds

consisting of

$635,000,000 General Obligation State Various Purpose Bonds, Series 2010A

$225,000,000 General Obligation State Trunk Highway Bonds, Series 2010B

$5,000,000 General Obligation Taxable State Bonds, Series 2010C

(collectively referred to as the "Bonds")

THE BONDS

General

This Official Statement, including the cover page and the Appendices (this "Official Statement"), has been prepared by the State of Minnesota Department of Management and Budget (the "Department" or "MMB") to furnish information relating to $635,000,000 General Obligation State Various Purpose Bonds, Series 2010A (the "Series 2010A Bonds"), $225,000,000 General Obligation State Trunk Highway Bonds, Series 2010B (the "Series 2010B Bonds"), and the $5,000,000 General Obligation Taxable State Bonds, Series 2010C (the "Series 2010C Bonds" and together with the Series 2010A Bonds and the Series 2010B Bonds, the "Bonds") of the State of Minnesota (the "State") to be dated the date of issuance, to prospective purchasers and actual purchasers of the Bonds. The Series 2010A Bonds and the Series 2010B Bonds are collectively referred to as the "Tax-Exempt Bonds". Prospective and actual purchasers should read this entire Official Statement.

Authorization and Purpose

The Bonds are being issued by the State of Minnesota, acting by and through its Commissioner of Management and Budget (the "Commissioner"), pursuant to the constitutional and statutory authority as hereinafter described.

The Series 2010A Bonds in the aggregate principal amount of $635,000,000 are being issued for the purpose of financing all or a portion of the cost of certain programs and capital projects, the types of which generally include educational facilities, parks, pollution control facilities, transportation, natural resources and agricultural enterprises.

The Series 2010B Bonds in the principal amount of $225,000,000 are being issued for the purpose of financing the cost of construction, improvement and maintenance of programs and projects of the State trunk highway system.

The Series 2010C Bonds in the principal amount of $5,000,000 are being issued for the purpose of developing the State's agricultural resources by financing the Rural Finance Authority's programs.

Constitutional Provisions. Article XI, Section 5 of the Minnesota Constitution authorizes public debt to be incurred for (a) 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; (b) repelling invasion or suppressing insurrection; (c) borrowing temporarily; (d) refunding outstanding bonds of the State or its agencies; (e) the construction of improvements to and maintenance of the State's trunk highway system; (f) promoting forestation and preventing and abating forest fires; (g) the construction, improvement and operation of airports and other air navigation facilities; (h) the development of the agricultural resources of the State by extending credit on real estate security; and (i) improving and rehabilitating railroad rights-of-way and other rail facilities; all 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 interest rate of bonds that may be authorized for these purposes.

Statutory Provisions.

The Series 2010A Bonds and the Series 2010C Bonds are authorized by Minnesota Statutes, Sections 16A.631 through 16A.675. The Series 2010B Bonds are authorized by Minnesota Statutes, Section 167.50 through 167.52.

Session Law Provisions.

Session laws authorizing the issuance of the Series 2010A Bonds are set forth below:[1]

Law Authorizing		**Bonds This Issue**
2000 Session, Chapter 492	$	1,000,000
x2001 Session, Chapter 12		21,000
2005 Session, Chapter 20		15,000,000
2006 Session, Chapter 258		30,000,000
x2007 Session, Chapter 2		13,000,000
2008 Session, Chapter 152		15,000,000
2008 Session, Chapter 179		136,649,000
2008 Session, Chapter 365		33,330,000
2009 Session, Chapter 93		76,000,000
2010 Session, Chapter 189		315,000,000
Total	$	635,000,000

"x" indicates Special Session Laws

Session laws authorizing the issuance of the Series 2010B Bonds and the amounts included in this issue are set forth below:[1]

Law Authorizing		**Bonds This Issue**
2008 Session, Chapter 152	$	213,000,000
2010 Session, Chapter 189		12,000,000
Total	$	225,000,000

Session laws authorizing the issuance of the Series 2010C Bonds and the amounts included in this issue are set forth below:[1]

Law Authorizing		**Bonds This Issue**
2009 Session, Chapter 93	$	5,000,000

Bond Terms

The Bonds mature on the dates and in the principal amounts and bear interest at the annual rates shown on the inside front cover page hereof. Such interest is computed on the basis of a 360-day year and twelve 30-day

[1] See also the table of General Obligation Bonds Authorized, Issued and Unissued on page C-2 and the Project Description included in Appendix D.

months. Interest on the Bonds is payable semiannually on each February 1 and August 1 to maturity or prior redemption, if any, commencing February 1, 2011. If principal or interest is due on a date on which commercial banks are not open for business in the states of Minnesota and New York, then payment will be made on the first day thereafter when such banks are open for business.

The Bonds are issued in book entry form and in denominations of $5,000 or multiples thereof of a single interest rate of a single maturity for each series of Bonds. The Bonds will be issued initially 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."

Optional Redemption

The Tax-Exempt Bonds maturing on or before August 1, 2020 will not be subject to redemption prior to their stated maturity dates. The Tax Exempt Bonds maturing on or after August 1, 2021 will be subject to redemption and prepayment by the State at its option on August 1, 2020 and any business day thereafter, in whole or in part, in an order determined by the State and by lot within each interest rate of a single maturity, at a price of par plus accrued interest to the date specified for redemption.

The Series 2010C Bonds are not subject to redemption prior to their stated maturity date.

Notices of Redemption

So long as the Bonds are 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," notice of any redemption of Bonds 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 (as herein defined) 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.

If, in the future, the Bonds are not in book entry form, 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.

Notice of redemption having been so given, 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.

SECURITY[2]

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 maintenance of 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, along 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 General Fund (the "General Fund" as defined on page B-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 General Fund an amount equal to the deficiency. Since 1966, as a result of transfers of moneys to the Debt Service Fund from the General Fund each December, no State property tax has been levied to pay debt service on State general obligation bonds.

Minnesota Statutes, Section 16A.641, makes an annual appropriation to the Debt Service Fund from the 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 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 C-5 with respect to the Debt Service Fund transfer.)

Additional Security — State Trunk Highway Bonds: The Minnesota Constitution, Article XIV, establishes a Trunk Highway Fund (the "Trunk Highway Fund" or "State Trunk Highway Fund") to be used solely for trunk highway system purposes and for the payment of principal of and interest on trunk highway bonds. Article XIV provides that the payment of the principal of 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." Article XIV also 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 the Highway User Tax Distribution Fund. The Minnesota Constitution requires that 95% of the revenues deposited into the Highway User Tax Distribution Fund be distributed from such 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 is distributed to the same three funds in accordance with a formula that the Legislature establishes. Currently these remaining revenues are all distributed to the County State Aid Highway Fund. According to the Minnesota Constitution, no change in the formula allocating the 5% may be made within six years of the last previous change, which occurred in 1998.

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[2] 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).

Minnesota Statutes, Section 167.51, 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, when added to the amount already on hand in the trunk highway bond account in the Debt Service Fund, is the 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.

SOURCES AND USES OF FUNDS

Sources:	**Series 2010A Bonds**	**Series 2010B Bonds**	**Series 2010C Bonds**	**Total**
Par Amount of Bonds	$635,000,000.00	$225,000,000.00	$5,000,000.00	$865,000,000.00
Premium on Bonds	89,845,888.75	23,626,237.50	282,900.00	113,755,026.25
Total Sources	$724,845,888.75	$248,626,237.50	$5,282,900.00	$978,755,026.25
Uses:				
Capital Projects Funds	$634,608,365.60	224,861,231.90	$4,996,916.29	$864,466,513.79
Underwriters' Discount	1,433,707.45	440,437.50	16,500.00	1,890,644.95
Cost of Issuance	391,634.39	138,768.10	3,083.71	533,486.20
Deposit to Debt Service Fund	88,412,181.31	23,185,800.00	266,400.00	111,864,381.31
Total Uses	$724,845,888.75	$248,626,237.50	$5,282,900.00	$978,755,026.25

FUTURE FINANCINGS

The State currently anticipates the issuance of general obligation refunding bonds following the issuance of the Bonds. The size and timing of the general obligation refunding bonds is subject to market conditions. Additionally, the State anticipates the issuance in the third quarter of calendar year 2010 of general obligation certificates of indebtedness for the purpose of financing the State's cash flow needs in the Current Biennium. See "Appendix B – STATE FINANCES, CASH FLOW INFORMATION."

Certain State agencies that issue bonds that have been granted financial assistance from the Legislature in the form of standing appropriations for debt service are considering future financings. The University of Minnesota anticipates issuing $147,200,000 in bonds for the Biomedical Science Research Facilities in the fall of 2010. The Minnesota Housing Finance Agency is considering the issuance of $22,730,000 in bonds in the next six months for its permanent supportive housing program. See "Appendix C-11 STATE DEBT, CONTINGENT LIABILITIES, State Standing Appropriations."

BOOK ENTRY SYSTEM

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each interest rate of a maturity for each series of the Bonds in the aggregate principal amount thereof and will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations.

DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Direct Participants and Indirect Participants (collectively, the "Participants") are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is, in turn, to be recorded on the Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not affect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar of the Bonds ("Registrar") and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the State as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and premium, if any, and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the State, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, or its nominee or the State, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and premium, if any, and interest on the Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the State, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Participants.

A Beneficial Owner shall give notice to elect to have its Bonds purchased or tendered, through its Participant, to the Registrar, and shall effect delivery of such Bonds by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Registrar. The requirement for physical delivery of Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Registrar's DTC account.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the State. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The State may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The above information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the State believes to be reliable, but the State takes no responsibility for the completeness or the accuracy thereof, 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 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 the 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 Participants will serve and act in the manner described in this Official Statement.

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

TAX MATTERS

The Tax-Exempt Bonds

General. In the opinion of Dorsey & Whitney LLP, bond counsel, based on present federal and Minnesota laws, regulations, rulings and decisions, and assuming compliance with certain covenants described below, the interest to be paid on the Tax-Exempt Bonds 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; is includable in the income of corporations and financial institutions for purposes of the Minnesota franchise tax; and 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. The interest to be paid on the Tax-Exempt Bonds is not includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax.

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 Tax-Exempt Bonds to become subject to federal and Minnesota income taxation retroactive to the date of issuance of the Tax-Exempt 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 Tax-Exempt Bond proceeds and the facilities and activities financed therewith and certain other matters. The documents authorizing the issuance of the Tax-Exempt 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 Tax-Exempt Bonds. However, no provision is made for redemption of the Tax-Exempt Bonds or for an increase in the interest rate on the Tax-Exempt Bonds in the event that interest on the Tax-Exempt Bonds becomes subject to federal or Minnesota income taxation.

Future Tax Legislation. The exemption of interest to be paid on the Tax-Exempt 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 Tax-Exempt Bonds is subject to federal or Minnesota income taxation, or if federal or Minnesota income tax rates are reduced, the market value of the Tax-Exempt Bonds may be adversely affected.

Premium Bonds. Series 2010A Bonds and Series 2010B Bonds each having a stated maturity in the years 2011 through 2029 inclusive, (the "Premium Bonds") are being issued at a premium to the principal amount payable at maturity. Except in the case of dealers, which are subject to special rules, Bondholders who acquire Premium Bonds must, from time to time, reduce their federal and Minnesota tax bases for the Premium Bonds for purposes of determining gain or loss on the sale or payment of such Premium Bonds. Premium generally is amortized for federal and Minnesota income and franchise tax purposes on the basis of a bondholder's constant yield to maturity or to certain call dates with semiannual compounding. Bondholders who acquire Premium Bonds might recognize taxable gain upon sale of such Premium Bonds, even if such Premium Bonds are sold for an amount equal to or less than their original cost. Amortized premium is not deductible for federal or Minnesota income tax purposes. Bondholders who acquire Premium Bonds should consult their tax advisors concerning the calculation of bond premium and the timing and rate of premium amortization, as well as the state and local tax consequences of owning and selling such Premium Bonds.

Collateral Tax Matters. The following tax provisions also may be applicable to the Tax-Exempt 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 Tax-Exempt Bonds in determining the taxability of such benefits;

(2) passive investment income, including interest on the Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt 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 Tax-Exempt Bonds for this purpose even though not directly traceable to the purchase of the Tax-Exempt Bonds;

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

(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 Tax-Exempt Bonds within the meaning of Section 265(b) of the Code, except to the extent permitted under section 265(b)(7) of the Code, as limited by sections 265(a)(2) and 291 of the Code; and

(8) because of the Code's basis reduction rules for amortizable bond premium, Bondholders who acquire Premium Bonds might recognize taxable gain upon sale of such Premium Bonds, even if such Premium Bonds are sold for an amount equal to or less than their original cost.

The foregoing is not intended to be an exhaustive discussion of collateral tax consequences arising from ownership, disposition, or receipt of interest on the Tax-Exempt 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.

The Taxable Bonds

The interest to be paid on the Series 2010C Bonds is includable in gross income of owners thereof for federal income tax purposes, in taxable net income of individuals, trusts and estates for Minnesota income tax purposes, and in the income of corporations and financial institutions for purposes of the Minnesota franchise tax. No other opinion has been obtained or is given regarding the federal, state or local tax consequences of the purchase, ownership, retirement or disposition of the Series 2010C Bonds. Prospective purchasers or bondholders should consult with their tax advisers concerning such tax issues, including, without limitation, the treatment of interest in jurisdictions other than the Minnesota, the calculation and timing of inclusion of interest in income, the tax consequences of dispositions of the Series 2010C Bonds at a gain or loss and the determination of the amount thereof, rules applicable if the Series 2010C Bonds are acquired at a premium or discount from their face amount (including without limitation the possible treatment of accrued market discount as ordinary income, deferral of certain interest deductions attributable to indebtedness incurred or continued to purchase or hold the Series 2010C Bonds, and the amortization of market premium). Interest payments and proceeds of the sale, exchange, redemption or retirement of the Series 2010C Bonds are expected to be reported to the Internal Revenue Service to the extent required by law. A backup withholding tax might apply to payments to bondholders under circumstances described in section 3406 of the Code, including without limitation failure of the bondholder to provide the bondholder's tax identification number or certain other information. Payments to bondholders who are not U.S. residents or who are foreign entities might also be subject to tax withholding in certain circumstances.

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 of interest on the Tax-Exempt Bonds. The forms of legal opinions to be issued by Dorsey & Whitney LLP with respect to the Bonds are set forth in Appendix H.

FINANCIAL INFORMATION

General financial information relating to the State is set forth in the Official Statement, Appendices A through F, and is a part of this Official Statement. The State's most recent audited financial statements are included as Appendix F.

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 20 to the State Financial Statements for the Fiscal Year Ended June 30, 2009, set forth in Appendix F and additional actions, if any, discussed in the paragraphs below, no pending actions are likely to have a material adverse effect in excess of $15 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 20 that occurred and are subsequent to the date of the financial statements contained in Appendix F, and a description of additional actions that have been initiated against the State since the date of the financial statements contained in Appendix F and are material for purposes of this Official Statement.

1. *35W Bridge Collapse.* The State's claim against the company which had performed inspections and analysis of the bridge has been settled for $5 million.

2. *ACS State and Local Solutions, Inc. v. State of Minnesota, through its Commissioner of the Department of Human Services*. The court's scheduling order sets the case on for a three-week trial beginning March 14, 2010.

3. *Brayton, et al. v. Pawlenty, et al.* On December 30, 2009, the district court granted Plaintiffs' motion for a temporary restraining order with respect to the unallotment of $5.33 million in funding this biennium for the Minnesota Supplemental Aid-Special Diet Program. The district court concluded the unallotment does not comport with Minnesota Statutes, Section 16A.152. Judgment was entered against the State on January 8, 2010. On January 12, 2010, the State filed an appeal. On May 5, 2010, the Minnesota Supreme Court affirmed the district court's conclusion that the unallotment of the Minnesota Supplemental Aid-Special Diet Program funds was unlawful and void.

4. *Eminent Domain Actions.* The Department of Transportation has agreed to acquire properties for the Metropolitan Council's Central Corridor light rail transit project. This project is likely to involve eminent domain actions. In the aggregate, the potential cost to the State for property which has been, or will be, acquired exceeds $15 million. Liability arising out of decisions unfavorable to the State may impact funding to be provided to the Department of Transportation by the Metropolitan Council.

5. *The Home Insurance Company v. Special Compensation Fund, and Minnesota Department of Labor and Industry (Ramsey County District Court).* The Home Insurance Company ("Home") seeks a declaration that it is entitled to reimbursement from the Special Compensation Fund for certain workers'

compensation payments Home has made. Home, which is in liquidation, seeks the reimbursement to which it claims it is entitled under the State's workers' compensation scheme, and without recourse to the General Fund. Defendants Minnesota Department of Labor and Industry and Special Compensation Fund have denied Home's requests for reimbursement, raising various statutory defenses and that Home is not entitled to reimbursement under the law. Home claims it is entitled to $21 million in past and future reimbursements. Plaintiffs ask for reimbursement from the workers compensation Special Compensation Fund. Summary judgment motions of both parties were heard in May 2010. Defendants asked to have Plaintiffs' complaint dismissed. The district court granted partial summary judgment in favor of the plaintiff in the amount of $7,265,246, and denied summary judgment as premature as to future payments on qualifying claims. The State is considering options, including appeal.

6. *McLane Minnesota, Inc. v. Commissioner of Revenue.* McLane did not file a petition for certiorari to the U.S. Supreme Court.

7. *Merrill Lynch Pierce Fenner & Smith, Inc. v. Commissioner of Revenue*. Merrill Lynch settled by paying the Department of Revenue $2.6 million and agreeing its claims for 1992-94 were untimely.

8. *Minnesota Energy Resources Corp. (MERC) v. Commissioner of Revenue.* MERC filed a new appeal in Minnesota Tax Court for its 2009 tax assessment. A new rule governs calculation for the tax year 2009. MERC's appeal of the 2009 tax assessment involves about the same amount of taxable property as the 2008 tax assessment. Discovery is ongoing.

9. *Swanson, et al. v. State, Public Employees Retirement Association, Minnesota State Retirement System, Teachers Retirement Association (PERA, MSRS,TRA), et al, (Ramsey County District Court).* A class action lawsuit was filed in May 2010, against the State's pension funds. Plaintiffs are challenging 2009 and 2010 legislative changes made to the annual cost of living adjustment for pension benefits. Plaintiffs seek a judicial determination that the legislation violates the contract clause of both the state and federal constitution; that the legislation violates the taking clause of the federal constitution, that the legislation is arbitrary and capricious and violates substantive due process, and that the named individual defendants violated 42 USC.

10. *Union Pacific Railroad Co. & Soo Line Railroad Co. v. Salomone, et al.* On February 5, 2010 the Federal District Court ordered an amended judgment granting declaratory and injunctive relief to the plaintiff railroads in accordance with the 8th Circuit's reversal of his order. A further appeal will not be filed, as the merits of this matter were decided by the 8th Circuit's 2007 ruling.

11. *Jensen, et al. v. METO, et al. (U.S District Court).* Parents/guardians of several patients/former patients of the Minnesota Extended Treatment Options ("METO") program allege violations of various state and federal constitutional and statutory rights because of alleged misuse of restraints and seclusion of people committed in part because of developmental disabilities and seek class action status, money damages and injunctive relief.

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) as currently in effect; and, for this purpose, to provide to the Municipal Securities Rulemaking Board 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 G. In the previous five years, the Commissioner has not failed to comply in any material respect with any written continuing disclosure undertaking with respect to any bonds for which the State is an obligated person.

FINANCIAL ADVISOR

Public Resources Advisory Group, New York, New York, is serving as Financial Advisor to the State in connection with the issuance of the Bonds. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities. The Financial Advisor is not obligated to undertake to make an independent verification of, or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement.

UNDERWRITING

The Commissioner acting on behalf of the State has sold the Series 2010A Bonds at public sale to RBC Capital Markets as Underwriters, for a price of $723,412,181.30 , with the Series 2010A Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2010B Bonds at public sale to Piper Jaffray & Co. as Underwriters, for a price of $248,185,800.00 , with the Series 2010B Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

The Commissioner acting on behalf of the State has sold the Series 2010C Bonds at public sale to Morgan Keegan & Co., Inc. as Underwriters, for a price of $5,266,400.00, with the Series 2010C Bonds to bear interest at the rates set forth on the inside front cover page of this Official Statement.

RATINGS

The Bonds described herein have been rated "AAA" by Fitch Ratings, "Aa1" by Moody's Investors Service Inc. and "AAA" by Standard and Poor's Ratings Group. The ratings reflect only the views of these services. 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.

Tom J. Hanson
Commissioner of Management and Budget
State of Minnesota

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APPENDIX A

State Government and Fiscal Administration

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, and Secretary of State are popularly elected to four year terms. There are 18 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 Department of Finance was created in 1973. On June 1, 2008, the Department of Finance completed a merger with the Department of Employee Relations, resulting in the Commissioner assuming many of the duties related to human resource management, employee insurance and collective bargaining on behalf of the State as an employer. After the merger, the Department was renamed the Department of Minnesota Management and Budget.

The Legislative Branch is composed of a Senate and a House of Representatives. There are 67 senators who serve 4 year terms and there are 134 house members that 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 below. 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 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, including certificates of participation.
- 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.
- To receive and account for all moneys paid into the State treasury properly disbursed or invested.
- Negotiation and administration of bargaining agreements and compensation plans.
- Development and management of employee, retiree and dependent insurance benefits.

Accounting System

State law requires the Commissioner 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 law requires the Commissioner 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.

On July 1, 2009 the Commissioner was authorized to acquire a new statewide accounting and procurement system. A request for proposal process has been completed, proposals have been evaluated, and the Commissioner has made a software selection and finalized a contract with a system implementation vendor. A two year implementation period is underway with the new system expected to go live on July 1, 2011, the beginning of fiscal year 2012.

Financial Reporting

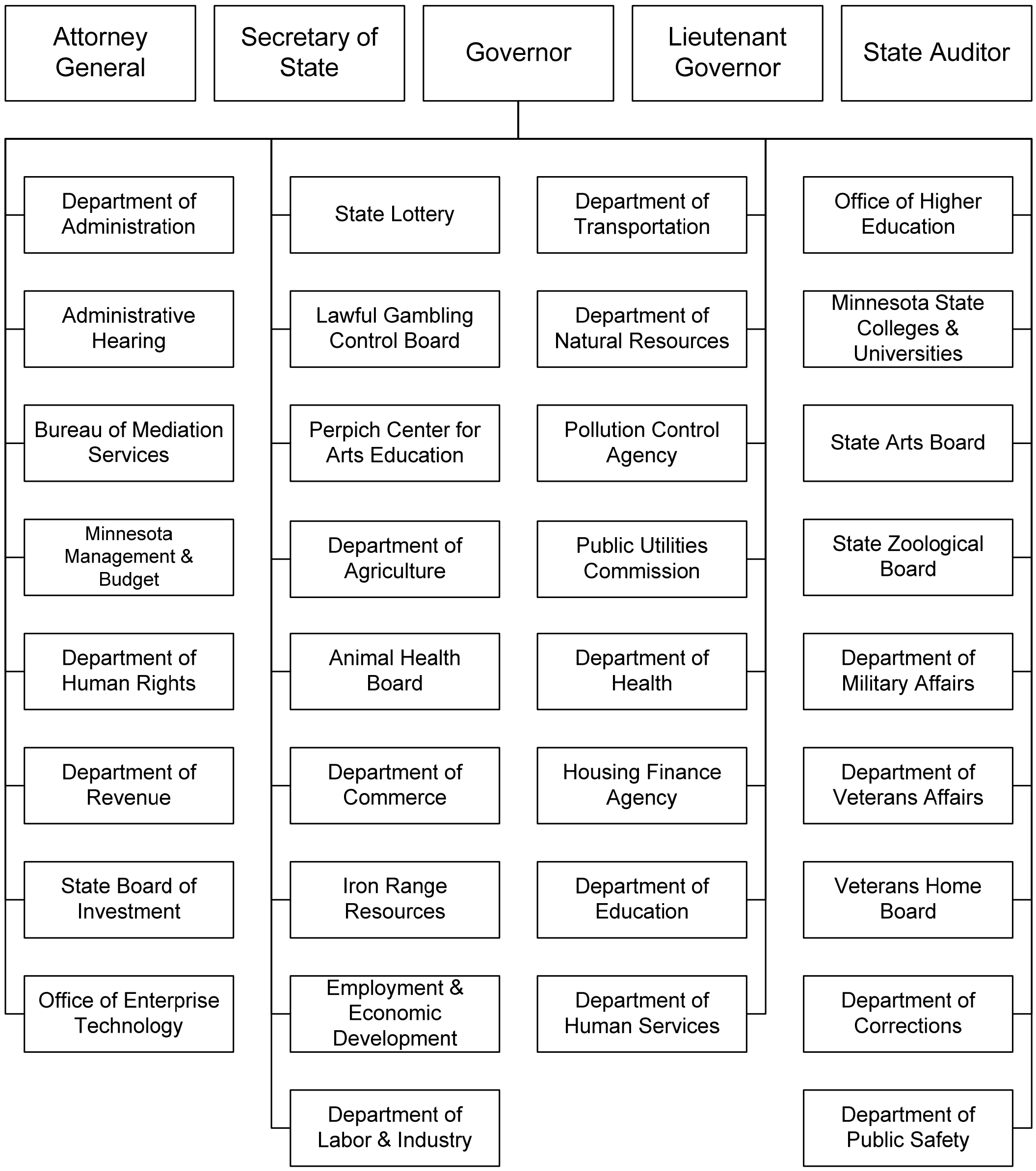
State law requires the Commissioner to prepare a comprehensive financial report for each fiscal year of the State in conformance with generally accepted accounting principles by the December 31 following the end of the fiscal year. These reports are audited by the Legislative Auditor. The Legislative Auditor's opinion and the 2009 basic financial statements are presented in Appendix F, and general long-term debt unaudited schedules are presented in Appendix C.

Investments

The State Board of Investment, comprised of four 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.

STATE ORGANIZATION CHART



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 has a total of 16 bargaining units for State employees which includes three faculty bargaining units negotiated and maintained by the Minnesota State Colleges and Universities System. Each odd-numbered year, the State Department of MMB negotiates the terms and conditions of employment with the seven exclusive representatives for employees covered by one of the 13 non-faculty labor agreements for executive branch State employees. The Department also develops two compensation plans for employees not represented by a bargaining unit. All contracts and compensation plans are subject to review and approval by the Legislature.

The State currently has agreements with all of the sixteen units, AFSCME (7 units-craft, service, health care non-professional, clerical, technical, correctional officers and radio communications operators), MAPE, MMA, MGEC, MLEA, SRSEA, MNA, IFO, MSCF and MSUAF for the Current Biennium which expires on June 30, 2011.

Following is a summary that shows the number of employees assigned to State bargaining units.

INFORMATION ON STATE BARGAINING UNITS

UNIT Union or Association	Employees as of April 2010
AFSCME (7 bargaining units)	17,761
MN Association of Professional Employees (MAPE)	12,603
Middle Management Association (MMA)	2,872
MN Government Engineers Council (MGEC)	974
MN Nurses Association (MNA)	751
MN Law Enforcement Association (MLEA)	742
State Residential Schools Education Association (SRSEA)	190
State College Faculty Association (MSCF)	5,514
State University Interfaculty Organization (IFO)	3,861
State University Admin and Service Faculty (MSUAF)	748
Total Represented Employees	46,016
Total State Employment	52,790
Percent of All Executive Branch Employees Unionized	87%

APPENDIX B

State Finances

APPENDIX B

Table of contents

This Official Statement contains forecasts, projections, and estimates that are based on current expectations but are not intended as representations of fact or guarantees of results. If and when included in this Official Statement, the words "expects," "forecasts," "projects," "intends," "anticipates," "estimates," and analogous expressions are intended to identify forward-looking statements as defined in the Securities Act of 1933, as amended, and any such statements inherently are subject to a variety of risks and uncertainties, which could cause actual results to differ materially from those contemplated in such forward-looking statements. These forward-looking statements speak only as of the date of this Official Statement. The State disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statement contained herein to reflect any change in the State's expectations with regard thereto or any change in events, conditions, or circumstances on which any such statement is based.

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STATE FINANCES

FINANCIAL STATEMENTS

The basic financial statements for the State for the fiscal year ended June 30, 2009 are included herein as Appendix F. These financial statements provide financial information for the State's general fund, as defined by generally accepted accounting principles, as set forth in the audited financial statements included in Appendix F and other major funds; for all other funds, such information is combined into non-major governmental and non-major enterprise funds, which includes the Debt Service Fund. These financial statements have been examined by the Legislative Auditor, independent auditor for the State to the extent indicated in his report included in Appendix F. 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 Appendix F in reliance upon the report of the Legislative Auditor. Revenues and expenditures on a budgetary basis for the twelve-month period ending June 30, 2010 and comparative data for the same period ending June 30, 2009 are summarized on page B-6.

Past and Future Financial Reports

The State's Comprehensive Annual Financial Reports, including information by individual fund for Fiscal Year 2009 and prior years are available at www.mmb.state.mn.us. Financial statements for the fiscal year ending June 30, 2010 are expected to be available by December 31, 2010.

FINANCIAL INFORMATION

Budgeting Process

Major operating budget appropriations for each biennium are enacted during the final legislative session of the immediately preceding biennium (i.e. in odd-numbered calendar years). Supplemental appropriations and changes in revenue and expenditure measures are usually adopted during legislative sessions in even-numbered calendar years.

The Minnesota constitution limits the number of days that the Minnesota legislature (the "Legislature") may meet to a maximum of 120 days during a biennium. The number of days may be split between the two years in a biennium, provided that the Legislature may not meet in a regular session after the first Monday following the third Saturday in May of any year. The regular sessions of the Legislature are scheduled for and occur between January 2 and the first Monday following the third Saturday in May of each year.

Revenue and expenditure forecasts are performed in February and November of each calendar year. See "Revenue and Expenditure Forecasting" later in this appendix. Forecasts are performed for the biennium during which the forecasts are made and for next succeeding biennium. Based upon the results of these forecasts, the Governor may recommend revenue and expenditure changes that are then recommended to the Legislature. In addition, the Legislature may, also based on these forecasts, approve budget changes.

The February and November forecasts for the biennium during which the forecasts are made are used to evaluate if the State is on track to finish that biennium with a balanced budget, and may be used by the Governor and the Legislature to fine-tune the budget for that biennium.

The November forecast in even-numbered years for the next succeeding biennium becomes the basis for the Governor's budget recommendations for that biennium. All subsequent February and November forecasts for that biennium supplement and fine-tune the original even-numbered year November forecast with more current data, and the Governor may use these forecasts to submit modifications to the budget that was developed from the original even-numbered year November forecast.

General Fund

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

Revenues, expenditures, transfers and fund balance information in budgetary fund statements may differ from those in the State's GAAP based Comprehensive Annual Financial Report ("CAFR") (see Appendix F). The primary difference is the recognition of accruals, reimbursements, deferred revenue, intrafund transactions and the budgetary basis of accounting for encumbrances. In the modified accrual basis used in the CAFR, expenditures are recognized when goods or services are received regardless of the year encumbered. In budgetary fund statements, encumbrances are recognized as expenditures in the year encumbered. The budgetary fund statements do not represent the State's official financial report but rather are prepared as a supplement to the budget documents.

Cash Flow Account

The cash flow account (the "Cash Flow Account") was established in the General Fund for the purpose of providing sufficient cash balances to cover monthly revenue and expenditure imbalances. The amount and use of funds in the Cash Flow Account is governed by statute.

Budget Reserve Account

A budget reserve account (the "Budget Reserve Account") was established in the General Fund, as a special account (separate from the Cash Flow Account) that serves as a savings account to be used to offset budget shortfalls during economic downturns. Funds in the Budget Reserve Account may be spent in the event that projected general fund receipts will be less than forecast, and the amount of resources available for the remainder of the biennium will be less than needed to cover authorized spending. Funds in the Budget Reserve Account may be used, after consultation with the Legislative Advisory Commission, to the extent needed to balance expenditures with revenues. The amount and use of funds from the Budget Reserve Account and its replenishment are governed by statute.

Control Procedures

Dollar Control: Expenditures in excess of legislative appropriations are prohibited by law. In order to prevent spending in excess of appropriations, MMB 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 is designed to prevent 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, MMB 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: MMB 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: MMB 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.

Balanced Budget

Minnesota's Constitution prohibits borrowing for operating purposes beyond the end of a biennium. Options for dealing with a projected deficit are provided for in statute. Borrowing for cash flow purposes within a biennium is allowed; however, revenues for the entire biennium plus any balances carried forward from the previous biennium must be greater than or equal to expenditures for the entire biennium.

If a forecast shows a shortfall for the General Fund for the then existing biennium, the Commissioner shall use funds in and reduce the Budget Reserve Account as needed to balance revenues with expenditures. If there are not enough funds in the Budget Reserve Account to balance the General Fund in the current biennium, the Commissioner, with the consent of the Governor and after consulting with the Legislative Advisory Commission may also reduce outstanding appropriations, commonly referred to as "unalloting."

If a forecast shows a shortfall for the General Fund for the next succeeding biennium, the Governor's budget recommendations must propose revenue and/or expenditure changes in order for the budget for that biennium to be in balance at the end of that biennium.

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 MMB by the Economic Analysis Division. Expenditure forecasts for the State are prepared by MMB 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, forecasts are updated periodically through the biennium. Based on each revenue and expenditure reforecast, MMB 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 and mandates 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 baseline economic forecast which the State Economist uses in preparing the State revenue and expenditure forecast is provided by IHS Global Insight, Inc. ("IHS GII") of Lexington, Massachusetts. IHS GII furnishes a monthly forecast of economic growth and individual incomes across all segments of the national economy.

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

Forecasts of individual income tax receipts are based on IHS GII forecasts of national production, employment, and corresponding wage and salary earnings, by industrial sector. The IHS GII forecasts are then entered into an economic model of Minnesota maintained by MMB. State forecasts of employment by major industry sector as well as wage and aggregate earnings are obtained from this model. Aggregate annual earnings are used, in turn, to forecast calendar year tax liabilities through a micro-simulation of the State's individual income tax. 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 have become an increasingly volatile and important share of Minnesota's income tax base. 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 capital gains realizations to move gradually toward an equilibrium rate of realizations instead of adjusting instantaneously to a shock in model variables.

Corporate income tax receipts are forecast using IHS GII'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. This data is 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 aforementioned regression equation the forecast collections are derived from the forecast of the base.

Numerous other revenue sources are forecast, some by MMB 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 2010 baseline forecast from IHS GII, the scenario which IHS GII considered to be the most likely at the time it was made, was used for the February 2010 revenue and expenditure forecast. The forecast growth rates for real and nominal Gross Domestic Product ("GDP") are shown below. IHS GII estimated potential GDP growth at 2.3 percent over the 2008 to 2012 period. The Forecast and Actual growth rates for 2008 through 2012 average 1.5% which is less than potential GDP growth. The gap between forecast GDP and potential is due to the recession which began in December 2007. Inflation, as measured by the implicit price deflator for GDP, is expected to be moderate.

IHS GII FEBRUARY 2010
GROSS DOMESTIC PRODUCT (GDP)
BASELINE FORECAST
(Chained Rates of Growth)

	Calendar Year 2008 Actual %	Calendar Year 2009 Forecast %	Calendar Year 2010 Forecast %	Calendar Year 2011 Forecast %	Calendar Year 2012 Forecast %
REAL GDP Growth Rate	0.4	-2.4	3.0	2.8	3.7
GDP DEFLATOR (Inflation)	2.1	1.2	1.1	1.5	1.5
NOMINAL GDP Growth Rate	0.4	-1.3	4.1	4.4	5.3

A report is published with each forecast and is available at www.mmb.state.mn.us. The November 2010 revenue and expenditure forecast is expected to be released in early December 2010. The November 2010 IHS GII Baseline will in all likelihood be used as the baseline for the next revenue and expenditure forecast.

Economic Update

The July 2010 Economic Update shows General Fund revenues for FY 2010 are estimated to be $99 million or 0.7 percent less than forecast in February 2010.

Individual income tax receipts were the primary source of the shortfall ending the fiscal year $188 million below forecast. The negative variance for the individual income tax was due largely to final settlement of tax year 2009 tax liabilities as individual refunds exceeded projections and final payments, including those accompanying extensions, fell short of February's estimates. The reduction in tax year 2009 estimated liability will carry forward into the future, lowering the base from which income tax forecasts for tax year 2010 and beyond will be made. Withholding tax receipts finished the 2010 fiscal year $15 million above forecast. Net sales tax revenues were $14 million more than forecast and corporate franchise tax receipts exceeded projections by $33 million. Other revenues were $42 million above forecast.

HISTORIC REVENUES AND EXPENDITURES

The following table sets forth the State's General Fund revenues and expenditures for the Fiscal Years ending June 30, 2007 through 2009, and for the additional time periods shown. For the Fiscal Years ended June 30, 2007 through 2009 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, 2009 and June 30, 2010, such revenues and expenditures include only cash receipts and disbursements allocable to such periods, 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 are presented by object of expenditure, the State's historical method of presentation, whereas forecasts of expenditures are presented by function, consistent with generally accepted accounting principles for reporting purposes.

STATE OF MINNESOTA
GENERAL FUND COMPARATIVE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
($ in thousands)
UNAUDITED

	Fiscal Year Ended June 30 (1)			July 1,2008 through June 30 2009 (1)	July 1,2009 through June 30 2010 (1)
	2007	2008	2009		
NET REVENUES:					
Individual Income Taxes	$ 7,412,381	$ 7,932,036	$ 7,162,974	$ 6,988,910	$ 6,499,285
Corporation Income Taxes	1,163,095	1,024,040	727,928	707,599	652,859
Sales Taxes	4,512,957	4,499,400	4,279,055	4,335,481	4,167,801
Property Taxes	665,746	704,246	729,373	715,860	782,247
Motor Vehicle Excise Taxes	368,279	319,599	244,917	247,271	241,954
Other Taxes	1,232,758	1,209,366	1,196,171	1,225,087	1,184,225
Tobacco Settlement	183,911	184,411	179,854	179,854	164,786
Federal Revenues	7,328	-	-	-	-
Licenses and Fees	254,026	254,691	246,755	247,832	247,638
Departmental Services	44,170	47,326	47,503	47,160	45,068
Investment/Interest Income (2)	108,689	95,900	38,385	49,705	12,193
Securities Lending Income (3)	10,063	9,197	940	-	-
All Other Revenues	284,756	320,652	299,463	416,944	414,935
NET REVENUES	$ 16,248,159	$ 16,600,864	$ 15,153,318	$ 15,161,703	$ 14,412,991
EXPENDITURES:					
Current:					
Public Safety and Corrections	$ 540,999	$ 578,464	$ 601,299	$ 599,152	$ 544,784
Transportation	230,195	252,390	237,131	235,646	249,197
Agricultural, Environmental and Energy Resources (4)	177,342	216,220	234,886	222,537	190,831
Economic and Workforce Development (4) (5)	128,870	203,457	111,869	71,874	61,127
General Education (6) (10)	6,614,672	6,969,053	7,076,624	7,018,831	5,429,412
Higher Education (7)	784,191	870,322	830,789	848,178	844,423
Health and Human Services	4,377,724	4,713,362	4,551,788	4,429,400	4,035,666
General Government (8)	641,915	710,433	692,936	759,965	658,686
Intergovernment Aid (9)	1,489,229	1,511,504	1,435,675	1,433,072	1,562,530
Securities Lending Rebates and Fees (3)	9,956	8,793	568	-	-
Total Current Expenditures	$ 14,995,093	$ 16,033,998	$ 15,773,565	$ 15,618,655	$ 13,576,656
Capital Outlay	4,783	15,587	8,067	-	-
Debt Service	36,059	36,965	32,149	19,071	22,051
TOTAL EXPENDITURES	$ 15,035,935	$ 16,086,550	$ 15,813,781	$ 15,637,726	$ 13,598,707
EXCESS Of REVENUES OVER (UNDER) EXPENDITURES	$ 1,212,224	$ 514,314	$ (660,463)	$ (476,023)	$ 814,284
OTHER FINANCING SOURCES (USES)					
Transfer-In	$ 500,911	$ 443,647	$ 555,696	$ 353,788	$ 122,849
Transfer-Out	(1,271,835)	(1,395,442)	(1,379,167)	(1,363,751)	(1,343,526)
NET OTHER FINANCING SOURCES (USES)	$ (770,924)	$ (951,795)	$ (823,471)	$ (1,009,963)	(1,220,677)
NET CHANGE IN FUND BALANCES	$ 441,300	$ (437,481)	$ (1,483,934)	$ (1,485,986)	$ (406,393)

(1) For fiscal years 2007, 2008 and 2009, the schedule of revenues and expenditures includes all financial activity for the fiscal year, including revenue and expenditure accruals at June 30. For the twelve-month periods ended June 30, 2009 and 2010, only current receipts and disbursements have been included.

(2) For the twelve-month periods ended June 30, 2009 and 2010, Investment/Interest Income does not include changes in the fair market value of investments.

(3) For the twelve-month periods ended June 30, 2009 and 2010, Securities Lending activity is included in Investment/Interest Income.

(4) Beginning in fiscal year 2008, the Department of Commerce financial activity was moved from the Economic and Workforce Development function to the Agricultural, Environmental and Energy Resources function.

(5) During fiscal year 2008, Economic and Workforce Development function spending increased due to grants to businesses and residents of southeastern Minnesota for flooding damage.

(6) During fiscal year 2008, General Education function spending increased due to a two percent increase in the per pupil grant formula, as well as increases in special education and one-time appropriations for school technology and deferred maintenance.

(7) During fiscal year 2008, Higher Education function spending increased due to additional grants to the University of Minnesota.

(8) During fiscal year 2008, General Government function spending increased due to a one-time settlement appropriation for claimants who died or were injured as a result of the I-35W bridge collapse.

(9) Decrease in fiscal year 2009 resulted from decrease in grants to cities and counties.

(10) General Education function spending decreased from the twelve-month period ending June 30, 2009, to the twelve-month period ending June 30, 2010, due to delays in making school aid payments and differences in pupil counts.

BIENNIUM BUDGETS

The biennium that began on July 1, 2007 and ended on June 30, 2009, is referred to herein as the “Previous Biennium.” The biennium that began on July 1, 2009 and will end on June 30, 2011 is referred to herein as the “Current Biennium.” The biennium that will begin on July 1, 2011 and will end on June 30, 2013 is referred to herein as the “Next Biennium”.

Forecast and projected revenues and expenditures are based on the legal requirements contained in Minnesota statutes and session laws as of the time of the forecast and projections.

BUDGET — CURRENT BIENNIUM

November 2008 Forecast

MMB prepared forecasts of General Fund revenues and expenditures for the Current Biennium at the end of November 2008. This forecast was prepared before the actions to balance the budget for the Previous Biennium were taken. The November 2008 Current Biennium forecast of resources, expenditures, and fund balances is detailed below:

CURRENT BIENNIUM
GENERAL FUND
NOVEMBER 2008 FORECAST
($ in millions)

Resources		
Unreserved Balance at June 30, 2009		$79
Non Dedicated Revenues	31,070	
Dedicated Revenues, Transfers In and Other	796	
Total Revenues and Transfers		31,865
Total Resources		31,945
Expenditures		36,713
Projected Unreserved Balance at June 30, 2011		(4,768)
Cash Flow Account	350	
Budget Reserve Account	155	
Total for Statutorily Mandated Accounts		505
Projected Unrestricted Balance at June 30, 2011		$(5,273)

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February 2009 Forecast

MMB prepared revised forecasts of General Fund revenues and expenditures for the Current Biennium at the end of February 2009. The February 2009 Current Biennium forecast of resources, expenditures, and fund balances is detailed below:

CURRENT BIENNIUM
GENERAL FUND
FEBRUARY 2009 FORECAST
($ in millions)

Resources		
Unreserved Balance at June 30, 2009		$586
Non Dedicated Revenues	29,905	
Dedicated Revenues, Transfers In and Other	795	
Total Revenues and Transfers		$30,700
Total Resources		$31,286
Expenditures		$35,506
Projected Unreserved Balance at June 30, 2011		(4,220)
Cash Flow Account	350	
Budget Reserve Account	0	
Total for Statutorily Mandated Accounts		$350
Projected Unrestricted Balance at June 30, 2011		$(4,570)

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CURRENT BIENNIUM
FEBRUARY 2009 FORECAST
CHANGES FROM NOVEMBER 2008 FORECAST
($ in millions)

	Nov 2008 Forecast	Feb 2009 Forecast	Change
Balance Forward From Prior Year	$79	$586	$507
Current Resources:			
Income tax receipts	15,611	14,909	(702)
Corporate tax receipts	1,406	1,175	(229)
Sales tax receipts	8,687	8,485	(202)
Motor vehicle sales tax receipts	98	92	(6)
Statewide property tax receipts	1,559	1,551	(8)
Other taxes	2,228	2,263	35
Miscellaneous non-tax revenues, transfers	2,277	2,225	(52)
Total Current Resources	$31,866	$30,700	$(1,166)
Total Resources	$31,945	$31,286	$(658)
Expenditures:			
K-12 Education	13,903	13,894	(9)
Higher Education	3,158	3,157	(1)
Property Tax Aids & Credits	3,419	3,435	16
Health & Human Services	11,407	10,192	(1,214)
Public Safety	1,697	1,697	0
All Other spending	3,129	3,131	2
Total Spending	$36,713	$35,506	$(1,207)
Cash Flow Account	350	350	0
Budget Reserve	155	0	(155)
Projected balance at June 30, 2011	$(5,273)	$(4,570)	$703

The shortfall for the Current Biennium was projected to be $4.570 billion. This was an improvement of $703 million from the $5.273 billion shortfall projected in November 2008. However, the improvement was largely due to the projected balance in FY 2009 that carried forward into the Current Biennium. A reduction in health and human services spending of $1.359 billion due to the federal stimulus bill was almost completely offset by other underlying forecast changes.

Forecast General Fund revenues were expected to be $1.166 billion less than projected in November 2008. The forecasts for all three major taxes were reduced. Forecast spending increased $152 million primarily due to increased caseloads in the health and human services area.

ARRA was signed into law on February 17, 2009 by President Obama. ARRA is a $787 billion package, providing tax relief, fiscal stabilization for states and additional spending for infrastructure and other federal programs. The State is expected to receive a total of $4.6 billion in ARRA funds. Of this amount, $2.6 billion was used to offset General Fund spending in the Current Biennium. The additional $2.0 billion in ARRA funds to be received is for competitive or formula grants for a variety of infrastructure and program categories including transportation and energy projects. The following table shows the effect of the federal stimulus package, which includes both the State Fiscal Stabilization Fund and the enhanced matching funds for the Federal Medical Assistance Program ("FMAP").

The following table shows the anticipated impact of ARRA Stabilization funds as of February 2009.

Impact of ARRA Stabilization Funds and FMAP Funds

($ in millions)

	FY 2009	FY 2010	FY 2011	Total
K-12 Education	$0	$500	$0	$500
Higher Education:				
University of MN	15	74	0	89
MNSCU	15	64	0	79
Health & Human Services:				
Medical Assistance	464	862	497	1,822
Other Human Services	0	110	0	110
Corrections	0	38	0	38
Total – Federal Stimulus	**$494**	**$1,648**	**$497**	**$2,639**

2009 Legislative Session

During the 2009 legislative session, the Legislature enacted a number of revenue and appropriations measures in the General Fund and non-general funds for the Current Biennium.

The 2009 legislative session ended on the constitutional deadline of May 18, 2009 without balancing the budget for the Current Biennium.

The end of 2009 legislative session estimates of resources, expenditures, and fund balances are detailed below.

CURRENT BIENNIUM
GENERAL FUND
END OF 2009 LEGISLATIVE SESSION
($ in millions)

Resources		
Unreserved Balance at June 30, 2009		$538
Non-Dedicated Revenues	30,101	
Dedicated Revenues, Transfers In and Out	824	
Total Revenues and Transfers		30,925
Total Resources		$31,463
Expenditures		$33,789
Projected Unreserved Balance at June 30, 2011		($2,326)
Cash Flow Account	350	
Budget Reserve Account	0	
Total for Statutorily Mandated Accounts		$350
Projected Unrestricted Balance at June 30, 2011		($2,676)

Revenues in the Enacted Budget

The approved budget reflects little change in General Fund revenues from the February 2009 forecast for the Current Biennium. The legislature proposed tax increases and fee adjustments that would increase revenues by $1 billion. The Governor and Legislature failed to agree on an omnibus tax bill, resulting in a gubernatorial veto. Without these proposed changes, forecast revenues for the biennium increased by $225 million from forecast levels, primarily reflecting increases in non-tax revenues and transfers.

Giving effect to enacted legislative changes, general fund resources were then expected to total $31.463 billion. Current Biennium revenues, excluding the balance brought forward from the Previous Biennium, were estimated to be $30.925 billion, $1.29 billion less than the Previous Biennium. General fund expenditures after session actions were forecasted to be $33.789 billion, $133 million less than the Previous Biennium. Budgeted revenues and expenditures were expected to leave an estimated General Fund deficit of $ 2.676 billion, including a Cash Flow Account of $350 million.

Executive Branch Actions to Balance Budget

Since the Current Biennium budget was not balanced at the end of the 2009 legislative session, the Governor announced that he would direct the Commissioner to use his statutory powers to balance the budget for the Current Biennium.

On June 16, 2009, the Commissioner submitted to the Governor a preliminary proposal of unallotment and administrative actions that could be used to balance the Current Biennium budget. On June 18, the Commissioner convened the Legislative Advisory Commission to consult on potential unallotments as required by statute. Following this consultation, the Commissioner issued a revised unallotment and executive branch action plan on June 29. The actions necessary to implement the executive branch action plan were completed on August 7, 2009. Following is a summary of the action plan:

Current Biennium
Summary of Executive Branch Actions
($ in millions)

Current Biennium Shortfall End-of Session Forecast	**($2,676)**	
Unallotments	**$695**	
Local Aids and Credits		300
Health and Human Services		210
Higher Education		100
Agency Operating Budgets		23
Political Contribution Refunds		10
Other Refunds and Payments		51
Deferrals	**$1,771**	
Property Tax Shift		601
Aid Payments Shift		1,170
Administrative Authority	**$211**	
Modified WI Tax Reciprocity		106
Delay Capital Equipment Refunds		63
Delay Corporate Franchise Refunds		42
Total:		**$2,676**

2009 Unallotment Challenges

A request for a Political Contribution Refund for a contribution made on or after July 1, 2009 was submitted to the Department of Revenue, and a putative class action was filed against the State (*Carney v. State)* demanding injunctive relief and refunds of any contributions.

On October 29, 2009, six named plaintiffs who receive Minnesota Supplemental Aid ("MSA") Special Diet funding, three of whom also regularly apply for and receive a renters' property tax refund, challenged unallotment of approximately $5.33 million in funding for the MSA Special Diet program effective November 1, 2009 through June 30, 2011, and the unallotment of approximately $50.8 million for the 2009 renters' property tax refunds, payable starting July 2010, by reducing the portion of the rent used to calculate the 2009 refund from 19% to 15% (*Brayton, et al. v. Pawlenty, et al.*). See "LITIGATION" and "2010 Unallotment Decision" in this Appendix C.

November 2009-February 2010 Forecasts

MMB prepared revised forecasts of General Fund revenues and expenditures for the Current Biennium at the end of November 2009 and at the end of February 2010. The November 2009 forecast projected a $1.203 billion budget deficit. The February 2010 forecast showed a modest improvement with a projected deficit of $994 million. The February 2010 Current Biennium forecast of resources, expenditures, and fund balances is detailed below:

CURRENT BIENNIUM
GENERAL FUND
FEBRUARY 2010 FORECAST
($ in millions)

Resources		
Unreserved Balance at June 30, 2009		$447
Non-Dedicated Revenues	29,323	
Dedicated Revenues, Transfers In and Other	688	
Total Revenues and Transfers		30,011
Total Resources		$30,458
Expenditures		$31,102
Projected Unreserved Balance at June 30, 2011		$(644)
Cash Flow Account	350	
Budget Reserve Account	0	
Total for Statutorily Mandated Accounts		$350
Projected Unrestricted Balance at June 30, 2011		$(994)

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The following table, based on the February 2010 forecast, displays the projected General Fund revenues and expenditures for the Current Biennium. Information is provided by major revenue and expenditure categories based on the February 2010 forecast. This was the last official forecast prepared during the 2010 legislative session.

CURRENT BIENNIUM
FEBRUARY 2010 FORECAST
CHANGES FROM 2009 LEGISLATIVE SESSION AND EXECUTIVE ACTIONS
($ in millions)

	End of Session	Feb 2010 Forecast	Change
Balance Forward From Prior Year	$538	$447	$(91)
Current Resources:			
Income Tax Receipts	14,927	14,052	(874)
Corporate Tax Receipts	1,219	1,400	181
Sales Tax Receipts	8,548	8,536	(12)
Motor Vehicle Sales Tax Receipts	92	105	13
Statewide Property Tax Receipts	1,551	1,522	(29)
Other Taxes	2,409	2,232	(177)
Miscellaneous Non-Tax Revenues, Transfers	2,396	2,164	(232)
Total Current Resources	$31,142	$30,011	$(1,131)
Total Resources	$31,680	$30,458	$(1,222)
Expenditures:			
K-12 Education	$11,633	$11,607	$(26)
Higher Education	2,856	2,858	2
Property Tax Aids & Credits	3,062	3,082	20
Health & Human Services	9,057	9,016	(41)
Public Safety	1,814	1,819	5
All Other Spending	2,908	2,720	(188)
Total Spending	$31,330	$31,102	$(228)
Cash Flow Account	350	350	0
Budget Reserve	0	0	0
Projected Balance at June 30, 2010	$0	$(994)	$(994)

Forecast revenues were expected to be less than at the end of the 2009 legislative session including executive actions. Changes in individual income taxes showed the largest decrease. Corporate income taxes were projected to be slightly higher than estimates at the end of session. All other resources were lower than previous estimates with income tax reciprocity contributing to the decline.

Projected spending for the Current Biennium was $228 million lower than estimates made at the end of the 2009 legislative session. Total spending was projected to be $31.102 billion. K-12 education, health and human services and all other spending were all forecast to be lower than earlier estimates. All other spending included a decrease of $122 million in debt service estimates.

The Cash Flow Account remained at $350 million, and the budget reserve account remained at zero.

2010 Unallotment Decisions

On January 11, 2010 the district court in *Carney v. State* rejected the claim that unallotment for Political Contribution Refund was outside the authority in Minnesota Statutes 16A.152 and granted the State's motion to dismiss. An appeal is pending.

On December 30, 2009, the district court in *Brayton, et al. v. Pawlenty, et al.* granted Plaintiffs' motion for a temporary restraining order with respect to the unallotment of $5.33 million in funding this biennium for the Minnesota Supplemental Aid-Special Diet Program. The district court concluded the unallotment does not comport with Minnesota Statutes, Section 16A.152. On January 12, 2010, the State filed an appeal. On May 5, 2010, the Minnesota Supreme Court affirmed the district court's conclusion that the unallotment of the Minnesota Supplemental Aid-Special Diet Program funds was unlawful and void. See "LITIGATION," "2009 Unallotment Challenges" and "2010 Legislative Sessions" herein.

2010 Legislative Sessions

The 2010 regular legislative session convened February 5, 2010. The Current Biennium deficit was forecast to be $994 million. However this amount, based on the February 2010 forecast, included the Governor's spending reductions achieved through the use of the executive unallotment authority in July 2009. As noted above, the Minnesota Supreme Court ruled in *Brayton, et al. v. Pawlenty, et al.* that the Governor's use of unallotment following the 2009 legislative session exceeded his authority. The effect of this ruling was to void $1.742 billion of K-12 education payment deferrals and $689 million of spending reductions made by the Governor. As a result, the size of the General Fund deficit increased from $994 million to $3.425 billion.

CURRENT BIENNIUM
IMPACT OF COURT DECISION REVERSING UNALLOTMENTS
CHANGES FROM FEBRUARY 2010 FORECAST
($ in millions)

	Feb 2010 Forecast	Updated Court Action	Change
Balance Forward From Prior Year	$447	$447	$0
Current Resources:			
Income Tax Receipts	14,052	14,055	3
Corporate Tax Receipts	1,400	1,400	0
Sales Tax Receipts	8,536	8,536	0
Motor Vehicle Sales Tax Receipts	105	105	0
Statewide Property Tax Receipts	1,522	1,522	0
Other Taxes	2,232	2,232	0
Miscellaneous Non-Tax Revenues, Transfers	2,164	2,154	(10)
Total Current Resources	$30,011	$30,004	$(7)
Total Resources	$30,458	$30,451	$(7)
Expenditures:			
K-12 Education	$11,607	$13,338	$1,731
Higher Education	2,858	2,959	101
Property Tax Aids & Credits	3,082	3,458	376
Health & Human Services	9,016	9,217	201
Public Safety	1,819	1,819	0
All Other Spending	2,720	2,735	15
Total Spending	$31,102	$33,526	$2,424
Cash Flow Account	350	350	0
Budget Reserve	0	0	0
Projected Balance at June 30, 2011	$(994)	$(3,425)	$(2,431)

Legislative action concluded in a one day special session following the end of the regular session. Special Session Chapter 1 provisions eliminated the $3.425 billion deficit, leaving a general fund balance of $5.6 million projected for the end of the Current Biennium. Most of the Governor's $2.4 billion of voided unallotments were ratified and enacted into law. An additional $1 billion of revenue and expenditure changes were adopted to eliminate the remaining deficit.

CURRENT BIENNIUM
2010 LEGISLATIVE SESSIONS
CHANGES FROM FEBRUARY 2010 FORECAST UPDATED FOR COURT DECISIONS
($ in millions)

	Updated Forecast	Enacted	Change
Balance Forward From Prior Year	$447	$447	$0
Current Resources:			
Income Tax Receipts	14,055	14,062	7
Corporate Tax Receipts	1,400	1,431	31
Sales Tax Receipts	8,536	8,647	111
Motor Vehicle Sales Tax Receipts	105	105	0
Statewide Property Tax Receipts	1,522	1,523	1
Other Taxes	2,232	2,258	26
Miscellaneous Non-Tax Revenues, Transfers	2,154	2,512	358
Total Current Resources	$30,004	$30,538	$534
Total Resources	$30,451	$30,985	$534
Expenditures:			
K-12 Education	$13,338	$11,388	$(1,950)
Higher Education	2,959	2,812	(147)
Property Tax Aids & Credits	3,458	2,976	(482)
Health & Human Services	9,217	9,083	(134)
Public Safety	1,819	1,800	(19)
All Other Spending	2,735	2,654	(81)
Total Spending	$33,526	$30,713	$(2,813)
Cash Flow Account	350	266	(84)
Budget Reserve	0	0	0
Projected Balance at June 30, 2010	$(3,425)	$6	$3,431

The end of 2010 legislative session estimates of resources, expenditures, and fund balances is detailed below.

CURRENT BIENNIUM
GENERAL FUND
END OF 2010 LEGISLATIVE SESSIONS
($ in millions)

Resources		
Unreserved Balance at June 30, 2009		$447
Non-Dedicated Revenues	29,624	
Dedicated Revenues, Transfers In and Out	914	
Total Revenues and Transfers		30,538
Total Resources		$30,985
Expenditures		$30,713
Projected Unreserved Balance at June 30, 2011		$272
Cash Flow Account	266	
Budget Reserve Account	0	
Total for Statutorily Mandated Accounts		$266
Projected Unrestricted Balance at June 30, 2011		$6

Resources:

Actions affecting State revenues were limited. Legislatively enacted changes reflect a $534 million increase in general fund resources that included a $357 million increase in transfers from other funds and non-tax revenue sources. There were no significant changes to State taxes; however, $152 million of sales and corporate franchise tax refunds forecast to be paid in FY 2011 is required by law to be delayed until FY 2012.

Expenditures:

Beyond reductions ratifying the $2.4 billion in previously proposed Governor's unallotments, additional spending reductions of $380 million were enacted. Of this amount, $219 million reflected savings in FY 2011 K-12 education payment shifts. Additional reductions to property tax aids and credits and higher education totaled $152 million, and reductions to all other spending areas yielded $18 million.

Reserves:

The General Fund Cash Flow Account was reduced $84 million, from $350 million to $266 million. Statutory provisions remain in place directing that any future forecast General Fund balances must be allocated first to restoring the Cash Flow Account to $350 million and, second, to restoring the Budget Reserve Account to $653 million.

The following table displays a summary of the estimated amounts of revenues and expenditures allocable to the General Fund for the Current Biennium based on the 2010 legislative sessions. Authorized expenditures are presented by function.

CURRENT BIENNIUM
GENERAL FUND- ESTIMATES OF REVENUES AND EXPENDITURES
END OF 2010 LEGISLATIVE SESSIONS
($ in thousands)

	Fiscal Year 2010	Fiscal Year 2011	Current Biennium
Forecast Resources			
Prior Year Ending Balance [1]	$ 446,921	$ 341,961	$ 446,921
Net Non-dedicated Revenues	14,248,077	15,376,019	29,624,096
Dedicated Revenues	34,539	25,686	60,225
Transfers From Other Funds	362,185	417,332	779,517
Prior Year Adjustments	48,866	25,000	73,866
Subtotal Current Resources	$ 14,693,667	$ 15,844,037	$ 30,537,704
Total Revenues Plus Prior Year Ending Balance	$ 15,140,588	$ 16,185,998	$ 30,984,625
Authorized Expenditures & Transfers			
K-12 Education	$ 5,352,432	$ 6,036,003	$ 11,388,435
Higher Education	1,429,139	1,382,416	2,811,555
Property Tax Aids & Credits	1,590,718	1,385,284	2,976,002
Health & Human Services	4,223,143	4,859,393	9,082,536
Public Safety	887,764	912,553	1,800,317
Transportation	98,310	69,598	167,908
Environment, Energy & Natural Resources	180,529	170,530	351,059
Agriculture & Veterans	126,464	119,649	246,113
Economic Development	138,283	127,001	265,284
State Government	318,166	314,880	633,046
Debt Service	429,123	526,160	955,283
Capital Projects	11,100	16,300	27,400
Cancellation Adjustment	(6,000)	(16,493)	(22,493)
Subtotal Expenditures & Transfers	$ 14,779,171	$ 15,903,274	$ 30,682,445
Dedicated Revenue Expenditures	19,456	11,168	30,624
Total Expenditures and Transfers	$ 14,798,627	$ 15,914,442	$ 30,713,069
Balance Before Reserves	341,961	271,556	271,556
Cash Flow Account	266,000	266,000	266,000
Budget Reserve	-	-	-
Budgetary Balance	$ 75,961	$ 5,556	$ 5,556

(1) On a budgetary basis, Fiscal Year 2009 ended with an Unrestricted General Fund balance of $447 million and an Unreserved Accounting General Fund balance of $52 million.

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

CURRENT BIENNIUM
GENERAL FUND- ESTIMATES OF NONDEDICATED REVENUES
END OF 2010 LEGISLATIVE SESSIONS
($ in thousands)

	Fiscal Year 2010	Fiscal Year 2011	Current Biennium
Net Nondedicated Revenues:			
Income Tax - Individual	$ 6,720,020	$ 7,342,060	$ 14,062,080
Income Tax - Corporate	631,300	799,435	1,430,735
Sales Tax	4,154,834	4,491,675	8,646,509
Motor Vehicle Sales Tax	73,515	31,988	105,503
Statewide Property Tax	758,740	764,879	1,523,619
Estate Tax	137,000	140,000	277,000
Liquor, Wine & Beer	75,976	77,613	153,589
Cigarette & Tobacco	179,868	180,043	359,911
Mining	665	3,400	4,065
Mortgage Registry Tax	94,000	67,700	161,700
Deed Transfer Tax	60,100	59,800	119,900
Gross Earnings Taxes	277,350	279,550	556,900
Lawful Gambling Taxes	39,800	39,800	79,600
Medical Assistance Surcharges	225,339	225,011	450,350
Income Tax Reciprocity	66,932	61,932	128,864
Tobacco Settlements	164,786	163,259	328,045
Investment Income	7,700	6,400	14,100
DHS SOS Collections	44,480	51,650	96,130
Lottery Revenue	56,500	59,497	115,997
Departmental Earnings	251,000	247,313	498,313
Fines & Surcharges	95,000	101,000	196,000
All Other Nondedicated Revenue	186,602	207,009	393,611
Tax Compliance	-	26,865	26,865
Tax and Non-Tax Refunds	(53,430)	(51,860)	(105,290)
Total Net Nondedicated Revenues	$ 14,248,077	$ 15,376,019	$ 29,624,096

HISTORICAL AND PROJECTED REVENUE AND EXPENDITURE GROWTH

The following tables display historical and projected General Fund revenue and expenditure growth by year for the General Fund for the Previous Biennium, Current Biennium and Next Biennium. Information is provided by major revenue and expenditure categories based on end of 2010 legislative sessions.

Historical and Projected Revenue Growth

End of 2010 Legislative Sessions

($ in millions)	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009	Estimated FY 2010	Estimated FY 2011	Average Annual
Individual Income Tax	$6,863	$7,231	$7,759	$6,988	$6,720	$7,342	
$ change		368	528	(771)	(268)	622	
% change		**5.4%**	**7.3%**	**-9.9%**	**-3.8%**	**9.3%**	**1.4%**
Sales Tax	4,464	4,506	4,571	4,344	4,155	4,492	
$ change		42	65	(227)	(189)	337	
% change		**0.9%**	**1.4%**	**-5.0%**	**-4.4%**	**8.1%**	**0.1%**
Corporate Tax	1,062	1,171	1,020	708	631	799	
$ change		109	(151)	(312)	(77)	168	
% change		**10.3%**	**-12.9%**	**-30.6%**	**-10.9%**	**26.6%**	**-5.5%**
Statewide Property Tax	631	666	704	729	759	765	
$ change		34	38	25	30	6	
% change		**5.5%**	**5.7%**	**3.6%**	**4.1%**	**0.8%**	**3.9%**
Motor Vehicle Sales	250	247	186	117	74	32	
$ change		(2)	(61)	(69)	(43)	(42)	
% change		**-1.0%**	**-24.7%**	**-37.1%**	**-36.8%**	**-56.8%**	**-33.7%**
Other Tax Revenue	1,380	1,211	1,172	1,164	1,127	1,131	
$ change		(169)	(39)	(8)	(37)	4	
% change		**-12.2%**	**-3.2%**	**-0.7%**	**-3.2%**	**0.4%**	**-3.9%**
Total Tax Revenue	$14,649	$15,032	$15,412	$14,050	$13,466	$14,561	
$ change		383	380	(1,362)	(584)	1,095	
% change		**2.6%**	**2.5%**	**-8.8%**	**-4.2%**	**8.1%**	**-0.1%**
Non-Tax Revenues	861	876	824	762	782	815	
$ change		15	(52)	(62)	20	33	
% change		**1.7%**	**-6.0%**	**-7.5%**	**2.6%**	**4.2%**	**-1.1%**
Dedicated, Transfers, Other	452	471	444	576	446	468	
$ change		19	(27)	132	(130)	22	
% change		**4.1%**	**-5.7%**	**29.7%**	**-22.6%**	**4.9%**	**0.7%**
Total Current Resources	$15,962	$16,379	$16,680	$15,388	$14,694	$15,844	
$ change		417	301	(1,292)	(694)	1,150	
% change		**2.6%**	**1.8%**	**-7.7%**	**-4.5%**	**7.8%**	**-0.1%**

Historical and Projected Spending Growth

End of 2010 Legislative Sessions

($ in millions)	Actual FY 2006	Actual FY 2007	Actual FY 2008	Actual FY 2009	Estimated FY 2010	Estimated FY 2011	Average Annual
K-12 Education	$6,301	$6,438	$6,819	$6,938	$5,352	$6,036	
$ change		138	381	119	(1,586)	684	
% change		**2.2%**	**5.9%**	**1.7%**	**-22.9%**	**12.8%**	**-0.9%**
Higher Education	1,348	1,414	1,563	1,550	1,429	1,382	
$ change		66	149	(13)	(121)	(47)	
% change		**4.9%**	**10.6%**	**-0.8%**	**-7.8%**	**-3.3%**	**0.5%**
Prop. Tax Aids & Credits	1,464	1,559	1,581	1,489	1,591	1,385	
$ change		96	22	(92)	102	(206)	
% change		**6.5%**	**1.4%**	**-5.8%**	**6.9%**	**-12.9%**	**-1.1%**
Health & Human Services	3,910	4,311	4,630	4,460	4,223	4,859	
$ change		401	319	(170)	(237)	636	
% change		**10.3%**	**7.4%**	**-3.7%**	**-5.3%**	**15.1%**	**4.4%**
Public Safety	812	895	909	957	888	913	
$ change		83	14	48	(69)	25	
% change		**10.3%**	**1.6%**	**5.3%**	**-7.2%**	**2.8%**	**2.4%**
Debt Service	352	400	409	453	429	526	
$ change		47	9	44	(24)	97	
% change		**13.4%**	**2.3%**	**10.8%**	**-5.3%**	**22.6%**	**8.3%**
All Other	1,356	931	1,094	1,014	887	813	
$ change		(426)	163	(80)	(127)	(74)	
% change		**-31.4%**	**17.6%**	**-7.3%**	**-12.5%**	**-8.3%**	**-9.7%**
Total Spending	$15,542	$15,947	$17,005	$16,861	$14,799	$15,914	
$ change		405	1,058	(144)	(2,062)	1,115	
% change		**2.6%**	**6.6%**	**-0.8%**	**-12.2%**	**7.5%**	**0.5%**

Effect on Next Biennium

Planning estimates for the Next Biennium, based on the February 2010 forecast, adjusted for legislative action, indicate that there will be a deficit of $5.8 billion, meaning that projected total revenues, excluding any balances carried forward, would be lower than total expenditures.

Of the projected deficit, $1.37 billion reflects required spending to return the school aid payment shift. One-time ARRA State Fiscal Stabilization Fund and Federal Medical Assistance Program funds that offset $2.2 billion of general fund spending in the Current Biennium will not continue into the Next Biennium. Nearly two-thirds of the spending reductions adopted were one-time and will not continue absent legislative action. Ongoing spending reductions are estimated to be $350 million.

While wage and price inflation is included in revenue planning estimates for the Next Biennium, State law prohibits including a general inflation adjustment for projected expenditures. A general inflation adjustment of 2.1 percent in FY 2012 and 1.9 percent in FY 2013, applied to total projected spending, would add $1.2 billion to expenditures for the Next Biennium.

A new administration will submit a new budget for the Next Biennium by February 15, 2011.

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 is set forth below.

Income Tax: The income tax rate schedules for 2010 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 $347. In addition, the State tax code contains a refundable child care credit, a working family credit, and an education credit all targeted at low income parents. A refundable low income motor fuels credit applied for Tax Year 2009, but was repealed effective for tax year 2010.

SINGLE FILER

Taxable Income	Tax
on the first $22,730	5.35 percent
on all over $22,770, but not over $74,780	7.05 percent
on all over $74,780	7.85 percent

MARRIED FILING JOINTLY

Taxable Income	Tax
on the first $33,280	5.35 percent
on all over $33,280 but not over $132,220	7.05 percent
on all over $132,220	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 $28,030	5.35 percent
on all over $28,030 but not over $112,620	7.05 percent
on all over $112,620	7.85 percent

Sales and Use Tax: The sales tax rate of 6.875 percent is applicable to most retail sales of goods with the exception of food, clothing, and drugs. Purchases made by non-profit organizations and the federal government and school districts are exempt. In November 2008, Minnesota voters voted to amend the constitution to raise the sales tax rate beginning on July 1 2009 by 3/8 of 1 percentage point. The proceeds from the incremental increase are dedicated to funds other than the general fund for the purpose of protecting the environment and preserving Minnesota's arts and cultural heritage. The new general statewide rate is 6.875%. The 3/8 of 1 percentage point increment will be in place through 2034.

Statewide Property Tax: A State general property tax is levied on commercial and industrial property, public utility property, unmined iron ore property, and seasonal recreational property, including cabins. Electric generation attached machinery and property located at the Minneapolis-St. Paul International Airport and the St. Paul Airport are exempt from this tax. The tax is levied at a uniform rate across the State. The levy amount is adjusted annually for the increase, if any, in the implicit price deflator for government consumption expenditures and gross investment for state and local governments prepared by the U.S. Bureau of Economic Analysis.

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 in Tax Year 2009 gives an 87% weight to sales, an 6.5% weight to payroll and a 6.5% weight to property. Laws enacted in 2005 called for the weights to be incrementally adjusted each year, so that by 2014 the weight for sales will be 100%. The phase in began in 2007. 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.

Beginning in Tax Year 2002, Minnesota required 80% of federal "bonus depreciation" be added to taxable income and then deducted in five equal parts over the next five years. The effect of this provision is to negate the revenue loss that would otherwise result from federal "bonus depreciation".

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:

1.5% Life insurance
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% Surcharge on homeowners insurance, commercial fire and commercial nonliability insurance premiums.
2.0% Surcharge on fire premiums for property located in cities of the first class.
1.0% Health Maintenance Organizations.

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. For fiscal year 2010, 83.75% of the collections are dedicated to transportation related funds. Under a constitutional amendment adopted by the voters in 2006, all of the collections will be dedicated to transportation related funds beginning in fiscal year 2012.

Liquor, Wine and Fermented Malt Beverages Tax: 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.

A tax of 2.5% is imposed on alcoholic beverages sold at retail; this is in addition to the 6.875% sales tax on alcoholic beverages.

Cigarette and Tobacco Products Tax: 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.

A 75 cents per pack health impact fee is imposed on cigarettes and a health impact fee of 35% is imposed on tobacco products. In lieu of a sales tax on cigarettes, a wholesale tax is imposed at rates, adjusted annually, to yield revenues equivalent to a 6.5% retail sales tax. The initial rate in 2005 was set at 25.5 cents per pack. The rate from 7/31/2009 to 8/1/2010 is 33 cents per pack.

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, under prior federal law.

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 General Fund and three percent to the county in which the property is located.

Deed Tax: A tax of .0033% per $500 or $1.65 for increments less than $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 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.

Taconite and Iron Ore Occupation Tax: The base of the occupation tax is the value of the ore less expenses required to convert it into marketable quality. Beginning in tax year 2006, the rate of the tax was 2.45%. For purposes of the corporate franchise tax apportionment formula, transfers of ore are deemed to be Minnesota sales.

Health Care Provider Tax: A tax is imposed upon licensed nursing homes, hospitals, and health maintenance organizations, including a $2,815 tax per licensed nursing home bed, a 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 General Fund receives no unrestricted federal grants. The only federal funds deposited into the General Fund are to reimburse the State for expenditures on behalf of federal programs.

Tobacco Settlement

On May 8, 1998, the State of Minnesota settled a lawsuit initiated against several tobacco companies. The settlement requires the defendant tobacco companies to make annual payments to the State of between $165 million and $204 million. The payments are to be made at the beginning of the calendar year and are scheduled into perpetuity. These amounts are adjusted based on volume of tobacco products sold and the Consumer Price Index as indicated in the settlement documents.

TRUNK HIGHWAY SYSTEM

The State trunk highway system consists of 11,883 miles of highways, 3,585 bridges over 20 feet long, and 1,049 maintenance, enforcement, service, and administrative buildings at 390 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 over 141,000 miles.

The State trunk highway system is constructed and maintained by the Minnesota Department of Transportation (“MnDOT”). Construction work is contracted to private construction contractors on a competitive basis, while maintenance is performed by MnDOT employees. 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 Trunk Highway Fund (the “Trunk Highway Fund”) to be used solely for trunk highway system purposes and for payment of principal of and interest on trunk highway bonds. Article XIV provides that the payment of principal of 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.” Article XIV also 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 the Highway User Tax Distribution Fund. The Minnesota Constitution requires that 95% of the revenues deposited into the Highway User Tax Distribution Fund be distributed from such 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. Currently these remaining revenues are all distributed to the County State Aid Highway Fund. According to the Minnesota Constitution, no change in the distribution formula may be made within six years of the last previous change. The current distribution formula was established in the 1998 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, 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. The following table shows the motor fuel tax rate changes passed by the 2008 Legislature:

2008 LEGISLATIVE MOTOR FUEL TAX RATE CHANGES
Base Rate: Twenty Cents/Gallon

Fiscal Year	Effective Date	Increase Cents/Gallon	New Effective Rate
2008	Apr-08	2.0	22.0
2009	Aug-08	0.5	22.5
2009	Oct-08	3.0	25.5
2010	Jul-09	1.6	27.1
2011	Jul-10	0.4	27.5
2012	Jul-11	0.5	28.0
2013	Jul-12	0.5	28.5

For some special fuels the rate is different than gasoline and diesel and is based on the equivalent energy content of the fuel compared to gasoline.

Revenue from motor fuels taxes was $723 million to the Highway User Tax Distribution Fund in Fiscal Year 2009, after refunds, collection costs and other transfers (e.g., estimated revenues from taxes paid on non-highway fuel transferred to other State accounts). Of this amount, $426 million was transferred to the Trunk Highway Fund. MnDOT forecasts collections of $823 million, after refunds, in Fiscal Year 2010 to the Highway User Tax Distribution Fund, with a resulting transfer of $472 million to the Trunk Highway Fund.

Motor vehicle registration taxes consist of taxes on passenger vehicles and on trucks. For passenger vehicles the tax is $10 plus 1.25% times a declining percentage of the original value of the vehicle based upon registration year. For vehicles newly registered in 2009 or later, the new statutory schedule is automatically applied, which contains no tax caps. For vehicles previously registered before 2009, the new tax schedule is only applied if the amount calculated is less than the vehicle registration amount paid in the previous year; otherwise the registration amount is equal to the previous year's registration tax. 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 nine years old. Trucks registered at a weight greater than 80,000 pounds pay an additional $50 per ton of registered weight. Motor vehicle registration taxes generated $490 million in Fiscal Year 2009, after refunds and collection costs, of which $289 million was transferred to the Trunk Highway Fund. MnDOT estimates collections to be $521 million in Fiscal Year 2010 to the Highway User Tax Distribution Fund, with a resulting transfer of $302 million to the Trunk Highway Fund.

The State of Minnesota levies a sales tax of 6.5% on motor vehicles ("MVST"). In November 2006, voters approved a constitutional amendment phasing in dedication of all MVST for transportation purposes over five years, starting July 1, 2007 (FY 2008). The 2009 Legislature modified the percent of motor vehicle sales tax distribution for the Current Biennium. The following table shows percent and forecast amount, if available, to each of the recipient funds for this revenue source.

MOTOR VEHICLE SALES TAX DEDICATION
END OF LEGISLATIVE SESSIONS
($ in millions)

	Highway User Tax Distribution Fund		General Fund		Transit Assistance Fund	
Year	**Percent**	**Forecasted Amount**	**Percent**	**Forecasted Amount**	**Percent**	**Forecasted Amount**
2008	38.25%	$196.1*	36.25%	$176.5*	25.50%	$130.7*
2009	44.25%	195.5*	26.25%	116.8*	29.50%	130.3*
2010	47.50%	216.3**	16.25%	73.5**	36.25%	162.6**
2011	54.50%	280.0	6.25%	32.0	39.25%	200.0
2012	60.00%	363.7	0.00%	0	40.00%	242.4
2013	60.00%	366.0	0.00%	0	40.00%	244.0

* Actual

** Preliminary

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

STATE OF MINNESOTA
TRUNK HIGHWAY FUND
ESTIMATED REVENUES AND EXPENDITURES
($ in thousands)

	Fiscal Year Ended June 30, 2010	Fiscal Year Ended June 30, 2011	Biennium
Estimated Resources			
Balance Forward from Prior Year	$ 93,487	$ 16,875	$ 93,487
Revenues			
Federal Grants	$ 507,316	$ 541,900	$1,049,216
Departmental Earnings	10,224	10,253	20,477
Investment Income	2,800	4,600	7,400
Other Income	58,933	58,453	117,386
Total Receipts	$ 579,273	$ 615,206	$1,194,479
Transfers from Other Funds			
General Fund Reimbursement	$ 3,824	$ 3,824	$ 7,648
HUTD Reimbursement	610	610	1,220
Hwy Users Tax Distribution Fund	901,337	958,075	1,859,412
Plant Management Fund	1,304	1,304	2,608
Special Revenue Fund	-	-	-
Total Transfers	$ 907,075	$ 963,813	$1,870,888
Total Resources Available	$ 1,579,835	$ 1,595,894	$3,158,854
Estimated Uses			
Expenditures			
Transportation			
MnDOT	$ 1,403,588	$ 1,296,867	$2,700,455
Public Safety	88,030	87,639	175,669
MMB Contingent Account	200	200	400
Subtotal-Transportation	$ 1,491,818	$ 1,384,706	$2,876,524
State Government			
Tort Claims	600	600	1,200
Subtotal-State Government	$ 600	$ 600	$ 1,200
Total Expenditures	$ 1,492,418	$ 1,385,306	$2,877,724
Transfers to Other Funds			
Debt Service Fund	$ 70,542	$ 96,120	$ 166,662
Total Uses	$ 1,562,960	$ 1,481,426	$3,044,386
Undesignated Fund Balance	$ 16,875	$ 114,468	$ 114,468

The estimated expenditures for State road construction for the Previous Biennium include the use of State funds to advance the federal portion of certain projects under a method generally known as "advance construction."

Federal advance construction is a financing method authorized by the Federal Highway Administration. It allows a state to encumber the necessary funds to begin construction of federal-aid projects before the authorized federal funds are available for those projects. Advance construction uses State trunk highway funds to "advance" federal project construction costs on projects for which federal funds have been authorized but not yet appropriated for the current fiscal year. The Trunk Highway Fund's advances are later repaid during the year in which the funds are appropriated by Congress. The receivable for the advance is recognized in the year the project is encumbered. The appropriated amount of federal aid for a State fiscal year is then reduced by all advance construction conversions in that State fiscal year and increased by all new advance construction in that year.

Beginning in Fiscal Year 2005, transportation projects financed with bond proceeds were segregated into a capital projects fund. This fund accounts for bond proceeds, construction expenditures and program delivery paid with bond proceeds only. The State typically encumbers, and consequently reserves fund balance, for the full contract amount of transportation projects when awarded. However, bond revenues supporting these projects are not recorded until the bonds are sold. Because of the timing of receipts of bond proceeds and related capital expenditures, there may be temporary deficits in unreserved fund balance. Bond funded capital projects are thus accounted for in a new capital projects fund.

Capital Needs of the Trunk Highway System

The State manages the capital maintenance and upgrading of the trunk highway system, in partnership with the Federal Highway Administration. It uses a planning process that includes a statewide transportation plan, updated every six years, and a 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.

See Appendix C for a list of projects to be included in the Series 2010B Bonds.

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The following table shows the most recent legislative bond authorizations for trunk highway improvements. See also the table of "GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED" on page C-2 in Appendix C.

Legislature	Authorizations ($ in millions)	Purpose
2007	$20.0	Highway Flood Damage
2008	1,800.0	Trunk Highway Improvements
2009	40.0	Trunk Highway Interchanges
2009	2.7	Reconstruction and Repair of Trunk Highways and Bridges in Flood Areas
2010	100.1	Trunk Highway Construction and Interchanges
2010	26.4	Trunk Highway Capitol Improvements
Total:	$ 1,989.2	

The table below depicts the commitments for highway construction and related purposes associated with the appropriations made by the Legislature for the Current Biennium. The last item in the table, "Program Delivery," is included to show the anticipated use of bond funds in the Current Biennium for that purpose. Program delivery expenditures will also be made from other portions of MnDOT's budget.

CURRENT BIENNIUM
TRUNK HIGHWAY IMPROVEMENT PROGRAM
ANTICIPATED ENCUMBRANCES
($ in millions)

Improvement Category	Trunk Highway and Federal Funds	Bond Funds	Total
Major Construction [1]	$ 1,178.9	$ 387.4	$ 1,566.3
Safety	102.2	-	102.2
Traffic Management	27.1	-	27.1
Municipal Agreements	25.6	-	25.6
Right of Way	145.2	-	145.2
Miscellaneous Agreement	51.3	-	51.3
Capital Construction and Improvements	-	26.4	26.4
Program Delivery	-	38.7	38.7
Total [2]	$ 1,530.3	$ 452.5	$ 1,982.8

(1) The Major Construction Category includes the following activities: Reconstruction, Bridge Replacement, Bridge Repairs, Reconditioning, Resurfacing, and Road Repair.

(2) The total expenditures, excluding the amount provided by bond funds, consist of $540.4 million of State highway revenues and $989.99 million of federal funds.

CURRENT BIENNIUM
TRUNK HIGHWAY AND TRUNK HIGHWAY BOND FUND
CASH EXPENDITURES FORECAST
($ in millions)

Category	Trunk Highway Fund	Trunk Highway Bond Fund	Total
Major Construction	$ 1,224.7	$ 387.8	$ 1,612.5
Safety	84.2	3.5	87.7
Traffic Management	15.1	.4	15.5
Agreements and Miscellaneous	199.4	-	199.4
Right of Way	59.3	-	59.3
Capital Construction and Improvements	-	18.0	18.0
Program Delivery	-	39.2	39.2
Total	$ 1,582.7	$ 448.9	$ 2,031.6

HISTORIC REVENUES AND EXPENDITURES

The following table sets forth the Trunk Highway Fund revenues and expenditures for the Fiscal Years ending June 30, 2007 through 2009, and for the additional time periods shown. For the Fiscal Years ended June 30, 2007 through 2009 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, 2009 and June 30, 2010, such revenues and expenditures include only cash receipts and disbursements allocable to such periods, 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 table on the following are presented by object of expenditure.

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STATE OF MINNESOTA
TRUNK HIGHWAY FUND
COMPARATIVE STATEMENT OF REVENUES AND EXPENDITURES
($ in thousands)
UNAUDITED

	Fiscal Year Ended June 30 [1]			July 1, 2008 through June 30, 2009[2]	July 1, 2009 through June 30, 2010[2]
	2007	2008	2009		
REVENUES:					
Taxes:[3]					
Motor Fuel	$ 387,617	$ 390,897	$ 449,955	$ 445,421	$ 485,270
Motor Vehicle	301,068	295,375	308,572	302,550	318,022
Motor Vehicle Sales Tax	94,053	115,505	115,150	103,211	113,929
Less: Revenue Refunds	(38,531)	(37,657)	(38,885)	(38,034)	(30,856)
Net Taxes	$ 744,207	$ 764,120	$ 834,791	$ 813,147	$ 886,364
Federal Grant Agreements	$ 543,025	$ 423,724	$ 583,370	$ 592,554	$ 536,110
Drivers License[4]	1,523	1,565	1,825	1,825	-
Penalties & Fines	7,006	6,874	7,535	3,738	4,123
Investment Income	11,517	9,883	8,066	7,891	2,249
Local Government Contracts	16,874	39,822	18,898	27,883	18,574
Other Revenue	29,121	21,579	42,173	44,725	17,896
TH Revenue Refunds	(70)	-	-	-	-
TOTAL REVENUES	$ 1,353,203	$ 1,267,567	$ 1,496,658	$ 1,491,763	$ 1,465,316
EXPENDITURES:					
Personal Services	$ 360,902	$ 381,344	$ 407,975	$ 381,708	$ 395,629
Purchased Services	106,094	89,162	103,285	88,546	81,303
Materials and Supplies	66,914	63,891	88,025	76,123	66,177
Capital Outlay:					
Equipment	30,777	15,076	42,836	31,061	16,250
Capital Outlay & Real Property[5]	798,672	647,776	839,314	305,922	215,784
Grants and Subsidies:					
Individuals	20	10	-	33	15
Counties	135	151	132	67	63
School Districts	-	50	-	-	10
Private Organizations	-	-	-	-	-
Other Grants	2,377	794	846	795	797
All Other	13,280	6,840	27,698	9,290	21,744
TOTAL EXPENDITURES	$ 1,379,171	$ 1,205,094	$ 1,510,111	$ 893,545	$ 797,772
TRANSFERS:					
Debt Service	$ 53,752	$ 52,170	$ 59,542	$ 59,542	$ 70,542
Other Transfers[6]	(15,639)	(34,231)	(18,697)	(5,335)	(9,644)
NET TRANSFERS	$ 38,113	$ 17,939	$ 40,845	$ 54,207	$ 60,898
TOTAL EXPENDITURES AND NET TRANSFERS OUT	$ 1,417,284	$ 1,223,033	$ 1,550,956	$ 947,752	$ 858,670

(1) For Fiscal Years 2007-2009, the schedule of revenues and expenditures includes all revenues and expenditures for the fiscal year, and encumbrances for the Fiscal Year, including accruals at June 30.

(2) For the periods ended June 30, 2009, and June 30, 2010 only current year receipts have been included.

(3) These amounts represent the Trunk Highway Fund portion of the Motor Fuel, Motor Vehicle Registration, and Motor Vehicle Sales Taxes from the Highway User Tax Distribution Fund.

(4) The 2005 Legislature transferred responsibility for revenues and corresponding collection expenses relating to driver's license from the Trunk Highway Fund to the Department of Public Safety Driver's Services Account in the Special Revenue Fund. This legislation required the amounts shown in Fiscal Years 2007-2009 to be transferred to the Trunk Highway Fund in lieu of lost license revenue.

(5) 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. For Fiscal Years 2007-2009, encumbrances have been included in Capital Outlay and Real Property totals.

(6) Net of all transfers in from State General Fund, County State Aid Highway Fund, Plant Management Fund, and Special Revenue Fund.

MINNESOTACARE® PROGRAM

The 1992 Legislature established the MinnesotaCare® program to provide subsidized health care insurance for long term uninsured Minnesotans.

The program is not part of the General Fund. A separate fund, called the Health Care Access Fund, was established as a special revenue fund to account for revenues and expenditures for the MinnesotaCare® program. Program revenues are derived primarily 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 HMOs. The 2008 Legislature created a loan from the Health Care Access Fund to the General Fund in the amount of $50 million. When the Commissioner of Health determines that accumulated savings to State-administered health care programs from enacted health care reform reach $50 million, the Commissioner of Management and Budget must transfer a like amount back from the General Fund to the Health Care Access Fund.

Based on current tax levels, projected activity in the Health Care Access Fund for the Previous Biennium and the Current Biennium are detailed below:

Previous Biennium
MINNESOTACARE®
Health Care Access Fund
($ in Millions)

Resources	
Unreserved Balance at June 30, 2007	$167
Revenues	1,067
Total Resources	1,234
Expenditures	797
Projected Unreserved Balance at June 30, 2009	$437
Transfer to Special/General Fund	157
Projected Unrestricted Balance at June 30, 2009	$280

Current Biennium
MINNESOTACARE®
Health Care Access Fund
($ in Millions)

Resources	
Unreserved Balance at June 30, 2009	$292
Revenues	1,150
Total Resources	1,442
Expenditures	1,034
Projected Unreserved Balance at June 30, 2011	$408
Transfers to General Fund	367
Projected Unrestricted Balance at June 30, 2011	$41

The Health Care Access Fund balance as of June 30, 2011 incorporates the fiscal effects of an early expansion of Medicaid coverage to single adults without children under seventy-five percent of the federal poverty guideline. The federal Patient Protection and Affordable Care Act, Public Law 111-148, and the Health Care and Education Reconciliation Act of 2010, Public Law 111-152 allow Minnesota to receive federal matching funds associated with covering adults without children, a newly-eligible group under the federal health care reform. The Minnesota Legislature and Governor

Pawlenty agreed to a compromise in the 2010 legislative session, which would allow either the current governor or his successor to opt into the early expansion any time prior to January 15, 2011. On June 22, 2010 Governor Pawlenty announced that his administration elected not to participate in the early Medicaid enrollment contained in the new federal health care law. The Governor's decision was required by a new State law enacted during the 2010 legislative session. The health care access fund balance reflects the fiscal impact of an early Medicaid expansion. MinnesotaCare appropriations were reduced in the health care access fund to reflect the movement of qualifying individuals to Medicaid. In addition, those savings were transferred from the health care access fund to the general fund to help cover the additional expenditures associated with the expanded Medicaid population. If no executive action is taken prior to January 15, 2011, the fiscal effects of the early Medicaid expansion will be removed from the health care access fund balance and reflected in the February 2011 forecast.

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CASH FLOW INFORMATION

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

> " *** 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 or 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 General Fund, special revenue funds, internal service funds, enterprise funds and capital projects funds make up the Statutory General Fund. Cash contained in the Statutory General Fund is available for State cash flow purposes.

Major special revenue funds included in the Statutory General Fund include the Petro Tank Release, the State Airports, the Game and Fish, the Workforce Development, the Tobacco Use Prevention, the Workers Compensation, the Environmental Waste and the Northeast Minnesota Economic Development funds.

Internal service funds, enterprise funds and capital project funds included in the Statutory General Fund include the MnSCU, the General Projects, the Risk Management, the Lottery Cash Flow and the State Operated Services Funds.

The end-of-session fund balance estimates anticipated revenues and expenditures resulting from the final enacted budget. Based on current law, the end-of-session revisions represent the State's official forecast of its financial position until new revenue and expenditure forecasts are prepared in November of each year.

While the official State forecast does not change until the November update, continual monitoring of estimated vs. actual revenues and expenditures is required to ensure adequate cash flow. There are 43 funds within the Statutory General Fund. MMB manages short-term intra-fund borrowing within the Statutory General Fund, balancing the cash needs of various programs with actual daily receipts and disbursements.

The State may, subject to certain limitations, issue certificates in anticipation of the collection of taxes levied for and other revenue appropriated to the Statutory General Fund for expenditure during the biennium. Minnesota Statutes, Section 16A.671, authorizes the Commissioner to sell certificates of indebtedness in the following manners:

- advertising for competitive bids;
- negotiating contracts with banks in or out of state to establish lines of credit;
- negotiating contracts with firms of underwriters that will purchase or act as agents in the placement of certificates of indebtedness;
- entering into contracts with banks in or out of state to authenticate, issue, pay principal and interest on, cancel, and otherwise deal as fiscal agents of the State with certificates of indebtedness issued as outlined above; and
- selling certificates of indebtedness to the State Board of Investment without advertising for bids.

The State intends to secure a line of credit in the maximum amount of $600 million in the third quarter of 2010 to increase liquidity and assist in managing the fluctuations of forecasted state receipts and disbursements. Concurrently, the State intends to continue to utilize a variety of administrative tools to manage Statutory General Fund cash flow on a daily basis. Those tools may consist of, and are not limited to, statutorily permitted delays in certain payments to school districts, higher education institutions, and health care providers, as well as delays in remittance of certain corporate and sales tax refunds.

The extent to which the line of credit is actually utilized to meet cash flow needs will be determined by the variance between estimated and actual receipts and the timing of major payments during any given month.

The Legislature reduced the Cash Flow Account from $350 million to $266 million for the Current Biennium in the 2010 legislative sessions.

The State currently has no short-term debt outstanding.

The following tables show the actual monthly Statutory General Fund cash flows for FY 2010 and projections for FY 2011 based on the May 2010 end of session, including the one-day special session.

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STATUTORY GENERAL FUND
MONTHLY CASH FLOW ANALYSIS
FY 2010 ACTUAL
Fiscal Year Ending June 30, 2010
(Dollars in Thousands)

	Jul-09	Aug-09	Sep-09	Oct-09	Nov-09	Dec-09	Jan-10	Feb-10	Mar-10	Apr-10	May-10	Jun-10	TOTAL
BEGINNING CASH BALANCE	$2,475,390	$1,847,504	$1,104,850	$1,048,731	$1,040,168	$ 833,484	$1,055,575	$1,702,971	$1,167,894	$1,139,391	$1,587,694	$1,073,738	
REVENUE													
Individual Income Tax	$ 549,345	$ 460,970	$ 664,245	$ 499,635	$ 435,503	$ 659,249	$ 784,883	$ 103,187	$ 340,944	$ 885,466	$ 458,825	$ 655,971	$ 6,498,223
Sales and Use Taxes	152,923	401,403	347,810	380,547	358,715	307,673	440,092	318,647	254,121	351,773	367,925	573,231	4,254,861
Corporate & Bank Excise	(18,356)	18,996	128,670	28,176	35,517	40,689	5,026	30,002	178,434	39,300	32,457	133,815	652,726
Statewide Property Tax	25,207	-	-	164	2,450	353,663	5,830	59	-	-	-	394,874	782,247
Motor Vehicle Taxes	8,936	11,644	8,389	(2,505)	(1,042)	14,057	(800)	1,544	16,168	13,386	1,854	9,844	81,475
Tobacco Product Taxes	(423)	38,643	1,838	35,202	2,439	15,147	19,641	16,100	(5,472)	20,051	24,169	51,559	218,895
Insurance Taxes	2,204	4,203	75,232	4,442	2,422	77,649	2,538	11,384	87,435	1,280	1,813	72,598	343,199
Other Excise Taxes	125,700	107,378	68,703	138,749	76,824	143,356	150,684	80,674	77,152	137,200	75,663	87,427	1,269,509
Investment Earnings	3,266	2,573	1,873	1,429	1,073	1,058	1,065	992	752	431	708	7,049	22,269
Tobacco Settlement	-	-	-	-	-	-	164,684	-	-	-	-	-	164,684
Inter-governmental Grants	9,196	11,799	15,972	10,951	11,385	11,477	9,434	10,429	9,226	30,020	9,185	30,263	169,338
Other Sources	512,763	474,804	436,685	243,173	371,926	334,457	538,744	309,173	307,879	310,725	324,369	589,178	4,753,876
TOTAL REVENUE	$1,370,762	$1,532,411	$1,749,416	$1,339,964	$1,297,211	$1,958,476	$2,121,821	$ 882,191	$1,266,640	$1,789,631	$1,296,968	$2,605,809	$19,211,302
TOTAL RESOURCES	$3,846,152	$3,379,915	$2,854,266	$2,388,695	$2,337,379	$2,791,960	$3,177,396	$2,585,162	$2,434,534	$2,929,022	$2,884,663	$3,679,547	
EXPENDITURES													
State Payroll	$ 349,900	$ 226,630	$ 237,718	$ 237,030	$ 233,463	$ 331,868	$ 229,114	$ 239,674	$ 231,622	$ 238,136	$ 239,695	$ 223,570	$ 3,018,420
Agency Operations	196,185	135,941	117,578	113,477	104,205	119,146	101,478	97,238	104,244	113,222	103,729	119,590	1,426,032
Aid to School Districts	115,350	790,680	570,535	336,207	115,637	364,260	525,142	511,616	278,713	541,418	914,869	233,307	5,297,734
Aid to Cities	262,891	9,450	71,243	44,442	7,672	292,426	8,992	3,471	6,233	5,310	4,997	5,873	722,999
Aid to Counties	105,805	178,083	33,832	88,807	39,208	197,463	22,388	27,038	42,071	31,157	25,470	12,902	804,223
Aid to Higher Education Institutions	60,438	97,188	144,141	73,504	67,299	88,066	114,310	72,570	8,285	64,002	71,914	115,868	977,583
Aid to Non-Gov't Organizations	32,316	28,882	33,642	22,304	21,864	18,990	27,159	22,774	15,423	23,516	18,120	17,237	282,228
Aid to Special Districts	17,537	(956)	12,482	17,508	13,539	14,641	8,135	12,909	9,207	10,346	8,680	12,679	136,704
Payments to Individuals	565,740	696,003	549,669	348,415	367,777	244,566	355,206	359,562	532,527	235,973	336,551	213,747	4,805,735
Other	292,487	113,165	34,695	66,834	103,232	64,961	82,499	70,416	66,819	78,250	86,900	296,981	1,357,238
Debt Service	-	-	-	-	430,000	-	-	-	-	-	-	-	430,000
TOTAL EXPENDITURES	$1,998,648	$2,275,066	$1,805,535	$1,348,527	$1,503,895	$1,736,386	$1,474,425	$1,417,268	$1,295,144	$1,341,328	$1,810,925	$1,251,752	$19,258,897
ENDING CASH BALANCE	$1,847,504	$1,104,850	$1,048,731	$1,040,168	$ 833,484	$1,055,575	$1,702,971	$1,167,894	$1,139,391	$1,587,694	$1,073,738	$2,427,796	
MINIMUM STATUTORY CASH BALANCE FOR THE MONTH	$1,847,504	$1,078,503	$1,011,771	$ 841,282	$ 833,486	$ 832,079	$1,062,749	$1,154,719	$ 929,987	$ 993,825	$1,017,969	$ 980,781	

STATUTORY GENERAL FUND
MONTHLY CASH FLOW ANALYSIS
END OF 2010 SESSION
Fiscal Year Ending June 30, 2011
(Dollars in Thousands)

	Jul-10	Aug-10	Sep-10	Oct-10	Nov-10	Dec-10	Jan-11	Feb-11	Mar-11	Apr-11	May-11	Jun-11	TOTAL
BEGINNING CASH BALANCE	$ 2,427,796	$ 1,550,844	$ 727,772	$ 385,903	$ 48,370	$ 574,111	$ 157,001	$ 614,551	$ 137,703	$ (196,598)	$ 343,295	$ 576,386	
REVENUE													
Individual Income Tax	$ 460,155	$ 496,564	$ 724,891	$ 472,536	$ 461,360	$ 643,594	$ 841,774	$ 215,179	$ 450,563	$ 1,087,887	$ 527,548	$ 793,780	$ 7,175,830
Corporate & Bank Excise	27,049	15,513	179,443	(8,080)	(29,607)	127,594	34,886	26,743	237,229	48,291	35,619	116,722	811,400
Sales and Use Taxes	157,936	412,624	374,455	400,708	361,016	345,566	441,385	340,833	310,638	369,031	365,544	648,865	4,528,601
Statewide Property Tax	110	-	-	-	302,024	36,921	4,539	-	-	-	-	420,465	764,059
Motor Vehicle Taxes	2,576	2,886	2,718	2,686	2,173	2,409	2,295	1,989	2,541	3,177	3,075	3,461	31,987
Tobacco Product Taxes	3,186	25,433	13,269	15,559	14,609	14,324	15,810	13,970	13,793	13,230	14,148	22,812	180,141
Insurance Taxes	1,858	9,505	71,858	1,920	1,843	77,848	1,041	16,520	88,912	2,134	2,023	79,943	355,404
Other Excise Taxes	133,828	85,895	66,074	129,534	72,541	128,537	137,852	84,815	67,156	135,168	90,410	94,177	1,225,987
Investment Earnings	3,301	531	3,286	668	2,095	1,889	2,053	2,096	1,949	1,874	1,939	1,716	23,397
Tobacco Settlement	-	-	-	-	-	163,159	-	-	-	-	-	-	163,159
Inter-governmental Grants	4,206	8,053	3,573	3,233	4,563	5,257	4,926	2,857	3,467	4,090	2,461	3,313	50,000
Other Sources	508,694	473,385	438,747	321,296	325,478	318,515	551,482	324,083	325,375	453,785	346,514	417,229	4,804,583
TOTAL REVENUE	$ 1,302,899	$ 1,530,388	$ 1,878,313	$ 1,340,059	$ 1,518,094	$ 1,865,614	$ 2,038,044	$ 1,029,083	$ 1,501,624	$ 2,118,666	$ 1,389,280	$ 2,602,483	$ 20,114,546
TOTAL RESOURCES	$ 3,730,695	$ 3,081,232	$ 2,606,085	$ 1,725,962	$ 1,566,464	$ 2,439,725	$ 2,195,045	$ 1,643,635	$ 1,639,326	$ 1,922,068	$ 1,732,574	$ 3,178,869	
EXPENDITURES													
State Payroll	$ 346,680	$ 204,374	$ 236,054	$ 232,612	$ 234,361	$ 350,029	$ 238,812	$ 224,965	$ 241,995	$ 243,664	$ 265,073	$ 233,639	$ 3,052,258
Agency Operations	173,810	153,079	121,729	117,575	124,451	116,196	115,354	104,969	128,036	109,846	126,913	128,798	1,520,755
Aid to School Districts	124,522	1,125,586	992,882	623,422	81,931	351,541	611,136	552,151	667,851	614,311	189,865	70,229	6,005,429
Aid to Cities	222,884	9,222	8,992	85,829	10,590	237,109	12,318	9,061	3,646	2,560	14,297	7,846	624,354
Aid to Counties	173,919	34,487	40,766	95,012	22,077	166,061	49,542	25,857	46,472	19,090	32,300	31,041	736,623
Aid to Higher Education Institutions	61,603	64,178	75,579	54,886	64,547	105,970	81,520	59,054	56,289	54,563	52,690	50,050	780,927
Aid to Non-Gov't Organizations	19,747	28,246	15,531	33,209	19,299	45,551	26,388	23,323	15,273	15,694	18,217	14,828	275,305
Aid to Special Districts	19,184	14,222	24,763	19,410	12,950	20,220	14,371	17,586	18,414	10,585	16,068	18,205	205,980
Payments to Individuals	567,083	606,363	606,242	350,265	335,340	291,372	371,459	413,881	598,361	438,524	343,137	248,886	5,170,914
Other	470,419	113,702	97,645	65,372	86,806	72,516	59,593	75,084	59,587	69,937	97,628	92,448	1,360,736
Debt Service	-	-	-	-	-	526,160	-	-	-	-	-	-	526,160
TOTAL EXPENDITURES	$ 2,179,851	$ 2,353,460	$ 2,220,182	$ 1,677,592	$ 992,352	$ 2,282,724	$ 1,580,494	$ 1,505,932	$ 1,835,924	$ 1,578,773	$ 1,156,188	$ 895,969	$ 20,259,441
ENDING CASH BALANCE	$ 1,550,844	$ 727,772	$ 385,903	$ 48,370	$ 574,111	$ 157,001	$ 614,551	$ 137,703	$ (196,598)	$ 343,295	$ 576,386	$ 2,282,901	
MINIMUM STATUTORY CASH BALANCE FOR THE MONTH	$1,549,596	$727,773	$385,903	$23,443	$8,525	($277,251)	$73,555	$137,704	($387,506)	($396,724)	$145,159	$572,771	

MINNESOTA DEFINED BENEFIT RETIREMENT PLANS AND OTHER POSTEMPLOYMENT BENEFITS

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 appropriations. Estimates of direct General Fund appropriations to these plans for the Current Biennium and Previous Biennium are shown in the table on B-40. Additionally, the table on B-39 presents summary data on the financial condition of the plans. Information in this table 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.

The 2010 legislature passed significant pension legislation into law that increased employee and employer contribution rates, changed post-retirement benefit adjustments, changed interest on refunds, and made other changes to reduce the funding deficiencies of Minnesota's defined benefit plans. Changes were not uniform across all plans.

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 ("MSRS"); State Teachers' Retirement Association ("TRA"); Public Employees' Retirement Association ("PERA"); and the Minneapolis, Duluth, and St. Paul Teachers' Retirement Associations.* For each of these funds, both the employee and employer make a contribution to the plan based on a percentage of the plan member's salary. The contribution percentage is specified in statute.

2. *Local police and fire amortization aid.* This aid program is specified in statute. As originally designed, it funded a State's share of amortizing unfunded liabilities of local police or fire relief associations that were being merged into a centralized fund (PERA). In more recent years, part of the money has been redirected to the Minneapolis, St Paul, and Duluth teacher retirement plans. The State's contribution will remain at the level of the Fiscal Year 1992 appropriation, or less, until St. Paul Teacher's Plan becomes fully funded.

3. *Minneapolis Employees' Retirement Fund ("MERF").* This fund was closed to new members. In July 2008 the MERF Board of Trustees voted to transfer the management of their assets to the Minnesota State Board of Investment. On July 1, 2010, the administration of MERF is transferred to the Public Employees Retirement Fund (PERA). All assets, service credit, benefits liabilities transfer to a separate MERF division account administered by PERA on July 1, 2010. The annual General Fund obligation is specified in statute as: the actuarially determined financial requirements of the MERF account less the employer and employee contribution of 9.75% of covered payroll, less the additional employer contribution of 2.68% of covered payroll, and less $3,900,000. The total State contribution cannot exceed $9,000,000 per year plus $13,750,000 on September 15, 2011, $13,750,000 on September 15, 2012, and $15,000,000 thereafter, until June 30 2031. After June 30, 2012, the annual additional employer supplemental contribution will be a minimum of $27,000,000 and a maximum of $34,000,000.

4. *Legislators' Retirement Plan.* General Fund appropriations are transferred to this account on a current disbursement basis as retirement benefits are paid.

5. *Judges' Retirement Plan.* This plan is funded through employer/employee contributions as a fixed percentage of salary, as defined in statute.

6. *Constitutional Officers' Plan.* General Fund appropriations are transferred to this account on a current disbursements basis as retirement benefits are paid.

Condition of Defined Benefit Pension Plans to Which Minnesota Provides General Fund Resources, June 30, 2009 ($ in millions)[1]

	Current Assets	Accrued Benefit Liability	Funding Ratio	Active Members	Other Members
1. Funds For Which the State Has Custodial Responsibility					
Minnesota State Retirement System:					
— State Employees Fund	$9,030	$10,513	85.90%	48,989	49,465
— Correctional Employees Fund	590	821	71.88%	4,403	3,284
— State Patrol Retirement Fund	584	725	80.58%	876	960
— Judges Retirement Fund	147	242	60.84%	312	305
— Legislators Retirement Fund(2)	28	90	31.70%	48	455
— Elective State Officers Fund(2)	.2	4	5.49%	0	16
Public Employees Retirement Association:					
— Public Employees Fund	13,158	18,799	69.99%	143,353	230,882
— PERA Police & Fire Fund	5,240	6,296	83.22%	11,035	9,553
— Local Correctional Service Fund	218	229	94.85%	3,715	3,594
Teachers Retirement Association	17,882	23,115	77.36%	77,162	85,771
2. Other Funds to Which the State Contributes					
Mpls Employees Retirement Fund	880	1,551	55.88%	174	4,613
Local Police & Fire Associations(3)	633	871	72.68%	170	1595
St. Paul Teachers' Retirement Fund	1050	1,454	72.13%	3940	6,207
Duluth Teachers' Retirement Fund	279	365	76.60%	1,016	2,362

(1) The information provided in this table reflects the condition of all funds as of June 30, 2009 and does not include any provisions passed into law during the 2010 legislative session.

(2) The pre-1997 Legislators and Elective State Officers defined benefit retirement plans are now financed on a pay-as-you-go basis from annual appropriations — there are no separate assets reserved for these plans. Legislators and Elective State Officers first elected after July 1, 1997 are members of the State's defined contribution plan.

(3) Information for local police and fire associations reflects values as of December 21, 2009 for Bloomington Police, Minneapolis Fire and Virginia Fire and December 31, 2008 for Minneapolis Police and Fairmont Police.

Minnesota Retirement Plans
Estimated General Fund Appropriation
May 2010 End of Session Estimates
($ in thousands)

	Previous Biennium	Current Biennium	Next Biennium
State Employees			
Constitutional Officers Retirement	$875	$925	$972
Legislators Retirement Plan[(1)]	4,508	3,826	4,020
City & County Employees			
Minneapolis Employees Retirement Fund[(2)]	17,873	18,000	45,500
Basic Local Police & Fire Association[(3)]	166,984	164,064	177,518
Local Police or Fire Associations Amortization	6,485	7,030	7,030
Public Employees Retirement Association Aid	29,054	28,780	28,780
Volunteer Firefighter Relief	1,180	1,218	1,218
Local School Districts			
Teachers Retirement Association (for Mpls)[(4)]	31,255	30,908	30,908
St. Paul Teachers Retirement Association[(5)]	5,794	5,654	5,654
Duluth Teachers Retirement Association[(5)]	346	692	692
Redistributed P&F Amortization Aid	4,555	1,880	1,880
TOTAL	**$268,909**	**$262,977**	**$304,172**

(1) The payment of pension obligations for pre-1997 legislators was converted from a pre-funded post-retirement system to an annual pay-as-you-go system. All annual pension obligations for members in that plan are paid in full on an annual basis with no changes implemented in member contribution rates or benefit levels.

(2) Effective July 1, 1998, the State contribution is provided on a formula basis and is capped at no more than $9 million per fiscal year. In FY 2012 and 2013 the annual State contribution will increase to $22.75 million and then to $24 million each year thereafter through FY 2031. Any requirements beyond the capped aid are the exclusive obligation of the employer units. At the beginning of FY 2011, MERF will become an administrative division within PERA however the funds will remain separate.

(3) Basic local police and fire pension aid is an open General Fund appropriation based on the dedicated proceeds equivalent to a 2% insurance premium tax on fire insurance.

(4) The Minneapolis Teachers Retirement Fund Association merged with the State Teachers Retirement Association ("TRA") on July 1, 2006. Appropriations to aid the Minneapolis Teacher's Retirement Fund for FY07 and later years will be redirected to the State TRA.

(5) 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.

Recent Pension Legislation and Litigation

- The 2010 pension bill provides numerous financial stability provisions intended to reduce future unfunded liabilities for the Minnesota State Retirement System (MSRS), the Teachers Retirement Association (TRA), the Public Employees Retirement Association (PERA), the St. Paul Teachers Retirement Fund Association (SPTRFA) and the Duluth Teachers Retirement Fund Association (DTRFA). Provisions include a change in future retirement benefit increases for all MSRS, all PERA, TRA, DTRFA and SPTRFA plans. The MSRS State patrol plan, PERA general, the PERA police and fire, TRA, DTRFA and SPTRFA plans also include both employer and employee contribution rate increases. Various other provisions including a change in refund interest rate, change in deferred annuities augmentation rate and increased vesting periods are included for some plans as a means to reduce future unfunded liabilities.

- The legislation provides for the administrative consolidation of the closed Minneapolis Employee Retirement Fund (MERF) and the Public Employees Retirement Association (PERA). MERF assets and liabilities are to remain separate from PERA until fiscal year end market value of assets of the MERF account equals or exceeds 80 percent of the actuarial accrued liability of the MERF account. The legislation also increases the annual State contribution to the MERF account from $9,000,000 annually to $22,750,000 in each FY 2012 and 2013 and $24,000,000 each year thereafter through FY 2031. Beginning in FY 2013 the annual additional employer supplemental contribution will be a minimum of $27,000,000 and a maximum of $34,000,000.

- The 2010 legislature passed into law an early retirement incentive for eligible State employees. The incentive includes up to 24 months of health insurance payments in to a health care savings account for an employee who is granted the incentive. This provision is at the discretion of both the employee's agency and the Commissioner of Management and Budget. This proposal is expected to either have zero cost or generate budgetary savings.

- The 2010 legislation extends the amortization date for MSRS State Employees Fund from 2020 to 2040.

- A class action lawsuit was filed in May 2010, against the State's pension funds challenging 2009 and 2010 legislative changes made to the annual cost of living adjustment for pension benefits. See "Litigation" herein.

Postemployment benefits other than pensions

Postemployment benefits other than pensions are available to certain employees of the State, under terms of their employment contract, upon retirement at age 55. The employees involved are primarily conservation officers, correctional counselors at State correctional facilities, and highway patrol officers. If these employees elect retirement at age 55, the State pays the employer's share of health insurance benefits until the employees reach age 65. As of July 1, 2008, the most recent actuarial valuation, the unfunded actuarial accrued liability was $757 million, and is being amortized over a 30-year amortization period. The estimated annual required contribution for the period ended June 30, 2009 is $74 million.

APPENDIX C

State Debt

Table of Contents

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STATE DEBT

STATE GENERAL OBLIGATION LONG-TERM DEBT
(Unaudited)

The following schedule sets forth by type, all general obligation debt of the State expected to be outstanding as of the date of issuance of the Bonds.

General Obligation Bonds Outstanding
As of the date of issuance of the Bonds
($ in thousands)

Category	Type	Principal Amount	
1	Building	$ 62,740	
	Transportation	191,003	
	Pollution Control	4,660	
	Waste Management	145	
	Refunding Bonds	981,900	
	Infrastructure Development Bonds	102,215	
	Various Purpose	2,675,032	
	Total Category 1		$ 4,017,695
2	School Loan	$ 52,975	
	School Loan Refunding	6,070	
	Municipal Energy Building	60	
	Rural Finance Authority	62,500	
	Total Category 2		$ 121,605
3	Trunk Highway	$ 635,430	
	Total Category 3		$ 635,430
	Total Outstanding August 2, 2010		$ 4,774,730
1,2	Plus Series 2010A Bonds		$ 635,000
3	Plus Series 2010B Bonds		225,000
1	Plus Series 2010C Bonds		5,000
	Total Outstanding as of the Date of the Bonds - Including These Issues		$ 5,639,730

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 Category 1 are payable primarily from money appropriated to the Debt Service Fund from the General Fund, which is supported by income tax, sales tax, and other receipts. The bonds comprising Category 2 are payable to a substantial degree from money appropriated to the Debt Service Fund from special accounts in the 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 Category 3, Trunk Highway Bonds, are payable primarily from the Trunk Highway Fund, which receives 58.9 percent of the net proceeds of the State fuel, motor vehicle registration taxes, and a portion of the motor vehicle sales tax, pursuant to the State Constitution and related statutory distributions.

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED

August 2, 2010

($ in Thousands)

Purpose of Issue	Law Authorizing	Total Authorization [(1)(2)]	Previously Issued	The Bonds	Remaining Authorization
Building	1990,Ch.610	$270,129.1	$270,126.0	$ -	$3.1
Building	1994,Ch.643	523,874.5	523,849.0	-	25.5
Building	X1997, Ch. 2	37,432.0	37,335.0	-	97.0
Building	1999, Ch. 240	439,437.0	438,865.0	-	572.0
Various Purpose	2000, Ch. 492	527,684.6	518,170.0	1,000.0	8,514.6
Various Purpose	X2001, Ch. 12	116,758.7	115,425.0	21.0	1,312.7
Various Purpose	2002, Ch. 374	74,017.0	74,017.0	-	-
Various Purpose	2002, Ch. 393	600,831.8	598,605.0	-	2,226.8
Various Purpose	X2002, Ch. 1	15,273.0	15,055.0	-	218.0
Trunk Highway	X2003, Ch. 19, Art.3	400,191.4	399,990.0	-	201.4
Trunk Highway	X2003, Ch. 19, Art.4	106,026.5	105,700.0	-	326.5
Various Purpose	2005, Ch. 20	941,297.4	905,079.0	15,000.0	21,218.4
Various Purpose	2006, Ch. 258	1,002,855.2	928,975.0	30,000.0	43,880.2
Various Purpose	X2007, Ch. 2	53,971.7	22,845.0	13,000.0	18,126.7
Trunk Highway	X2007, Ch. 2	20,020.0	19,085.0	-	935.0
Trunk Highway	2008, Ch. 152	1,783,300.0	180,975.0	213,000.0	1,389,325.0
Transportation	2008, Ch. 152	60,060.0	37,500.0	15,000.0	7,560.0
Various Purpose	2008, Ch. 179	800,869.3	562,298.0	136,649.0	101,922.3
Various Purpose	2008, Ch. 365	105,500.0	58,400.0	33,330.0	13,770.0
Trunk Highway	2009, Ch. 36	40,000.0	5,000.0	-	35,000.0
Various Purpose	2009, Ch. 93	258,865.0	106,500.0	81,000.0	71,365.0
Trunk Highway	2009, Ch. 93	2,705.0	2,700.0	-	5.0
Various Purpose	2010, Ch. 189 [(3)]	1,074,865.0	-	315,000.0	759,865.0
Trunk Highway	2010, Ch. 189 [(3)]	32,945.0	-	12,000.0	20,945.0
Trunk Highway	2010, Ch. 388	100,100.0	-	-	100,100.0
Totals		$9,389,009.4	$5,926,494.0	$865,000.0	$2,597,515.4

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

[(2)] Minnesota Statutes, Section 16A.642, requires the Commissioner to prepare and present to appropriate legislative committees on or before January 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 Governor vetoed $361,460,000 of appropriations for various purpose capital projects and $6,500,000 for Trunk Highway projects to be funded from Laws 2010, Chapter 189. The Governor will request that the bond authorization be reduced to match the appropriations in the 2011 Legislative Session.

X indicates Special Session Laws.

Total State General Obligation Bonds Outstanding by Series as of August 2, 2010 (not including the Bonds) ($ in thousands)

	Original Principal				Outstanding Principal 06/30/2010		Outstanding Principal 8/02/2010	
Bond Issue	Various Purpose	Trunk Highway	Final Maturity	Interest Rate Range Outstanding	Various Purpose	Trunk Highway	Various Purpose	Trunk Highway
Series Dated November 1, 2000	$ 255,000	$ 30,000	2010	5.50%	$ 14,675	$ 1,500	$ 14,675	$ 1,500
Series Dated October 1, 2001	330,000	25,000	2011	5.00%	32,700	2,500	32,700	2,500
Series Dated October 1, 2001 (Taxable)	4,000	-	2011	5.60%	2,000	-	2,000	-
Series Dated June 1, 2002	277,405	30,000	2021	5.00%	119,300	18,900	105,700	17,325
Series Dated November 1, 2002	267,000	13,000	2022	5.00% - 5.25%	83,550	8,450	83,550	8,450
Series Dated June 1, 2003 (Refunding)	391,680	-	2013	4.00% - 5.00%	80,050	-	50,000	-
Series Dated August 1, 2003	296,645	142,500	2023	5.00%	196,145	99,750	181,445	92,625
Series Dated August 1, 2003 (Refunding)	20,855	-	2012	5.00%	7,545	-	4,995	-
Series Dated August 1, 2004	219,900	80,100	2024	5.00%	162,300	60,075	151,480	56,070
Series Dated November 1, 2004	180,000	40,000	2024	5.00%	131,625	30,000	131,625	30,000
Series Dated November 1, 2004 (Refunding)	171,880	-	2024	5.00%	100,830	-	100,830	-
Series Dated October 3, 2005	285,400	111,600	2025	5.00%	220,820	89,280	220,820	89,280
Series Dated October 3, 2005 (Refunding)	160,960	-	2025	5.00%	108,645	-	108,645	-
Series Dated February 1, 2006 (Taxable)	3,000	-	2013	3.50%	3,000	-	3,000	-
Series Dated August 1, 2006	289,450	55,550	2026	5.00%	220,010	42,200	220,010	42,200
Series Dated November 1, 2006	327,000	73,000	2026	5.00%	266,325	59,320	266,325	59,320
Series Dated August 1, 2006 (Taxable)	3,500	-	2013	5.00%	3,500	-	3,500	-
Series Dated April 25, 2007	264,050	-	2018	5.00%	227,505	-	199,440	-
Series Dated August 14, 2007	656,000	14,000	2027	5.00%	582,230	12,420	545,345	11,630
Series Dated August 14, 2007 (Taxable)	8,000	-	2012	5.00% - 5.25%	8,000	-	4,000	-
Series 2008A August 5, 2008	275,000	-	2028	4.625% - 5.00%	239,050	-	239,050	-
Series 2008B August 5, 2008	-	33,500	2028	3.25% - 5.00%	-	29,070	-	29,070
Series 2008C August 5, 2008 (Refunding)	155,415	-	2019	5.00%	145,450	-	128,465	-
Series 2009A January 29, 2009	325,000	-	2028	3.00% - 5.00%	308,275	-	308,275	-
Series 2009B January 29, 2009	-	70,000	2028	3.00% - 4.375%	-	66,100	-	66,100
Series 2009C January 29, 2009 (Taxable)	5,000	-	2013	3.25%	5,000	-	5,000	-
Series 2009D August 26, 2009	192,275	-	2029	2.00% - 5.00%	192,275	-	182,830	-
Series 2009E August 26, 2009	-	80,000	2029	4.00% - 5.00%	-	80,000	-	76,000
Series 2009F August 26, 2009 (Refunding)	297,750	-	2021	4.00% - 5.00%	297,750	-	295,200	-
Series 2009G August 26, 2009 (Refunding)	-	28,360	2021	2.00% - 5.00%	-	28,360	-	28,360
Series 2009H November 5, 2009	443,000	-	2029	2.00% - 5.00%	443,000	-	443,000	-
Series 2009I November 5, 2009	-	25,000	2029	2.00% - 5.00%	-	25,000	-	25,000
Series 2009J November 5, 2009 (Taxable)	7,000	-	2014	3.125%	7,000	-	7,000	-
Series 2009K November 5, 2009 (Refunding)	100,395	-	2022	2.00% - 5.00%	100,395	-	100,395	-
Totals for Date:					$ 4,308,950	$ 652,925	$ 4,139,300	$ 635,430

The following table shows all debt service payments for outstanding general obligation bonds as of August 2, 2010, not including the Bonds.

DEBT SERVICE PAYMENTS ON GENERAL OBLIGATION BONDS
as of August 2, 2010
($ in thousands)

Fiscal	General Fund			Trunk Highway Fund		
Year	**Principal**	**Interest**	**Total**	**Principal**	**Interest**	**Total**
2011	$ 206,240	$ 151,228	$ 357,468	$ 26,670	$ 22,374	$ 49,044
2012	369,210	182,273	551,483	43,435	27,342	70,777
2013	377,245	164,549	541,794	42,970	25,346	68,316
2014	346,580	146,845	493,425	42,270	23,391	65,661
2015	336,140	130,509	466,649	42,020	21,448	63,468
2016	297,455	115,291	412,746	41,945	19,516	61,461
2017	274,525	101,383	375,908	41,500	17,559	59,059
2018	263,915	88,283	352,198	40,985	15,654	56,639
2019	239,610	75,974	315,584	40,600	13,774	54,374
2020	229,550	64,596	294,146	40,025	11,895	51,920
2021	200,820	53,997	254,817	39,525	10,002	49,527
2022	188,640	44,265	232,905	38,030	8,156	46,186
2023	165,825	35,403	201,228	35,200	6,413	41,613
2024	152,085	27,523	179,608	34,550	4,757	39,307
2025	138,490	20,491	158,981	27,425	3,289	30,714
2026	118,895	14,335	133,230	21,420	2,157	23,577
2027	93,570	8,983	102,553	13,435	1,312	14,747
2028	79,495	4,894	84,389	10,240	799	11,039
2029	38,275	1,887	40,162	8,185	370	8,555
2030	22,735	508	23,243	5,000	100	5,100
	$4,139,300	$1,433,217	$5,572,517	$ 635,430	$235,654	$871,084

For additional information on General Obligation bonds and other long term liabilities of the State, refer to the financial statement in Appendix F.

- Footnote 10 – Long-Term Commitments (see pages F-80 through F-81)
- Footnote 11 – Operating Lease Agreements (see page F-81 through F-82)
- Footnote 12 – Long-term Liabilities (see pages F-83 through F-92).

The following table shows the net debt service transfer amounts for the last eleven fiscal years.

Net Amount Transferred to Debt Service Fund for General Obligation Bonds Debt Service ($ in thousands)

In Fiscal Year	General Fund	Trunk Highway Fund	All Other Funds*	Transfer Total
1999	$286,495	$5,149	$15,296	$306,940
2000	255,037	3,744	12,500	271,281
2001	304,994	6,352	11,963	323,309
2002	285,553	7,449	11,989	304,991
2003	295,441	8,823	35,135	339,399
2004	265,706	16,289	57,676	339,671
2005	323,453	27,207	43,561	393,921
2006	352,337	36,347	40,566	429,250
2007	399,651	53,752	42,696	496,099
2008	409,276	52,170	41,524	502,970
2009	452,762	59,542	47,375	559,679
2010	429,098	70,542	50,783	550,423

*The major portion of the All Other Funds category is made up of the debt service funding requirement paid by the higher education systems of the University of Minnesota and the Minnesota State Colleges and Universities.

The Net Transfer amount is net of investment earnings in the Debt Service Fund and the Bond Proceeds Fund and bond premiums received from new bond issuances which are also appropriated to pay debt service on State general obligation bonds.

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CAPITAL INVESTMENT GUIDELINES

Minnesota Statutes Section 16A.105 requires the Commissioner of Minnesota Management and Budget to prepare a debt capacity forecast to be delivered to the governor and legislature in November of each year.

On December 22, 2009, Minnesota Management and Budget adopted new Capital Investment Guidelines. These new guidelines are intended to:

- Be consistent with measures used by the credit rating agencies and foster direct comparisons with the debt burdens of other states;
- Be comprehensive to ensure all kinds of tax-supported debt obligations[(1)] are recognized; and
- Continue Minnesota's conservative financial management practices.

The new capital investment guidelines are:

1. Total tax-supported principal outstanding shall be 3.25% or less of total State personal income.
2. Total amount of principal (both issued, and authorized but unissued) for State general obligations, State moral obligations, equipment capital leases, and real estate capital leases are not to exceed 6% of State personal income.
3. 40% of general obligation debt shall be due within five years and 70% within ten years, if consistent with the useful life of the financed assets and market conditions.

[1] Tax-supported debt obligations includes all of the State's general obligation bonds and the obligations summarized under "CONTINGENT LIABILITIES," in the descriptions titled "State Standing Appropriations," "Lease Purchase Financing for Equipment," and "Lease Purchase Financing for Real Estate" in this Appendix C.

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 2010 valuation, was estimated by the Commissioner of Revenue to be $564,808,000,000. 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
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	288,122,488	4,114,925	292,237,413	10.41
2002	320,941,481	4,263,859	325,205,340	11.28
2003	359,163,493	4,524,447	363,687,940	11.83
2004	407,146,983	4,713,782	411,860,765	13.25
2005	459,506,046	4,807,666	464,313,712	12.74
2006	513,771,733	4,965,234	518,736,967	11.72
2007	556,559,833	5,051,289	561,611,123	8.27
2008	576,128,000	5,259,000	581,387,000	3.52
2009	577,698,000	5,511,000	583,209,000	0.71
2010	558,244,000	5,564,000	564,808,000	-3.16

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 August 2, 2010, is set forth below.

Minnesota Housing Finance Agency (MHFA). The MHFA was established in 1971, and is governed by Chapter 462A of the Minnesota Statutes. Its enabling legislation authorizes the MHFA to issue bonds and notes for any of its authorized purposes but the aggregate principal amount outstanding at any instant of time (excluding the principal amount of any bonds or notes that have been refunded) is limited to $5.0 billion. The proceeds of 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 acquisition, construction and rehabilitation of single and multi-family housing.

The MHFA's notes and bonds may be general or limited 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, and the Governor must include in the State budget submitted to the Legislature, the amount, if any, needed to restore the debt service reserve fund for each issue of bonds so secured to its debt service reserve requirement and any anticipated deficiency in the debt service reserve fund in the following fiscal year. In the opinion of bond counsel and general counsel to the MHFA, the Legislature is legally authorized, *but is not legally obligated*, to appropriate the amount included in the Governor's proposed budget for the debt service reserve funds. The MHFA has never needed to certify a deficiency to the Governor.

The following table lists the principal amounts of indebtedness which were outstanding as of August 2, 2010:

Minnesota Housing Finance Agency
Debt Outstanding as of August 2, 2010

	Number of Series	Final Maturity	Original Principal Amount (in thousands)	Outstanding Principal Amount (in thousands)
General Obligation Bonds:				
Rental Housing............................	23	2047	$473,770	$145,720
Residential Housing Finance	64	2048	2,191,280	1,700,645
Single Family Mortgage................	24	2035	505,215	105,380
General Obligation Subtotals	111		$3,170,265	$1,951,745
Limited Debt Obligations:				
Homeownership Finance Bonds*..	1	2041	$276,490	$276,490
Multifamily Housing Bonds...........	1	2051	15,000	15,000
Limited Obligation Notes..............	1	2010	332,255	$332,355
Conduit Multifamily Revenue Bonds	1	2036	33,250	31,360
Other Debt Obligation Subtotals	4		$657,095	$655,205
MHFA Total Debt Outstanding	115		$3,827,360	$2,606,950

* MHFA has authorized the issuance of an additional series of Homeownership Finance Bonds in an aggregate principal amount up to $60,000,000 and expects to issue the bonds within the next two months.

The general obligation bonds are secured by a debt service reserve fund subject to replenishment from Legislative appropriation as described above. The other debt obligations are general or limited obligations of the MHFA and subject to the MHFA's $5 billion debt limit, but are not secured by a debt service reserve fund subject to replenishment from Legislative appropriation. See "Contingent Liabilities- State Standing Appropriation" for additional information concerning other debt issued by MHFA.

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 August 2, 2010 will be $872,501,526. 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. See “Contingent Liabilities- State Standing Appropriation” for additional information concerning other debt issued by the University of Minnesota.

Minnesota Office of Higher Education (MOHE). The MOHE was established and is organized and existing under Minnesota Statutes, Sections 136A.01 to 136A.236 and 136A.61 to 136A.88. The 2005 Legislature named MOHE as successor for all of the bonds of the Minnesota Higher Education Services Office and the Minnesota Higher Education Coordinating Board. The law authorizes the MOHE 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 $850,000,000. The loans are made in accordance with MOHE’s Guaranteed Student Loan Program instituted pursuant to Part B of Title IV of the Higher Education Act of 1965 as amended. As of August 2, 2010, MOHE will have $619,500,000 of bonds outstanding payable from the Student Educational Loan Fund II and III. These obligations are payable solely from loan repayments, loan insurance, loan and investment earnings, other money of the MOHE, and, if necessary, from proceeds of additional MOHE obligations.

Board of Trustees of the Minnesota State Colleges and Universities (MnSCU). The MnSCU was established and is governed by Minnesota Statutes, Chapter 136F, which authorizes the MnSCU to establish its Revenue Fund and to issue its revenue bonds as secured by the Revenue Fund to finance the construction and improvement of dormitory, residence hall, student union, food service and other revenue producing buildings and related facilities used for the primary benefit of students of the State universities within the Minnesota State Colleges and Universities System. As of August 2, 2010, the MnSCU will have $164,925,000 tax exempt bonds and $20,330,000 taxable 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 from the Revenue Fund and from fees imposed upon students for student activities, student facilities or other sources all of which are received in the Revenue Fund. In addition to bonds, the Revenue Fund issues guaranties of debt (other than revenue bonds) incurred to finance Revenue Fund facilities. Two guarantees have been issued to date, one for $3,482,113 and the other for $13,520,000. The guarantees are on a parity to right of payment with the revenue bonds.

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 $950,000,000. As of August 2, 2010, the MHEFA will have $815,632,955 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 August 2, 2010, the MSABC will have $3,350,000 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 Rural Finance Authority (RFA). In 1986 the Legislature created the Minnesota Rural Finance Authority 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 August 2, 2010, the RFA has no revenue bonds outstanding for these programs.

The Commissioner is authorized to issue up to $171.1 million in State general obligation bonds to finance certain programs of the RFA and has issued $167.6 million of these bonds, including bonds of this issue, for this purpose.

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 August 2, 2010, the RFA had issued $34,910,000 of revenue bonds for these programs.

Minnesota Public Facilities Authority (MPFA). The MPFA was established in 1987 and is governed by Minnesota Statutes, Chapter 446A which authorizes it to make loans to local government units. As of August 2, 2010, the MPFA will have $795,565,000 Water Pollution Control Revenue Bonds outstanding, $141,015,000 Drinking Water Revenue Bonds outstanding, and $26,985,000 Transportation Revenue Bonds outstanding, for a total outstanding principal amount of $963,565,000. 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 $1,500,000,000, excluding bonds issued under Minnesota Statutes, Section 446.087.

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 August 2, 2010, MAEDB will have outstanding $6,565,000 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 will have outstanding $459,439,745 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 (IRR). The IRR 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 IRR is authorized to issue revenue bonds to accomplish the promotion of economic development. As of August 2, 2010 the IRR will have $10,485,000 of bonds outstanding to finance the Giant's Ridge Recreation Area.

Minnesota Department of Management and Budget. 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 sold $29,000,000 of the revenue bonds in June 2000. As of August 2, 2010, there will be $24,275,000 of Minnesota State Retirement System bonds outstanding.

The 2005 Minnesota Legislature authorized, in Minnesota Statutes, Section 403.275, the issuance of up to $62.5 million of State revenue bonds. These revenue bonds are to finance Phase 3 of a statewide radio system that enables emergency response organizations to utilize a single, integrated, and highly structured digital radio system. The 2007 Legislature authorized an additional $186 million of revenue bonds to complete the statewide radio system. The debt service on the revenue bonds is paid solely from the revenues derived from a fee assessed to each customer of a wireless or wire-line service provider connected to the public switched telephone network that furnishes service capable of originating a 911 emergency telephone call. The Commissioner sold $35,000,000 of the revenue bonds in November 2006, an additional $42,205,000 of revenue bonds in November 2008 and an additional $60,510,000 of revenue bonds in October, 2009. It is expected that as of August 2, 2010 there will be $116,385,000 of the 911 Revenue Bonds outstanding.

CONTINGENT LIABILITIES

State Standing Appropriations

Below is a description of standing appropriations from the General Fund. Pursuant to Minnesota law, each of these standing appropriations may be reduced or repealed entirely by a majority vote of the legislature and is subject to unallotment under Minnesota Statutes, Section 16A.152.

Minnesota Department of Management and Budget. The 2009 Minnesota Legislature authorized, in Minnesota Statutes, Section 16A.81, the issuance of State certificates of participation ("COP's"). These COP's were issued to provide financing for (i) the development, acquisition, installation and implementation of a new statewide accounting and procurement system; (ii) the acquisition, development and implementation of an integrated tax software project and (iii) the payment of all fees and expenses incurred in connection to the issuance of the COP's. As of August 2, 2010, there will be $73,980,000 of the COP's outstanding.

University of Minnesota. The Minnesota Legislature has approved State financial assistance for a 50,000-seat, on-campus football stadium for the University of Minnesota (the "U of M"). In 2006, the legislature appropriated from the General Fund $10.25 million in each of not more than 25 years, beginning in 2008, to the U of M for the payment of revenue bonds issued by the U of M to finance the stadium. Transfers from the General Fund to the U of M are conditioned upon satisfaction of certain requirements by the U of M.

The Minnesota Legislature has approved State financial assistance for up to four Biomedical Science Research Facilities for the U of M. In 2008, the Legislature appropriated from the General Fund amounts ranging from $850,000 to $15.55 million in each year beginning in 2010, for up to 25 years after certification of the last facility, to the U of M for the payment of revenue bonds issued by the U of M to finance the facilities. Transfers from the General Fund to the U of M are conditioned upon satisfaction of certain requirements by the U of M. U of M anticipates issuing $147,200,000 in bonds for the Biomedical Science Research Facilities in the Fall of 2010.

Minnesota Housing Finance Agency (MHFA). The Minnesota Legislature created a program to finance the construction, acquisition, preservation, and rehabilitation of permanent supportive housing for individuals and families who are homeless or at risk of homelessness. In 2008, the legislature appropriated from the General Fund up to $2.4 million per year in each of 20 years, beginning in 2009, to MHFA for the payment of qualified 501(c)(3) bonds issued by MHFA for affordable housing. MHFA issued $13,260,000 in bonds to finance this program on October 8, 2009.

Lease Purchase Financing For Equipment

The Commissioner 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 June 30, 2010, principal in the amount of $17,167,384 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 moneys are appropriated from time to time for this purpose.

Various State agencies, with the Commissioner'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 2, 2010, principal in the amount of $3,846,198 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.

Lease Purchase Financing For Real Estate

On March 1, 2000, the City of Bemidji and the State entered into a Lease and Purchase Option Agreement. Under the Lease and Purchase Option Agreement, the City of Bemidji issued $8,275,000 of bonds to finance the design of and to construct, equip, and furnish a satellite laboratory in the City of Bemidji for use by the Minnesota Bureau of Criminal Apprehension. In September 2008 the city of Bemidji issued refunding bonds for this project. As of August 1, 2009, $6,395,000 of the bonds will remain outstanding. Rental payments paid by the State will be used to pay debt service on the bonds. The savings on the debt service due to the refunding bond issue will reduce the State's annual rent payments. The State's obligation to make rent payments is not a general or moral obligation indebtedness of the State; rather the State is obligated to make rental payments only to the extent moneys are appropriated from time to time for this purpose. The legislature has appropriated from the General Fund up to $700,000 per year in each of 20 years, beginning in 2002.

On November 1, 2002, the Port Authority of Saint Paul and the State entered into two separate Lease and Option to Purchase Agreements. Under the Lease and Option to Purchase Agreements, the Port Authority has agreed, under certain conditions, to issue bonds to finance the design of and to construct, equip, and furnish two office buildings and related parking facilities, and to lease the buildings and related parking facilities to the State. The buildings are approximately 400,000 square feet and 342,000 square feet in size. The amount of bonds sold to finance both of the facilities was $193,105,000, of which $157,055,000 will be outstanding, on August 2, 2010. In August 2008 the amount of $3,210,000 was defeased thereby reducing the State's liability. The nature of the State's obligation to make rental payments under these Lease and Option to Purchase Agreements is the same as the Lease and Option to Purchase Agreement with the City of Bemidji described above. The legislature appropriates an annual rental payment from the General Fund up to $13.5 million per year in each of 20 years, beginning in 2004.

School District Credit Enhancement Program

Minnesota Statutes, Section 126C.55 establishes a school district credit enhancement program. The law authorizes and directs the Commissioner, under certain circumstances and subject to the availability of funds, to issue a warrant and authorize the Commissioner of Education to pay debt service due on school district and intermediate school district certificates of indebtedness issued under Minnesota Statutes, Section 126C.52, certificates of indebtedness and capital notes for equipment, certificates of participation issued under Minnesota Statutes, Section 126C.40 Subdivision 6, and school district and intermediate school district general obligation bonds, in the event that the school district or intermediate school district notifies the Commissioner of Education that it does not have sufficient money in its debt service fund for this purpose, or the paying agent informs the Commissioner of Education 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 General Fund to the Commissioner of Education the amounts needed to pay any warrants which are issued.

The amounts paid on behalf of any school district or intermediate school district are required to be repaid by it with interest, by a reduction in State aid payable to the school district or intermediate school district or the levy of an ad valorem tax which may be made with the approval of the Commissioner of Education. Furthermore, the State is subrogated to the rights of a school district or intermediate school district in federal interest subsidy payments, if any, relating to the interest paid by the State under this program, unless and until the State has been reimbursed by the district in full.

Under Minnesota Statutes, Section 126C.52, school districts and intermediate 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 June 30, 2010, there were approximately $157 million of certificates of indebtedness enrolled in the program all of which will mature within a fourteen month period. The State expects that school districts and intermediate 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 and intermediate 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 ten years, and are payable from school district and intermediate 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 Education, 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 such school districts, but are payable from taxes levied annually in amounts necessary to pay the amounts due thereunder.

School districts and intermediate school districts are authorized to issue general obligation bonds only when authorized by school district and intermediate school districts electors or special law, and only after levying a direct, irrevocable ad valorem tax on all taxable property in the school district or intermediate school district for the years and in amounts sufficient to produce sums not less than 105 percent of the principal of and interest on the bonds when due. As of June 30, 2010 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 2034, is approximately $12.0 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 outstanding as of June 30, 2010 is about $1.6 billion, with the maximum amount of principal and interest payable in any one month being $564 million.

Minnesota Laws 2005, Chapter 152, Article 1, Section 39, as amended by Minnesota Laws 2006, Chapter 259, Article 12, Section 15, provides that the Commissioner of Iron Range Resources shall issue revenue bonds payable from certain taconite production tax revenues in a total principal amount of $15,000,000, plus costs of issuance relating thereto, for the purpose of making grants to school districts located in the taconite relief area or taconite assistance area, as statutorily defined, to be used by such school districts for health, safety, and maintenance improvements. Bonds issued under this program are debt obligations subject to the school district credit enhancement program, provided that advances made by the State are not subject to the provisions of the school district credit enhancement program requiring the levy of an ad valorem tax by affected school districts in order to repay the State. The Commissioner of the Iron Range Resources issued $15,145,000 of the bonds in July, 2006 and as of August 2, 2010 there will be $12,900,000 of the bonds outstanding.

The State has not had to make any debt service payments on behalf of school districts or intermediate 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 and intermediate school districts.

City and County Credit Enhancement Program

Minnesota Statutes, Section 446A.086 (formerly Section 373.45), establishes a city and county bond credit enhancement program. The law authorizes and directs the Commissioner, under certain circumstances and subject to the availability of funds, to issue a warrant and authorizes the Minnesota Public Facilities Authority ("MPFA") to pay debt service coming due on: (a) county general obligation bonds, bonds to which the general obligation of a county has been pledged, and certain lease obligations, to provide funds for the construction of (i) jails, (ii) correctional facilities, (iii) law enforcement facilities, (iv) social services and human services facilities; (v) solid waste facilities; or (vi) qualified housing development projects; or (b) city or county general obligation bonds to provide funds for the construction, improvement, or rehabilitation of (i) wastewater facilities, (ii) drinking water facilities, (iii) stormwater facilities, or (iv) any publicly owned building or infrastructure improvement that has received partial funding from grants awarded by the Commissioner of Employment and Economic Development related to redevelopment, contaminated site cleanup, bioscience, small cities development programs, and rural business infrastructure programs, for which bonds are issued by the MPFA under Minnesota Statutes, Section 446A.087. See "Minnesota Public Facilities Authority (MPFA)" in this Appendix C for more information on MPFA bonds that may be credit enhanced under this program

To be eligible for the program, a city or county must have entered into an agreement with the MPFA, which requires notifications to the MPFA by the city or county or paying agent when funds are not sufficient to timely pay all or a portion of debt service on obligations issued under the program. The MPFA must notify the Commissioner of potential defaults, and the Commissioner then must issue a warrant and authorize the MPFA to pay to the bondholders or paying agent the amount necessary to pay in full debt service on credit-enhanced bonds when due. The law appropriates annually from the General Fund to the MPFA the amounts needed to pay any warrants issued by the Commissioner for this purpose. The amount of debt outstanding under this program may not exceed $1,000,000,000.

The amounts paid on behalf of any city or county are required to be repaid to the State 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 MPFA, or will be made mandatory by the MPFA if the State is not repaid in full by November 30 of the following calendar year. Furthermore, the State is subrogated to the rights of a city or county in federal interest subsidy payments, if any, relating to the interest paid by the State under this program, unless and until the State has been reimbursed by the city or county in full.

As of June 30, 2010, the total amount of principal on bonds plus interest on the bonds enrolled in the program, through the year 2033, is approximately $425.5 million. More bonds are expected to be enrolled in the program and these amounts are expected to increase.

Based upon the bonds enrolled in the program, during the Current Fiscal Year the total amount of principal and interest outstanding as of June 30, 2010, is $33.9 million with the maximum amount of principal and interest payable in any one month being $16.3 million. 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 on behalf of cities or counties 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 cities or counties.

APPENDIX D

Project Description

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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 the Order authorizing the issuance of the Bonds the Commissioner 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 C-2 of Appendix C.

($ in Thousands)

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
2000, Chapter 492				
	Corrections, Department of	Bayport	Storm Sewer Project	2,680
	Human Services, Department of	St. Peter	SPRTC — Upgrade Shantz & Pextons Bldgs.	7,200
	Water & Soil Resources Board	Statewide	RIM Reserve — Habitat, Soil Cons, Water Quality	20,000
	Water & Soil Resources Board	Statewide	RIM Reserve Reserve Programs (Non-CREP)	1,000
X2001, Chapter 12				
	BLUSR	Statewide	CREP Program	43,000
2005, Chapter 20				
	MnSCU	St. Cloud	Tech Workforce Center Addition	15,056
	MnSCU	Systemwide	Demolition	1,625
	Ctr for Arts Educ		Asset Preservation	558
	Ctr for Arts Educ		Beta Building Demolition	525
	Education	Statewide	Early Childhood Facilities	500
	MN State Academies	Systemwide	Asset Preservation	4,255
	Natural Resources	Statewide	Flood Hazard Mitigation Grants	27,000
	Natural Resources	Statewide	Dam Repair/Reconstruction/Removal	2,000
	Natural Resources	Statewide	Rim Critical Habitat Match	2,000
	Natural Resources	Red River	Canoe and Boating Routes	300
	Natural Resources	Statewide	Stream Protection	500
	Natural Resources	Statewide	Metro Greenways	500
	Natural Resources	Systemwide	Native Prairie Bank Easements	1,000
	Natural Resources	Systemwide	SNA Acquisition	7,910
	Natural Resources	Systemwide	Fish Hatchery Improvements	1,700
	Natural Resources	Systemwide	RIM Wildlife Management Area Development	600
	Natural Resources	Systemwide	State Forest Land Acquisition	1,500
	Natural Resources	Systemwide	State Park Building Development	1,800
	Natural Resources	Lake Superior	Safe Harbors	2,000
	Natural Resources	Statewide	Asset Preservation	2,000
	Natural Resources	Systemwide	Field Office Renovations	300
	BWSR	Statewide	RIM Reserve and CREP	23,000
	BWSR	Statewide	Local Government Road Wetland Replacement	4,362
	Administration	Statewide	CAPRA	3,000
	Administration	Statewide	Asset Preservation- Admin Properties	2,500
	Administration	Statewide	Parking	1,779
	CAAPB	St. Paul	Capitol Restoration Design	1,200
	CAAPB	St. Paul	Capitol Building Repair	1,170
	Military Affairs	Systemwide	Asset Preservation	3,000
	Military Affairs	Systemwide	Facility Life Safety	1,000

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Transportation	Statewide	Local Bridge Replacement	40,000
	Transportation	New Brighton	Rail Service Improvement Grants	2,500
	Transportation	Duluth	Aerial Lift Bridge	1,000
	Met Council	Minneapolis	Cedar Avenue Bus Rapid Transit	10,000
	Met Council	Minneapolis	Central Corridor	5,250
	Met Council	Hastings	Red Rock Corridor	500
	Met Council	St. Paul	Rush Line Corridor	500
	Met Council	Metropolitan	Regional Parks	14,664
	Human Services	St. Peter	New Facilities Sex Offender Program	3,259
	Human Services	St. Peter	Forensic Nursing Facility	8,600
	Human Services	Systemwide	Redevelopment/Demolition	9,000
	Human Services	Systemwide	Roof Repair	1,014
	Human Services	Systemwide	Asset Preservation	3,000
	Vet's Home Board	Luverne	Dementia Wander Area	306
	Vet's Home Board	Minneapolis	Adult Day Care	1,031
	Vet's Home Board	Willmar	Vets Home Predesign	100
	Corrections	Stillwater	MCF 150 Bed Segregation Unit	3,500
	Corrections	Willow River	MCF Activities Building	2,000
	Corrections	Moose Lake	MCF CIP Expansion	350
	DEED	Statewide	Wastewater Infrastructure Funding	29,900
	DEED	Statewide	Total Maximum Daily Load Grants	2,000
	DEED	Austin	Flood Damage	2,000
	DEED	Crookston	Emergency Riverbank Protection	2,500
	DEED	Worthington	Lewis and Clark Rural Water System	2,000
	DEED	Roseau	Infrastructure Repair and Improvements	13,220
	DEED	Statewide	Rural Infrastructure	10,000
	DEED	Statewide	Redevelopment Grants	15,000
	DEED	Statewide	Bioscience Development	18,500
	DEED	Minneapolis	Minnesota Planetarium	22,000
	Housing Finance	Hennepin	County Housing	350
	Historical Society	Systemwide	Historic Sites Asset Preservation	4,000
	MMB	Statewide	Bond Sale Expenses	884
2006, Chapter 258				
	U of M	Duluth	Labovitz School of Business	15,333
	U of M	Morrris	West Central Research and Outreach	2,500
	MnSCU	Cloquet	TCC Library Addition and Cultural CTR	12,390
	MnSCU	St. Paul	SU Smart Classroom Center	300
	MnSCU	Minneapolis	MCTC Co-Located Law Enforcement CTR	350
	MnSCU	Minneapolis	CTC Science and Health Renovation	18,874
	MnSCU	Moorhead	SU Lommen Hall Addition and Renovation	300
	MnSCU	St. Cloud	SU Math and Science Addition	14,000
	MnSCU	St. Cloud	SU Riverview Hall	4,500
	MnSCU	Systemwide	Demolition	1,660
	MnSCU	Systemwide	Science Lab and Workforce Initiatives	5,140
	MnSCU	Systemwide	Property Acquisition	3,400
	PCAE	Statewide	Asset Preservation	1,051
	Education	Statewide	Early Childhood Facilities	500
	MSA	Faribault	Asset Preservation	2,509
	MSA	Faribault	MSAD Frechette Renovation	25
	Natural Resources	Statewide	Statewide Asset Preservation	2,000
	Natural Resources	Statewide	Dam Repair	2,250
	Natural Resources	Statewide	Stream Protection	2,000
	Natural Resources	Statewide	Water Access and Fishing Piers	3,000
	Natural Resources	Two Harbors	Lake Superior Safe Harbors	3,000
	Natural Resources	Statewide	Fisheries Acquisition and Improvement	2,000
	Natural Resources	Statewide	Fish Hatchery Improvements	1,000
	Natural Resources	Statewide	Wildlife Area Acquisition and Improvement	14,000
	Natural Resources	Statewide	Waterfowl Habitat	1,000
	Natural Resources	Statewide	SNA Acquisition and Development	2,000

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Natural Resources	Statewide	State Forest Land Acquisition	1,000
	Natural Resources	Systemwide	State Land Reforestation	4,000
	Natural Resources	Systemwide	State Park and Rec Area Acquisition	3,000
	Natural Resources	Systemwide	State Park Infrastructure Rehab	3,000
	Natural Resources	Systemwide	State Park Building Rehab	3,000
	Natural Resources	Systemwide	State Park Camper Cabins	2,000
	Natural Resources	Statewide	State Trail Acquisition and Development	10,811
	Natural Resources	Statewide	Regional Trails Grants	1,133
	Natural Resources	Statewide	Trail Connections Grants	2,010
	Natural Resources	Metropolitan	Metro Greenways	500
	Natural Resources	Statewide	Local Community Grants	2,000
	Natural Resources	Statewide	Prairie Wetland ELC	2,000
	PCA	Statewide	Closed Landfill Bonding	10,800
	PCA	Statewide	Capital Assistance Program	4,000
	PCA	Koochiching	County Clean Energy Facility	2,500
	BWSR	Statewide	Local Government Road Wetland Replacement	3,500
	BWSR	Statewide	Streambank, Lakeshore Erosion Control	1,000
	BWSR	Statewide	Study Area II	500
	BWSR	Willmar	Grass Lake	2,200
	Agriculture	St. Paul	Joint Bio-Safety Lab	1,500
	Administration	Statewide	CAPRA	4,000
	Administration	Statewide	Asset Preservation	5,000
	Administration	St. Paul	Workers Memorial	100
	Administration	St. Paul	Hmong Veteran's Statue	150
	CAAPB	St. Paul	Capitol Building Restoration Phase I	2,400
	Military Affairs	Systemwide	Asset Preservation	4,000
	Military Affairs	Systemwide	Facility Life Safety	1,000
	Military Affairs	Systemwide	Range Lead Abatement	1,029
	Military Affairs	Systemwide	Facility ADA Requirements	1,400
	Military Affairs	Systemwide	Starbase MN	150
	Transportation	Statewide	Local Bridge Replacement	55,000
	Transportation	Statewide	Local Road Improvement Grants	16,000
	Transportation	Minneapolis	Northstar Commuter Rail	60,000
	Transportation	Duluth	St Louis County Northeastern Rail Initiative	1,300
	Transportation	Statewide	Rail Service Improvement	3,700
	Transportation	Statewide	Port Development	3,000
	Transportation	Statewide	Greater MN Transit	2,000
	Transportation	St. Cloud	Airport Land Acq	2,000
	Met Council	Minneapolis	I-35 Bus Rapid Transit	3,300
	Met Council	Bloomington	Cedar Avenue Busway	5,000
	Met Council	Metropolitan	Central Corridor	7,800
	Met Council	Metropolitan	Red Rock Corridor	500
	Met Council	St. Paul	Dakota County Robert Street Corridor	500
	Human Services	Moose Lake	MSOP Expansion Phase I	41,321
	Human Services	St. Peter	New Program Building	2,500
	Human Services	Systemwide	Campus Security	5,000
	Human Services	Systemwide	Redevelopment	5,000
	Human Services	Systemwide	Roof Repair	1,500
	Vet's Home Brd	Systemwide	Asset Preservation	6,000
	Vet's Home Brd	Fergus Falls	Special Care Unit	637
	Vet's Home Brd	Hastings	Supportive Housing	700
	Vet's Home Brd	Luverne	Dementia Wander Area	599
	Vet's Home Brd	Minneapolis	Emergency Power	2,457
	Vet's Home Brd	Silver Bay	Master Plan	1,697
	Corrections	Systemwide	Asset Preservation	5,000
	Corrections	Faribault	Expansion Phase II	27,993
	Corrections	Lino Lakes	Medical Services	2,494
	Corrections	Red Wing	Education Building	623

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Corrections	Shakopee	Bed Expansion	5,375
	Corrections	Stillwater	150 Bed Segregation Unit	19,580
	DEED	Statewide	Wastewater Infrastructure Fund WIF	23,000
	DEED	Hibbing	Central Iron Range Sanitary Sewer South Plant	2,500
	DEED	Statewide	Greater MN Business Development	7,750
	DEED	Statewide	Redevelopment Grants	9,000
	DEED	Statewide	Bioscience Business Development	10,000
	DEED	Minneapolis	Workforce Center Repair	600
	DEED	Duluth	Lake Superior Zoo	600
	DEED	Itasca County	Steel Mill Infrastructure Grant	12,000
	DEED	Statewide	Lewis and Clark Water System	3,282
	DEED	Minneapolis	Shubert Theater	11,000
	DEED	MT Iron	Renewable Energy Park	500
	DEED	Redwood Falls	Reservoir Construction	1,600
	DEED	St. Paul	Asian Community Center	400
	DEED	St. Paul	Ordway Center	7,500
	DEED	Marshall	Southwest Regional Event Center	11,000
	Housing Finance	Statewide	Transitional Housing	2,000
	Housing Finance	Statewide	Permanent Supportive Housing Loans	17,500
	Historical Society	Systemwide	Historic Sites Asset Preservation	3,000
	Historical Society	Metropolitan	Fort Snelling Revitalization	1,100
	Historical Society	Statewide	County and Local Asset Preservation	1,000
	Historical Society	St. Paul	History Center Upgrades	572
	MMB	Statewide	Bond Sale Expenses	947
Special Session 2007, Chapter 2				
	Public Safety	Statewide	Disaster Assistance Political Subdivision	13,000
	Transportation	Statewide	Local Road and Bridge Rehabilitation and Replacement	26,000
	Natural Resources	Statewide	State Facility Rehab and Replace	4,200
	Natural Resources	Statewide	Flood Hazard Mitigation Grants	2,000
	BWSR	Statewide	RIM Conservation Easements	1,000
	DEED	Statewide	Public Infrastructure Grants	10,000
	Finance	Statewide	Bond Sale Expense	75
2008, Chapter 152				
	Transportation	Statewide	State Road Construction	1,717,694
	Transportation	Statewide	Great River Road	4,299
	Transportation	Statewide	Urban Partnership Agreement	24,778
	Transportation	Mankato	District Headquarters	23,983
	Transportation	Chaska	Chaska Truck Station	8,649
	Transportation	Rochester	Truck Station Design	2,000
	Met Council	Metropolitan	Urban Partnership Agreement	400
	Administration	St. Paul	Transportation Building Exterior Repair	18,197
	Finance	Statewide	Bond Sale Expense — Trunk Highway	1,800
	Transportation	Statewide	Local Bridge Replacement and Rehab	50,000
	Transportation	Statewide	Local Road Improvement Program	10,000
	MMB	Statewide	Bond Sale Expense — Bond Proceeds	60
2008, Chapter 179				
	U of M	Systemwide	HEAPR	35,000
	U of M	Minneapolis	Science teaching student services	48,333
	U of M	Duluth	Civil engineering addition	10,000
	U of M	Morris	Community services building renovation	5,000
	U of M	Systemwide	Research and Outreach Centers	3,500
	U of M	Systemwide	General laboratory renovation	3,333
	MnSCU	Systemwide	HEAPR	55,000
	MnSCU	Alexandria	TC — law enforcement center addition	10,500
	MnSCU	Anoka	CC — classroom bldg addition, design, const	3,800

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	MnSCU	Bemidji	SU — Sattgast Science Bldg addition and ren.	8,900
	MnSCU	White Bear	Century College — renovation	7,900
	MnSCU	Dakota	TC — Transportation and emerging tech lab	200
	MnSCU	Minneapolis	Design and renovate science addit; LRC	2,400
	MnSCU	Inver Grove	Classroom addition and ren.	13,200
	MnSCU	Minneapolis	Metro State Univ / MCTC — law enforcement	13,900
	MnSCU	Minneapolis	MCTC — workforce program and infrastructure ren design	400
	MnSCU	Mankato	Trafton Hall, MSU	25,500
	MnSCU	Moorhead	Lommen Hall renovation	13,100
	MnSCU	Moorhead	Livingston Lord Library ren and des	400
	MnSCU	Worthington	Field house design	450
	MnSCU	Moorhead	Trades addit and LRC	2,500
	MnSCU	Edina	Classroom addition and ren.	7,000
	MnSCU	Anoka	Bioscience / health	900
	MnSCU	E.Grand Forks	Addition and renovation	7,800
	MnSCU	Owatonna	Land acquisition	3,500
	MnSCU	Ridgewater	Tech instruction design and const; ren des	3,500
	MnSCU	Rochester	Workforce ctr co-location	200
	MnSCU	St. Cloud	Classroom renovation and addition design	400
	MnSCU	St. Cloud	Brown Hall Science renovation	14,800
	MnSCU	St. Cloud	Integrated science and engineering lab design	900
	MnSCU	St. Paul Coll.	Transportation and applied tech lab	13,500
	MnSCU	Marshall	Science, hotel, and restaurant admin ren	9,000
	MnSCU	Marshall	Science lab renovation design	200
	MnSCU	Winona	Memorial Hall	8,400
	MnSCU	Systemwide	Science lab renovations	5,775
	Education	Osseo	Hennepin Regional Family Service Ctr.	2,000
	Education	Statewide	Library accessibility and improvement grants	1,500
	MN State Academies	Faribault	Asset preservation	2,400
	MN State Academies	Faribault	MSAD Frechette predesign	100
	MN State Academies	Faribault	MSAD Mott Hall (vocational building)	100
	Ctr for Arts Educ.	Golden Valley	Asset preservation	355
	Natural Resources	Systemwide	Asset preservation	1,000
	Natural Resources	Statewide	Flood hazard mitigation grants	30,000
	Natural Resources	Statewide	Groundwater monitoring, observation wells	500
	Natural Resources	Statewide	Dam renovation and removal	2,000
	Natural Resources	Statewide	Water control structures	500
	Natural Resources	Statewide	Mississippi river barrier	500
	Natural Resources	Statewide	Stream protection and restoration	1,000
	Natural Resources	Statewide	Shoreline and aquatic habitat acquisition	1,000
	Natural Resources	Wabasha	Lake Zumbro restoration	175
	Natural Resources	Systemwide	Water access acquisition / fishing piers	650
	Natural Resources	Systemwide	Fish hatchery improvements	1,500
	Natural Resources	Systemwide	Wildlife area acquisition and improvement	5,000
	Natural Resources	Statewide	RIM critical habitat match	3,000
	Natural Resources	Systemwide	Native prairie conservation and protection	4,000
	Natural Resources	Systemwide	SNA acquisition and development	1,000
	Natural Resources	Systemwide	Forest land conservation easements	3,000
	Natural Resources	Systemwide	State forest land reforestation	3,000
	Natural Resources	Systemwide	Forest roads and bridges	1,000
	Natural Resources	Statewide	Diseased shade tree removal and replacement	500
	Natural Resources	Systemwide	State Park Development	19,041
	Natural Resources	Statewide	Big Bog State recreation area	1,600
	Natural Resources	Systemwide	State parks, prairies, and forestry restoration	545

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Natural Resources	Systemwide	Regional and local parks grants	1,621
	Natural Resources	Systemwide	State trail acquisition and development	15,320
	Natural Resources	Statewide	Regional and local trails grants	156
	Natural Resources	Systemwide	Trail connections	697
	Natural Resources	Systemwide	Drill core library and field office consolidation, ren.	500
	PCA	Albert Lea	Remedial systems, Albert Lea	2,500
	BWSR	Statewide	RIM reserve	25,000
	BWSR	Statewide	Wetland replacement due to public road projects	4,200
	BWSR	Statewide	Clean Water Legacy	1,275
	Agriculture	E.Grand Fork	Seed potato inspection building	20
	MN Zoo	Apple Valley	Asset preservation	2,500
	Administration	St. Paul	Property acquisition	2,325
	Administration	St. Paul	State Capitol building restoration	13,400
	Military Affairs	Systemwide	Asset preservation	3,500
	Military Affairs	Systemwide	Facility life safety	1,000
	Military Affairs	Systemwide	ADA alterations	1,500
	Public Safety	Camp Ripley	Public safety training facility	5,000
	Public Safety	Marshall	Emergency response and training center	300
	Public Safety	Scott Cty	Public safety training facility	1,000
	Public Safety	Rochester	Regional public safety training center	3,655
	Transportation	Statewide	Local bridges replacement	2,000
	Transportation	Statewide	Greater MN transit	1,000
	Transportation	Norwood	Railroad track rehabilitation	3,000
	Met Council	Systemwide	Urban partnership agreement (UPA)	16,672
	Met Council	Systemwide	Cedar Avenue BRT	4,000
	Met Council	Systemwide	Metropolitan regional parks	10,500
	Met Council	Systemwide	Dakota County — North urban regional trail	1,400
	Met Council	Systemwide	Minnehaha Creek (In DNR — House)	2,900
	Met Council	Systemwide	Tamarack Nature Center	745
	Human Services	Systemwide	Asset preservation / safety and security	3,000
	Human Services	Systemwide	Campus redevelopment/reuse/demolition	3,400
	Human Services	Pope Cty.	Chemical dependency treatment facility	150
	Human Services	Minneapolis	Hennepin County Medical Center	820
	Human Services	Systemwide	Remembering with Dignity	135
	Vet's Home Board	Systemwide	Asset preservation	4,000
	Vet's Home Board	Fergus Falls	Special care unit	2,700
	Vet's Home Board	Minneapolis	Campus HVAC upgrade	3,955
	Vet's Home Board	Silver Bay	Master plan renovation	227
	Vet's Home Board	Minneapolis	Veterans memorial, All Wars	100
	Vet's Home Board	Richfield	Veterans Memorial, All Veterans	100
	Vet's Home Board	Virginia	Veterans Memorial	100
	Corrections	Systemwide	Asset preservation	10,000
	Corrections	Faribault	MCF — expansion	16,000
	Corrections	Red Wing	MCF — vocational building	6,000
	DEED	Statewide	Greater MN business dev public infras grant program	7,000
	DEED	Statewide	Bioscience business dev public infras grant program	9,000
	DEED	Statewide	Redevelopment grant program	7,750
	DEED	Bemidji	Regional Event Center (BREC)	20,000
	DEED	Crookston	Ice arena (In DNR — House)	10,000
	DEED	Duluth	DECC/UMD Arena	38,000
	DEED	Nashwauk	Itasca county infrastructure	28,000
	DEED	Rochester	Mayo Civic Center	3,500
	DEED	Roseville	John Rose OVAL	600
	DEED	Saint Cloud	Convention center	2,000
	DEED	Saint Cloud	State University — National Hockey Center	6,500

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Public Facilities	Statewide	Wastewater infrastructure fund	15,300
	Public Facilities	Statewide	Total maximum daily load grants	2,000
	Public Facilities	Statewide	Small community wastewater treatment	1,500
	Public Facilities	Bayport	Storm sewer	150
	Housing Finance	Statewide	Emergency shelter / Transitional housing	1,000
	Historical Society	Systemwide	Historic sites asset preservation	4,000
	Historical Society	Minneapolis	Historic Fort Snelling visitor center and site revitalization	3,000
	Historical Society	Systemwide	County and local historic preservation grants	1,600
	Historical Society	St. Paul	Oliver H. Kelly Farm revitalization	300
	Historical Society	Systemwide	Heritage trails	294
	MMB	Statewide	Bond Sale Expenses	998
2008, Chapter 365				
	Natural Resources	Systemwide	Asset Preservation	3,400
	Natural Resources	Lake Vermilion	Lake Vermilion State Park Land Acquisition	20,000
	Metro Council	Minneapolis	Central Corridor Transit Way	70,000
	Metro Council	Bloomington	Old Cedar Avenue Bridge	2,000
	Veteran Affair	Minneapolis	Building 9 Demolition	1,000
	Veteran Affair	Minneapolis	New Nursing Facility	9,100
2009, Chapter 93				
	U of M	Systemwide	HEAPR - University of MN	25,000
	U of M	Minneapolis	National Solar Rating and Certification Laboratory	2,150
	U of M	Morris	WCROC Solar Thermal & Photo Voltaic Systems	350
	MNSCU	Systemwide	HEAPR - MnSCU	40,000
	DNR	Systemwide	Asset Preservation	1,000
	DNR	Statewide	Flood Hazard Mitigation Grants	53,800
	BWSR	Statewide	RIM Conservation Reserve	500
	RFA	Statewide	Rural Finance Authority Loans	35,000
	MN Zoo	Systemwide	Asset Preservation & Improvement	3,000
	Am Sport	Blaine	National Sports Center -Asset Preservation	1,000
	Mil Affairs	Systemwide	Asset Preservation	3,602
	MnDOT	Statewide	Local Bridge Replacement & Rehabilitation	10,000
	MnDOT	Statewide	MN Valley Railroad Track Rehabilitation	4,000
	MnDOT	Statewide	Intercity Passenger Rail Projects	26,000
	MnDOT	Systemwide	Port Development Assistance	3,000
	MnDOT	Alexandria	Aircraft Surveillance Facility	2,000
	MnDOT	Big Fork	Airport Runway	1,700
	MnDOT	Duluth	Airport Terminal	4,900
	Met Cncl	Systemwide	Transit Capital Improvement Program	21,000
	Met Cncl	Minneapolis	Northtown Rail Yard Bridge	600
	Met Cncl	Minneapolis	Veterans Victory Memorial Parkway	1,000
	DHS	Systemwide	Asset Preservation	2,000
	Vets Affair	Systemwide	Asset Preservation	1,000
	Vets Affair	Systemwide	Veterans Cemeteries	1,500
	Correction	Systemwide	Asset Preservation	4,000
	DEED	St. Louis Cty	Redevelopment Grant Program	750
	DEED	Rochester	Olmsted County Steam Line Extension to CC	5,000
	MnHFA	Statewide	Public Housing	2,000
	Hist Soc.	Systemwide	Historic Sites Asset Preservation	2,165
	MMB	Statewide	Bond Sale Expenses	343
	Public Saf.	Statewide	State & Local Match for Federal Assistance	3,900
	BWSR	Statewide	RIM Conservation Easements	500
	MnDOT	Systemwide	Trunk Highways & Bridges	2,700
	MMB	Statewide	Bond Sale Expenses-Trunk Highway	5

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	MMB	Statewide	Bond Sale Expenses-Various Purpose	250
2010, Chapter 189				
	U of M	Systemwide	HEAPR	56,000
	U of M	Twin Cities	Folwell Hall	23,000
	U of M	Systemwide	Physics and Nanotechnology	4,000
	U of M	Systemwide	Laboratory Renovation	6,667
	MnSCU	Systemwide	HEAPR	52,000
	MnSCU	No. Hennepin	CC - Center for Bus. and Tech.	14,782
	MnSCU	Systemwide	Classroom Initiative and Dem.	3,883
	MnSCU	Lake Superior	CTC - Health Science Center	12,098
	MnSCU	Metro State	SU - Classroom Center	5,860
	MnSCU	Eveleth	CTC - Shop Space Addition	5,477
	MnSCU	Alexandria	TC - Main Bldg Renovation & Add.	200
	MnSCU	Moorhead	CTC - Library and Classroom Addition	5,448
	MnSCU	St. Cloud	TC - Allied Health Center Renovation	5,421
	MnSCU	Edina	CC - Acad. Partner Ctr & Stud. Serv.	1,000
	MN Academies	Systemwide	Asset Preservation	2,000
	MN Academies	Systemwide	MSAB Independent Living Housing	500
	Perpich Center	Golden Valley	Alpha Building Demolition	755
	Perpich Center	Golden Valley	Delta Dorm Windows	489
	Perpich Center	Golden Valley	Storage Building	129
	Natural Resources	Statewide	Asset Preservation	1,000
	Natural Resources	Statewide	Flood Hazard Mitigation	63,500
	Natural Resources	Statewide	Grd Water Monitor &Observ. Wells	1,000
	Natural Resources	Statewide	Dam Renovation and Removal	4,000
	Natural Resources	Statewide	WMA and AMA Acquisition	1,000
	Natural Resources	Statewide	RIM Critical Habitat Match	3,000
	Natural Resources	Statewide	MN Forests for the Future	500
	Natural Resources	Statewide	State Forest Land Reforestation	3,000
	Natural Resources	Statewide	Forest Roads and Bridges	1,000
	Natural Resources	Statewide	Shade Tree Program	3,000
	Natural Resources	Statewide	State Park Rehabilitation	4,659
	Natural Resources	Statewide	State Park and Recreation Area Acq.	2,150
	Natural Resources	Cuyuna	State Park and Recreation Area Dev.	1,250
	Natural Resources	Glendalough	State Park and Recreation Area Dev.	350
	Natural Resources	Statewide	State Trail Rehabilitation	4,000
	Natural Resources	Aitkin County	Regional Trail - NW Reg. ATV Trail	500
	Natural Resources	Statewide	Trail Connections	3,292
	Natural Resources	Fort Ripley	St. Mathias Trail Paving	50
	Natural Resources	Milaca	Rum River Buffer and Bridge Replace.	130
	Natural Resources	Hennepin County	Fort Snelling Upper Bluff	1,200
	PCA	Statewide	Closed Landfill Cleanup Program	8,700
	PCA	Statewide	Capital Assistance Program	5,075
	BWSR	Statewide	Wetland Replacement	2,500
	MN Zoo	Apple Valley	Asset Preservation and Exhibit Renew.	6,000
	MN Zoo	Apple Valley	Master Plan Implementation, Ph. I	15,000
	Administration	Statewide	CAPRA	2,000
	Administration	Statewide	Asset Preservation	8,075
	Administration	Eagan	Public Servant Memorial	100
	Amateur Sports	Blaine	Women's Hockey Center	950
	Amateur Sports	Rochester	National Volleyball Center Ph. 2	4,000
	Military Affairs	Systemwide	Asset Preservation	4,000
	Military Affairs	Systemwide	Facility Life Safety Improvements	1,000
	Military Affairs	Systemwide	Facility ADA Compliance	900
	Military Affairs	St. Paul	Cedar Street Armory Renovation	5,000
	Military Affairs	Camp Ripley	Troop Support Facility	1,000
	Public Safety	Camp Ripley	Emergency Mgt Training Facility Ph II	6,000

Law Authorizing	Agency	Location Or Program	Project/Program Description	Total Project Appropriation
	Public Safety	Arden Hills	State Emergency Operations Center	2,250
	Public Safety	Minneapolis	Emergency Oper. Ctr & Fire Training Fac.	750
	Public Safety	Marshall	MN Emergency Resp. & Train Ctr (MERIT)	1,000
	MnDOT	Statewide	Local Bridge Replace. & Rehab.	66,000
	MnDOT	Statewide	Rail Service Improvement	2,000
	MnDOT	Statewide	Minnesota Valley Railroad Track Rehab.	5,000
	MnDOT	St. Cloud	Northstar Commuter Rail Extension	1,000
	MnDOT	Statewide	RR Grade Warning Devices Replace.	2,500
	MnDOT	Duluth	Airport Terminal	11,700
	MnDOT	Thief River Falls	Airport Hangar	2,097
	MnDOT	Rochester	Trunk Highway-Maintenance Fac.	26,430
	Metro Council	Metro	Cities Inflow and Infiltration Grants	3,000
	Metro Council	Metro	Parks and Trails	10,500
	Metro Council	St. Paul	Como Zoo - St. Paul	11,000
	Metro Council	Bloomington	Old Cedar Avenue Bridge	2,000
	Metro Council	Inver Grove Hts.	Rock Island Bridge Park and Trail Dev.	1,000
	Metro Council	Minneapolis	Veterans Memorial Parks	2,000
	Health	Ramsey County	Gillette Children's Hospital	10,000
	Health	Hennepin County	HCMC Hyperbaric Chamber	5,000
	Human Services	Systemwide	Asset Preservation	2,000
	Human Services	Systemwide	Rememb w/Dignity - Grave Markers	125
	Human Services	Moose Lake	MSOP Phase II	47,500
	Veterans Affairs	Systemwide	Asset Preservation	4,000
	Veterans Affairs	Luverne	Entrance Enclosure	450
	Veterans Affairs	Minneapolis	Building 17	9,450
	Corrections	Systemwide	Asset Preservation	8,000
	Corrections	Systemwide	ARMER Radio System Migration	5,800
	Corrections	Oak Park Heights	Perimeter Sec. Fence Detection Sys.	3,529
	Corrections	Oak Park Heights	Security System Upgrade	6,500
	DEED	Greater MN	Bus. Dev. Infrastructure Grant Prog.	10,000
	DEED	Statewide	Innovative Business Dev.Grant Prog.	4,000
	DEED	Statewide	Redevelopment Account	5,000
	DEED	Duluth	Zoo	200
	DEED	Minneapolis	Orchestra Hall	16,000
	DEED	Ramsey County	Rice Street Bioscience Corridor	5,000
	DEED	St. Paul	Ordway Center for Performing Arts	16,000
	Public Facilities	Statewide	St. Match Clean Water Revolving Fd	19,200
	Public Facilities	Statewide	St. Match Drinking Water Revolving Fd	10,800
	Public Facilities	Statewide	Wastewater Infrastructure Fund Prog.	27,000
	Historical Society	Statewide	Historic Sites Asset Preservation	3,400
	Historical Society	Statewide	County and Local Preservation Grants	1,000
	MMB	Statewide	Various Purpose Bond Sale Expenses	1,064
	MMB	Statewide	Trunk Highway Bond Sale Expenses	15

DESCRIPTION OF RURAL FINANCE AUTHORITY PROGRAMS

The Rural Finance Authority (RFA) currently administers nine loan programs to provide affordable credit to eligible farmers, and one program to provide financial assistance to proposed methane digester projects.

Five programs are funded from the sale of general obligation bonds. They include: the Beginning Farmer Loan Program, the Seller-Sponsored Loan Program, the Agricultural Improvement Program, the Livestock Expansion Loan Program and the Restructure Loan Program.

All five programs are participation programs whereby the RFA joins in partnership with local lending institutions to provide credit based upon certain pre-established rules. Over 450 financial facilities are included in master participation agreements.

General eligibility requirements for all five programs are: (1) a borrower must be a resident of Minnesota or a domestic family farm corporation or family farm partnership, as defined in Minnesota Statutes, Section 500.24, subdivision 2; and (2) the borrower or one of the borrowers must be the principal operator of the farm with respect to which the loan is made.

Security for the loans must be a first mortgage on agricultural real estate and a first lien security interest in any additional collateral deemed necessary by the lead financial institution or the RFA. The interest rate for the RFA portion of a loan is set to meet the debt service requirements of the bonds sold to finance it plus one-quarter of one percent for deposit into a loan loss reserve. The maximum term for loan participations is ten (10) years.

The following is a more extensive description of each of the five loan participation programs:

Beginning Farmer Loan Program

This program is aimed at younger, lower equity individuals who intend, over time, to become full time farmers. The purpose is to enable the beginning farmer to purchase farm real estate. The RFA participation is limited to 45 percent of the loan principal up to a maximum of $300,000. Each loan requires a minimum down payment of 10 percent of the purchase price. Loan amortization may be scheduled on a term of 15, 20, 25 or 30 years as negotiated among the lender, the borrower and the RFA. RFA participation is for a maximum of 10 years. A Borrower must (1) have sufficient education, training or experience to succeed in the type of farming that they intend to pursue; (2) have a total net worth not exceeding $409,000, indexed for inflation; (3) agree to enroll in a farm business management program approved by the Commissioner of Agriculture; and (4) agree to obtain credit life insurance for the amount of the debt incurred.

Seller-Sponsored Loan Program

This program is very similar to the Beginning Farmer program with one exception. This program is designed to permit the sellers of a farm to fund a portion of the financing essential to the completion of the sale. The seller agrees to subordinate its financing to the lender/RFA. The lender and the RFA provide the balance of the funds with a first mortgage. The down payment is negotiable. The program rules do not, however, require one to be made. Each lender determines its own requirements based on the buyer’s ability to repay the needed financing.

Agricultural Improvement Program

This program creates affordable financing for new, state-of-the-art improvements for agriculture production, including the purchase and construction or installation of improvements to land, buildings and other permanent structures, and equipment incorporated in or permanently affixed to the land, buildings or structures, which are useful for and intended for the purpose of improving a farm. The improvements can be for any farm related purpose including livestock facilities, grain handling facilities, machine storage, erosion control, wells and manure systems. The RFA participation is 45 percent of the loan principal to a maximum of $300,000. The RFA is restricted to participation in loans that do not exceed 80 percent of the appraised value of the real estate comprising collateral for the loan. A borrower must have a total net worth not exceeding $409,000, indexed for inflation.

Restructured Loan Program

Under this program, the RFA works with local lenders to help farmers reorganize their debt. This program is for farmers who remain in good credit standing with their local lender, but who are having trouble with cash flow. Only debt of an agricultural nature is eligible. The RFA will participate on 45 percent of the loan principal up to $400,000. The loans may be amortized over a period of up to 25 years. Participation is restricted to loans that do not exceed 80 percent of the appraised value of real estate comprising collateral for the loan. A borrower must (1) have received at least 50 percent of average annual gross income from farming for the past three years; (2) have a net worth not exceeding $772,000, indexed for inflation; and (3) have projected annual expenses not exceeding 95 percent of projected annual income.

Livestock Expansion Program

This program is similar to the Agricultural Improvement program, but only for livestock related needs. It creates affordable financing for new, state-of-the-art improvements to land, buildings and other permanent structures, and equipment incorporated in or permanently affixed to the land, buildings or structures, which are useful for and intended for the purpose of raising livestock. The RFA may participate on a loan up to 45 percent of the loan principal to a maximum of $400,000. The RFA is restricted to participation in loans that do not exceed 80 percent of the appraised value of the real estate comprising collateral for the loan. A borrower must (1) be actively engaged in a livestock operation; (2) have the ability to repay the loan; and (3) have a total net worth not exceeding $772,000, indexed for inflation.

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APPENDIX E

Selected Economic and Demographic Information

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RESIDENT POPULATION
(Thousands of Persons)

Year	U.S.	Minnesota	% Change U.S.	% Change Minnesota
1999	279,040	4,873	1.2	1.2
2000	282,172	4,934	1.1	1.3
2001	285,082	4,983	1.0	1.0
2002	287,804	5,017	1.0	0.7
2003	290,326	5,048	0.9	0.6
2004	293,046	5,079	0.9	0.6
2005	295,753	5,107	0.9	0.6
2006	298,593	5,148	1.0	0.8
2007	301,580	5,191	1.0	0.8
2008	304,375	5,231	0.9	0.8
2009	307,007	5,266	0.9	0.7

Source: IHS Global Insight (USA), Inc., @ Markets Data Bank and U.S. Department of Commerce, Bureau of Economic Analysis, www.census.gov/popest. Population data extracted June, 2010.

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EMPLOYMENT MIX IN UNITED STATES AND MINNESOTA FOR 2009
(Thousands of Jobs)

Category	Minnesota	% of Total	U.S.	% of Total
Manufacturing Durables	188.1	6.9	7,309	5.5
Manufacturing Non-Durables	112.0	4.1	4,574	3.4
Mining and Logging	4.9	0.2	700	0.5
Construction	92.8	3.4	6,037	4.5
Trade	406.5	15.0	20,153	15.2
Transportation, Warehousing, Utilities	89.8	3.3	4,796	3.6
Information	54.9	2.0	2,807	2.1
Financial Activities	172.3	6.3	7,758	5.8
Professional and Business Services	306.6	11.3	16,580	12.5
Education and Health Services	453.0	16.8	19,191	14.4
Leisure and Hospitality	237.3	8.7	13,102	9.8
Other Services	115.3	4.2	5,364	4.0
Government	416.6	15.4	22,549	17.1
Agriculture	65.3	2.4	2,103	1.6
Total	2,715.4	100.0	133,023	100.0

Sources: U.S. Employment — IHS Global Insight (USA), Inc., U.S. Central Data Bank and U.S. Department of Labor, Bureau of Labor Statistics, http://www.bls.gov

Minnesota Employment — Minnesota Department of Employment and Economic Development, www.deed.state.mn.us/lmi.

Minnesota employment data benchmarked to March 2009.

U.S. employment data extracted June 2010.

Industry detail determined according to the North American Industry Classification System (NAICS).

Minnesota agricultural employment: Unpublished estimate from the Minnesota Department of Employment and Economic Development, based on the first four months of 2010 and the last eight months of 2009.

U.S. agricultural employment: U.S. Department of Labor, Bureau of Labor Statistics, http://www.bls.gov/cps.

Columns may not add due to rounding.

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EMPLOYMENT IN DURABLE GOODS INDUSTRIES IN UNITED STATES AND MINNESOTA FOR 2009
(Thousands of Jobs)

Durable Goods	Minnesota	% of Total	U.S.	% of Total
Wood Products	11.2	6.0	361	4.9
Fabricated Metal Products	37.4	19.9	1,318	18.0
Machinery	29.2	15.5	1,029	14.1
Computers and Electronic Products	47.2	25.1	1,136	15.5
Transportation Equipment	9.8	5.2	1,353	18.5
Furniture and Related	8.7	4.6	386	5.3
Medical Equipment and Supplies	15.8	8.4	308	4.2
Other Durables	28.8	23.7	1,418	19.5
Total	188.1	100.0	7,309	100.0

Sources: U.S. Employment — IHS Global Insight (USA), U.S. Central Data Bank and U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.

Minnesota Employment — Minnesota Department of Employment and Economic Development, www.deed.state.mn.us/lmi.

Minnesota employment data benchmarked to March 2009. U.S. data extracted June 3, 2009. Both Minnesota and U.S. industry detail determined according to the North American Industry Classification System (NAICS).

Columns may not add due to rounding.

EMPLOYMENT IN NON-DURABLE GOODS INDUSTRIES IN UNITED STATES AND MINNESOTA FOR 2009
(Thousands of Jobs)

Non-Durable Goods	Minnesota	% of Total	U.S.	% of Total
Food Manufacturing	43.0	38.4	1,459	31.9
Paper Mfg., & Printing and Related	37.2	33.2	931	20.4
Other Non Durables	31.8	28.4	2,184	47.7
Total	112.0	100.0	4,574	100.0

Sources: U.S. Employment — IHS Global Insight (USA), U.S. Central Data Bank and U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.

Minnesota Employment — Minnesota Department of Employment and Economic Development, www.deed.state.mn.us/lmi.

Minnesota data benchmarked to March 2009. U.S. data extracted June 2010. Both Minnesota and U.S. industry detail determined according to the North American Industry Classification System (NAICS).

Columns may not add due to rounding.

EMPLOYMENT MIX IN THE UNITED STATES AND MINNESOTA FOR 1990, 2000 AND 2009
(Thousands of Jobs)

	Minnesota					United States				
				% Change					% Change	
Category	1990	2000	2009	1990-2000	2000-2009	1990	2000	2009	1990-2000	2000-2009
Manufacturing Durables	217.2	255.4	2009	17.6	(26.4)	10,737	10,877	7,309	1.3	(32.8)
Manufacturing Non-Durables	124.2	141.1	119.7	13.6	(20.6)	6,958	6,386	4,574	(8.2)	(28.4)
Mining and Logging	8.4	8.1	188.1	(3.6)	(39.5)	765	599	700	(21.7)	16.9
Construction	77.9	118.8	112.0	52.5	(21.9)	5,263	6,787	6,037	29.0	(11.1)
Trade	362.4	436.1	4.9	20.3	(6.8)	18,451	21,213	20,153	15.0	(5.0)
Transportation Warehousing and Utilities	85.8	103.3	92.8	20.4	(13.1)	4,216	5,012	4,796	18.9	(4.3)
Information	54.3	69.2	406.5	27.4	(20.7)	2,688	3,630	2,807	35.1	(22.7)
Financial Activities	129.3	164.8	89.8	27.5	4.6	6,614	7,687	7,758	16.2	0.9
Professional and Business Services	214.5	319.2	54.9	48.8	(3.9)	10,848	16,666	16,580	53.6	(0.5)
Education and Health Services	241.8	324.5	172.3	34.2	39.6	10,984	15,108	19,191	37.6	27.0
Leisure and Hospitality	180.5	221.6	306.6	22.4	7.1	9,288	11,862	13,102	27.7	10.5
Other Services	91.3	114.6	453.0	25.5	0.6	4,261	5,168	5,364	21.3	3.8
Government	347.9	407.6	237.3	17.2	2.2	18,415	20,790	22,549	12.9	8.5
Agriculture	103.1	73.4	115.3	(28.8)	(11.0)	3,223	2,464	2,103	(23.5)	(14.7)
Total	2,238.6	2,757.7	416.6	23.2	(1.5)	112,711	134,250	133,023	19.9	(0.9)

Sources: Minnesota 1990, 2000 and 2009 — Minnesota Department of Employment and Economic Development, www.deed.state.mn.us/lmi.

U.S. 1990, 2000 and 2009, IHS Global Insight (USA), Inc., U.S. Central Data Bank, and U.S. Department of Labor, Bureau of Labor Statistics, http://data.bls.gov/ces.

Minnesota employment data benchmarked to March 2009. U.S. employment extracted June 2010. Both Minnesota and U.S. industry detail determined according to the North American Industrial Classification System (NAICS).

Minnesota agricultural employment: Unpublished estimate from Minnesota Department of Employment and Economic Development. U.S. Agricultural employment: U.S. Department of Labor, Bureau of Labor Statistics, http://stats.bls.gov/cps/cpsaat1.pdf/.

U.S. and Minnesota agricultural employment data for 2009 not necessarily comparable with earlier years because of changes in methodology.

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MINNESOTA AND UNITED STATES PER CAPITA PERSONAL INCOME

Year	Minnesota	U.S.	Minnesota as % of U.S.
1999	30,562	28,333	107.9
2000	32,597	30,318	107.5
2001	33,342	31,145	107.1
2002	34,071	31,462	108.3
2003	35,281	32,271	109.3
2004	37,069	33,881	109.4
2005	37,978	35,424	107.2
2006	39,975	37,698	106.0
2007	41,693	39,392	105.8
2008	42,953	40,166	106.9
2009…………………………..	41,552	39,138	106.2

Source: IHS Global Insight (USA), Inc., @ Markets Data Bank and U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/spi. Data extracted June 2010.

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PERSONAL INCOME GROWTH AND RESIDENT POPULATION FOR TWELVE STATE NORTH CENTRAL REGION
1990-2000 and 2000-2009

State	1990 Personal Income (Millions)	2000 Personal Income (Millions)	1990-2000 Annual Compound Rate of Increase (%)	Regional Rank 1990-2000	2009 Personal Income (Millions)	2000-2009 Annual Compound Rate of Increase (%)	Regional Rank 2000-2009	2000 Population (Thousands)	1990 Per Capita Personal Income ($)	1990 Regional Rank	2009 Population (Thousands)	2009 Per Capita Personal Income ($)	2009 Regional Rank
Illinois	238,635	405,919	5.46	8	534,638	3.11	9	12,438	20,835	1	12,910	41,411	2
Ohio	202,486	326,075	4.88	12	408,395	2.53	11	11,364	18,638	4	11,543	35,381	10
Michigan	174,296	292,606	5.32	9	339,219	1.66	12	9,955	18,719	3	9,970	34,025	11
Indiana	97,005	167,276	5.60	6	216,618	2.91	10	6,092	17,454	9	6,423	33,725	12
Minnesota	86,524	160,833	6.40	1	218,823	3.48	7	4,934	19,710	2	5,266	41,552	1
Missouri	90,177	156,359	5.66	4	213,610	3.53	6	5,606	17,582	8	5,988	35,676	9
Wisconsin	88,213	156,603	5.91	3	208,220	3.22	8	5,374	17,986	6	5,655	36,822	7
Iowa	48,250	79,920	5.18	10	110,541	3.67	5	2,928	17,350	10	3,008	36,751	8
Kansas	44,750	76,684	5.53	7	106,875	3.76	4	2,693	18,034	5	2,819	37,916	5
Nebraska	28,388	48,998	5.61	5	68,417	3.78	3	1,713	17,948	7	1,797	38,081	4
South Dakota	11,206	19,970	5.95	3	30,006	4.63	2	756	16,075	11	812	36,935	6
North Dakota	10,117	16,430	4.97	11	25,570	5.04	1	641	15,866	12	647	39,530	3

Source: IHS Global Insight (USA), Inc., @ Markets Data Bank and U.S. Department of Commerce, Bureau of the Census, www.census.gov/popest/states/tables, and U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/spi. Population data extracted June 2010. Income data extracted June 2010.

GROWTH OF PERSONAL INCOME BY STATES IN NORTH CENTRAL REGION[1]
2008-2009

Rank	State	Percent Growth
1	North Dakota	0.0
2	Ohio	-1.3
3	Missouri	-1.4
4	Iowa	-1.6
5	Indiana	-1.8
5	Kansas	-1.8
7	Nebraska	-2.0
7	Wisconsin	-2.0
9	Illinois	-2.1
10	Minnesota	-2.6
11	Michigan	-3.0
12	South Dakota	-3.5
	REGION	-2.0

Source: IHS Global Insight (USA), Inc., @ Markets Data Bank and U.S. Department of Commerce, Bureau of Economic Analysis, www.bea.gov/regional/spi. Data extracted June 2010.

[1] Refer to E-6 for Personal Income figures.

NON-FARM EMPLOYMENT IN TWELVE STATE NORTH CENTRAL REGION
(Thousands of Jobs)

State	1990 Employment	2000 Employment	2009 Employment	% Increase 1990-2000	2000-2009
Illinois	5,287.6	6,044.8	5,657.6	14.3	(6.4)
Ohio	4,882.3	5,624.7	5,073.6	15.2	(9.8)
Michigan	3,946.5	4,676.9	3,876.1	18.5	(17.1)
Indiana	2,521.9	3,000.0	2,787.2	19.0	(7.1)
Wisconsin	2,291.5	2,833.8	2,748.2	23.7	(3.0)
Missouri	2,345.0	2,748.7	2,688.1	17.2	(2.2)
MINNESOTA	2,135.9	2,684.9	2,650.1	25.7	(1.3)
Iowa	1,226.3	1,478.4	1,478.2	20.6	0.0
Kansas	1,091.9	1,346.1	1,344.6	23.3	(0.1)
Nebraska	730.9	910.7	944.4	24.6	3.7
South Dakota	288.5	377.9	403.7	31.0	6.8
North Dakota	265.8	327.7	366.3	23.2	11.8
Region	27,014.1	32,054.6	30,018.1	18.7	(6.4)

Source: IHS Global Insight (USA), Inc., @ Markets Data Bank and U.S. Department of Labor, Bureau of Labor Statistics, http://bls.gov/sae/home.html. Minnesota employment, Minnesota Department of Employment and Economic Development, www.deed.state.mn.us/lmi/tools/ces. Data extracted June 2010.

MINNESOTA AND U.S. UNEMPLOYMENT RATES NOT SEASONALLY ADJUSTED

	Annual Average	
Year	Minnesota	U.S.
2000.....................................	3.1%	4.0%
2001.....................................	3.8%	4.7%
2002.....................................	4.5%	5.8%
2003.....................................	4.9%	6.0%
2004.....................................	4.6%	5.6%
2005.....................................	4.2%	5.1%
2006.....................................	4.1%	4.6%
2007.....................................	4.6%	4.6%
2008.....................................	5.4%	5.8%
2009…………………………..	8.0%	9.3%

Month	Minnesota	U.S.
2009		
January.............................	8.3%	8.5%
February............................	8.6%	8.9%
March	8.9%	9.0%
April	8.3%	8.6%
May	8.0%	9.1%
June.................................	8.6%	9.7%
July...................................	8.0%	9.7%
August	7.8%	9.6%
September........................	7.6%	9.5%
October…………………….	7.1%	9.5%
November………………….	7.0%	9.4%
December………………….	7.4%	9.7%
Annual Average……………	8.0%	9.3%
2010		
January.............................	8.2%	10.6%
February............................	8.0%	10.4%
March	8.2%	10.2%
April	7.0%	9.5%

Source: Minnesota Department of Employment and Economic Development, www.deed.state.mn.us/lmi/tools/laus.

MINNESOTA BASED COMPANIES INCLUDED IN THE FORTUNE 500

Rank 2009	Rank 2008	Company	Revenues $000	Assets $000	Profits $000	Industry Category	Industry Rank
21	21	UnitedHealth Group	87,138,000	59,045,000	3,822,000	Health Care: Insurance and MC	1
30	28	Target	65,357,000	44,533,000	2,488,000	General Merchandisers	2
45	56	Best Buy	45,015,000	15,826,000	1,003,000	Specialty Retailers	4
47	51	Supervalu	44,564,000	17,604,000	(2,855,000)	Food and Drug Stores	4
91	72	Cenex Harvest States	25,729,900	7,869,800	381,400	Wholesalers: Food and Grocery	2
106	95	Minnesota Mining & Mfg. (3M)	23,123,000	27,250,000	3,193,000	Miscellaneous	1
121	129	U.S. Bancorp	19,490,000	281,176,000	2,205,000	Commercial Banks	8
155	193	General Mills	14,691,300	17,874,800	1,304,400	Food Consumer Products	3
160	196	Medtronic	14,599,000	23,661,000	2,169,000	Medical Products & Equipment	1
226	224	Land O'Lakes	10,408,500	4,923,600	209,100	Food Consumer Products	8
231	276	Mosaic	10,298,000	12,676,200	2,350,200	Chemicals	5
244	242	Xcel Energy	9,644,300	25,488,400	680,900	Utilities: Gas & Electric	13
288	348	Ameriprise Financial	7,946,000	113,774,000	722,000	Diversified Financials	6
301	300	C.H. Robinson Worldwide	7,577,200	1,834,200	360,800	Transportation and Logistics	1
340	373	Hormel Foods	6,533,700	3,692,100	342,800	Food Consumer Products	12
342	409	Thrivent Financial for Lutherans	6,514,800	57,752,300	(48,400)	Insurance: Life, Health (mutual)	6
365	403	Ecolab	5,900,600	5,020,900	417,300	Chemicals	12
400	492	Nash Finch	5,212,700	999,500	2,800	Wholesalers: Food and Grocery	3
445	---	St. Jude Medical	4,681,300	6,425,800	777,200	Medical Products & Equipment	6
454	---	Alliant Techsystems	4,583,200	3,593,200	155,100	Aerospace and Defense	13
464	478	PepsiAmericas	4,421,300	5,092,700	181,200	Beverages	3

Source: Fortune Magazine, dated May 3, 2010.

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APPENDIX F

State Financial Statements
For the Fiscal Year
Ended June 30, 2009

APPENDIX F

Table of Contents

BASIC FINANCIAL STATEMENTS

OLA OFFICE OF THE LEGISLATIVE AUDITOR
STATE OF MINNESOTA • James Nobles, Legislative Auditor

Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Tim Pawlenty, Governor

Mr. Tom Hanson, Commissioner, Minnesota Management and Budget

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of and for the year ended June 30, 2009, which collectively comprise the state's basic financial statements as listed in the Table of Contents. These financial statements are the responsibility of the State of Minnesota's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Minnesota State Colleges and Universities, which is a major proprietary fund and represents 81 percent, 81 percent, and 33 percent, respectively, of the total assets, net assets, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, ClearWay Minnesota, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, net assets, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Room 140 Centennial Building, 658 Cedar Street, St. Paul, Minnesota 55155-1603 • Tel: 651-296-4708 • Fax: 651-296-4712
E-mail: auditor@state.mn.us • Web Site: www.auditor.leg.state.mn.us • Through Minnesota Relay: 1-800-627-3529 or 7-1-1

As discussed in Note 1 to the basic financial statements, the State of Minnesota adopted Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations* and Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments* for the year ended June 30, 2009.

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

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA
Deputy Legislative Auditor

December 11, 2009

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State of Minnesota

2009 Comprehensive Annual Financial Report

Management's Discussion and Analysis

Introduction

The following discussion and analysis of the state of Minnesota (state) financial performance provides an overview of the state's financial activities for the fiscal year ended June 30, 2009, and identifies changes in the financial position of the state, which occurred during the fiscal year. This section should be read in conjunction with the preceding transmittal letter and the state's financial statements and notes to the financial statements, which follow.

Overview of the Financial Statements

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

The financial section of this annual report has four parts:

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

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

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

Government-wide Financial Statements

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

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

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

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

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

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

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

Governmental Activities

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

Business-type Activities

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

Discretely Presented Component Units

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

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

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

- Housing Finance Agency

- Metropolitan Council

- University of Minnesota

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

- Agricultural and Economic Development Board

- ClearWay Minnesota

- National Sports Center Foundation

- Office of Higher Education

- Public Facilities Authority

- Rural Finance Authority

- Workers' Compensation Assigned Risk Plan

State Fund and Component Unit Financial Statements

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

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

The state's funds are divided into three categories:

Governmental Funds

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

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

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

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

Component Units

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Other Supplementary Information

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

Financial Highlights

Government-wide

- The assets of the state exceeded liabilities at June 30, 2009, by $11.8 billion (presented as *net assets*). Of this amount, a deficit of $957 million was reported as *unrestricted net assets*. Unrestricted net assets represent the amount available to the state to meet ongoing obligations to citizens and creditors. However, many of the resources have internally imposed designations, such as state statutory language, which limit resource use. These assets are not reported as restricted net assets because the limitations are imposed internally by the state, not externally imposed by sources such as creditors or the constitution. For discussion on the variances from prior year, see the Government-wide Financial Analysis section.

- The state's total net assets decreased by $1.4 billion (10.5 percent) during fiscal year 2009. Net assets of governmental activities decreased by $1.0 billion (9.5 percent), while net assets of the business-type activities showed a decrease of $344 million (15.3 percent). For discussion on the variances from prior year, see the Government-wide Financial Analysis section.

Fund Level

- At the end of the current fiscal year, governmental funds reported a combined ending fund balance of $3.5 billion, a decrease of $1.6 billion compared to the prior year. This amount includes an unreserved fund balance of $1.6 billion; however, included in this amount is a General Fund deficit of $752 million. For discussion on the variances from prior year, see the State Funds Financial Analysis section.

Long-Term Debt

- The state's total long-term liabilities increased by $432 million (6.7 percent) during the current fiscal year. The increase is partially due to the issuance of general obligation bonds for trunk highway projects and other various state purposes and revenue bonds for the Minnesota State Colleges and Universities and a statewide 911 emergency response communication system. The beginning balance has been restated due to the implementation of GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations." As a result of implementing this statement, the state recognized a change in accounting principle of $45.9 million, which restated the liability recognized for pollution remediation at the beginning of the year.

Government-wide Financial Analysis

As noted earlier, net assets serve over time as a useful indicator of a government's financial position. The state's combined net assets (governmental and business-type activities) totaled $11.8 billion at the end of 2009, compared to $13.2 billion at the end of the previous year.

Net Assets
June 30, 2009 and 2008
(In Thousands)

	Governmental Activities 2009	Governmental Activities 2008	Business-type Activities 2009	Business-type Activities 2008	Total Primary Government 2009	Total Primary Government 2008
Current Assets	$ 8,465,565	$ 9,679,864	$ 1,233,270	$ 1,588,517	$ 9,698,835	$ 11,268,381
Noncurrent Assets:						
Capital Assets	11,256,982	10,531,680	1,595,883	1,462,138	12,852,865	11,993,818
Other Assets	753,474	781,787	168,620	143,908	922,094	925,695
Total Assets	$ 20,476,021	$ 20,993,331	$ 2,997,773	$ 3,194,563	$ 23,473,794	$ 24,187,894
Current Liabilities	$ 4,899,954	$ 4,702,255	$ 412,129	$ 349,690	$ 5,312,083	$ 5,051,945
Noncurrent Liabilities	5,656,275	5,331,720	687,424	602,567	6,343,699	5,934,287
Total Liabilities	$ 10,556,229	$ 10,033,975	$ 1,099,553	$ 952,257	$ 11,655,782	$ 10,986,232
Net Assets:						
Invested in Capital Assets, Net of Related Debt	$ 8,285,028	$ 7,775,939	$ 1,199,727	$ 1,108,136	$ 9,484,755	$ 8,884,075
Restricted	2,552,659	2,693,756	737,400	1,140,070	3,290,059	3,833,826
Unrestricted	(917,895)	489,661	(38,907)	(5,900)	(956,802)	483,761
Total Net Assets	$ 9,919,792	$ 10,959,356	$ 1,898,220	$ 2,242,306	$ 11,818,012	$ 13,201,662

The largest portion, $9.5 billion of $11.8 billion, of the state's net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately $3.3 billion of the state's net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used.

The remaining net assets balance represents a deficit in unrestricted net assets of $957 million. This deficit does not mean that the state lacks resources to pay its bills in the near future. This deficit reflects primarily two significant factors. First, the state, similar to other states, issues general obligation bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net assets; however, the state is responsible for the repayment of the debt. This practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the noncapital portion of net assets for most of its governmental activities' special revenue, debt service, and permanent funds as restricted.

The state's combined net assets for governmental and business-type activities decreased $1.4 billion (10.5 percent) over the course of this fiscal year. This resulted from a $1.0 billion (9.5 percent) decrease in net assets of governmental activities, and a $344 million (15.3 percent) decrease in net assets of business-type activities.

Changes in Net Assets
Fiscal Years Ended June 30, 2009 and 2008
(In Thousands)

	Governmental Activities 2009	Governmental Activities 2008	Business-type Activities 2009	Business-type Activities 2008	Total Primary Government 2009	Total Primary Government 2008
Revenues:						
Program Revenues:						
Charges for Services	$ 1,189,748	$ 1,202,566	$ 2,343,895	$ 2,325,325	$ 3,533,643	$ 3,527,891
Operating Grants and Contributions	7,754,986	6,677,323	872,484	217,224	8,627,470	6,894,547
Capital Grants	272,736	449,765	4,262	1,142	276,998	450,907
General Revenues:						
Individual Income Taxes	7,203,337	7,929,096	-	-	7,203,337	7,929,096
Corporate Income Taxes	741,049	1,039,843	-	-	741,049	1,039,843
Sales Taxes	4,338,748	4,474,576	-	-	4,338,748	4,474,576
Property Taxes	733,899	703,972	-	-	733,899	703,972
Motor Vehicle Taxes	955,785	1,011,494	-	-	955,785	1,011,494
Fuel Taxes	758,271	651,988	-	-	758,271	651,988
Other Taxes[1]	2,206,648	2,149,162	-	-	2,206,648	2,149,162
Tobacco Settlement	176,140	186,425	-	-	176,140	186,425
Investment/Interest Income	57,790	121,638	32,306	48,126	90,096	169,764
Other Revenues	95,316	103,416	630	1,649	95,946	105,065
Total Revenues	$ 26,484,453	$ 26,701,264	$ 3,253,577	$ 2,593,466	$ 29,738,030	$ 29,294,730
Expenses:						
Public Safety and Corrections	$ 944,400	$ 901,641	$ -	$ -	$ 944,400	$ 901,641
Transportation	2,068,880	2,047,500	-	-	2,068,880	2,047,500
Agricultural, Environmental and Energy Resources	834,458	825,842	-	-	834,458	825,842
Economic and Workforce Development	695,314	704,501	-	-	695,314	704,501
General Education	7,811,723	7,675,567	-	-	7,811,723	7,675,567
Higher Education	912,011	981,943	-	-	912,011	981,943
Health and Human Services	11,248,700	10,296,359	-	-	11,248,700	10,296,359
General Government	800,123	816,111	-	-	800,123	816,111
Intergovernmental Aid	1,435,897	1,511,715	-	-	1,435,897	1,511,715
Interest	210,435	221,162	-	-	210,435	221,162
State Colleges and Universities	-	-	1,743,609	1,675,051	1,743,609	1,675,051
Unemployment Insurance	-	-	1,865,939	828,857	1,865,939	828,857
Lottery	-	-	363,832	346,834	363,832	346,834
Other	-	-	235,163	228,361	235,163	228,361
Total Expenses	$ 26,961,941	$ 25,982,341	$ 4,208,543	$ 3,079,103	$ 31,170,484	$ 29,061,444
Excess (Deficiency) Before Transfers	$ (477,488)	$ 718,923	$ (954,966)	$ (485,637)	$ (1,432,454)	$ 233,286
Transfers	(610,880)	(654,359)	610,880	654,359	-	-
Change in Net Assets	$ (1,088,368)	$ 64,564	$ (344,086)	$ 168,722	$ (1,432,454)	$ 233,286
Net Assets, Beginning	$ 10,959,356	$ 10,802,980	$ 2,242,306	$ 2,073,584	$ 13,201,662	$ 12,876,564
Prior Period Adjustments	94,658	-	-	-	94,658	-
Change in Accounting Principle	(45,854)	91,812	-	-	(45,854)	91,812
Change in Fund Structure	-	-	-	-	-	-
Net Assets, Ending	$ 9,919,792	$ 10,959,356	$ 1,898,220	$ 2,242,306	$ 11,818,012	$ 13,201,662

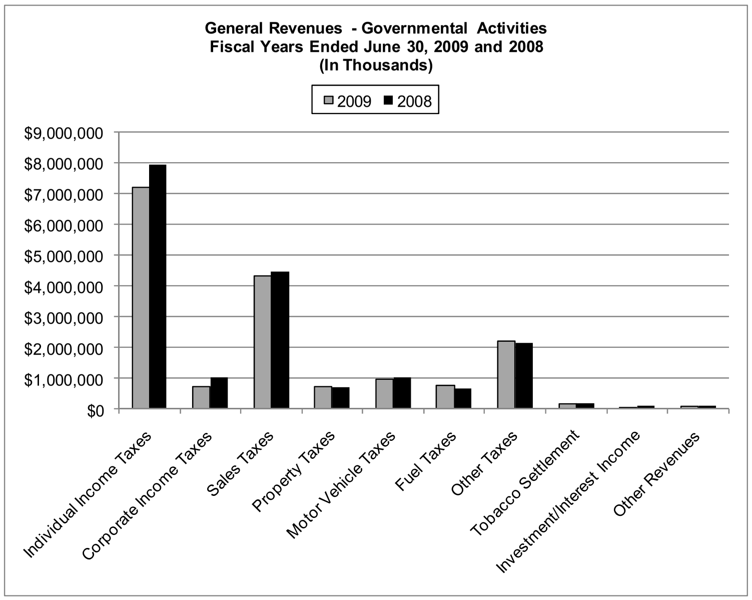
Approximately 57 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 30 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 12 percent of the total revenues. The remaining 1 percent came from other general revenues.

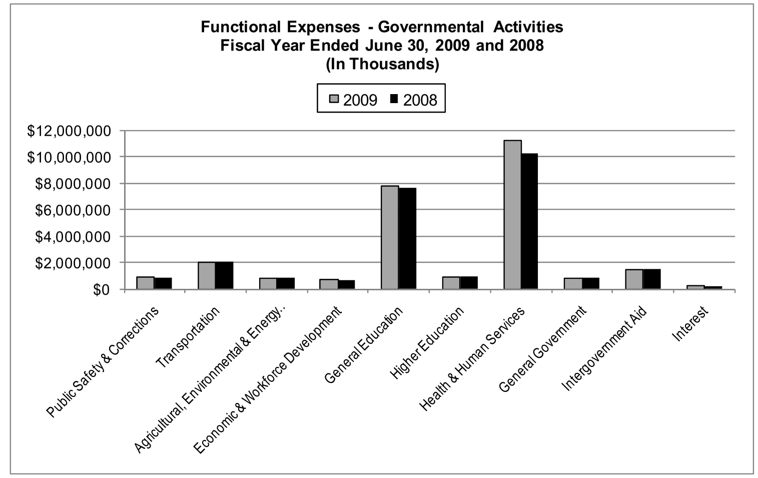
The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

Governmental Activities

Governmental activities decreased the state's net assets by $1.0 billion compared to an increase of $156 million in the prior year.

The decrease in revenues was primarily attributable to decreases in individual income tax receipts, corporate income tax receipts, and sales tax revenue resulting from deterioration in the economy, which was partially offset by an increase in fuel tax receipts due to an additional surcharge imposed on fuel.

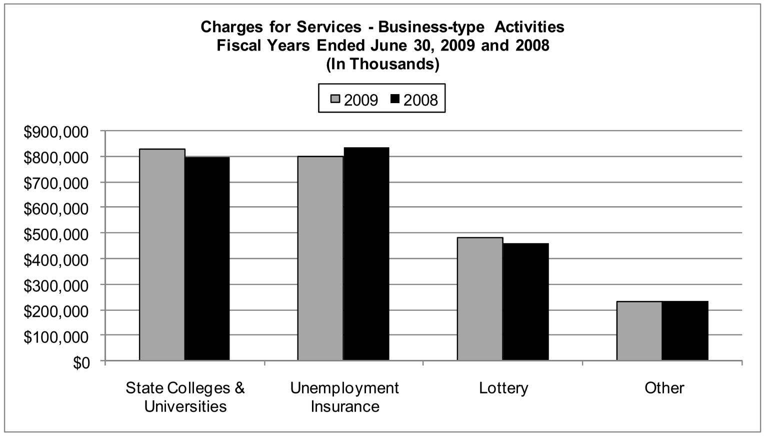




The increase in expenses primarily resulted from increases in Health and Human Services and General Education expenses, which were partially offset by decreases in Intergovernmental Aid and Higher Education expenses. Health and Human Services increased due to an increase in the number of participants eligible for health care services due to the weaker economy as well as an increase in health care costs. This increase was offset by an increase in operating grants from the federal government for health and human services programs. General Education's increase was partially due to a one-time general education aid increase of $51 per pupil and a slight increase in the number of pupils. These increases were partially offset by decreases in grants to cities, counties and the University of Minnesota (component unit) due to the Governor's actions to balance the budget.

Business-type Activities

The state's proprietary funds net assets decreased by $344 million during the current year. This primarily resulted from a $414 million decrease in net assets in the Unemployment Insurance Fund. This decrease resulted from a significant increase in unemployment benefits due to an increase in the unemployment rate as a result of the economic downturn and extended benefit periods. These benefits were partially offset by an increase in nonoperating federal revenue provided by the American Recovery and Reinvestment Act (ARRA). ARRA was designed to provide federal spending to accelerate the nation's economic recovery and preserve and create jobs. The decrease in net assets of the Unemployment Insurance Fund was partially offset by a $107 million increase in net assets in the State Colleges and Universities Fund, which is consistent with the increase in net assets during fiscal year 2008.



State Funds Financial Analysis

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

Governmental Funds

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

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of $3.5 billion, a decrease of $1.6 billion over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the unreserved fund balance of the General Fund was a deficit of $752 million, a decrease of $1.5 billion compared to the prior year. This decrease primarily resulted from the continuing economic downturn, which resulted in revenues insufficient to cover expenditures.

Because the General Fund is the chief operating fund of the state, many of the same variances impacting Governmental Activities impacted the General Fund. General Education expenditures increased primarily due to a one-time general education aid increase of $51 per pupil and a slight increase in the number of pupils, while Intergovernmental Aids and Higher Education expenditures decreased as a result of the Governor's unallotment of grants to cities, counties and the University of Minnesota (component unit).

Although Health and Human Services expenditures increased in the governmental activities due to the increase in the number of participants eligible for health care services and an increase in costs to provide services, the impact to the General Fund was minimal. These expenditures were shifted to the Federal Fund as ARRA provided an increase in the Federal Medical Assistance Percentage. Thus, the increased expenditures were mainly offset by a corresponding increase in federal revenue.

Proprietary Funds

The statements for proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The state's proprietary funds net assets decreased by $344 million during the current year. This primarily resulted from a $414 million decrease in net assets in the Unemployment Insurance Fund, which was slightly offset by an increase of $107 million in net assets of the State Colleges and Universities Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

General Fund Budgetary Highlights

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2009. These are material to understanding changes in General Fund balances that occurred in fiscal year 2009. Both the Minnesota State Constitution (Article XI, section 6) and Minnesota Statutes, Section 16A.152, require that the budget be balanced for the biennium. The following includes actions taken by the Minnesota legislature and the Governor affecting fiscal year 2009.

Actions Establishing the Fiscal Year 2009 Budget

The budget for state fiscal year 2009 was initially adopted in June 2007. The enacted budget included anticipated General Fund resources of $18.849 billion, spending of $17.441 billion, and an undesignated balance of $1.408 billion, which included budgetary reserves.

By February 2008, economic forecasts recognized the effect of the recession on the U.S. and Minnesota economies. Typical with the experience of other states, a decline in state employment and wages resulted in a general decline in forecast tax collections. As a result, a $935 million General Fund budgetary deficit was forecast for fiscal year 2009.

During the 2008 legislative session, revenue and expenditure measures were enacted to re-balance the budget for the biennium. Actions included $125 million in spending cuts, $109.6 million transferred from other governmental funds, and $205.7 million in revenue changes, primarily related to changes in the computation of taxes for foreign corporations and accelerated tax collections. In addition, General Fund reserves were reduced by $500 million, to $153 million.

The November 2008 Forecast continued to show additional declines in forecast revenues and an increase in spending for health and human services programs. This forecast projected a $426 million General Fund budgetary deficit for fiscal year 2009 and an additional $4.874 billion deficit for the 2010-2011 biennium.

Budget Actions during Fiscal Year 2009

Under the provisions of Minnesota Statutes, Section 16A.152, in December 2008, the Commissioner of Minnesota Management and Budget acted to reduce fiscal year 2009 state spending. As required by this statute, the remaining $153 million balance was released from the budget reserve, reducing the forecast deficit to $271 million. A reduction of $271 million was made to unexpended allotments of appropriations from the General Fund. These unallotments primarily related to reductions in aids to counties and local governments, grants to the University of Minnesota, and health and human services programs. These reductions acted to balance revenues and expenditures, leaving a small fiscal year 2009 surplus. In addition, ARRA was projected to provide $464 million in fiscal year 2009 and $1.359 billion in additional federal revenue in the 2010-2011 biennium based on the February 2009 forecast. As noted previously, the majority of the revenue provided by ARRA for fiscal year 2009 related to a change in the increase in the Federal Medical Assistance Percentage. This resulted in a decrease in General Fund expenditures from the amount originally budgeted, as some expenditures were moved to the Federal Fund.

The February 2009 forecast projected 2010-2011 biennium revenues to decline $1.166 billion below the previous forecast. This revenue decline was offset by a reduction in expenditures in the General Fund by $1.359 billion as a result of ARRA, moving expenditures to the Federal Fund. As a result, the fiscal year 2010-2011 budget deficit decreased slightly to $4.570 billion. During the 2009 legislative session, the budgetary deficit was further reduced, ending the session with a projected $2.676 billion deficit. On July 1, 2009, the Governor acted to balance the budget through a combination of executive authorities, primarily by deferring $1.7 billion in school aid payments and reducing $300 million in local governmental aid payments.

Budget and GAAP Based Financial Outlook

On December 2, 2009, MMB released the forecast for the 2010-2011 biennium. Based on the forecast, the state's financial outlook has weakened since the end of the legislative session and a General Fund deficit of $1.203 billion is projected in the absence of legislative or executive action. Both state statutes and the state constitution require a balanced budget for the biennium. However, it is likely that the state's General Fund will continue to show deficits on a GAAP basis over the 2010-2011 biennium.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2009, was $15.2 billion, less accumulated depreciation of $2.4 billion, resulting in a net book value of $12.8 billion. This investment in capital assets includes land, buildings, equipment, infrastructure, and construction in progress. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets
June 30, 2009 and 2008
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Capital Assets not Depreciated:						
Land	$ 2,073,170	$ 1,904,657	$ 81,879	$ 80,852	$ 2,155,049	$ 1,985,509
Buildings, Structures, Improvements	52,799	28,040	-	-	52,799	28,040
Construction in Progress	251,943	261,251	154,867	174,345	406,810	435,596
Infrastructure	7,323,111	6,876,135	-	-	7,323,111	6,876,135
Art and Historical Treasures	1,989	1,989	-	-	1,989	1,989
Total Capital Assets not Depreciated	$ 9,703,012	$ 9,072,072	$ 236,746	$ 255,197	$ 9,939,758	$ 9,327,269
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 2,142,686	$ 2,011,326	$ 2,286,086	$ 2,071,380	$ 4,428,772	$ 4,082,706
Infrastructure	92,789	69,216	-	-	92,789	69,216
Library Collections	-	-	48,526	48,168	48,526	48,168
Equipment, Furniture, Fixtures	417,044	397,033	288,907	288,172	705,951	685,205
Total Capital Assets Depreciated	$ 2,652,519	$ 2,477,575	$ 2,623,519	$ 2,407,720	$ 5,276,038	$ 4,885,295
Less: Accumulated Depreciation	1,098,549	1,017,967	1,264,382	1,200,779	2,362,931	2,218,746
Capital Assets Net of Depreciation	$ 1,553,970	$ 1,459,608	$ 1,359,137	$ 1,206,941	$ 2,913,107	$ 2,666,549
Total	$ 11,256,982	$ 10,531,680	$ 1,595,883	$ 1,462,138	$ 12,852,865	$ 11,993,818

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

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2008, indicated that the average PQI for principal arterial pavement was 3.3 and 3.2 for all other pavements. The state has maintained a stable condition of pavement over the past five years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2008, indicated that 94 percent of principal arterial system bridges and 90 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

During the current year, the state received additional federal revenue as a result of the ARRA to fund transportation projects that were not included in the original budget. The additional revenue allowed the MnDOT to realign maintenance projects that were scheduled in future years to the current year. However, capitalized costs were less than the original budget primarily due to a slow start on two significant projects, the I-35W and Trunk Highway 62 interchange and the four lane highway project near Waseca.

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

Debt Administration

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

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

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

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

Outstanding Bonded Debt
June 30, 2009 and 2008
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
General Obligation	$ 4,667,902	$ 4,070,056	$ 241,946	$ 215,024	$ 4,909,848	$ 4,285,080
Revenue	13,715	14,500	278,246	206,585	291,961	221,085
Total	$ 4,681,617	$ 4,084,556	$ 520,192	$ 421,609	$ 5,201,809	$ 4,506,165

During fiscal year 2009, the state issued the following bonds:

- $600 million in general obligation state various purpose bonds
- $103.5 million in general obligation state trunk highway bonds
- $5 million in general obligation Rural Finance Authority bonds
- $155.4 million in state refunding bonds
- $42.2 million in revenue bonds for a statewide 911 emergency response communication system
- $35.8 million in revenue bonds for Minnesota State Colleges and Universities

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

Requests for Information

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

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

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STATEMENT OF NET ASSETS
JUNE 30, 2009
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 4,202,217	$ 716,811	$ 4,919,028	$ 1,174,332
Investments	963,165	27,341	990,506	861,891
Accounts Receivable	2,063,238	411,651	2,474,889	427,476
Due from Component Units	21,827	-	21,827	-
Due from Primary Government	-	-	-	71,599
Accrued Investment/Interest Income	21,350	17	21,367	40,726
Federal Aid Receivable	1,017,915	42,945	1,060,860	12,888
Inventories	25,990	21,399	47,389	45,451
Loans and Notes Receivable	58,554	6,622	65,176	196,163
Internal Balances	(3,245)	3,245	-	-
Securities Lending Collateral	85,676	358	86,034	36,762
Other Assets	8,878	2,881	11,759	55,129
Total Current Assets	$ 8,465,565	$ 1,233,270	$ 9,698,835	$ 2,922,417
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ 140,446	$ 140,446	$ 312,255
Investments-Restricted	-	-	-	627,218
Accounts Receivable-Restricted	-	-	-	14,505
Due from Primary Government	-	-	-	42,528
Other Assets-Restricted	-	82	82	13,378
Due from Component Units	103,957	-	103,957	-
Investments	-	-	-	2,561,876
Accounts Receivable	362,176	-	362,176	550,348
Loans and Notes Receivable	247,725	28,092	275,817	4,724,003
Depreciable Capital Assets (Net)	1,553,970	1,359,137	2,913,107	4,074,626
Nondepreciable Capital Assets	2,379,901	236,746	2,616,647	915,614
Infrastructure (Not depreciated)	7,323,111	-	7,323,111	-
Other Assets	39,616	-	39,616	10,895
Total Noncurrent Assets	$ 12,010,456	$ 1,764,503	$ 13,774,959	$ 13,847,246
Total Assets	$ 20,476,021	$ 2,997,773	$ 23,473,794	$ 16,769,663
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 3,539,600	$ 283,564	$ 3,823,164	$ 325,212
Due to Component Units	28,848	-	28,848	-
Due to Primary Government	-	-	-	24,641
Unearned Revenue	612,890	59,716	672,606	96,737
Accrued Interest Payable	71,370	418	71,788	76,001
General Obligation Bonds Payable	389,243	17,067	406,310	300,467
Loans and Notes Payable	16,862	929	17,791	264,422
Revenue Bonds Payable	815	15,630	16,445	503,749
Claims Payable	90,395	-	90,395	93,885
Compensated Absences Payable	31,419	14,634	46,053	183,873
Workers' Compensation Liability	15,922	2,065	17,987	-
Capital Leases Payable	6,368	2,253	8,621	540
Securities Lending Liabilities	85,676	358	86,034	36,762
Other Liabilities	10,546	15,495	26,041	23,449
Total Current Liabilities	$ 4,899,954	$ 412,129	$ 5,312,083	$ 1,929,738
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ -	$ -	$ -	$ 96,554
Unearned Revenue-Restricted	-	-	-	55,591
Accrued Interest Payable-Restricted	-	-	-	10,763
Due to Primary Government	-	-	-	103,267
Unearned Revenue	-	-	-	3,982
General Obligation Bonds Payable	4,278,659	224,879	4,503,538	1,349,853
Loans and Notes Payable	36,796	4,653	41,449	4,700
Revenue Bonds Payable	12,900	262,616	275,516	3,746,399
Claims Payable	674,582	-	674,582	625,741
Compensated Absences Payable	256,044	129,479	385,523	45,441
Workers' Compensation Liability	79,250	3,099	82,349	-
Capital Leases Payable	155,261	18,071	173,332	11,955
Funds Held in Trust	-	-	-	88,604
Due to Component Units	15,718	-	15,718	-
Other Liabilities	147,065	44,627	191,692	128,248
Total Noncurrent Liabilities	$ 5,656,275	$ 687,424	$ 6,343,699	$ 6,271,098
Total Liabilities	$ 10,556,229	$ 1,099,553	$ 11,655,782	$ 8,200,836

CONTINUED

STATEMENT OF NET ASSETS (CONTINUED)
JUNE 30, 2009
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 8,285,028	$ 1,199,727	$ 9,484,755	$ 3,098,572
Restricted for:				
Capital Projects	$ 36,933	$ -	$ 36,933	$ -
Debt Service	425,915	-	425,915	-
Transportation	792,534	-	792,534	-
Environmental Resources	493,637	-	493,637	-
Economic and Workforce Development	100,766	6,058	106,824	-
School Aid-Nonexpendable	624,361	-	624,361	-
School Aid-Expendable	78,513	-	78,513	-
Health & Human Services	-	16,506	16,506	-
Unemployment Benefits	-	317,218	317,218	-
State Colleges and Universities	-	364,804	364,804	-
Other Purposes	-	32,814	32,814	
Component Units	-	-	-	4,998,096
Total Restricted	$ 2,552,659	$ 737,400	$ 3,290,059	$ 4,998,096
Unrestricted	$ (917,895)	$ (38,907)	$ (956,802)	$ 472,159
Total Net Assets	$ 9,919,792	$ 1,898,220	$ 11,818,012	$ 8,568,827

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS: PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	PRIMARY GOVERNMENT: BUSINESS-TYPE ACTIVITIES	PRIMARY GOVERNMENT: TOTAL	COMPONENT UNITS
Primary Government:								
Governmental Activities:								
Public Safety and Corrections	$ 944,400	$ 159,155	$ 135,246	$ -	$ (649,999)		$ (649,999)	
Transportation	2,068,880	45,385	567,177	269,602	(1,186,716)		(1,186,716)	
Agricultural, Environmental and Energy Resources	834,458	339,523	144,300	1,798	(348,837)		(348,837)	
Economic and Workforce Development	695,314	47,377	254,396	-	(393,541)		(393,541)	
General Education	7,811,723	42,192	615,651	-	(7,153,880)		(7,153,880)	
Higher Education	912,011	-	-	-	(912,011)		(912,011)	
Health and Human Services	11,248,700	317,009	5,997,417	1,336	(4,932,938)		(4,932,938)	
General Government	800,123	239,107	40,799	-	(520,217)		(520,217)	
Intergovernment Aid	1,435,897	-	-	-	(1,435,897)		(1,435,897)	
Interest	210,435	-	-	-	(210,435)		(210,435)	
Total Governmental Activities	$ 26,961,941	$ 1,189,748	$ 7,754,986	$ 272,736	$ (17,744,471)		$ (17,744,471)	
Business-type Activities:								
State Colleges and Universities	$ 1,743,609	$ 827,997	$ 238,327	$ 4,262		$ (673,023)	$ (673,023)	
Unemployment Insurance	1,865,939	800,590	634,157	-		(431,192)	(431,192)	
Lottery	363,832	482,738	-	-		118,906	118,906	
Other	235,163	232,570	-	-		(2,593)	(2,593)	
Total Business-type Activities	$ 4,208,543	$ 2,343,895	$ 872,484	$ 4,262		$ (987,902)	$ (987,902)	
Total Primary Government	$ 31,170,484	$ 3,533,643	$ 8,627,470	$ 276,998	$ (17,744,471)	$ (987,902)	$ (18,732,373)	
Component Units:								
University of Minnesota	$ 3,234,259	$ 1,420,733	$ 793,783	$ 203,099				$ (816,644)
Metropolitan Council	853,745	348,281	166,627	161,996				(176,841)
Housing Finance	439,168	183,505	187,720	-				(67,943)
Others	355,745	139,862	59,138	-				(156,745)
Total Component Units	$ 4,882,917	$ 2,092,381	$ 1,207,268	$ 365,095				$ (1,218,173)
General Revenues:								
Taxes:								
Individual Income Taxes					$ 7,203,337	$ -	$ 7,203,337	$ -
Corporate Income Taxes					741,049	-	741,049	-
Sales Taxes					4,338,748	-	4,338,748	-
Property Taxes					733,899	-	733,899	-
Motor Vehicle Taxes					955,785	-	955,785	-
Fuel Taxes					758,271	-	758,271	-
Other Taxes					2,206,648	-	2,206,648	196,142
Tobacco Settlement					176,140	-	176,140	-
Unallocated Investment/Interest Income					57,790	32,306	90,096	(648,507)
Other Revenues					95,316	630	95,946	32,599
State Grants Not Restricted					-	-	-	988,937
Special Item					-	-	-	(16,822)
Transfers					(610,880)	610,880	-	-
Total General Revenues and Transfers					$ 16,656,103	$ 643,816	$ 17,299,919	$ 552,349
Change in Net Assets					$ (1,088,368)	$ (344,086)	$ (1,432,454)	$ (665,824)
Net Assets, Beginning, as Reported					$ 10,959,356	$ 2,242,306	$ 13,201,662	$ 9,187,677
Prior Period Adjustments					94,658	-	94,658	-
Change in Accounting Principle					(45,854)	-	(45,854)	46,974
Net Assets, Beginning, as Restated					$ 11,008,160	$ 2,242,306	$ 13,250,466	$ 9,234,651
Net Assets, Ending					$ 9,919,792	$ 1,898,220	$ 11,818,012	$ 8,568,827

The notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS BALANCE SHEET

JUNE 30, 2009
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 857,656	$ 9,654	$ 3,027,309	$ 3,894,619
Investments	13,508	-	928,328	941,836
Accounts Receivable	1,886,194	142,456	392,699	2,421,349
Interfund Receivables	144,120	4,757	224,486	373,363
Due from Component Units	7,779	-	118,005	125,784
Accrued Investment/Interest Income	13,969	-	7,130	21,099
Federal Aid Receivable	-	978,107	39,808	1,017,915
Inventories	-	-	25,202	25,202
Loans and Notes Receivable	41,330	-	264,949	306,279
Advances to Other Funds	1,125	-	-	1,125
Deferred Costs	-	-	2,577	2,577
Securities Lending Collateral	461	-	85,215	85,676
Investment in Land	-	-	16,007	16,007
Total Assets	$ 2,966,142	$ 1,134,974	$ 5,131,715	$ 9,232,831
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 2,062,544	$ 971,281	$ 446,311	$ 3,480,136
Interfund Payables	54,997	81,791	239,362	376,150
Due to Component Units	15,610	2,878	6,613	25,101
Deferred Revenue	1,468,238	78,871	185,741	1,732,850
Accrued Interest Payable	5,600	-	-	5,600
Securities Lending Liabilities	461	-	85,215	85,676
Total Liabilities	$ 3,607,450	$ 1,134,821	$ 963,242	$ 5,705,513
Fund Balances:				
Reserved Fund Balances:				
Reserved for Encumbrances	$ 68,727	$ -	$ 276,967	$ 345,694
Reserved for Trust Principal	-	-	1,008,778	1,008,778
Other Reserved Fund Balances	42,455	153	572,691	615,299
Total Reserved Fund Balances	$ 111,182	$ 153	$ 1,858,436	$ 1,969,771
Unreserved Fund Balances:				
Designated for:				
Special Revenue Funds	$ -	$ -	$ 1,214,750	$ 1,214,750
Debt Service Fund	-	-	742,069	742,069
Permanent Funds	-	-	5,862	5,862
Undesignated, reported in:				
General Fund	(752,490)	-	-	(752,490)
Capital Project Funds	-	-	2,472	2,472
Special Revenue Funds	-	-	344,884	344,884
Total Unreserved Fund Balance	$ (752,490)	$ -	$ 2,310,037	$ 1,557,547
Total Fund Balances	$ (641,308)	$ 153	$ 4,168,473	$ 3,527,318
Total Liabilities and Fund Balances	$ 2,966,142	$ 1,134,974	$ 5,131,715	$ 9,232,831

The notes are an integral part of the financial statements.

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

JUNE 30, 2009
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$ 3,527,318
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Infrastructure	$ 7,323,111	
Depreciable Capital Assets	2,575,058	
Nondepreciable Capital Assets	2,363,894	
Accumulated Depreciation	(1,051,171)	
Total Capital Assets		11,210,892
Net effect of state revenues that will be collected after year-end but not available to pay for current period expenditures and refunds of revenues that will be paid after year-end		1,124,787
The pension assets resulting from contributions in excess of the annual required contributions are not financial resources and therefore are not reported in the funds		38,387
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets		280,076
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
General Obligation Bonds Payable	$ (4,371,788)	
Bond Premium Payable	(296,114)	
Revenue Bonds Payable	(13,715)	
Accrued Interest Payable on Bonds	(65,770)	
Loans and Notes Payable	(34,396)	
Claims Payable	(764,977)	
Workers' Compensation Liability	(95,172)	
Capital Leases Payable	(161,629)	
Compensated Absences Payable	(281,409)	
Net Pension Obligation	(46,856)	
Net Other Post-Employment Benefits Obligation	(71,736)	
Pollution Remediation	(38,641)	
Due to Component Units	(19,465)	
Total Liabilities		(6,261,668)
Net Assets of Governmental Activities		$ 9,919,792

The notes are an integral part of the financial statements.

GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 7,162,974	$ -	$ -	$ 7,162,974
Corporate Income Taxes	727,928	-	-	727,928
Sales Taxes	4,279,055	-	123	4,279,178
Property Taxes	729,373	-	-	729,373
Motor Vehicle Taxes	244,917	-	710,868	955,785
Fuel Taxes	-	-	756,381	756,381
Other Taxes	1,196,171	-	768,449	1,964,620
Tobacco Settlement	179,854	-	-	179,854
Federal Revenues	-	7,344,523	543,422	7,887,945
Licenses and Fees	246,755	3,044	527,301	777,100
Departmental Services	47,503	17,589	199,368	264,460
Investment/Interest Income	38,385	450	(72,275)	(33,440)
Securities Lending Income	940	-	1,480	2,420
Other Revenues	299,463	47,418	309,012	655,893
Net Revenues	$ 15,153,318	$ 7,413,024	$ 3,744,129	$ 26,310,471
Expenditures:				
Current:				
Public Safety and Corrections	$ 601,299	$ 101,976	$ 188,205	$ 891,480
Transportation	237,131	279,430	1,523,773	2,040,334
Agricultural, Environmental and Energy Resources	234,886	195,470	436,607	866,963
Economic and Workforce Development	111,869	232,989	359,878	704,736
General Education	7,076,624	665,465	66,190	7,808,279
Higher Education	830,789	-	82,503	913,292
Health and Human Services	4,551,788	5,819,593	866,662	11,238,043
General Government	692,936	18,132	42,814	753,882
Intergovernment Aid	1,435,675	-	222	1,435,897
Securities Lending Rebates and Fees	568	-	669	1,237
Total Current Expenditures	$ 15,773,565	$ 7,313,055	$ 3,567,523	$ 26,654,143
Capital Outlay	8,067	63,659	675,229	746,955
Debt Service	32,149	579	587,288	620,016
Total Expenditures	$ 15,813,781	$ 7,377,293	$ 4,830,040	$ 28,021,114
Excess of Revenues Over (Under) Expenditures	$ (660,463)	$ 35,731	$ (1,085,911)	$ (1,710,643)
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ -	$ -	$ 675,810	$ 675,810
Loan Proceeds	-	-	549	549
Proceeds from Refunding Bonds	-	-	155,415	155,415
Payment to Refunded Bonds Escrow Agent	-	-	(155,415)	(155,415)
Bond Issue Premium	-	-	56,112	56,112
Transfers-In	555,696	2,015	2,447,570	3,005,281
Transfers-Out	(1,379,167)	(45,085)	(2,161,569)	(3,585,821)
Net Other Financing Sources (Uses)	$ (823,471)	$ (43,070)	$ 1,018,472	$ 151,931
Net Change in Fund Balances	$ (1,483,934)	$ (7,339)	$ (67,439)	$ (1,558,712)
Fund Balances, Beginning, as Reported	$ 842,626	$ 7,492	$ 4,234,565	$ 5,084,683
Change in Inventory	-	-	1,347	1,347
Fund Balances, Ending	$ (641,308)	$ 153	$ 4,168,473	$ 3,527,318

The notes are an integral part of the financial statements.

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds	$ (1,558,712)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Governmental funds report capital outlay as expenditures. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation. This is the amount by which capital outlay exceeded depreciation of $99,842 in the current period	647,113
Governmental funds report the proceeds from the sale of capital assets as increases in financial resources. However, in the Statement of Activities, only the gain or loss on the sale and the fair market value of donated capital assets are reported	(17,503)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue (expense) of internal service funds activities reported with governmental activities	39,704
The direct expenses of the appropriate function is used for reporting inventory in the Statement of Activities, but in the Governmental funds the purchases method is used	1,347
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds	137,616
Bond and loan proceeds provide current financial resources to governmental funds; however issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Assets	(887,886)
Repayment of bonds and loans are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets	545,324
Net changes in expenses reported in the Statement of Activities that do not require the use of current financial resources are not reported as expenditures in the governmental funds	4,629
Change in Net Assets of Governmental Activities	$ (1,088,368)

The notes are an integral part of the financial statements.

MAJOR GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 7,766,795	$ 7,208,220	$ 6,988,234
Corporate Income Taxes	968,780	652,385	708,195
Sales Taxes	4,601,341	4,377,601	4,314,314
Property Taxes	739,125	743,211	729,373
Motor Vehicle Taxes	248,255	237,669	246,370
Other Taxes	1,133,860	1,153,603	1,154,769
Departmental Earnings/Licenses & Fees	278,138	290,521	293,535
Investment/Interest Income	35,000	28,000	40,093
Tobacco Settlement	180,987	176,982	179,855
Other Revenues	394,572	371,086	426,929
Net Revenues	$ 16,346,853	$ 15,239,278	$ 15,081,667
Expenditures:			
Public Safety and Corrections	$ 612,650	$ 623,597	$ 608,629
Transportation	241,371	241,292	239,707
Agricultural, Environmental and Energy Resources	274,000	260,064	245,082
Economic and Workforce Development	80,832	73,708	65,273
General Education	7,074,188	7,059,426	7,056,860
Higher Education	900,406	876,493	867,180
Health and Human Services	4,906,698	4,529,569	4,409,591
General Government	1,279,868	821,268	770,723
Intergovernment Aid	1,541,547	1,459,048	1,441,246
Total Expenditures	$ 16,911,560	$ 15,944,465	$ 15,704,291
Excess of Revenues Over (Under) Expenditures	$ (564,707)	$ (705,187)	$ (622,624)
Other Financing Sources (Uses):			
Transfers-In	$ 391,375	$ 465,872	$ 464,507
Transfers-Out	(891,169)	(1,357,963)	(1,357,963)
Net Other Financing Sources (Uses)	$ (499,794)	$ (892,091)	$ (893,456)
Net Change in Fund Balances	$ (1,064,501)	$ (1,597,278)	$ (1,516,080)
Fund Balances, Beginning, as Reported	$ 1,981,911	$ 1,981,911	$ 1,981,911
Prior Period Adjustments	-	-	32,175
Fund Balances, Beginning, as Restated	$ 1,981,911	$ 1,981,911	$ 2,014,086
Budgetary Fund Balances, Ending	$ 917,410	$ 384,633	$ 498,006
Less: Appropriation Carryover	-	-	45,644
Less: Reserved for Long-Term Receivables	-	-	41,330
Less: Budgetary Reserve	-	-	350,000
Undesignated Fund Balances, Ending	$ 917,410	$ 384,633	$ 61,032

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 544,952	$ 67,428	$ 104,431	$ 716,811	$ 307,598
Investments	27,341	-	-	27,341	21,329
Accounts Receivable	42,957	335,370	33,324	411,651	26,082
Interfund Receivables	42,016	-	2,355	44,371	-
Accrued Investment/Interest Income	-	-	17	17	251
Federal Aid Receivable	13,629	29,316	-	42,945	-
Inventories	14,326	-	7,073	21,399	788
Deferred Costs	313	-	594	907	6,301
Loans and Notes Receivable	6,622	-	-	6,622	-
Securities Lending Collateral	358	-	-	358	-
Other Assets	-	-	1,974	1,974	-
Total Current Assets	$ 692,514	$ 432,114	$ 149,768	$ 1,274,396	$ 362,349
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 138,846	$ -	$ 1,600	$ 140,446	$ -
Other Assets-Restricted	82	-	-	82	-
Deferred Costs	-	-	-	-	1,229
Loans and Notes Receivable	28,092	-	-	28,092	-
Depreciable Capital Assets (Net)	1,328,081	-	31,056	1,359,137	30,083
Nondepreciable Capital Assets	233,366	-	3,380	236,746	-
Total Noncurrent Assets	$ 1,728,467	$ -	$ 36,036	$ 1,764,503	$ 31,312
Total Assets	$ 2,420,981	$ 432,114	$ 185,804	$ 3,038,899	$ 393,661
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 181,488	$ 70,322	$ 31,754	$ 283,564	$ 81,481
Interfund Payables	-	25,320	15,806	41,126	458
Unearned Revenue	38,874	19,254	1,588	59,716	4,827
Accrued Bond Interest Payable	-	-	418	418	-
General Obligation Bonds Payable	16,786	-	281	17,067	-
Loans and Notes Payable	929	-	-	929	6,448
Revenue Bonds Payable	6,270	-	9,360	15,630	-
Workers' Compensation Liability	2,065	-	-	2,065	-
Capital Leases	2,141	-	112	2,253	-
Compensated Absences Payable	13,192	-	1,442	14,634	530
Securities Lending Liabilities	358	-	-	358	-
Other Liabilities	15,454	-	41	15,495	-
Total Current Liabilities	$ 277,557	$ 114,896	$ 60,802	$ 453,255	$ 93,744
Noncurrent Liabilities:					
General Obligation Bonds Payable	$ 222,526	$ -	$ 2,353	$ 224,879	$ -
Loans and Notes Payable	4,653	-	-	4,653	12,814
Revenue Bonds Payable	188,838	-	73,778	262,616	-
Workers' Compensation Liability	3,099	-	-	3,099	-
Capital Leases	17,573	-	498	18,071	-
Compensated Absences Payable	118,770	-	10,709	129,479	5,524
Advances from Other Funds	-	-	-	-	1,125
Other Liabilities	43,840	-	787	44,627	378
Total Noncurrent Liabilities	$ 599,299	$ -	$ 88,125	$ 687,424	$ 19,841
Total Liabilities	$ 876,856	$ 114,896	$ 148,927	$ 1,140,679	$ 113,585
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 1,179,321	$ -	$ 20,406	$ 1,199,727	$ 11,096
Restricted for:					
Bond Covenants	$ 51,881	$ -	$ -	$ 51,881	$ -
Debt Service	22,016	-	-	22,016	-
Capital Projects	24,942	-	-	24,942	-
Economic and Workforce Development	-	-	6,058	6,058	-
Health and Human Services	-	-	16,506	16,506	-
Other Purposes	14,059	-	32,814	46,873	-
Total Restricted	$ 112,898	$ -	$ 55,378	$ 168,276	$ -
Unrestricted	$ 251,906	$ 317,218	$ (38,907)	$ 530,217	$ 268,980
Total Net Assets	$ 1,544,125	$ 317,218	$ 36,877	$ 1,898,220	$ 280,076

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 730,048	$ -	$ -	$ 730,048	$ -
Net Sales	-	-	525,235	525,235	18,543
Rental and Service Fees	-	-	175,401	175,401	166,468
Insurance Premiums	-	798,037	11,813	809,850	664,106
Federal Revenues	216,482	-	-	216,482	-
State Grants	80,834	-	-	80,834	-
Other Income	17,115	2,553	2,859	22,527	8,163
Total Operating Revenues	$ 1,044,479	$ 800,590	$ 715,308	$ 2,560,377	$ 857,280
Less: Cost of Goods Sold	-	-	357,361	357,361	5,481
Gross Margin	$ 1,044,479	$ 800,590	$ 357,947	$ 2,203,016	$ 851,799
Operating Expenses:					
Purchased Services	$ 220,513	$ -	$ 50,739	$ 271,252	$ 167,470
Salaries and Fringe Benefits	1,224,801	-	126,883	1,351,684	54,004
Student Financial Aid	33,506	-	-	33,506	-
Unemployment Benefits	-	1,865,237	-	1,865,237	-
Claims	-	-	8,914	8,914	539,658
Depreciation	82,982	-	4,280	87,262	9,832
Amortization	-	-	71	71	426
Supplies and Materials	89,593	-	5,933	95,526	7,681
Repairs and Maintenance	28,093	-	-	28,093	-
Indirect Costs	-	-	8,611	8,611	2,833
Other Expenses	37,860	-	9,371	47,231	7,671
Total Operating Expenses	$ 1,717,348	$ 1,865,237	$ 214,802	$ 3,797,387	$ 789,575
Operating Income (Loss)	$ (672,869)	$ (1,064,647)	$ 143,145	$ (1,594,371)	$ 62,224
Nonoperating Revenues (Expenses):					
Investment Income	$ 10,066	$ 19,665	$ 2,575	$ 32,306	$ 9,307
Private Grants	21,845	-	-	21,845	-
Grants and Subsidies	4,262	634,157	-	638,419	-
Other Nonoperating Revenues	-	-	22	22	-
Interest and Financing Costs	(17,155)	-	(3,427)	(20,582)	(672)
Grants, Aids and Subsidies	(9,106)	(702)	(17,555)	(27,363)	-
Other Nonoperating Expenses	-	-	(5,850)	(5,850)	(1,383)
Gain (Loss) on Disposal of Capital Assets	653	-	(45)	608	316
Total Nonoperating Revenues (Expenses)	$ 10,565	$ 653,120	$ (24,280)	$ 639,405	$ 7,568
Income (Loss) Before Transfers & Contributions	$ (662,304)	$ (411,527)	$ 118,865	$ (954,966)	$ 69,792
Capital Contributions	106,733	-	252	106,985	-
Transfers-In	662,417	-	6,088	668,505	681
Transfers-Out	-	(2,138)	(162,472)	(164,610)	(30,769)
Change in Net Assets	$ 106,846	$ (413,665)	$ (37,267)	$ (344,086)	$ 39,704
Net Assets, Beginning, as Reported	$ 1,437,279	$ 730,883	$ 74,144	$ 2,242,306	$ 240,372
Net Assets, Ending	$ 1,544,125	$ 317,218	$ 36,877	$ 1,898,220	$ 280,076

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 805,740	$ 815,322	$ 708,716	$ 2,329,778	$ 848,766
Receipts from Grants	297,593	-	-	297,593	-
Receipts from Other Revenues	-	-	2,311	2,311	9,087
Receipts from Repayment of Program Loans	3,453	-	-	3,453	-
Financial Aid Disbursements	(34,673)	-	-	(34,673)	-
Payments to Claimants	-	(1,855,990)	(302,812)	(2,158,802)	(533,667)
Payments to Suppliers	(450,607)	-	(106,777)	(557,384)	(181,498)
Payments to Employees	(1,209,167)	-	(124,734)	(1,333,901)	(53,289)
Payments to Others	-	-	(28,016)	(28,016)	(1,423)
Payments of Program Loans	(3,647)	-	-	(3,647)	-
Net Cash Flows from Operating Activities	$ (591,308)	$ (1,040,668)	$ 148,688	$ (1,483,288)	$ 87,976
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 17,301	$ 605,793	$ -	$ 623,094	$ -
Grant Disbursements	(9,106)	(1,720)	(16,541)	(27,367)	-
Transfers-In	642,417	-	8,508	650,925	-
Transfers-Out	-	(5,919)	(162,221)	(168,140)	(30,088)
Advances from Other Funds	-	-	-	-	1,899
Repayments of Advances from Other Funds	-	-	-	-	(2,125)
Proceeds from Bonds	-	-	42,381	42,381	-
Repayment of Bond Principal	-	-	(5,365)	(5,365)	-
Interest Paid	-	-	(2,452)	(2,452)	-
Other Nonoperating Expenses	-	-	(4,995)	(4,995)	(6,384)
Other Nonoperating Revenues	2,057	-	-	2,057	-
Net Cash Flows from Noncapital Financing Activities	$ 652,669	$ 598,154	$ (140,685)	$ 1,110,138	$ (36,698)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	$ 109,534	$ -	$ -	$ 109,534	$ -
Investment in Capital Assets	(201,008)	-	(4,910)	(205,918)	(12,881)
Proceeds from Disposal of Capital Assets	1,441	-	83	1,524	2,130
Proceeds from Capital Debt	70,375	-	-	70,375	-
Proceeds from Loans	-	-	-	-	8,579
Capital Lease Payments	(2,328)	-	(80)	(2,408)	-
Repayment of Loan Principal	(703)	-	-	(703)	(9,498)
Repayment of Bond Principal	(19,764)	-	(1,029)	(20,793)	-
Interest Paid	(17,909)	-	(1,128)	(19,037)	(683)
Net Cash Flows from Capital and Related Financing Activities	$ (60,362)	$ -	$ (7,064)	$ (67,426)	$ (12,353)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 9,093	$ -	$ -	$ 9,093	$ 15,037
Purchase of Investments	(8,397)	-	-	(8,397)	(15,328)
Investment Earnings	11,523	19,666	2,562	33,751	8,787
Net Cash Flows from Investing Activities	$ 12,219	$ 19,666	$ 2,562	$ 34,447	$ 8,496
Net Increase (Decrease) in Cash and Cash Equivalents	$ 13,218	$ (422,848)	$ 3,501	$ (406,129)	$ 47,421
Cash and Cash Equivalents, Beginning, as Reported	$ 670,580	$ 490,276	$ 102,530	$ 1,263,386	$ 260,177
Cash and Cash Equivalents, Ending	$ 683,798	$ 67,428	$ 106,031	$ 857,257	$ 307,598

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:					
Operating Income (Loss)	$ (672,869)	$ (1,064,647)	$ 143,145	$ (1,594,371)	$ 62,224
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation	$ 82,982	$ -	$ 4,280	$ 87,262	$ 9,832
Amortization	-	-	71	71	426
Loan Principal Repayments	3,453	-	-	3,453	-
Loans Issued	(3,647)	-	-	(3,647)	-
Provision for Loan Defaults	(57)	-	-	(57)	-
Loans Forgiven	575	-	-	575	-
Change in Valuation of Assets	1,593	-	-	1,593	-
Change in Assets and Liabilities:					
Accounts Receivable	(3,569)	(25,025)	(797)	(29,391)	790
Inventories	(1,251)	-	41	(1,210)	435
Other Assets	395	-	(327)	68	(67)
Accounts Payable	(7,360)	45,630	1,173	39,443	10,962
Compensated Absences Payable	9,753	-	210	9,963	337
Unearned Revenues	1,071	3,401	336	4,808	107
Other Liabilities	(2,377)	(27)	556	(1,848)	2,930
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 81,561	$ 23,979	$ 5,543	$ 111,083	$ 25,752
Net Cash Flows from Operating Activities	$ (591,308)	$ (1,040,668)	$ 148,688	$ (1,483,288)	$ 87,976
Noncash Investing, Capital and Financing Activities:					
Transferred/Donated Assets	$ 3,251	$ -	$ 252	$ 3,503	$ -
Change in Fair Value of Investments	(1,861)	-	-	(1,861)	-
Capital Assets Acquired Through Leases/Loans	-	-	-	-	40
Capital Assets Purchased on Account	32,429	-	-	32,429	-
Investment Earning on Account	806	-	-	806	1,324
Trade-in Allowance for Investment in Capital Assets	-	-	-	-	369
Bond Premium Amortization	1,084	-	271	1,355	-

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2009
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents	$ 21,329	$ -	$ 131,015
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 1,727,015	$ 145,319	$ -
Investments:			
Debt Securities	$ 8,446,460	$ 386,562	$ -
Equity Securities	28,145,287	781,055	-
Mutual Funds	2,699,909	-	-
Total Investments	$ 39,291,656	$ 1,167,617	$ -
Accrued Interest and Dividends	$ 116,985	$ 5,100	$ -
Securities Trades Receivables (Payables)	(638,559)	(25,792)	-
Total Investment Pool Participation	$ 40,497,097	$ 1,292,244	$ -
Receivables:			
Employer Contributions	$ 21,081	$ -	$ -
Member Contributions	14,693	-	-
Accounts Receivable	-	-	19,627
Interfund Receivables	50,745	-	-
Other Receivables	24,417	-	-
Accrued Interest and Dividends	508	-	-
Total Receivables	$ 111,444	$ -	$ 19,627
Securities Lending Collateral	$ 5,973,804	$ 216,989	$ -
Depreciable Capital Assets (Net)	24,996	-	-
Nondepreciable Capital Assets	429	-	-
Total Assets	$ 46,629,099	$ 1,509,233	$ 150,642
LIABILITIES			
Accounts Payable	$ 21,768	$ 72	$ 150,642
Interfund Payables	50,745	-	-
Accrued Expense	1	-	-
Revenue Bonds Payable	24,929	-	-
Bond Interest	45	-	-
Compensated Absences Payable	2,327	-	-
Securities Lending Liabilities	5,973,804	216,989	-
Total Liabilities	$ 6,073,619	$ 217,061	$ 150,642
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 40,555,480	$ 1,292,172	$ -

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2009
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer	$ 856,976	$ -
Member	1,059,961	-
Contributions From Other Sources	25,797	-
Participating Plans	-	1,122,011
Total Contributions	$ 1,942,734	$ 1,122,011
Net Investment Income:		
Investment Income	$ (9,397,750)	$ (37,402)
Less: Investment Expense	(50,974)	(319)
Net Investment Income	$ (9,448,724)	$ (37,721)
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 103,424	$ 3,704
Borrower Rebates	(36,308)	(1,651)
Management Fees	(10,067)	(11)
Net Securities Lending Revenue	$ 57,049	$ 2,042
Total Investment Income	$ (9,391,675)	$ (35,679)
Transfers From Other Funds	$ 15,283	$ -
Other Additions	14,387	-
Total Additions	$ (7,419,271)	$ 1,086,332
Deductions:		
Benefits	$ 3,205,137	$ -
Refunds/Withdrawals	170,325	233,665
Administrative Expenses	43,978	-
Transfers to Other Funds	15,283	-
Total Deductions	$ 3,434,723	$ 233,665
Net Increase (Decrease)	$ (10,853,994)	$ 852,667
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 51,409,474	$ 439,505
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 40,555,480	$ 1,292,172

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2008 and JUNE 30, 2009
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 305,521	$ 50,719	$ 314,239	$ 503,853	$ 1,174,332
Investments	105,209	247,020	74,678	434,984	861,891
Accounts Receivable	10,691	20,926	355,685	40,174	427,476
Due from Other Governmental Units	-	17,652	-	-	17,652
Due from Primary Government	-	60,675	7,177	3,747	71,599
Accrued Investment/Interest Income	17,730	1,774	2,044	19,178	40,726
Federal Aid Receivable	2,503	-	-	10,385	12,888
Inventories	-	22,254	23,144	53	45,451
Deferred Costs	13,698	-	-	4,067	17,765
Loans and Notes Receivable	-	-	8,810	187,353	196,163
Securities Lending Collateral	-	-	36,762	-	36,762
Other Assets	13,101	1,318	5,064	229	19,712
Total Current Assets	$ 468,453	$ 422,338	$ 827,603	$ 1,204,023	$ 2,922,417
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 105,265	$ 109,782	$ 51,416	$ 45,792	$ 312,255
Investments-Restricted	509,282	-	95,516	22,420	627,218
Accounts Receivable-Restricted	-	11,832	-	2,673	14,505
Due from Primary Government-Restricted	-	26,810	-	15,718	42,528
Other Assets-Restricted	-	13,378	-	-	13,378
Investments	-	-	2,491,043	70,833	2,561,876
Accounts Receivable	-	-	163,085	387,263	550,348
Loans and Notes Receivable	2,428,625	44,537	59,999	2,190,842	4,724,003
Depreciable Capital Assets (Net)	2,585	2,147,251	1,922,649	2,141	4,074,626
Nondepreciable Capital Assets	-	341,780	573,317	517	915,614
Other Assets	-	-	4,473	6,422	10,895
Total Noncurrent Assets	$ 3,045,757	$ 2,695,370	$ 5,361,498	$ 2,744,621	$ 13,847,246
Total Assets	$ 3,514,210	$ 3,117,708	$ 6,189,101	$ 3,948,644	$ 16,769,663
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 19,277	$ 84,871	$ 196,431	$ 21,549	$ 322,128
Payable to Other Governmental Units	-	241	-	-	241
Due to Primary Government	-	-	5,756	18,885	24,641
Unearned Revenue	-	6,821	67,745	22,171	96,737
Accrued Bond Interest Payable	49,956	3,641	6,534	15,870	76,001
General Obligation Bonds Payable	-	90,040	210,427	-	300,467
Loans and Notes Payable	-	-	263,600	822	264,422
Revenue Bonds Payable	446,815	1,135	5,524	50,275	503,749
Grants Payable	-	-	-	2,843	2,843
Claims Payable	-	5,783	27,229	60,873	93,885
Compensated Absences Payable	182	2,926	180,678	87	183,873
Securities Lending Liabilities	-	-	36,762	-	36,762
Other Liabilities	-	540	22,956	493	23,989
Total Current Liabilities	$ 516,230	$ 195,998	$ 1,023,642	$ 193,868	$ 1,929,738
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ -	$ 40,822	$ 55,732	$ -	$ 96,554
Unearned Revenue-Restricted	-	55,591	-	-	55,591
Accrued Bond Interest Payable-Restricted	-	10,246	-	517	10,763
Due to Primary Government	-	-	40,004	63,263	103,267
Unearned Revenue	-	-	3,982	-	3,982
General Obligation Bonds Payable	-	1,087,120	262,733	-	1,349,853
Loans and Notes Payable	-	1,405	-	3,295	4,700
Revenue Bonds Payable	2,026,918	5,144	139,237	1,575,100	3,746,399
Claims Payable	-	9,535	13,079	603,127	625,741
Compensated Absences Payable	1,757	4,958	37,849	877	45,441
Funds Held in Trust	83,486	-	5,118	-	88,604
Other Liabilities	100	42,302	91,741	6,060	140,203
Total Noncurrent Liabilities	$ 2,112,261	$ 1,257,123	$ 649,475	$ 2,252,239	$ 6,271,098
Total Liabilities	$ 2,628,491	$ 1,453,121	$ 1,673,117	$ 2,446,107	$ 8,200,836
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 2,585	$ 1,486,014	$ 1,607,315	$ 2,658	$ 3,098,572
Restricted-Expendable	883,134	191,040	1,698,365	1,290,855	4,063,394
Restricted-Nonexpendable	-	-	934,702	-	934,702
Unrestricted	-	(12,467)	275,602	209,024	472,159
Total Net Assets	$ 885,719	$ 1,664,587	$ 4,515,984	$ 1,502,537	$ 8,568,827

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2008 AND JUNE 30, 2009
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 439,168	$ 853,745	$ 3,234,259	$ 355,745	$ 4,882,917
Program Revenues:					
Charges for Services	$ 183,505	$ 348,281	$ 1,420,733	$ 139,862	$ 2,092,381
Operating Grants and Contributions	187,720	166,627	793,783	59,138	1,207,268
Capital Grants and Contributions	-	161,996	203,099	-	365,095
Net (Expense) Revenue	$ (67,943)	$ (176,841)	$ (816,644)	$ (156,745)	$ (1,218,173)
General Revenues:					
Taxes	$ -	$ 196,142	$ -	$ -	$ 196,142
Investment Income	-	7,914	(597,965)	(58,456)	(648,507)
Other Revenues	1,991	83	29,369	1,156	32,599
Total General Revenues before Grants	$ 1,991	$ 204,139	$ (568,596)	$ (57,300)	$ (419,766)
State Grants Not Restricted	44,205	-	707,806	236,926	988,937
Special Item	-	-	-	(16,822)	(16,822)
Total General Revenues	$ 46,196	$ 204,139	$ 139,210	$ 162,804	$ 552,349
Change in Net Assets	$ (21,747)	$ 27,298	$ (677,434)	$ 6,059	$ (665,824)
Net Assets, Beginning, as Reported	$ 907,466	$ 1,637,289	$ 5,146,444	$ 1,496,478	$ 9,187,677
Change in Accounting Principle	-	-	46,974	-	46,974
Net Assets, Beginning, as Restated	$ 907,466	$ 1,637,289	$ 5,193,418	$ 1,496,478	$ 9,234,651
Net Assets, Ending	$ 885,719	$ 1,664,587	$ 4,515,984	$ 1,502,537	$ 8,568,827

The notes are an integral part of the financial statements.

State of Minnesota

2009 Comprehensive Annual Financial Report

Index of Notes to the Financial Statements

Notes to the Financial Statements

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

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following two GASB statements for the fiscal year ended June 30, 2009.

GASB Statement No. 49. "Accounting and Financial Reporting for Pollution Remediation Obligations" was issued in November 2006. The statement addresses accounting and financial reporting for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities, such as site assessments and cleanups. The statement sets uniform standards requiring more timely and complete reporting of pollution remediation obligations, including required reporting of pollution remediation obligations that previously may not have been reported. See the impact on implementing this change in accounting principle in Note 14 - Pollution Remediation for more information on the state's and its component units' liability.

GASB Statement No. 52, "Land and Other Real Estate Held as Investments by Endowments" was issued in November 2007. The statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value.

In fiscal year 2009, the University of Minnesota changed its method for recognizing sponsored revenue, resulting in a $58.3 million change in accounting principle.

Financial Reporting Entity of the State of Minnesota

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Housing Finance Agency 400 Sibley Street, Suite 300 St. Paul, Minnesota 55101	National Sports Center Foundation National Sports Center 1700 105th Avenue Northeast Blaine, Minnesota 55449
Metropolitan Council 390 North Robert Street St. Paul, Minnesota 55101	Office of Higher Education 1450 Energy Park Drive, Suite 350 St. Paul, Minnesota 55108
University of Minnesota Office of the Controller 205 West Bank Office Building 1300 South Second Street Minneapolis, Minnesota 55454	Public Facilities Authority Department of Employment & Economic Development 1st National Bank Building, Suite E200 332 Minnesota Street St. Paul, Minnesota 55101-1351
ClearWay Minnesota Two Appletree Square, Suite 400 8011 34th Avenue South Minneapolis, Minnesota 55425	Workers' Compensation Assigned Risk Plan Affinity Insurance Services, Inc. 8300 Norman Center Drive, Fourth Floor Minneapolis, Minnesota 55437

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

- Higher Education Facilities Authority – The governor appoints a majority of the board. The Authority can issue revenue bonds and notes in its name. The state has no statutory authority to affect the operations of the Authority.

- Joint Underwriting Association – The state commissioner of the Department of Commerce appoints a majority of the board. The board establishes the operating plan and determines premium rates and assessments. Membership in the association is a condition for doing business in the state.

- Metropolitan Airports Commission – The governor appoints a majority of the voting commissioners. The state has no statutory authority to directly affect the commission's activities and operations. Holders of the commission's debt instruments have no recourse against the state.

- Workers' Compensation Reinsurance Association – The state commissioner of the Department of Labor and Industry appoints, or approves the appointment of, a majority of the board. The association supports itself solely from revenues derived from premiums charged to association members. The state has no authority to affect the operations of the association.

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

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

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

Financial Reporting Structure of the State of Minnesota

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

Government-wide Financial Statements

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

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

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

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

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

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

Fund Financial Statements

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

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

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

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

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

Classification of Funds

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

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

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

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

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

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

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

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

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

- Pension trust funds report retirement funds administered by independent boards for which the state has a fiduciary role.

- Investment trust funds provide an investment vehicle for entities outside the state, including various public retirement plans.

- The Agency Fund accounts for resources held in a custodial capacity for various other governmental units, private organizations, or individuals.

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

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

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

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

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

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

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

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

Cash Equivalents and Investments

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

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

Inventories

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

Securities Lending

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

Restricted Assets

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

Income Tax Credits

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

Grant Expenditures and Liabilities Recognition

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

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

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

Compensated Absences

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

Capital Assets

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

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

Capital assets are depreciated using the straight-line method based on the following useful lives: 40-50 years for buildings, 20-50 years for large improvements, 3-10 years for small improvements, and 3-12 years for equipment. Transportation infrastructure assets using the modified approach plus land, construction in progress, and works of art and historical treasures, such as the state capitol, are not depreciated.

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

Current and Noncurrent Assets

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

Noncurrent Liabilities

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

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

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

Deferred Compensation Plan

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

Net Assets/Fund Balances

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

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

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

Budgeting and Budgetary Control

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

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

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

Interfund Activity and Balances

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

Prior Period Adjustment

See Note 6 – Capital Assets for discussion of the prior period adjustment.

Special Item

GASB Statement No. 34 defines a special item as a significant transaction or event within the control of management, but either unusual in nature or infrequent in occurrence. Based on a 2002 law, Workers' Compensation Assigned Risk Plan (WCARP) (component unit) paid $16,822,000 in excess surplus to the General Fund during fiscal year 2009. The payment was received and reported by the General Fund during the year ended June 30, 2009. WCARP reported the payment as a special item on its financial statements for the year ended December 31, 2008.

Note 2 – Cash and Investments

Primary Government

Cash and Cash Equivalents

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

Deposits

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

Investments

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

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

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

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

Interest Rate Risk – Investments

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

Credit Risk of Debt Security Investments

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

The primary government's investments, excluding pension trust and investment trust funds, as of June 30, 2009, are presented below using the Standard & Poor's (S & P) rating scale.

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
As of June 30, 2009
(In Thousands)

			Lower of S & P or Moody S & P Equivalent Rating			
	Fair Value	Weighted Average Maturity (Years)	AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities:						
U.S. Treasury	$ 132,643	0.41	100%	-	-	-
U.S. Agencies	63,302	10.29	95%	-	-	5%
Mortgage-backed Securities	239,088	21.97	93%	2%	1%	4%
State or Local Government Bonds	61,860	9.17	86%	7%	-	7%
Corporate Bonds	2,417,526	1.35	52%	47%	1%	-
Commercial Paper	1,906,071	0.10	100%	-	-	-
Repurchase Agreements	581,643	0.01	2%	3%	-	95%
Certificates of Deposit	64,918	0.08	20%	-	-	80%
Total Debt Securities	$ 5,467,051					
Equity Investments:						
Corporate Stock	$ 466,760					
Alternative Equities	4,601					
Stock Options	658					
Total Equity Investments	$ 472,019					
Other Investments:						
Escheat Property	$ 8,444					
Money Market Accounts	4,838					
Total Other Investments	$ 13,282					
Total Investments	$ 5,952,352 [1]					

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

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

Primary Government
Pension Trust and Investment Trust Funds
Investments and Cash Equivalent Investments
As of June 30, 2009
(In Thousands)

	Fair Value	Weighted Average Maturity (Years)	Lower of S & P or Moody S & P Equivalent Rating: AA or Better	BBB to A	BB or Lower	Not Rated
Debt Securities:						
U.S. Treasury	$ 793,933	10.09	100%	-	-	-
U.S. Agencies	642,456	8.44	98%	-	1%	1%
Mortgage-backed Securities	4,139,211	24.76	83%	3%	8%	6%
State or Local Government Bonds	93,854	12.19	53%	37%	2%	9%
Corporate Bonds	3,303,544	9.12	22%	64%	10%	4%
Foreign Country Bonds	16,744	13.41	63%	37%	-	-
Commercial Paper	625,510	0.19	100%	-	-	-
Asset-backed Securities	298,013	11.72	76%	17%	4%	3%
Certificates of Deposit	153,856	0.14	41%	-	-	59%
Repurchase Agreements	451,611	0.00	22%	50%	-	29%
Other Short-term Securities	207,953	-	-	-	-	100%
Total Debt Securities	$ 10,726,685					
Equity Investments:						
Corporate Stock	$ 23,466,170					
Stock Options	50,405					
Alternative Equities	5,409,767					
Mutual Funds	2,699,909					
Total Equity Investments	$ 31,626,251					
Total Investments	$ 42,352,936 [1]					

[1] Total investments include cash equivalent investments not included in the investment pools.

Concentration of Credit Risk – Investments

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

Unrated Corporate Obligations

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

Corporate Stock

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

The state had concentration of credit risk over 5% as of June 30, 2009, in the General Electric Capital Corporation (GE-CAP). GE-CAP represented 5.7% and 5.3%, respectively, of the primary government's, excluding pension trust and investment trust funds, total debt securities investments and total investments.

Foreign Currency Risk – Investments

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

The primary government, excluding pension trust and investment trust funds, had no exposure to foreign currency risk as of June 30, 2009.

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

Pension Trust and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2009
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 5,060	$ -	$ 263,108
Brazilian Real	2,451	-	89,804
Canadian Dollar	6,387	1,264	355,047
Euro Currency	24,379	7,837	1,367,475
Hong Kong Dollar	1,998	-	365,463
Indian Rupee	592	-	106,177
Japanese Yen	17,641	-	1,021,505
New Taiwan Dollar	2,570	-	101,897
Norwegian Krone	3,217	-	25,420
Pound Sterling	13,219	18,362	857,180
South African Rand	1,218	-	77,038
South Korean Won	47	-	132,851
Swedish Krona	1,499	-	81,070
Swiss Franc	5,946	-	312,369
Other	2,017	-	300,722
Total	$ 88,241	$ 27,463	$ 5,457,126

Custodial Risk – Investments

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

Securities Lending

Minnesota statutes do not prohibit the state from participating in securities lending transactions. The state has, by way of Custodial Trust Agreements, authorized State Street Bank and Trust Company (State Street) and Wells Fargo Bank, Minnesota, N.A., (Wells Fargo) to act as agents in lending state securities to broker-dealers and banks pursuant to a form of loan agreement. The Wells Fargo program was suspended at the end of May 2009.

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

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

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

Primary Government [(1)]
Securities Lending Analysis
As of June 30, 2009
(In Thousands)

	State Street
Fair Value of Securities on Loan	$ 6,587,602
Collateral Held	$ 6,829,949
Cash Collateral Held & Reported on Statements of Net Assets	$ 6,307,960
Average Weighted Maturity	37 days

(1) Includes securities lending for certain component units that invest through SBI. Some of these component units have a December 31 year end.

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, 2009, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

Component Units

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

Housing Finance Agency

As of June 30, 2009, Housing Finance Agency (HFA) had $1,025,277,000 of cash, cash equivalents, and investments. As of June 30, 2009, $222,755,000 of deposits and $722,780,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from .2 years (certificates of deposit) to 1.1 – 10.2 years (U.S. Agencies).

HFA cash equivalents included $188,031,000 of investment agreements, which are generally uncollateralized interest-bearing contracts. As of June 30, 2009, most investment agreement providers had a Standard & Poor's long-term credit rating of 'A- or higher' and a Moody's Investors Service long-term credit rating of 'A3 or higher.' The individual investment agreements were unrated. Substantially all of the agreements contain termination clauses so that HFA may withdraw funds early if credit ratings deteriorate below specified levels and remedial action is not taken.

HFA investments had an estimated fair market value of $614,491,000 as of June 30, 2009. Included in these investments were $10,683,000 in U. S. Treasuries (not rated), plus $363,985,000 in Certificates of Deposit, $118,800,000 in U.S. Agencies, and $38,380,000 in municipal debt investments having a Standard & Poor's rating of 'AAA' and Moody's Investors Services rating of 'Aaa.' An additional $80,880,000 in municipal debt investments had a Standard & Poor's rating of 'AA' to 'A' and Moody's Investors Services rating of 'Aa' to 'A'.

HFA had investments in single issuers as of June 30, 2009, excluding investments issued or explicitly guaranteed by the U.S. Government, that exceeded five percent of total investments. These investments amounted to $469,982,000 and involved Federal Home Loan Bank and FSA Capital Management Services.

Metropolitan Council

As of December 31, 2008, Metropolitan Council (MC), including its discretely presented component unit, had a cash and investment portfolio of $407,521,000. Of this amount, $376,306,000 was subject to rating. $323,215,000 of these investments were rated 'Aaa' using the Moody's Investors Services rating scale, while $53,091,000 was not rated.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Of the $155,606,000 U.S. Treasury and Agency investments, MC has a custodial credit risk exposure of $4,999,000 because the related securities are held by a custodial agent in the broker's name.

MC has adopted the simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2008. The investment portfolio has an average yield of 2.4 percent, modified duration of 3.1 years, effective duration of 1.42 years, and convexity of -.33.

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

Major Component Unit
Metropolitan Council
Fair Value of Investments
(In Thousands)

	Estimated Fair Value
December 31, 2008	$ 388,651
Fair Value of Portfolio After Basis Point Increase of:	
50 Points	$ 372,523
100 Points	$ 369,339
150 Points	$ 365,531
200 Points	$ 361,785

University of Minnesota

As of June 30, 2009, University of Minnesota (U of M), including its discretely presented component units, had $365,655,000 of cash and cash equivalents and $2,661,237,000 of investments. U of M's discretely presented component units do not classify investments according to risk because these entities prepare their financial statements under standards set by the Financial Accounting Standards Board. Excluding discretely presented component units, U of M reported cash and cash equivalents of $326,320,000 and investments of $1,192,237,000.

U of M does not have a policy for custodial risk of deposits. As of June 30, 2009, $8,044,000 of U of M's bank balance of $8,294,000 was uninsured and uncollateralized.

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

U of M has established policies to address the various types of investment risks. U of M uses Standard & Poor's ratings and duration as a measure of a debt investment's exposure to fair value changes arising from changing interest rates. As of June 30, 2009, $593,767,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $384,768,000 was rated AAA
- $53,863,000 was rated A- to AA

- $20,481,000 was rated BBB- to BBB+
- $38,105,000 was rated BB- to BB+
- $96,550,000 was not rated

The securities subject to interest rate risk were comprised of:

- $143,515,000 in government agencies with an average duration of 1.85 years
- $112,493,000 in corporate bonds with an average duration of 0.68 years
- $33,653,000 in mortgage backed securities with an average duration of 2.83 years
- $25,233,000 in cash and cash equivalents with an average duration of .003 year
- $278,873,000 in other types of securities (primarily mutual funds) with an average duration of 0.003 years

As of June 30, 2009, U of M had $16,620,000 of equity investments subject to foreign currency risk. The three largest components of this amount (in thousands) are as follows:

- $5,254 in Japanese Yen
- $3,690 in Euro Currency
- $2,813 in Pound Sterling

Nonmajor Component Units

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

Nonmajor Component Units
Cash, Cash Equivalents, and Investments
June 30, 2009, or December 31, 2008, as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 3,668	$ 22,420
ClearWay Minnesota	20	116,485
National Sports Center Foundation	286	-
Office of Higher Education	277,901	-
Public Facilities Authority	234,813	28,282
Rural Finance Authority	20,926	-
Workers' Compensation Assigned Risk Plan	12,031	290,217
Total	$ 549,645	$ 457,404

Note 3 – Disaggregation of Receivables

The following are the components of net accounts receivable as reported in the government-wide Statement of Net Assets as of June 30, 2009:

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2009
(In Thousands)

	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 634,571	$ -	$ -	$ 634,571
Sales and Use	363,663	-	-	363,663
Property	401,996	-	-	401,996
Health Care Provider	205,585	-	89,987	295,572
Highway Users	-	-	80,157	80,157
Child Support	79,792	78,529	-	158,321
Workers' Compensation	-	-	111,045	111,045
Other	200,587	63,927	115,575	380,089
Net Receivables	$ 1,886,194	$ 142,456	$ 396,764	$ 2,425,414
	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Unemployment Insurance	$ -	$ 335,370	$ -	$ 335,370
Tuition and Fees	42,957	-	-	42,957
Other	-	-	33,324	33,324
Net Receivables	$ 42,957	$ 335,370	$ 33,324	$ 411,651
Total Government-wide Net Receivables				$ 2,837,065

[1] Includes $4,065 Internal Service Funds.

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

- Corporate and Individual Taxes $144,972,000
- Sales and Use Taxes $42,443,000
- Child Support $322,659,000
- Other Receivables $50,902,000

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

- Corporate and Individual Taxes $80,587,000
- Sales and Use Taxes $37,332,000
- Child Support $142,073,000
- Health Care Provider $84,039,000
- Other Receivables $18,145,000

Note 4 – Loans and Notes Receivable

Loans and notes receivable, net of allowances for possible losses, as of June 30, 2009, consisted of the following:

Primary Government
Loans and Notes Receivable
As of June 30, 2009
(In Thousands)

	General Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund
Student Loan Program	$ -	$ -	$ -	$ 34,714
Economic Development	41,296	64,083	-	-
School Districts	-	107,450	-	-
Agricultural, Evironmental and Energy Resources	34	74,146	-	-
Transportation	-	16,708	243	-
Other	-	2,222	97	-
Total	$ 41,330	$ 264,609	$ 340	$ 34,714

Component Units
Loans and Notes Receivable
As of June 30, 2009
(In Thousands)

Housing Finance Authority	$ 2,428,625
Metropolitan Council	44,537
University of Minnesota	68,809
Agricultural and Economic Development Board	8,608
Office of Higher Education	714,195
Public Facilities Authority	1,600,387
Rural Finance Authority	55,005
Total	$ 4,920,166

Note 5 – Interfund Transactions

Primary Government

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

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

Primary Government
Interfund Receivables and Payables
As of June 30, 2009
(In Thousands)

Due to the General Fund From:		
Federal Fund	$	67,414
Nonmajor Governmental Funds		66,828
Nonmajor Enterprise Funds		9,420
Internal Service Funds		458
Total Due to General Fund From Other Funds	$	144,120
Due to the Federal Fund From:		
Nonmajor Governmental Funds	$	4,748
Unemployment Insurance Fund		9
Total Due to Federal Fund From Other Funds	$	4,757
Due to the State Colleges and Universities Fund From:		
General Fund	$	20,000
Nonmajor Governmental Funds		22,016
Total Due to State Colleges and Universities From Other Funds	$	42,016
Due to the Nonmajor Enterprise Funds From:		
Nonmajor Enterprise Funds	$	2,355
Total Due to Nonmajor Enterprise Funds From Other Funds	$	2,355
Due to Fiduciary Funds From:		
Fiduciary Funds	$	50,745
Total Due to Fiduciary Funds From Other Fiduciary Funds	$	50,745
Due to the Nonmajor Governmental Funds From:		
General Fund	$	34,997
Federal Fund		14,377
Unemployment Insurance Fund		25,311
Nonmajor Governmental Funds		145,770
Nonmajor Enterprise Funds		4,031
Total Due to Nonmajor Governmental Funds From Other Funds	$	224,486

The Central Motor Pool Fund had an outstanding advance of $1,125,000 from the General Fund as of June 30, 2009. This advance is not expected to be repaid within one year.

Primary Government
Interfund Transfers
Year Ended June 30, 2009
(In Thousands)

Transfers to the General Fund From:		
Federal Fund	$	21,353
Nonmajor Governmental Funds		447,304
Nonmajor Enterprise Funds		65,944
Internal Service Funds		21,095
Total Transfers to General Fund From Other Funds	$	555,696
Transfers to the Federal Fund From:		
General Fund	$	717
Unemployment Insurance Fund		24
Nonmajor Governmental Funds		1,274
Total Transfers to Federal Fund From Other Funds	$	2,015
Transfers to the State Colleges and Universities Fund From:		
General Fund	$	662,417
Nonmajor Governmental Funds – Capital Contributions		106,733
Total Transfers to State Colleges and Universities From Other Funds	$	769,150
Transfers to Fiduciary Funds From:		
Fiduciary Funds	$	15,283
Total Transfers to Fiduciary Funds From Other Fiduciary Funds	$	15,283
Transfers to the Nonmajor Governmental Funds From:		
General Fund	$	715,046
Federal Fund		23,732
Unemployment Insurance Fund		2,114
Nonmajor Governmental Funds		1,600,476
Nonmajor Enterprise Funds		96,528
Internal Service Funds		9,674
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	2,447,570
Transfers to the Nonmajor Enterprise Funds From:		
General Fund	$	987
Nonmajor Governmental Funds		5,101
Total Transfers to Nonmajor Enterprise Funds From Other Funds	$	6,088
Transfers to Internal Service Funds From:		
Nonmajor Governmental funds	$	681
Total Transfers to Internal Service Funds From Other Funds	$	681

Component Units

Receivables and payables as of June 30, 2009, between the primary government and component units are summarized as follows:

Primary Government and Component Units
Receivables and Payables
As of June 30, 2009
(In Thousands)

	Due From Primary Government	Due To Primary Government
Component Units		
Major Component Units:		
Metropolitan Council	$ 87,485	$ -
University of Minnesota	7,177	45,760
Total Major Component Units	$ 94,662	$ 45,760
Nonmajor Component Units	$ 19,465	$ 82,148
Total Component Units	$ 114,127	$ 127,908

	Due From Component Units	Due To Component Units
Primary Government		
Major Governmental Funds:		
General Fund	$ 7,779	$ 15,610
Federal Fund	-	2,878
Total Major Governmental Funds	$ 7,779	$ 18,488
Nonmajor Governmental Funds	$ 118,005	$ 6,613
Total Primary Government	$ 125,784	$ 25,101 [1]

[1] Due to component units on the Government-wide Statement of Net Assets totals $44,566 including $19,465 of loans payable to the Public Facilities Authority, a component unit, that are not fund level liabilities.

The Due To Primary Government balance exceeds the Due From Component Units balance by $2,124,000 because Metropolitan Council, Workers' Compensation Assigned Risk Plan, and National Sports Center Foundation use a different fiscal year end than the primary government. The $89,026,000 difference between the Due From Primary Government balance and the Due To Component Units balance is also due to these different fiscal year ends as well as the $19,465,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government
Capital Asset Activity
Government-wide
Year Ended June 30, 2009
(In Thousands)

	Beginning	Additions	Deductions	Ending
Governmental Activities				
Capital Assets not Depreciated:				
Land	$ 1,904,657	$ 171,907	$ (3,394)	$ 2,073,170
Buildings, Structures, Improvements	28,040	24,759	-	52,799
Construction in Progress	261,251	180,185	(189,493)	251,943
Infrastructure	6,876,135	455,048	(8,072)	7,323,111
Art and Historical Treasures	1,989	-	-	1,989
Total Capital Assets not Depreciated	$ 9,072,072	$ 831,899	$ (200,959)	$ 9,703,012
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 2,011,326	$ 146,107	$ (14,747)	$ 2,142,686
Infrastructure	69,216	23,602	(29)	92,789
Equipment, Furniture, Fixtures	397,033	46,119	(26,108)	417,044
Total Capital Assets Depreciated	$ 2,477,575	$ 215,828	$ (40,884)	$ 2,652,519
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (751,327)	$ (73,395)	$ 7,079	$ (817,643)
Infrastructure	(15,480)	(2,130)	7	(17,603)
Equipment, Furniture, Fixtures	(251,160)	(34,575)	22,432	(263,303)
Total Accumulated Depreciation	$ (1,017,967)	$ (110,100)	$ 29,518	$ (1,098,549)
Total Capital Assets Depreciated, Net	$ 1,459,608	$ 105,728	$ (11,366)	$ 1,553,970
Governmental Act. Capital Assets, Net	$ 10,531,680	$ 937,627	$ (212,325)	$ 11,256,982
Business-type Activities				
Capital Assets not Depreciated:				
Land	$ 80,852	$ 1,027	$ -	$ 81,879
Construction in Progress	174,345	194,057	(213,535)	154,867
Total Capital Assets not Depreciated	$ 255,197	$ 195,084	$ (213,535)	$ 236,746
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 2,071,380	$ 214,851	$ (145)	$ 2,286,086
Library Collections	48,168	6,651	(6,293)	48,526
Equipment, Furniture, Fixtures	288,172	18,462	(17,727)	288,907
Total Capital Assets Depreciated	$ 2,407,720	$ 239,964	$ (24,165)	$ 2,623,519
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (970,712)	$ (59,485)	$ 10	$ (1,030,187)
Library Collections	(27,132)	(6,932)	6,293	(27,771)
Equipment, Furniture, Fixtures	(202,935)	(20,867)	17,378	(206,424)
Total Accumulated Depreciation	$ (1,200,779)	$ (87,284)	$ 23,681	$ (1,264,382)
Total Capital Assets Depreciated, Net	$ 1,206,941	$ 152,680	$ (484)	$ 1,359,137
Business-type Act. Capital Assets, Net	$ 1,462,138	$ 347,764	$ (214,019)	$ 1,595,883

Primary Government
Capital Asset Activity
Fiduciary Funds
Year Ended June 30, 2009
(In Thousands)

	Beginning	Additions	Deductions	Ending
Fiduciary Funds				
Capital Assets not Depreciated:				
Land	$ 429	$ -	$ -	$ 429
Total Capital Assets not Depreciated	$ 429	$ -	$ -	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,707	$ 30	$ -	$ 29,737
Equipment, Furniture, Fixtures	5,498	314	(300)	5,512
Total Capital Assets Depreciated	$ 35,205	$ 344	$ (300)	$ 35,249
Accumulated Depreciation for:				
Buildings	$ (5,165)	$ (757)	$ -	$ (5,922)
Equipment, Furniture, Fixtures	(4,228)	(367)	264	(4,331)
Total Accumulated Depreciation	$ (9,393)	$ (1,124)	$ 264	$ (10,253)
Total Capital Assets Depreciated, Net	$ 25,812	$ (780)	$ (36)	$ 24,996
Fiduciary Funds, Capital Assets, Net	$ 26,241	$ (780)	$ (36)	$ 25,425

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

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

Primary Government
Depreciation Expense
Government-wide
Year Ended June 30, 2009
(In Thousands)

Governmental Activities:	
Public Safety and Corrections	$ 20,041
Transportation	28,730
Agricultural, Environmental & Energy Resources	8,049
Economic and Workforce Development	1,012
General Education	4,271
Health and Human Services	21,829
General Government	15,910
Internal Service Funds	10,258
Total Governmental Activities	$ 110,100
Business-type Activities:	
State Colleges and Universities	$ 82,982
Lottery	635
Other	3,645
Total Business-type Activities	$ 87,262

Prior Period Adjustment: During fiscal year 2009, non depreciable infrastructure and land increased by $22,285,000 and $72,373,000, respectively, as a result of capitalizing costs associated with the Northstar Rail project. These costs were incurred during fiscal year 2008; however, title will not transfer to Metropolitan Council (component unit) until fiscal year 2010.

Capital outlay expenditures in the governmental funds totaled $746,955,000 for fiscal year 2009. Donations of general capital assets received during fiscal year 2009 were valued at $3,169,000. Transfers were $189,493,000 primarily from construction in progress. Additions in internal service funds were $12,921,000, and $531,000 in the Permanent School Fund.

General capital assets purchased with resources provided by outstanding capital lease agreements as of June 30, 2009, consisted of equipment with a cost of $8,633,000 and buildings with a cost of $180,005,000.

Authorizations and commitments as of June 30, 2009, for the largest construction in progress projects consisted of the following (in thousands):

Primary Government
Project Authorizations and Commitments
As of June 30, 2009
(In Thousands)

	Administration	Transportation
Authorization	$ 126,165	$ 878,465
Expended through June 30, 2009	118,991	670,154
Unexpended Commitment	2,712	161,887
Available Authorization	$ 4,462	$ 46,424

Land in the Permanent School Fund totaling 2,520,840 acres was donated by the federal government and valued at the estimated fair value at the time of donation.

Component Units

Component unit capital assets consisted of the following as of December 31, 2008, or June 30, 2009, as applicable:

Component Units
Capital Assets
As of December 31, 2008 or June 30, 2009
(In Thousands)

	Major Component Units				
	Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	Totals
Land and Improvements	$ -	$ 88,755	$ 82,364	$ 517	$ 171,636
Construction in Progress	-	253,025	445,495	-	698,520
Museums and Collections	-	-	45,458	-	45,458
Buildings and Improvements	-	2,884,431	2,662,354	2,400	5,549,185
Equipment	7,667	641,346	788,802	2,099	1,439,914
Infrastructure	-	-	367,117	-	367,117
Total	$ 7,667	$ 3,867,557	$ 4,391,590	$ 5,016	$ 8,271,830
Less: Accumulated Depreciation	$ 5,082	$ 1,378,526	$ 1,924,607	$ 2,358	$ 3,310,573
Net Total	$ 2,585	$ 2,489,031	$ 2,466,983 [1]	$ 2,658	$ 4,961,257

[1] In addition to this amount, the seven component units of the University of Minnesota had combined capital assets with a net value of $28,983 as of June 30, 2009.

Note 7 – Disaggregation of Payables

The following are the components of accounts payable as reported in the government-wide Statement of Net Assets as of June 30, 2009:

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2009
(In Thousands)

	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
School Aid Programs	$ 755,894	$ 141,728	$ 897	$ 898,519
Tax Refunds	574,657	-	-	574,657
Medical Care Programs	348,234	617,794	76,419	1,042,447
Grants	206,804	133,495	124,177	464,476
Salaries and Benefits	80,638	12,848	59,666	153,152
Vendors/Service Providers	61,935	57,728	215,006	334,669
Other	34,382	7,688	29,610	71,680
Net Payables	$ 2,062,544	$ 971,281	$ 505,775	$ 3,539,600
	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 121,061	$ -	$ 7,500	$ 128,561
Vendors/Service Providers	52,967	-	3,766	$ 56,733
Other	7,460	70,322	20,488	$ 98,270
Net Payables	$ 181,488	$ 70,322	$ 31,754	$ 283,564
Total Government-wide Net Payables				$ 3,823,164

[1]Includes $59,464 Internal Service Funds.

Note 8 – Pension and Investment Trust Funds

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

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

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

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

Basis of Accounting and Valuation of Investments

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

Except as described below, investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported trade price. Investments that do not have an established market are reported at estimated fair value.

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing "units" in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in securities trades receivables and payables. These unsettled securities trades are an essential element in determining the fair value of each pension trust fund's pooled investment balance; therefore, the trades are reported in the Combining Statement of Net Assets of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2009, this presentation resulted in a negative asset within the total investment pool participation.

Defined Benefit Pension Funds

Plan Descriptions and Contribution Information

- Multiple employer, cost-sharing plans:

  The State Employees Retirement Fund (SERF) covers those employees of the state, University of Minnesota, and certain other entities not covered by other pension funds. Thirty-three employers participate in this plan. Normal retirement age is 65. The annuity formula is the greater of a step rate with a flat rate reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarial reduction for early retirement. The applicable rates for each year of allowable service are 1.2 percent and 1.7 percent of a member's average salary, which is defined as the average salary of the five highest paid successive years of service. Annual benefits increase equal to the percent increase of the Consumer Price Index (CPI-W), not to exceed 2.5 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

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

  The Public Employees Correctional Fund (PECF) covers employees in county correctional facilities who have direct contact with inmates. Eighty county employers participate in this plan. Normal retirement age is 55. The annuity formula for each member is 1.9 percent of average salary for each year of service in that plan. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

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

The Teachers Retirement Fund (TRF) covers teachers and other related professionals employed by school districts or by the state. Five hundred eighty employers participate in this plan. Normal retirement is age 65. As of June 30, 2006, the assets, liabilities, and membership of the Minneapolis Teachers Retirement Fund Association (MTRFA) were merged with TRF. Some former MTRFA members retain rights under a 'basic' plan. Basic membership includes participants who are not covered by the Social Security Act, while coordinated membership includes participants who are covered by the act. The annuity formula for the basic members is 2.5 percent of average salary. The Annuity formula for the coordinated members is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent for service rendered before July 1, 2006, and 1.9 percent for service rendered on or after July 1, 2006. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent. The state, as an employer for some participants, is liable for a portion of any unfunded accrued liability of this fund.

- Single employer (state of Minnesota) plans:

The Correctional Employees Retirement Fund (CERF) covers state employees who have direct responsibility for inmates at Minnesota correctional facilities. Normal retirement age is 55. The annuity is 2.4 percent of average salary for each year of service. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent.

The Elective State Officers Fund (ESOF) covers state constitutional officers elected prior to July 1, 1997. The ESOF is excluded from the single employers plan disclosures since the remaining active employees have retired, terminated, or elected coverage under another plan. This plan is closed to new entrants according to Minnesota Statutes, Chapter 352C.

The Judicial Retirement Fund (JRF) covers judges of the Supreme Court, district courts, county courts, probate courts, and various court referees. Normal retirement age is 65. The annuity is 2.7 percent of average salary for each year of service prior to June 30, 1980, and 3.2 percent for each year thereafter up to 76.80 percent. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent.

The Legislative Retirement Fund (LRF) covers some members of the state's House of Representatives and Senate. Legislators newly elected since January 1997 are covered by the Unclassified Employee Retirement Fund (defined contribution fund). Normal retirement age is 62. The annuity ranges from 2.5 percent to 5.0 percent of average salary for each year of service depending on length of service. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent.

The State Patrol Retirement Fund (SPRF) covers state patrol officers, crime bureau officers, and various conservation officers who perform enforcement duties. Normal retirement age is 55. The annuity is 3.0 percent of average salary for each year of service. Annual benefits increase equal to the percent increase of CPI-W, not to exceed 2.5 percent.

Statutory Contribution Rates
Year Ended June 30, 2009

	Single Employer					Multiple Employer	
	CERF	ESOF	JRF	LRF	SPRF	SERF	TRF
Statutory Authority, Minnesota Chapter	352	352C	490	3A	352B	352	354
Required Contribution Rate of							
Active Members	7.00%	N/A	8.00%	9.00%	9.80%	4.50%	5.50%
Employer(s)	10.10%	N/A	20.50%	N/A	14.60%	4.50%	5.50%

Multiple Employer Plan
Required Contributions
(In Thousands)

		SERF	TRF
Required Contributions:			
Employee	2009	$ 108,866	$ 212,043
	2008	$ 99,280	$ 209,592
	2007	$ 89,448	$ 199,869
Employer[1]	2009	$ 107,211	$ 220,268
	2008	$ 96,746	$ 209,717
	2007	$ 86,493	$ 187,339

[1]Contributions were at least 100 percent of required contributions.

Contribution rates are statutorily determined.

Single Employer Plan Disclosures
As of June 30, 2009
(In Thousands)

	CERF	JRF	LRF	SPRF
Annual Required Contributions (ARC)[1]	$ 45,769	$ 10,186	$ 4,774	$ 21,215
Interest on Net Pension Obligation (NPO)[1]	2,914	(641)	(730)	(2,508)
Amortization Adjustment to ARC[1]	(1,954)	454	856	1,747
Annual Pension Cost	$ 46,729	$ 9,999	$ 4,900	$ 20,454
Contributions	(34,158)	(11,196)	(1,517)	(15,394)
Increase (Decrease) in NPO	$ 12,571	$ (1,197)	$ 3,383	$ 5,060
NPO, Beginning Balance	$ 34,285	$ (7,535)	$ (8,587)	$ (29,511)
NPO, Ending (Asset)	$ 46,856	$ (8,732)	$ (5,204)	$ (24,451)

[1] Components of annual pension cost.

Single Employer Plan Disclosures
(In Thousands)

		CERF	JRF	LRF	SPRF
Annual Pension Cost (APC)	2009	$ 46,729	$ 9,999	$ 4,900	$ 20,454
	2008	$ 45,815	$ 11,769	$ 3,475	$ 16,799
	2007	$ 39,289	$ 10,553	$ 2,973	$ 14,382
Percentage of APC Contributed	2009	73%	112%	31%	75%
	2008	69%	92%	69%	83%
	2007	61%	98%	68%	87%
NPO (End of Year)	2009	$ 46,856	$ (8,732)	$ (5,204)	$ (24,451)
	2008	$ 34,285	$ (7,535)	$ (8,587)	$ (29,511)
	2007	$ 19,868	$ (8,509)	$ (9,665)	$ (32,436)

Schedule of Funding Status
(In Thousands)

	CERF	JRF	LRF	SPRF
Actual Valuation Date[1]	7/1/2008	7/1/2008	7/1/2008	7/1/2008
Actuarial Value of Plan Assets	$ 572,719	$ 147,542	$ 39,209	$ 595,082
Actuarial Accrued Liability	$ 760,363	$ 231,623	$ 86,131	$ 693,686
Total Unfunded Actuarial Liability	$ 187,644	$ 84,081	$ 46,922	$ 98,604
Funded Ratio	75%	64%	46%	86%
Annual Covered Payroll	$ 194,391	$ 38,296	$ 1,993	$ 60,029
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	97%	220%	2354%	164%

[1] The July 1, 2008, Annual Valuation Report is the most recently issued report available.

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

Actuarial Assumptions for Single Employer Plans

- The actuarial cost method used by all plans is the Individual Entry Age Normal Cost Method. The date of actuarial valuation is July 1, 2008.
- The calculation of the actuarial valuation of assets is a market value based formula based on the Unrecognized Asset Return (UAR is actual net return on market value minus net return based on actuarial assumption). The actuarial value of assets is the Market Value of Assets as of June 30, 2008, less: 80 percent UAR for fiscal year 2008; 60 percent UAR for fiscal year 2007; 40 percent UAR for fiscal year 2006; and 20 percent UAR for fiscal year 2005.
- Expected net investment returns for pre-retirement and postretirement are 8.5 percent and 6.0 percent, respectively.
- Minnesota statutory valuation standards do not require an inflation rate assumption to cost the plans. Benefit increases after retirement are accounted for by the 6.0 percent postretirement investment return assumption that is 2.5 percent less than the pre-retirement investment return assumption. Under the LRF plan, for those persons not yet in pay status, a 5.0 percent postretirement discount rate is used to account for the one-time adjustment applicable at retirement.
- The amortization method uses level percentage of projected payroll growth, except for the ESOF plan, which uses the level dollar amortization method.
- Projected payroll growth is a level 4.5 percent except for JRF which is a level 4.0 percent.

- The statutory amortization periods for CERF, ESORF, JRF, LRF, and SPRF are through July 1, of 2038, 2017, 2038, 2021, and 2036, respectively.

- The amortization periods are closed.

Defined Contribution Funds

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

Plan Descriptions and Contribution Information

The Hennepin County Supplemental Retirement Fund (HCSRF), authorized by Minnesota Statutes, Sections 383B.46-52, covers employees of Hennepin County who began employment prior to April 14, 1982. The employee and employer contribution rate is 1.0 percent of the employee's salary. As of June 30, 2008, there were 2,192 members in the plan.

The Postretirement Health Care Benefits Fund (PHCBF), authorized by Minnesota Statutes, Section 352.98, creates a postretirement health care savings plan or plans, by which public employers and employees may save to cover postretirement health care costs. Contributions to the plan by or on behalf of an employee are held in trust for reimbursement of employee and dependent health-related expenses following retirement from public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted. As of June 30, 2008, there were 49,526 members in the plan.

The Unclassified Employee Retirement Fund (UERF), authorized by Minnesota Statutes, Chapter 352D, covers only those state employees who are included either by statute or policy in the "unclassified service" of the state and specified employees of various statutorily designated entities. Statutory contribution rates are 4.0 percent for employee and 6.0 percent for employer. Vesting occurs immediately, and normal retirement age is 55. Annuity is based on age and value of the participant's account. As of June 30, 2008, there were 3,303 members in the plan.

The Defined Contribution Fund (DCF) is authorized by Minnesota Statutes, Chapter 353D. The plan covers local units of government of which current or former elected officials elect to participate (with the exception of elected county sheriffs), emergency medical service personnel employed by or providing service to any of the participating ambulance services, and physicians employed at public facilities. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses. There is no vesting period required to receive benefits from this plan. DCF covers approximately 1,000 units of government. As of June 30, 2008, there were 6,882 members in the plan.

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

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

Defined Contribution Plans
Contributions
Year Ended June 30, 2009
(In Thousands)

	HCSRF	PHCBF	UERF	DCF	CURF
Employee Contributions	$ 570	$ 82,920	$ 4,660	$ 1,462	$ 33,061
Employer Contributions	$ 570	N/A	$ 6,514	$ 1,583	$ 39,032

The Minnesota State Deferred Compensation Plan (State Deferred Compensation Fund) is a voluntary retirement savings plan authorized under section 457 of the Internal Revenue Code and Minnesota Statutes, Section 352.96. The plan is composed of employee pre-tax contributions. Employers do not contribute to this plan. Employees and elected officials of the state and its political subdivisions are eligible to participate in the plan. The plan has 88,616 participants from approximately 800 employers.

Investment Trust Funds

The Supplemental Retirement and the Investment Trust funds (investment trust funds) are administered by the State Board of Investment, which issues a separate report (see Note 1 – Summary of Significant Accounting and Reporting Policies for the address). These funds are investment pools for external participants. During the fiscal year, the investments of the Minneapolis Employees Retirement Plan were transferred to the State Board of Investment and are included in the Investment Trust Fund. Contributions from Minneapolis Employees Retirement Plan for the fiscal year ended June 30, 2009, were approximately $965 million.

Component Units

The following component units are participants in the State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF), and the Unclassified Employees Retirement funds (UERF):

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

Note 9 – Termination and Postemployment Benefits

Primary Government – Termination Benefits

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

Only three state bargaining agreements provide for this benefit. These agreements, affecting only Minnesota State Colleges and Universities (MnSCU) employees, are the Minnesota State College Faculty, Inter Faculty Organization, and Minnesota State University Association of Administrative Service Faculty contracts. Faculty members who meet a combination of age and years of service plus certain eligibility requirements are eligible to receive an early retirement incentive cash payment based on base salary plus health insurance paid for one year after separation. Approximately 200 former faculty members currently receive this benefit. The cost of the benefits was $3,421,000 during fiscal year ended June 30, 2009, with a remaining liability as of June 30, 2009, of $5,886,000.

Primary Government – Postemployment Benefits Other Than Pensions

Plan Description

Other postemployment benefits (OPEB) are available to state employees and their dependents through a single-employer defined benefit health care plan, as allowed by Minnesota Statutes 43A.27 subdivision 3 and 471.61 subdivision 2a, and required under the terms of selected employment contracts. All pre-age 65 state retirees with at least 5 years of allowable pension service who are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state's health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100% of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy. As of July 1, 2008, there were approximately 2,400 retirees participating in the state's insurance plan under this provision.

The state also subsidizes the health care and dental premium rates for certain employees, primarily conservation officers, correctional officers at state correctional facilities, and state troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer's premium contribution rate is frozen at the date of the employee's retirement and is payable by the state until the retiree is age 65. The retiree is responsible for any other portion of the premiums. If the retiree terminates employment at age 55 or later, the employer contributes the active employee's premium rate each year until the retiree is age 65. Coverage ends at the retiree's attainment of age of 65. As of July 1, 2008, there were approximately 950 correctional and law enforcement retirees receiving an explicit rate subsidy. The state does not issue a separate financial report for its OPEB plan.

Funding Policy

The contribution requirement of plan members and the state are established and may be amended by the state legislature or through selected employment contracts, which are negotiated every other year. The required contribution is based on a projected pay-as-you-go basis. For fiscal year ended June 30, 2009, the state contributed $28.0 million to the plan. Plan members receiving benefits through the implicit rate subsidy contributed $14.4 million through their average required contribution of $440 per month for retiree-only coverage and $1,293 for retiree-family coverage.

Annual OPEB Cost and Net OPEB Obligation

The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 4.75% discount rate. For year ending June 30, 2009, the state's ARC is $73,466,000.

The following table shows the components of the state's annual OPEB cost for the year ended June 30, 2009, the amount contributed to the plan, and the changes to the state's net OPEB obligation:

OPEB Disclosures
As of June 30, 2009
(In Thousands)

Annual Required Contributions (ARC)(1)	$ 73,466
Interest on Net OPEB Obligation (NOO)(1)	1,790
Amortization Adjustment to ARC(1)	(1,550)
Annual OPEB Cost (Expense)	$ 73,706
Contributions	(28,001)
Increase in NOO	$ 45,705
NOO, Beginning Balance	$ 37,658
NOO, Ending	$ 83,363

(1)Components of annual OPEB cost.

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2009 and 2008 (the only years available) are as follows (in thousands):

OPEB Disclosures
(In Thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	$ 73,706	38%	$ 83,363
June 30, 2008	$ 66,282	43%	$ 37,658

Funded Status and Funding Progress

As of July 1, 2008, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits and the unfunded actuarial accrued liability (UAAL) was $755 million. The actuarial value of assets is zero as no assets have been deposited into an irrevocable OPEB trust for future benefits. The covered payroll (annual payroll of active employees covered by the plan) was $2.8 billion, and the ratio of the UAAL to the covered payroll was 27 percent.

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

Actuarial Methods and Assumptions

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

Actuarial Assumptions for OPEB

- The actuarial cost method used is the Entry Age Normal Cost method. The date of actuarial valuation is July 1, 2008.
- Expected investment return is 4.75 percent based on the estimated long-term investment yield on the general assets of the state.
- Projected salary increases are a level 4.0 percent.
- The annual health care cost trend rate is 8.97 percent initially, reduced by increments to an ultimate rate of 5.0 percent after 20 years. The annual dental cost trend rate is 5.0 percent.
- The amortization period for the unfunded actuarial accrued liability is 30 year level percent of pay.
- The amortization period is open.

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

Component Units – Postemployment Benefits Other Than Pensions

Metropolitan Council (MC) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. MC does not fund its OPEB benefits in an irrevocable trust. However, it has separately invested $49.3 million as of December 31, 2008, for this purpose. The annual required contribution for 2008 was $28.4 million or 12.2 percent of annual covered payroll. As of December 31, 2008 and 2007, the net OPEB obligation was $29.6 million and $14.5 million respectively. The actuarial accrued liability (AAL) for benefits was $301.3 million as of December 31, 2008, all of which was unfunded. The covered payroll was $232.2 million, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 129.7 percent.

University of Minnesota (U of M) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible retiree, their spouses, and dependents and an academic disability plan for faculty and academic professional and administrative employees. U of M does not fund its OPEB benefits in an irrevocable trust. The annual required contribution for the year ended June 30, 2009, was $18.5 million or 1.6 percent of annual covered payroll. As of June 30, 2009, the net OPEB obligation was $22.5 million. The actuarial accrued liability (AAL) for benefits was $78.9 million as of June 30, 2009, all of which was unfunded. The covered payroll was $1.2 billion, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 6.8 percent.

Note 10 – Long-Term Commitments

Long-term commitments consist of grant agreements, construction, and other contracts. These commitments will be partially funded by current reserves with the remaining resources provided by future bond proceeds, gas taxes, and motor vehicle registration revenues, and federal grants. Long-term commitments as of June 30, 2009, were as follows:

Primary Government
Long-Term Commitments
As of June 30, 2009
(In Thousands)

Special Revenue Fund:	
Trunk Highway Fund	$ 661,283
Capital Projects Funds:	
General Projects Fund	6,989
Transportation Fund	98,286
Building Fund	608,253
Enterprise Funds:	
State Colleges and Universities	156,326
Total Primary Government	$ 1,531,137

Petroleum Tank Environmental Cleanup

The Petroleum Tank Release Cleanup Act, Minnesota Statutes, Chapter 115C, requires the state to reimburse eligible applicants for a significant portion of their costs to investigate and clean up contamination from leaking petroleum storage tanks. Reimbursements are made from the Petroleum Tank Cleanup Fund (Petrofund) (special revenue fund). As of November 2009, the Petrofund has reimbursed eligible applicants approximately $400 million since program inception in 1987. Future expenditures from the Petrofund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites. The estimated total payments from the program, which is scheduled to sunset on June 30, 2012, are between $425 and $465 million for investigative and cleanup costs.

Remediation Fund

The Remediation Fund (special revenue fund) is comprised of two accounts: the Metropolitan Landfill Contingency Action Trust Account and the Closed Landfill Investment Account. The Metropolitan Landfill Contingency Action Trust Account consists of revenue deposited in the account under Minnesota Statutes, Chapter 473.843, and interest earned on the account. Money in the account is appropriated for closure and post closure care of mixed municipal solid waste disposal facilities in the metropolitan area for a 30 year period after closure if it is determined that the operator/owner will not take the necessary actions as directed by the agency.

The Closed Landfill Investment Account consists of money credited to the account plus interest and other earnings on the account. Money in the account may be spent after fiscal year 2020 for landfill abatement projects.

Component Units

As of June 30, 2009, the Housing Finance Agency (HFA) had committed approximately $213 million for the purchase or origination of future loans or other housing assistance.

Metropolitan Council enters into contracts for various purposes such as transit services and construction projects. As of December 31, 2008, unpaid commitments for Metro Transit Bus services were approximately $180.7 million. Future commitments for Metro Transit Light Rail were approximately $54.3 million, while future commitments for Metro Transit Commuter Rail were approximately $36.4 million. Finally, future commitments for Regional Transit and Environmental services were approximately $133.1 million and $21.1 million, respectively.

University of Minnesota (U of M) has construction projects in progress with an estimated completion cost of $357 million. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2009, Public Facilities Authority (PFA) had committed approximately $194 million for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $51 million for grants.

Note 11 – Operating Lease Agreements

Operating Leases

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

Lease expenditures for the fiscal year ended June 30, 2009, totaled approximately $79,220,000 and $21,016,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2008, totaled approximately $480,000 for component units.

Primary Government and Component Units
Future Minimum Lease Payments
(In Thousands)

Primary Government		Component Units			
Year Ended June 30	Amount	Year Ended June 30	Amount	Year Ended December 31	Amount
2010	$ 72,077	2010	$ 14,123	2009	$ 542
2011	61,147	2011	13,181	2010	409
2012	53,421	2012	12,416	2011	275
2013	47,175	2013	11,085	2012	179
2014	33,093	2014	6,750	2013	152
2015-2019	65,057	2015-2019	2,489	2014-2018	344
2020-2024	9,502	2020-2024	-	2019-2023	411
2025-2029	7,297	2025-2029	-	2024-2029	-
2030-2034	419	2030-2034	-	2030-2034	-
Total	$ 349,188	Total	$ 60,044	Total	$ 2,312

Note 12 – Long-Term Liabilities – Primary Government

The following table is a summary of long-term liabilities as of June 30, 2009, and the changes during fiscal year 2009:

Primary Government
Long-Term Liabilities
Year Ended June 30, 2009
(In Thousands)

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	$ 4,330,291	$ 887,337	$ 549,726	$ 4,667,902	$ 389,243
Loans	59,889	8,579	14,810	53,658	16,862
Revenue Bonds	14,500	-	785	13,715	815
Claims	806,021	67,184	108,228	764,977	90,395
Compensated Absences	275,717	246,302	234,556	287,463	31,419
Workers' Compensation	95,741	15,540	16,109	95,172	15,922
Capital Leases	167,877	-	6,248	161,629	6,368
Pollution Remediation [(1)]	45,854	7,157	14,370	38,641	10,546
Net Pension Obligation	34,285	46,729	34,158	46,856	-
Net Other Postemployment Obligation	31,327	60,007	19,220	72,114	-
Due to Component Unit	22,485	549	3,569	19,465	3,747
Total	$ 5,883,987	$ 1,339,384	$ 1,001,779	$ 6,221,592	$ 565,317
Business-type Activities					
Liabilities For:					
General Obligation Bonds	$ 224,090	$ 34,537	$ 16,681	$ 241,946	$ 17,067
Loans	5,829	456	703	5,582	929
Revenue Bonds	209,719	78,219	9,692	278,246	15,630
Compensated Absences	137,905	26,966	20,758	144,113	14,634
Workers' Compensation	5,412	2,517	2,765	5,164	2,065
Capital Leases	22,647	85	2,408	20,324	2,253
Net Other Postemployment Obligation	6,331	9,458	4,540	11,249	-
Total	$ 611,933	$ 152,238	$ 57,547	$ 706,624	$ 52,578

[(1)] As a result of implementing GASB Statement No. 49, "Accounting and Financial Reporting for Pollution Remediation Obligations," the beginning balance has been increased by a change in accounting principle of $45,854.

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

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

	Governmental Activities				
	General Fund	Special Revenue Funds	Internal Service Funds	Business-type Activities	Total
Liabilities For:					
General Obligation Bonds	$ 3,810,506	$ 857,396	$ -	$ 241,946	$ 4,909,848
Loans	-	34,396	19,262	5,582	59,240
Revenue Bonds	-	13,715	-	278,246	291,961
Claims	23,164	741,813	-	-	764,977
Compensated Absences	131,701	149,708	6,054	144,113	431,576
Workers' Compensation	72,661	22,511	-	5,164	100,336
Capital Leases	160,370	1,259	-	20,324	181,953
Net Pension Obligation	46,856	-	-	-	46,856
Net Other Postemployment Benefit Obligation	71,736	-	378	11,249	83,363
Due to Component Unit	-	19,465	-	-	19,465
Pollution Remediation	-	38,641	-	-	38,641
Total	$ 4,316,994	$ 1,878,904	$ 25,694	$ 706,624	$ 6,928,216

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

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

	Governmental Activities		Business-type Activities		Total	
Year Ended June 30	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 389,243	$ 213,404	$ 17,067	$ 11,593	$ 406,310	$ 224,997
2011	365,055	189,098	16,570	10,349	381,625	199,447
2012	341,051	171,836	16,599	9,546	357,650	181,382
2013	348,369	155,069	15,791	8,750	364,160	163,819
2014	319,382	138,239	15,708	7,966	335,090	146,205
2015-2019	1,307,468	479,205	71,042	28,588	1,378,510	507,793
2020-2024	915,091	201,451	54,664	12,500	969,755	213,951
2025-2029	386,129	34,589	24,626	2,318	410,755	36,907
Total	$ 4,371,788	$ 1,582,891	$ 232,067	$ 91,610	$ 4,603,855	$ 1,674,501
Bond Premium	296,114	-	9,879	-	305,993	-
Total	$ 4,667,902	$ 1,582,891	$ 241,946	$ 91,610	$ 4,909,848	$ 1,674,501

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2010	$ 815	$ 579	$ 15,630	$ 12,289	$ 16,445	$ 12,868
2011	845	546	14,360	11,890	15,205	12,436
2012	880	511	13,475	11,322	14,355	11,833
2013	915	475	14,475	10,759	15,390	11,234
2014	955	438	14,970	10,124	15,925	10,562
2015-2019	5,430	1,503	78,375	39,825	83,805	41,328
2020-2024	3,875	267	68,190	22,178	72,065	22,445
2025-2029	-	-	45,085	7,602	45,085	7,602
2030-2034	-	-	10,669	931	10,669	931
Total	$ 13,715	$ 4,319	$ 275,229	$ 126,920	$ 288,944	$ 131,239
Bond Premium	-	-	3,017	-	3,017	-
Total	$ 13,715	$ 4,319	$ 278,246	$ 126,920	$ 291,961	$ 131,239

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2010	$ 20,609	$ 2,838	$ 929	$ 250	21,538	3,088
2011	16,567	1,697	961	205	17,528	1,902
2012	11,792	483	719	161	12,511	644
2013	7,515	369	604	125	8,119	494
2014	9,305	264	404	99	9,709	363
2015-2019	6,536	486	1,378	300	7,914	786
2020-2024	700	47	587	53	1,287	100
2025-2029	99	7	-	-	99	7
Total	$ 73,123	$ 6,191	$ 5,582	$ 1,193	$ 78,705	$ 7,384

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest	Business-type Activities Principal	Business-type Activities Interest	Total Principal	Total Interest
2010	$ 6,368	$ 7,955	$ 2,253	$ 1,021	$ 8,621	$ 8,976
2011	6,461	7,707	1,669	928	8,130	8,635
2012	6,300	7,453	1,637	894	7,937	8,347
2013	6,469	7,176	1,162	780	7,631	7,956
2014	6,735	6,885	1,202	726	7,937	7,611
2015-2019	38,807	28,932	6,521	2,681	45,328	31,613
2020-2024	49,352	17,936	4,257	1,047	53,609	18,983
2025-2029	41,137	4,626	1,024	301	42,161	4,927
2030-2034	-	-	599	40	599	40
Total	$ 161,629	$ 88,670	$ 20,324	$ 8,418	$ 181,953	$ 97,088

Debt Service Fund

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

During fiscal year 2009, Minnesota Management and Budget made the necessary transfers to the Debt Service Fund as follows:

Primary Government
Transfers to Debt Service Fund
Year Ended June 30, 2009
(In Thousands)

General Fund	$ 452,893
Special Revenue Funds:	
Game and Fish Fund	$ 2
Trunk Highway Fund	59,542
Natural Resources Funds	10
Maximum Effort School Loan Fund	1,828
Miscellaneous Special Revenue Fund	329
Total Special Revenue Funds	$ 61,711
Capital Projects Funds:	
Building Fund	$ 4,307
Transportation	1,465
Total Capital Project Funds	$ 5,772
Total Operating Transfers to Debt Service Fund	$ 520,376

General Obligation Bond Issues

On July 22, 2008, $275,000,000 in general obligation state various purpose bonds were issued at a true interest rate of 4.10 percent, $33,500,000 in general obligation state trunk highway bonds were issued at a true interest rate of 4.12 percent, and $155,415,000 in general obligation state refunding bonds were issued at a true interest rate of 3.52 percent.

As a result of the advance refunding, the state reduced its total debt service requirements by $9,906,000, which resulted in an economic gain of $12,783,000. The balance outstanding for all extinguished debt as of June 30, 2009, was $174,130,000, which is shown in the following table. The state remains contingently liable to pay the advance refunded general obligation bonds.

On January 2, 2009, $325,000,000 in general obligation state various purpose bonds were issued at a true interest rate of 3.50 percent, $70,000,000 in general obligation state trunk highway bonds were issued at a true interest rate of 3.48 percent, and $5,000,000 general obligation taxable state bonds were issued at a true interest rate of 3.08 percent.

Primary Government
General Obligation Bonds
Outstanding Defeased Debt
(In Thousands)

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2009 Outstanding Amount	Refunded Bond Call Date
July 22, 2008	$ 74,710	$ 75,000	$ 84,250	August 1, 2010
July 22, 2008	80,705	81,150	89,880	June 1, 2011
	$ 155,415	$ 156,150	$ 174,130	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2009. This schedule includes general obligation bonds that were sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

Primary Government
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2009
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	$ 698	$ 210,715	5.00 - 5.62
State Operated Community Services	-	2,634	5.00
State Transportation	32,560	196,553	5.00 - 5.62
Waste Management	-	1,075	5.00 - 5.50
Water Pollution Control	-	15,700	5.00 - 5.62
Maximum Effort School Loan	-	60,585	5.00 - 5.25
Rural Finance Authority	3,500	59,100	5.00 - 5.60
Refunding Bonds	-	824,551	4.00 - 5.00
Municipal Energy Building	-	165	5.00
Trunk Highway	1,766,585	585,730	3.25 - 5.25
Landfill	-	385	5.50 - 5.62
Various Purpose	1,329,902	2,646,662	5.00 - 5.62
Total	$ 3,133,245	$ 4,603,855	

Capital Leases

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

Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). Loans outstanding of $34,396,000 were from local government entities to finance certain trunk highway projects. In addition, $19,465,000 in loans from the Public Facilities Authority (component unit – Due to Component Unit) were outstanding for transportation projects. Other governmental activities loans are internal service fund loans for equipment purchases.

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

Revenue Bonds Payable

On July 26, 2006, $15,145,000 of revenue bonds were issued to provide grants to school districts located in the state's taconite assistance area (as defined in statute) and for bond administrative costs. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes, Section 298.2211; and an order of the Commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. To repay the bonds, the Iron Range Resources and Rehabilitation Agency has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue funds). These tax distributions, totaling $33,718,000 for fiscal year 2009, have averaged about one third of the state's total annual taconite production tax revenues over the last five years. The debt service on the bonds is payable solely from these taconite production tax distributions. The interest rates on the bonds are 4.00% (7 years) and 4.50% (thereafter) over the 15 year term of the bonds. Bonds maturing on and after October 1, 2014, are subject to optional redemption. For fiscal year 2009, principal and interest paid by the Iron Range Resources and Rehabilitation Agency on the bonds was $1,396,000. The total principal and interest remaining to be paid as of June 30, 2009, is $18,034,000, payable through November 2021.

The state is authorized by Minnesota Statutes, Section 403.275 and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, $35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. On November 13, 2008, $42,205,000 in revenue bonds were issued at a true interest rate of 4.60 percent. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 25 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2009, is $90,263,000, payable through June 2024. Principal and interest paid during fiscal year 2009 and total 911 fee revenues were $7,817,000 and $52,677,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund) and are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $200,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 3.25 to 6.5 percent. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 17.2 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $287,174,000. Principal and interest paid for the current year and total customer net revenues were $9,907,000 and $93,781,000, respectively.

Itasca Community College issued revenue bonds through the Itasca County Housing Redevelopment Authority that are payable through 2025. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings. Annual principal and interest payments on the bonds are expected to require less than 55 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $3,696,000. For the current year, principal and interest paid and total customer net revenues were $207,000 and $394,000, respectively. These revenue bonds have a variable interest rate of 2.50 to 5.75 percent.

Vermilion Community College issued revenue bonds through the Minnesota Higher Education Facilities Authority that are payable through 2013. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and guaranteed by the City of Ely. Annual principal and interest payments on the bonds are expected to require less than 40 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $335,000. For the current year, principal and interest paid and total customer net revenues were $86,000 and $214,000, respectively. These revenue bonds have a fixed interest rate of 6 percent.

On November 1, 2000, $16,000,000 in revenue bonds were issued for financing expansion of the Giants Ridge Recreational Area at a true interest rate of 7.48 percent. In addition, $3,710,000 in bonds were refunded. The original refunded bonds have been eliminated, and the new advance refunding bonds have been added to the Giants Ridge Fund (enterprise fund). The Iron Range Resources and Rehabilitation Agency has pledged the gross revenues from the operation of the Giants Ridge Recreational Facilities, including greens fees and ski lift ticket receipts, to repay the debt. The debt service on these bonds is payable solely from these sources. The total principal and interest remaining to be paid on the bonds as of June 30, 2009 is $20,681,000, payable through November 2025. Principal and interest paid during fiscal year 2009, and net Giants Ridge Fund available revenues were $1,669,000 and $4,195,000, respectively.

Giants Ridge
Outstanding Defeased Debt
(In Thousands)

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2009 Outstanding Amount	Refunded Bond Call Date
November 1, 2000	$ 3,710	$ 3,710	$ 2,610	November 1, 2025

Claims

Municipal solid waste landfill liability of $200,777,000 for closure and postclosure care is reported for the landfill cleanup program payable from the Remediation Fund (special revenue fund) and the General Fund.

Claims of $44,200,000 are for workers' compensation claims of employees of uninsured and bankrupt firms. These claims are funded by an assessment on insurers and are payable from the Special Compensation Fund (special revenue fund).

The remaining claim amount of $520,000,000 is for reimbursements of supplementary and second injury benefits for old workers' compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00%) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately the year 2050 for supplementary benefits and 2033 for second injuries.

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $287,463,000 and $144,113,000, respectively, are primarily for vacation leave and vested sick leave, which are payable as severance pay under specific conditions. Both amounts are paid in cash only when an employee terminates state employment. This obligation will be liquidated using future resources at unspecified times.

Workers' Compensation

The governmental activities and business-type activities liability for workers' compensation of $95,172,000 and $5,164,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2009, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Arbitrage Liabilities

An arbitrage rebate payable to the federal government is required by the Tax Reform Act of 1986 and U.S. Treasury regulations and penalties if there are excess earnings on tax-exempt bond proceeds and debt service reserves. For fiscal year 2009, the state did not have excess earnings on tax-exempt bond proceeds and debt service.

Revenue Bonds Payable – Fiduciary Funds

On June 1, 2000, the state of Minnesota issued revenue bonds totaling $29,000,000 on behalf of the state's three retirement systems. Minnesota Statutes, Section 356.89, authorized the issuance of the revenue bonds for the construction of an administrative office building. The revenue bonds have a variable interest rate of 5.38 to 6.00 percent and are not general obligations of the state. The bonds are backed by the assets of the three retirement systems, excluding assets segregated for retired employees and assets of the systems' defined contribution funds. The debt service payments are allocated to each system based on the percentage interest each has in the facility. For fiscal year 2009, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF) was $2,079,000. The total principal and interest remaining to be paid as of June 30, 2009, is $44,130,000, payable through 2030.

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

Year Ended June 30	Principal	Interest
2010	$ 625	$ 1,446
2011	675	1,413
2012	700	1,376
2013	750	1,338
2014	775	1,297
2015-2019	4,650	5,774
2020-2024	6,250	4,257
2025-2029	8,450	2,178
2030-2034	2,054	122
Total	$ 24,929	$ 19,201

Note 13 – Long-Term Liabilities – Component Units

Revenue and General Obligation Bonds

Component Units

Housing Finance Agency (HFA) is authorized by Minnesota Statutes, Section 462A.06, to issue bonds and notes to provide funds for rehabilitation, construction, and mortgage loans, or to refund bonds to sponsors of residential housing for families of low and moderate income. The amount outstanding on these bonds at any time shall not exceed $5,000,000,000, according to Minnesota Statutes, Section 462A.22. The principal amount of revenue bonds outstanding on June 30, 2009, net of unamortized premium, was $2,473,733,000.

Metropolitan Council (MC) issues general obligation bonds for parks, solid waste, sewers, and transportation, backed by the full faith and credit and taxing powers of MC. MC had $1,177,160,000 in general obligation bonds outstanding, net of unamortized premium, and $6,279,000 of revenue bonds outstanding on December 31, 2008.

University of Minnesota (U of M) issues revenue bonds and general obligation bonds for capital projects. On June 30, 2009, the principal amount of revenue bonds outstanding was $144,761,000 and the principal amount of general obligation bonds outstanding was $473,160,000.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2009, the principal amount of revenue bonds outstanding was $9,885,000.

Office of Higher Education (OHE) is authorized by Minnesota Statutes, Sections 136A.171-.175, to issue revenue bonds and notes to finance guaranteed loans for students attending eligible post-secondary educational institutions. The amount outstanding on these bonds at any one time, not including refunded bonds or otherwise defeased or discharged bonds, shall not exceed $850,000,000, according to Minnesota Statutes, Section 136A.171. On June 30, 2009, the outstanding principal of revenue bonds was $627,000,000.

Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.072, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities. The amount outstanding on these bonds at any time shall not exceed $1,500,000,000, according to Minnesota Statutes, Section 446A.12. The principal amount of bonds outstanding on June 30, 2009, net of unamortized premium, was $988,490,000.

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

	MC[1]		U of M	
Year Ended	Principal	Interest	Principal	Interest
2010	$ 90,040	$ 43,085	$ 210,427	$ 56,318
2011	81,203	39,638	18,403	7,717
2012	82,832	36,308	112,043	12,965
2013	65,975	34,518	5,073	6,624
2014	62,760	29,650	5,284	6,420
2015-2019	358,631	116,815	29,541	28,958
2020-2024	301,339	52,921	35,806	21,578
2025-2029	114,648	9,948	43,774	10,413
2030-2034	-	-	12,809	1,989
	$ 1,157,428	$ 362,883	$ 473,160	$ 152,982
Unamortized Discounts/Premiums and Issuance Costs	19,732	-	-	-
Total	$ 1,177,160	$ 362,883	$ 473,160	$ 152,982

[1]MC fiscal year ends December 31.

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

	HFA		MC[2]		U of M[1]	
Year Ended	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 446,815	$ 84,688	$ 1,135	$ 252	$ 5,524	$ 6,600
2011	47,680	81,966	1,185	199	5,669	6,341
2012	49,345	80,002	1,245	138	5,564	6,086
2013	59,910	77,682	1,305	81	5,769	5,840
2014	54,340	75,312	1,365	27	5,789	5,590
2015-2019	274,255	341,974	-	-	29,569	24,042
2020-2024	289,370	280,853	-	-	37,274	16,336
2025-2029	391,285	212,856	-	-	47,184	6,421
2030-2034	440,690	128,972	-	-	2,419	60
2035-2039	380,490	46,359	-	-	-	-
2040-2044	18,065	3,555	-	-	-	-
2045-2049	17,765	979	-	-	-	-
	$2,470,010	$ 1,415,198	$ 6,235	$ 697	$144,761	$ 77,316
Unamortized Discounts/Premiums and Issuance Costs	3,723	-	44	-	-	-
Total	$2,473,733	$ 1,415,198	$ 6,279	$ 697	$144,761	$ 77,316

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

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

	AEDB		OHE		PFA	
Year Ended	Principal	Interest	Principal	Interest	Principal	Interest
2010	$ 1,075	$ 545	$ -	$ 5,671	$ 49,200	$ 46,897
2011	885	495	-	5,671	46,980	44,731
2012	930	447	-	5,671	58,105	42,492
2013	990	395	-	5,671	58,280	39,727
2014	1,035	341	-	5,670	61,215	36,840
2015-2019	3,920	897	-	28,355	348,305	134,858
2020-2024	1,050	70	-	28,355	274,995	52,305
2025-2029	-	-	-	28,355	66,486	6,654
2030-2034	-	-	-	28,355	-	-
2035-2039	-	-	387,000	22,120	-	-
2040-2044	-	-	240,000	4,668	-	-
	$ 9,885	$ 3,190	$ 627,000	$ 168,562	$ 963,566	$ 404,504
Unamortized Discounts/Premiums and Issuance Costs	-	-	-	-	24,924	-
Total	$ 9,885	$ 3,190	$ 627,000	$ 168,562	$ 988,490	$ 404,504

Variable Rate Debt

University of Minnesota

To protect against future interest rate fluctuations on U of M's general obligation bonds and for budgeting purposes, U of M has entered into six separate interest rate swaps. All of these are pay-fixed and receive variable interest rate swaps, which effectively changes U of M's variable interest rate bonds to synthetic fixed-rate bonds.

Office of Higher Education

The interest rates on all of the bonds are reset periodically. The rates on all of the bonds, except the taxable Series 2008A bonds and the tax-exempt Series 2008B bonds, are based on a determination by the auction agent through auction proceedings. The rates on the taxable bonds cannot exceed the lesser of one-month LIBOR plus 1 percent, 17 percent, or the 91 day average of the three-month T-Bill plus an applicable spread of 1.25 percent. The rates on the tax-exempt bonds cannot exceed the lesser of the applicable percentage of the Kenny index or the after-tax equivalent rate, 14 percent, or the three month average of the three-month T-Bill plus an applicable spread of 1.25 percent. The interest on the auction rate bonds is payable each time the rates are reset and no principal payments are required until final maturity.

The rates on the taxable Series 2008A bonds and tax-exempt Series 2008B bonds are determined by a remarketing agent. The rates on Series 2008A bonds and Series 2008B bonds cannot exceed 15 percent and 12 percent, respectively. The interest on the Series 2008A and Series 2008B bonds is payable monthly and no principal payments are required until final maturity.

Bond Defeasances

In prior years, U of M defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt payments on the old bonds. The amount defeased for general obligation bonds 1982 and 1996 Series A was $271,635,000 with $171,625,000 outstanding as of June 30, 2009. Neither the outstanding indebtedness, nor the related trust account assets for these bonds are included in the U of M's financial statements as of June 30, 2009.

Public Facilities Authority had $139,000,000 of various refunding series bonds that were defeased and not reflected in the financial statements as of June 30, 2009.

Note 14 – Pollution Remediation and Landfill Postclosure Obligations

Primary Government

The state of Minnesota is financially responsible to remediate certain known pollution present on either state owned or non-state owned land. In most cases, the state voluntarily assumes responsibility for site assessment and clean-up activities when the responsible party cannot be found or is financially unable to perform the remediation. Pollution remediation obligation liabilities as of June 30, 2009, were $38,641,000. Of this total, $29,200,000 was the liability for remediation on sites designated pursuant to state or federal superfund laws. The pollution remediation amounts are estimated through an analysis of existing polluted sites. The liabilities are based on the weighted average of the pollution remediation outlays expected to be incurred to settle those liabilities. Because the liabilities are measured at their current value, they are subject to change due to inflation, technology improvements, or changes to applicable laws and regulations. Funding for the state's pollution remediation primarily comes from the Remediation Fund (special revenue fund), which was established under Minnesota Statute, Section 116.155 and the Petroleum Tank Fund (special revenue fund), which was established under Minnesota Statute Section 115C.08.

The state is also responsible for the long-term care of certain closed municipal solid waste facilities. Minnesota Statutes, Section 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. The state is responsible, in perpetuity, for performing cleanup and final closure work, as well as all maintenance and monitoring, at qualifying sites. There are currently 109 closed sites in the program. Funding for the state's perpetual obligation at these landfills comes from the Remediation Fund (special revenue fund). The Remediation Fund includes revenues from insurance recovery proceeds and financial assurance from previous owners and operators, as well as transfers in from the Environmental Fund (special revenue fund). Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, are used for design and construction work at the publicly-owned landfills in the program. Estimated landfill postclosure obligation liabilities as of June 30, 2009, were $200,777,000, including planned response actions, future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations, and future unanticipated response actions.

See Note 12 – Long-Term Liabilities – Primary Government for liability amounts accrued at the government-wide statement of net assets. As a result of implementing GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, the beginning net asset balance on the government-wide statement of activities has been decreased by $45,854,000, due to a change in accounting principle.

Component Unit

The University of Minnesota (U of M) also implemented GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* for the fiscal year ended June 30, 2009. U of M's pollution remediation liability was $4,737,000 as of June 30, 2009, and the beginning net assets decreased by $11,290,000 as a result of implementing this change in accounting principle.

Note 15 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2009
(In Thousands)

	Minnesota State Colleges and Universities Revenue Fund	Vermilion Modular Housing	Itasca Residence Halls	Giants Ridge	911 Services
Condensed Statement of Net Assets					
Assets:					
Current Assets	$ 62,038	$ 35	$ 52	$ 6,922	$ 36,201
Restricted Assets	122,997	140	264	1,600	-
Capital Assets	192,177	865	3,664	21,106	-
Total Assets	$ 377,212	$ 1,040	$ 3,980	$ 29,628	$ 36,201
Liabilities:					
Current Liabilities	$ 20,912	$ 86	$ 141	$ 1,800	$ 10,551
Noncurrent Liabilities	195,194	225	2,103	11,500	62,745
Total Liabilities	$ 216,106	$ 311	$ 2,244	$ 13,300	$ 73,296
Net Assets:					
Invested in Capital Assets, Net of Related Debt	$ 87,118	$ 641	$ 1,481	$ 10,270	$ -
Restricted	73,988	66	264	-	-
Unrestricted	-	22	(9)	6,058	(37,095)
Total Net Assets	$ 161,106	$ 729	$ 1,736	$ 16,328	$ (37,095)
Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets					
Assets					
Operating Revenues - Customer Charges	$ 93,781	$ 214	$ 394	$ 4,091	$ 52,677
Depreciation Expense	(10,043)	(36)	(119)	(1,091)	-
Other Operating Expenses	(69,867)	(119)	(227)	(5,796)	(23,225)
Operating Income (Loss)	$ 13,871	$ 59	$ 48	$ (2,796)	$ 29,452
Nonoperating Revenues (Expenses):					
Interest Income	$ 2,467	$ 1	$ 9	$ 117	$ 642
Interest Expense	(7,091)	(19)	(127)	(905)	(2,311)
Other	108	-	-	(3)	(17,555)
Transfers-In (Out)	-	-	-	4,821	(42,558)
Change in Net Assets	$ 9,355	$ 41	$ (70)	$ 1,234	$ (32,330)
Beginning Net Assets	151,751	688	1,806	$ 15,094	(4,765)
Ending Net Assets	$ 161,106	$ 729	$ 1,736	$ 16,328	$ (37,095)
Condensed Statement of Cash Flows					
Net Cash Provided (Used) By:					
Operating Activities	$ 22,605	$ 82	$ 184	$ (1,365)	$ 30,198
Noncapital Financing Activities	-	-	-	4,821	(24,478)
Capital and Related Financing Activities	(9,389)	(86)	(207)	(3,350)	-
Investing Activities	3,079	1	9	105	642
Net Increase (Decrease)	$ 16,295	$ (3)	$ (14)	$ 211	$ 6,362
Beginning Cash and Cash Equivalents	$ 149,637	$ 143	$ 305	$ 6,491	$ 25,527
Ending Cash and Cash Equivalents	$ 165,932	$ 140	$ 291	$ 6,702	$ 31,889

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

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

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

Note 16 – Contingent Liabilities

Primary Government

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

Primary Government
Contingent Liabilities
(In Thousands)

Fund	Liability as of	Unfunded Liability
Minneapolis Employee Retirement Fund	June 30, 2009	$ 694,878
St. Paul Teachers Retirement Fund	June 30, 2009	$ 404,360
Duluth Teachers Retirement Fund	June 30, 2008	$ 64,977
Local Police and Fire Fund (1)	December 31, 2008	$ 234,791

(1) The Local Police and Fire Fund consists of four local plans.

Component Units

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

On December 31, 1996, University of Minnesota Hospital and Clinic operations and certain assets and liabilities were transferred to University of Minnesota Medical Center, Fairview (Fairview). Fairview and the University of Minnesota also agreed to affiliate with each other in support of research, education, and patient care missions of the University of Minnesota's Academic Health Center. Under this affiliation agreement, the University of Minnesota shares equally with Fairview in any unfunded education costs at the teaching hospital.

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

WCARP, through Employers Life Insurance Company of Wausau, has purchased annuities to settle certain claims with the claimant as payee, but for which WCARP remains contingently liable. WCARP eliminated its loss reserves for these claims at the time the annuities were purchased. A contingent liability exists to the extent that the issuer of the annuity contracts becomes unable to fulfill its contractual obligations. The present value of annuity contracts in force at December 31, 2008, was less than $4 million.

Note 17 – Equity

Restricted Net Assets – Government-wide Statement of Net Assts

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

Primary Government
Restricted Net Asset Balances
As of June 30, 2009
(In Thousands)

	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Restricted For:				
Capital Projects	$ 36,933	$ -	$ -	$ 36,933
Debt Service	425,915	-	-	425,915
Transportation	330,880	461,654	-	792,534
Environmental Resources	-	493,484	153	493,637
Economic and Workforce Development	-	100,766	6,058	106,824
School Aid - Nonexpendable	624,361	-	-	624,361
School Aid - Expendable	5,862	72,651	-	78,513
Health & Human Services	-	-	16,506	16,506
State Colleges and Universities	-	-	364,804	364,804
Unemployment Benefits	-	-	317,218	317,218
Other Purposes	-	-	32,814	32,814
Total Restricted Net Assets	$ 1,423,951	$ 1,128,555	$ 737,553	$ 3,290,059

Fund Balances – Primary Government

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

Primary Government
Fund Balances
As of June 30, 2009
(In Thousands)

	General	Federal	Nonmajor Governmental
Fund Balances:			
Reserved for Encumbrances	$ 68,727	$ -	$ 276,967
Reserved for Inventory	-	-	25,202
Reserved for Long-Term Receivables	42,455	-	230,150
Reserved for Long-Term Commitments	-	-	317,339
Reserved for Trust Principal	-	-	1,008,778
Reserved for Other	-	153	-
Total Reserved Fund Balances	$ 111,182	$ 153	$ 1,858,436
Unreserved Fund Balances:			
Designated for Appropriation Carryover	$ -	$ -	$ 233,452
Designated for Fund Purposes	-	-	1,729,229
Total Designated Fund Balance	$ -	$ -	$ 1,962,681
Undesignated	(752,490)	-	347,356
Total Unreserved Fund Balance	$ (752,490)	$ -	$ 2,310,037
Total Fund Balance	$ (641,308)	$ 153	$ 4,168,473

Reserved Fund Balance

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

Reserved for Other of $153,000 in the Federal Fund consists of petroleum overcharge fines allocated by the federal courts to be used for energy conservation programs.

Unreserved Fund Balance

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

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

Primary Government
Fund Balance Designated for Fund Purposes
As of June 30, 2009
(In Thousands)

	Special Revenue Funds	Debt Service Fund	Permanent Funds	Total
Designated For:				
Public Safety and Corrections	$ 53,237	$ -	$ -	$ 53,237
Transportation	477,333	-	-	477,333
Environmental Resources	203,216	-	-	203,216
Economic and Workforce Development	80,801	-	-	80,801
General Education	10,504	-	5,862	16,366
Higher Education	1,212	-	-	1,212
Health & Human Services	84,731	-	-	84,731
General Government	67,472	742,069	-	809,541
Intergovernmental Aids	2,792	-	-	2,792
Total	$ 981,298	$ 742,069	$ 5,862	$ 1,729,229

Deficit Equity Balances

A $37,095,000 deficit total net asset balance in the 911 Services Fund (enterprise fund) is a result of revenue bonds issued for grants and improvements to the state's emergency communication system. The deficit will be resolved through future 911 fee revenues.

Note 18 – Risk Management

Primary Government

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

Risk Management Fund

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

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

The liability coverage is up to the statutory limit (tort claims cap) of $400,000 bodily injury and property damage per person, and $1,200,000 bodily injury and property damage per occurrence. Effective July 1, 2009, the per person limit increased to $500,000 and the per occurrence limit increased to $1,500,000. The casualty reinsurance program provides $10,000,000 excess of a $1,200,000 retention to protect the state from auto and general liability claims that are extra-territorial, as well as for suits brought in federal court which would be outside the state's jurisdiction. One exception is the casualty program for MnSCU auto, which provides $10,000,000 excess of a $1,500,000 retention.

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

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

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

Tort Claims

Tort claims against the state are limited to $400,000 bodily injury and property damage per person, and $1,200,000 bodily injury and property damage per occurrence as of June 30, 2009. Effective July 1, 2009, the per person limit increased to $500,000 and the per occurrence limit increased to $1,500,000. State agencies may elect to participate in the Risk Management Fund and obtain coverage for selected exposures, subject to the tort claims limits. Agencies not electing to participate in the Risk Management Fund are responsible for paying the cost of claims from their operating budget. The legislature also makes an annual Tort Claim Appropriation to cover claims that would unduly impair agency operations. Agencies not able to cover claims through these two avenues must seek additional appropriations from the legislature. Tort claims brought outside Minnesota state jurisdiction and in Federal court have unlimited liability exposure.

Workers' Compensation

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

The program is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of $1,720,000.

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

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

State Employee Group Insurance Program

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

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP had settlements of $1,351,739 less than coverage during fiscal year ended June 30, 2009.

In January 2000, the fund became fully self-insured for medical coverage and assumed all liability for medical claims. The self-funded programs within the fund establish claim liabilities based on estimates of the ultimate cost of claims (including future claim adjustment expenses) that have been reported but not paid, and of claims that have been incurred, but not reported. These estimates are agreed to by the insurance carriers and the state and are reviewed for accuracy and reasonableness. The estimates are based on claim experience and claim lag timetables provided by the carriers and do not include additional estimates for subrogation, salvage, or unallocated claim adjustments.

Public Employees Insurance Program

The Public Employees Insurance Program (PEIP) is a public entity risk pool currently operating as an insurance program. The risk pool was created by the Minnesota State Legislature to provide public employees and other eligible persons with life insurance and hospital, medical, and dental benefit coverage to result in a greater utilization of government resources and advance the health and welfare of the citizens of the state. The enabling legislation for PEIP is Laws of Minnesota, 1987 codified as Minnesota Statutes, Section 43A.316. Beginning in fiscal year 1998, medical benefits, provided through PEIP, became a self-insured program.

PEIP's membership as of June 30, 2009, was 1,257 members and their dependents. The members of the pool include 9 school districts, 33 cities/townships, 2 counties, and 13 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums and will reinsure for claims through its administrators/managed care organizations for stop-loss coverage for claims in excess of $100,000.

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

The following tables present changes in the balances of self-insured claims liabilities during the fiscal years ended June 30, 2008, and 2009:

Primary Government
Self-Insured Claim Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Risk Management Fund				
Fiscal Year Ended 6/30/08	$ 9,060	$ 4,304	$ 4,363	$ 9,001
Fiscal Year Ended 6/30/09	$ 9,001	$ 5,896	$ 5,556	$ 9,341
Tort Claims				
Fiscal Year Ended 6/30/08	$ -	$ 1,420	$ 1,420	$ -
Fiscal Year Ended 6/30/09	$ -	$ 1,111	$ 1,111	$ -
Workers' Compensation				
Fiscal Year Ended 6/30/08	$ 113,763	$ 6,004	$ 18,616	$ 101,151
Fiscal Year Ended 6/30/09	$ 101,151	$ 17,842	$ 18,653	$ 100,340
State Employee Insurance Plans				
Fiscal Year Ended 6/30/08	$ 39,836	$ 498,581	$ 497,137	$ 41,280
Fiscal Year Ended 6/30/09	$ 41,280	$ 533,762	$ 529,652	$ 45,390

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

	Year Ended June 30 2009	2008
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 975	$ 1,210
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 8,806	$ 10,368
Increases (Decreases) in Provision for Insured Events of Prior Years	(15)	(55)
Total Incurred Claims and Claim Adjustment Expenses	$ 8,791	$ 10,313
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 7,921	$ 9,403
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	950	1,145
Total Payments	$ 8,871	$ 10,548
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 895	$ 975

Component Units

Housing Finance Agency

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

Metropolitan Council

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

MC purchases general liability insurance to protect all divisions of MC and recognizes a current liability for incurred, reported claims, and a long-term liability for claims incurred, but not reported. Claims liabilities are calculated considering recent claim settlement trends including frequency and amount of payouts. Minnesota Statutes, Section 466.04, generally limits the MC's tort exposure to $400,000 per claim and $1,200,000 per occurrence for a claim arising on or after January 1, 2008. For claims arising earlier, the limits are $300,000 per claim and $1,000,000 per occurrence. In addition, an amount equal to twice these limits applies if the claim arises out of the release or threatened release of a hazardous substance.

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred, but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 3.44 percent. The self-insurance retention limit for workers' compensation is $1,720,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

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

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

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

The following table presents changes in the balances of claims liabilities during the fiscal years ended December 31, 2007, and 2008, or June 30, 2008, and 2009, as applicable:

Component Units
Claims Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council - Workers' Compensation				
Fiscal Year Ended 12/31/07	$ 17,332	$ 4,247	$ 5,648	$ 15,931
Fiscal Year Ended 12/31/08	$ 15,931	$ 6,180	$ 6,793	$ 15,318
University of Minnesota – RUMINCO, Ltd.				
Fiscal Year Ended 6/30/08	$ 6,490	$ 5,253	$ 1,986	$ 9,757
Fiscal Year Ended 6/30/09	$ 9,757	$ 1,011	$ 2,848	$ 7,920
University of Minnesota – Workers' Compensation				
Fiscal Year Ended 6/30/08	$ 7,953	$ 3,180	$ 3,759	$ 7,374
Fiscal Year Ended 6/30/09	$ 7,374	$ 10,633	$ 3,875	$ 14,132
University of Minnesota – Medical/Dental				
Fiscal Year Ended 6/30/08	$ 13,753	$ 197,161	$ 194,752	$ 16,162
Fiscal Year Ended 6/30/09	$ 16,162	$ 219,327	$ 217,232	$ 18,257

Note 19 – Budgetary Basis vs. GAAP

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

General Fund
Reconciliation of GAAP Basis Fund Balance
to Budgetary Fund Balance
As of June 30, 2009
(In Thousands)

GAAP Basis Fund Balance:	$	(641,308)
Less: Reserved Fund Balance		111,182
Undesignated Fund Balance	$	(752,490)
Basis of Accounting Differences:		
Revenue Accruals/Adjustments:		
Taxes Receivable	$	(405,361)
Tax Refunds Payable		511,702
Human Services Receivable		(18,127)
Unearned Revenue		18,735
Escheat Asset		(8,464)
Other Receivables		(36,473)
Permanent School Fund Reimbursement		(4,400)
Investments at Market		3,290
Expenditure Accruals/Adjustments:		
Medical Care Programs		348,234
Human Services Grants Payable		40,316
Education Aids		673,128
Police and Fire Aid		78,014
Other Payables		998
Fund Structure Differences:		
Terminally Funded Pension Plans		7,574
Perspective Differences:		
Designated for Appropriation Carryover and Budgetary Reserve		(395,644)
Budgetary Basis:		
Undesignated Fund Balance	$	61,032

Note 20 – Litigation

1) Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for each of the fiscal years ending June 30, 2009, 2010, and 2011 are $761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is $1,000,000. The maximum limited liability for any one claim is $300,000 for claims arising before August 1, 2007, and $400,000 for claims arising on or after August 1, 2007, and before July 1, 2009. The maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, are $1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are $500,000 for any one claim and $1,500,000 for any number of claims arising out of a single occurrence.

2) *I-35W Bridge Collapse.* On August 1, 2007, the I-35W interstate bridge over the Mississippi River collapsed. Thirteen people were killed, and approximately 145 injured. The bridge, which opened in 1967, was designed by a private contractor under contract with the state of Minnesota; it was inspected and maintained by the Minnesota Department of Transportation ("MnDOT"). The state has received 186 Notices of Tort Claim arising from the collapse of the I-35W bridge. The Minnesota Legislature enacted a compensation fund codified in Minn. Stat. § 3.7391 et seq. and appropriated $36,640,000 for payments to representatives of decedents and claimants who were on the I-35W bridge at the time of the collapse. A panel of three attorneys determined the amount of payments. All 179 claimants accepted payments from the compensation fund and the emergency relief fund in the aggregate amount of about $37 million on the condition that they waived the right to sue the state for additional recovery. However, the majority of those claimants have commenced litigation against the original bridge designer, an engineering firm that inspected the bridge under contract with the state, and a construction company that was performing work on the bridge at the time of the collapse. The state has been third-partied into this litigation which is venued in Hennepin County state court. Although the state's position is that its exposure in this litigation is capped at $1 million, the constitutionality of this cap may be challenged. The state has brought third party claims against the other defendants seeking recovery of the $37 million paid to claimants by the statutory compensation fund, the emergency relief fund, and for state's damages associated with the collapse. The state's claim against the construction company performing work on the bridge at the time of the collapse has been settled for $1 million.

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

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

b) *ACS State and Local Solutions, Inc. v. State of Minnesota, through its Commissioner of the Department of Human Services* (Ramsey County District Court). In May, 2003, the Minnesota Department of Human Services ("DHS") entered into a software development contract with an entity known as SSi North America. Under the contract, SSi was to develop and deliver a web-based software program known as "HealthMatch," intended to combine and automate certain evaluation and decision-making tasks regarding eligibility for several health care assistance programs administered by DHS. The HealthMatch contract was subsequently assigned to Albion, Inc., which was owned by SSi, and later, the assets of Albion, Inc., including the HealthMatch contract, were purchased by ACS State and Local Solutions, Inc. Initially, the contract was to continue until May 2005, but as difficulties arose with regard to completion of the software, it was eventually extended to May 2008. In March 2008, DHS determined that satisfactory progress toward completion was not being made and terminated the contract. ACS filed suit on September 9, 2008, claiming damages in excess of $50,000 based on breach of contract, quantum meruit (just compensation for work performed), and unjust enrichment. While denying liability, DHS estimates that a decision favorable to plaintiff ACS could result in an impact on the General Fund in excess of $15 million. The court granted in part DHS's motion for summary judgment and dismissed ACS's claims for quantum merit and unjust enrichment. The court has set the case on for trial during a three week block beginning on August 16, 2010.

c) *Alliance Pipeline, L.P. v. Commissioner of Revenue (Minnesota Tax Court).* Alliance operates a natural gas pipeline company and owns and operates property throughout 13 Minnesota counties. In mid-October 2009, Alliance filed an appeal in Minnesota Tax Court challenging the Commissioner's 2009 assessment of Alliance's natural gas pipeline property in Minnesota. The legal issues in this appeal are very similar to the legal challenges raised in the MERC 2008 and 2009 appeals below. Alliance challenges the assessment asserting that the Commissioner has failed to correctly determine the market value of the property as defined by Minn. Stat. § 272.03, subd. 8. Alliance also challenges Minn. Rule 8100 to the extent it exceeds the Commissioner's statutory authority arguing that it creates a valuation process which does not value utility property at its fair market value. Alliance also challenges the rule as unconstitutional in violation of the Equal Protection Clause, the Uniformity Clause, and the Due Process Clause of the Minnesota Constitution and the Equal Protection and Due Process Clauses of the U.S. Constitution. Alliance also alleges the Commissioner's assessment violates the Commerce Clause of the U.S. Constitution.

d) *Brayton, et al. v. Pawlenty, et al.* (Ramsey County District Court No. 62-CV-09-11693). On October 29, 2009, six named plaintiffs who receive Minnesota Supplemental Aid (MSA) Special Diet funding, three of whom also regularly apply for and receive a renters' property tax refund, challenged unallotment of approximately $5.33 million in funding for the MSA Special Diet program effective November 1, 2009, through June 30, 2011, and the unallotment of approximately $50.8 million for the 2009 renters' property tax refunds payable starting July 2010, by reducing the portion of the rent used to calculate the 2009 refund from 19 to 15 percent. Plaintiffs have styled the action as a class action, but have not yet sought class certification. Plaintiffs seek injunctive and declaratory relief alleging, inter alia, that unallotment at the beginning of a biennium and extending beyond a fiscal year is inconsistent with Minn. Stat. § 16A.152; that unallotment to reduce the statutorily prescribed amount of rent used to calculate the renters' property tax refund from 19 to 15 percent is unlawful and violates the Minnesota Constitution doctrine of separation of powers; and that unallotment at the beginning of the biennium, rather than using line-item veto to reduce appropriations before the beginning of the biennium, violates separation of powers. The Minnesota House of Representatives filed a brief as Amicus Curiae in support of plaintiff's motion for a temporary restraining order.

e) *The Home Insurance Company v. Special Compensation Fund, and Minnesota Department of Labor and Industry* (Ramsey County District Court). The Home Insurance Company ("Home") seeks a declaration that it is entitled to reimbursement from the Special Compensation Fund (special revenue fund) for certain workers' compensation payments Home has made. Home, which is in liquidation, seeks the reimbursement to which it claims it is entitled under the state's workers' compensation scheme, and without recourse to the General Fund. Defendants Minnesota Department of Labor and Industry and Special Compensation Fund have denied Home's requests for reimbursement, raising various statutory defenses and that Home is not entitled to reimbursement under the law. Home claims it is entitled to $21 million in past and future reimbursements. The Complaint and Answer have been filed. Defendants expect to bring a summary judgment motion in late 2009. Plaintiffs ask for reimbursement from the Special Compensation Fund.

f) *McLane Minnesota, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). Plaintiff challenges the Minnesota tobacco tax (tax on tobacco products other than cigarettes) imposed by Minn. Stat. § 297F.05, subd. 3. Plaintiff requests nullification of an assessment for $178,327 and seeks a $5.6 million refund of tax previously paid. Plaintiff asserts that the tax violates the Commerce Clause of the United States Constitution and federal and state equal protections principles. Plaintiff also contends that the tax should be computed on the price tobacco manufacturers charge their own sales companies (rather than the price the sales companies charge to distributors like McLane), and should be computed on the price after applicable discounts. The Department of Revenue estimates that a decision favorable to Plaintiff would have an impact in excess of $15 million. The parties submitted cross-motions for summary judgment, and the Court ruled in favor of the Commissioner of Revenue. The Minnesota Supreme Court ruled in the Commissioner's favor on September 20, 2009. McLane moved for reconsideration which the Commissioner opposed. McLane has until January 19, 2010, to file a petition for certiorari to the U.S. Supreme Court.

g) *Merrill Lynch Pierce Fenner & Smith, Inc. v. Commissioner of Revenue* (Minnesota Tax Court). Plaintiff engages in securities transactions sometimes on a commission basis and sometimes as a principal. Plaintiff's principal contention is that the Department of Revenue erred in using net rather than gross receipts in the apportionment formula sales factor for principal transactions. Plaintiff also alleges that the Department of Revenue erred in the method used to "source" receipts from principal and commission transactions involving Minnesota customers and in excluding certain intangibles from the apportionment formula property factor denominator. Finally, Plaintiff alleges, on various grounds, that the Department of Revenue's approach violates the Equal Protection, Uniformity and Due Process clauses of the Minnesota or Federal Constitutions and the Commerce Clause of the Federal Constitution. The Department of Revenue estimates that a decision favorable to Plaintiff would have an industry-wide impact in excess of $15 million. In February 2009, the parties stipulated to facts eliminating the need for a trial and tentatively settled the matter pending the outcome of an audit by the Department of Revenue.

h) *Minnesota Energy Resources Corp. v. Commissioner of Revenue* (Minnesota Tax Court). The plaintiff, a natural gas pipeline corporation appeals the 2007 and 2008 assessment of the real, personal, and operating property of its pipeline that is subject to assessment in 53 counties in Minnesota. The pipeline corporation argues: (1) that the Commissioner has failed to correctly determine the market value (as defined in Minn. Stat. § 272.03, subd. 8) of the pipeline's property in Minnesota and in its determination has employed methods which overstate the market value and arrived at a value in excess of market value; and (2) that the pipeline's property in Minnesota was unfairly and unequally assessed compared to property in the same class and the property of similarly situated taxpayers in violation of Minn. Stat. § 273.11, the Equal Protection Clause; the Uniformity of Taxation Clause (art. X, sec. 1) and the Due Process clause of the Minnesota Constitution and the Equal Protection and Due Process Clause of U.S. Constitution. The apportionable 2008 market value for this property is $126 Million. In August 2009, MERC filed a new appeal in the Minnesota Tax Court challenging the 2009 assessment of their natural gas pipeline. In this new appeal, MERC objects to both the old and new Rules. Specifically, MERC disagrees with how the capitalization rate is calculated, the fact that external obsolescence is not included in depreciation, the weighting of cost factors, and claim that the property tax assessments are not applied evenly throughout Minnesota. The Commissioner's Return and Answer has been filed in early October 2009 for the new appeal (2009 tax year). The Commissioner has prepared and served MERC with discovery requests.

i) *Union Pacific Railroad Co. & Soo Line Railroad Co. v. Salomone, et al.* (Federal District Court, No. CV 04-924 JRT/JSM). Plaintiffs, two railroad common carriers, challenged the imposition of Minnesota's sales and use tax on their purchase and use in Minnesota of diesel fuel for locomotives and off-road vehicles. Plaintiffs alleged that the tax is discriminatory under the Railroad Revitalization and Regulatory Reform Act of 1976 ("4 R Act") because their principal competitors, motor carriers, airlines, and barges, are not taxed under the same regime or pay little or no tax. Plaintiffs brought declaratory and injunctive relief prohibiting enforcement and collection of the tax. The Department of Revenue estimated a determination in plaintiffs' favor could result in revenue collection losses of $30 million when applied to plaintiffs and other railroad common carriers operating in Minnesota that paid the fuel tax and have timely filed claims for refunds. On August 22, 2006, the United States District Court filed a decision rejecting plaintiffs' challenges and upholding enforcement and collection of the tax. On November 6, 2007, the Eighth Circuit Court of Appeals reversed the decision and remanded the case to the District Court to enjoin the Commissioner from continuing to enforce the tax. The Commissioner of the Minnesota Department of Revenue filed a motion for a rehearing en banc to the United States Eighth Circuit Court of Appeals, which was denied. The Commissioner of the Department of Revenue then chose not to appeal this denial to the United States Supreme Court, and has been denying the outstanding refund claims. The Department of Revenue is awaiting an order from the District Court pursuant to the remand. It is expected that additional litigation will be initiated by all of the railroads that have outstanding refund claims, with these claims expected to be $20,000,000 to $30,000,000.

Note 21 – Subsequent Events

Primary Government

On August 26, 2009, the state sold $192,275,000 of general obligation state various purpose bonds Series 2009D, $297,750,000 of general obligation state various purpose refunding bonds 2009F, $80,000,000 general obligation state trunk highway bonds Series 2009E, and $28,360,000 of general obligation state trunk highway refunding bonds Series 2009G at a true interest rate of 3.01 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On September 1, 2009, the state sold $74,980,000 of certificates of participation Series 2009 at a true interest rate of 2.88 percent. These bonds will provide funding for the development, acquisition, installation, and implementation of a new statewide accounting and procurement system and integrated tax software. These bonds are payable from the rental payments made pursuant to the Technology Systems Lease Purchase Agreement.

On October, 22, 2009, the state sold $60,510,000 of 911 revenue bonds at a true interest rate of 3.17 percent. These bonds will provide funding for implementation of a statewide 911 public safety radio communications systems project. The revenue bonds are secured by a monthly statewide 911 surcharge applied to subscribers of any basic telephone service capable of originating a 911 emergency telephone call.

On November 5, 2009, the state sold $443,000,000 of general obligation state various purpose bonds Series 2009H, $100,395,000 general obligation state various purpose refunding bonds Series 2009K, and $7,000,000 general obligation taxable state bonds Series 2009J at a true interest rate of 3.25 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On November 5, 2009, the state sold $25,000,000 of general obligation state trunk highway bonds Series 2009I at a true interest rate of 3.35 percent. These bonds are backed by the full faith and credit and taxing power of the state.

Required Supplementary Information

Modified Approach for Infrastructure

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

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

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

Lane Miles of Pavement

Measurement Scale

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

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

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

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

Established Condition Level

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

Assessed Conditions

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

	Principal Arterial Average PQI	Non-Principal Arterial Average PQI
2008	3.28	3.15
2007	3.34	3.16
2006	3.37	3.21

Bridges and Tunnels

Measurement Scale

Mn/DOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating will be used to determine if the bridge system is being maintained at a serviceable level for the condition of the 2,985 bridges under Mn/DOT's jurisdiction.

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

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

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

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

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

Established Condition Level

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

Assessed Conditions

Principal Arterial	2008	2007	2006
Fair to Good	93.5%	97.6%	96.8%

All Other Systems	2008	2007	2006
Fair to Good	90.2%	93.2%	95.3%

Budgeted and Estimated Costs to Maintain

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

	Fiscal Year Ended	Costs to be Capitalized			Maintenance of System			Total Construction Program
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	
Budget	2009	$ 153,692	$ 357,479	$ 511,171	$ 12,312	$ 250,415	$ 262,727	$ 773,898
	2008	183,449	308,443	491,892	10,836	223,926	234,762	726,654
	2007	148,320	480,900	629,220	63,835	223,476	287,311	916,531
	2006(1)			773,735			301,852	1,075,587
	2005(1)			393,467			200,765	594,232
Actual	2009	$ 175,274	$ 257,489	$ 432,763	$ 37,994	$ 408,090	$ 446,084	$ 868,694
	2008	252,306	279,664	531,970	35,341	364,939	400,280	932,250
	2007	150,497	253,040	403,537	15,125	312,567	327,692	731,229
	2006(1)			451,935			360,835	812,770
	2005(1)			465,960			223,809	689,769

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

During fiscal year 2005, the state implemented a new system, Cash Forecasting Information Tool (CFIT), to capture the estimated budget for projects during a specific year. This system allows for a comparison of the annual budget with the actual amounts spent. Comparisons can be made between budget and actual expenditures to maintain and improve the system. For multiyear projects, only the portion to be spent in the fiscal year is shown in the budgeted amount for the year. Future expenditures on the project will be budgeted in the year they are to be spent. This reporting change will be used in future reports.

Actuarial Measures of Pension Funding Progress

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

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

Required supplementary information of funding progress is provided for the following plans:

- Correctional Employees Retirement Fund (CERF)
- Judicial Retirement Fund (JRF)
- Legislative Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

		CERF	JRF	LRF	SPRF
Actuarial Valuation Date	2008[1]	7/1/2008	7/1/2008	7/1/2008	7/1/2008
	2007	7/1/2007	7/1/2007	7/1/2007	7/1/2007
	2006	7/1/2006	7/1/2006	7/1/2006	7/1/2006
Actuarial Value of Plan Assets	2008	$ 572,719	$ 147,542	$ 39,209	$ 595,082
	2007	$ 559,852	$ 153,562	$ 44,869	$ 617,901
	2006	$ 535,357	$ 151,850	$ 48,504	$ 618,990
Actuarial Accrued Liability	2008	$ 760,363	$ 231,623	$ 86,131	$ 693,686
	2007	$ 708,292	$ 214,297	$ 86,449	$ 673,444
	2006	$ 647,480	$ 202,301	$ 81,361	$ 641,479
Total Unfunded Actuarial Liability	2008	$ 187,644	$ 84,081	$ 46,922	$ 98,604
	2007	$ 148,440	$ 60,735	$ 41,580	$ 55,543
	2006	$ 112,123	$ 50,451	$ 32,858	$ 22,489
Funded Ratio[2]	2008	75%	64%	46%	86%
	2007	79%	72%	52%	92%
	2006	83%	75%	60%	96%
Annual Covered Payroll	2008	$ 194,391	$ 38,296	$ 1,993	$ 60,029
	2007	$ 167,727	$ 36,195	$ 2,380	$ 61,498
	2006	$ 145,879	$ 36,529	$ 2,894	$ 57,765
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2008	97%	220%	2354%	164%
	2007	89%	168%	1747%	90%
	2006	77%	138%	1135%	39%

[1]The July 1, 2008, Annual Valuation Report is the most recently issued report available.

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

Actuarial Measures of Other Postemployment Benefits Funding Progress

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

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

Actuarial Valuation Date	2009[(1)]	7/1/2008
	2008	7/1/2006
Actuarial Value of Plan Assets	2009	$ -
	2008	$ -
Actuarial Accrued Liability	2009	$ 754,801
	2008	$ 659,044
Total Unfunded Actuarial Liability	2009	$ 754,801
	2008	$ 659,044
Funded Ratio[(2)]	2009	0%
	2008	0%
Annual Covered Payroll	2009	$ 2,785,335
	2008	$ 2,838,228
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2009	27%
	2008	23%

[(1)]The July 1, 2008, Annual Valuation Report is the most recently issued report available.

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

Public Employees Insurance Program Development Information

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

	Fiscal Year Ended (In Thousands)									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
1. Required Contribution and Investment Revenue:										
Earned	$ 10,995	$ 18,005	$ 22,149	$ 23,458	$ 22,764	$ 19,177	$ 14,942	$ 13,219	$ 13,439	$ 12,286
Ceded	1,031	1,972	2,243	2,321	2,231	1,736	1,491	1,347	1,298	1,218
Net Earned	$ 9,964	$ 16,033	$ 19,906	$ 21,137	$ 20,533	$ 17,441	$ 13,451	$ 11,872	$ 12,141	$ 11,068
2. Unallocated Expenses	$ 1,983	$ 2,535	$ 2,715	$ 2,528	$ 2,296	$ 1,904	$ 1,638	$ 1,547	$ 1,505	$ 1,534
3. Estimated claims and Expenses End of Policy Year:										
Incurred	$ 9,972	$ 16,550	$ 21,055	$ 19,715	$ 19,466	$ 16,499	$ 12,551	$ 11,206	$ 10,748	$ 9,473
Ceded	772	760	2,513	1,570	1,980	1,913	1,382	1,782	380	667
Net Incurred	$ 9,200	$ 15,790	$ 18,542	$ 18,145	$ 17,486	$ 14,586	$ 11,169	$ 9,424	$ 10,368	$ 8,806
4. Net Paid (Cumulative) as of:										
End of Policy Year	$ 7,944	$ 13,228	$ 15,824	$ 15,848	$ 15,699	$ 12,909	$ 10,055	$ 8,226	$ 9,403	$ 7,921
One Year Later	9,240	15,908	18,091	17,572	17,367	14,141	11,282	9,352	10,415	
Two Years Later	9,243	15,963	18,034	17,579	17,764	14,139	11,301	9,358		
Three Years Later	9,243	15,963	18,034	17,579	17,764	14,139	11,301			
Four Years Later	9,243	15,963	18,034	17,579	17,764	14,139				
Five Years Later	9,243	15,963	18,034	17,579	17,696					
Six Years Later	9,243	15,963	18,034	17,579						
Seven Years Later	9,243	15,963	18,034							
Eight Years Later	9,243	15,963								
Nine Years Later	9,243									
5. Re-estimated Ceded Claims and Expenses	$ 772	$ 760	$ 2,513	$ 1,570	$ 1,980	$ 1,913	$ 1,382	$ 1,782	$ 380	$ 667
6. Re-estimated Net Incurred Claims and Expenses:										
End of Policy Year	$ 9,200	$ 15,790	$ 18,542	$ 18,145	$ 17,486	$ 14,586	$ 11,169	$ 9,424	$ 10,368	$ 8,806
One Year Later	9,253	15,935	18,114	17,595	17,385	14,152	11,294	9,362	10,425	
Two Years Later	9,243	15,963	18,034	17,579	17,764	14,139	11,301	9,358		
Three Years Later	9,243	15,963	18,034	17,579	17,764	14,139	11,301			
Four Years Later	9,243	15,963	18,034	17,579	17,764	14,139				
Five Years Later	9,243	15,963	18,034	17,579	17,696					
Six Years Later	9,243	15,963	18,034	17,579						
Seven Years Later	9,243	15,963	18,034							
Eight Years Later	9,243	15,963								
Nine Years Later	9,243									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	$ 43	$ 173	$ (508)	$ (566)	$ 210	$ (447)	$ 132	$ (66)	$ 57	$ -

The rows of the table are defined as follows:

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

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

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

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

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

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

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

APPENDIX G

Continuing Disclosure Undertaking

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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 August 19, 2010 (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 the Municipal Securities Rulemaking Board ("MSRB"), 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 2010 (each a "Reporting Date"):

(A) The Comprehensive Annual Financial Report of the State for the Fiscal Year ending on the previous June 30, prepared by MMB 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 filed with the SEC or have been made available to the public on the MSRB's internet web site. 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.*

(1) The Commissioner agrees to make available to the MSRB, in an electronic format as prescribed by the MSRB from time to time, the information described in paragraph (b).

(2) The Commissioner further agrees to make available, by electronic transmission, overnight delivery, mail or other means, as appropriate, 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 subparagraph (1) of this paragraph (c) or, if such information is transmitted with a subsequent time of release, at the time such information is to be released.

(3) All documents provided to the MSRB pursuant to this paragraph (c) shall be accompanied by identifying information as prescribed by the MSRB from time to time.

(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.

(3) 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.

(4) 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.

In the previous five years the Commissioner of Management and Budget has not failed to comply in any material respect with any written continuing disclosure undertaking with respect to any bonds for which the State is an obligated person.

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APPENDIX H
Forms of Legal Opinions

The Honorable Tom J. Hanson
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $635,000,000 General Obligation State Various Purpose Bonds, Series 2010A
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the “State”) on behalf of the State, preliminary to and in the issuance of $635,000,000 General Obligation State Various Purpose Bonds, Series 2010A, dated August , 2010 (the “Series 2010A Bonds”). The Series 2010A 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 Series 2010A 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 Series 2010A 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 not includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax.

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 Series 2010A 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 Series 2010A Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2010A Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2010A 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 Series 2010A Bonds. No provision has been made for an increase in the interest payable on the Series 2010A 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 Series 2010A Bonds.

Dated: August , 2010.

Very truly yours,

The Honorable Tom J. Hanson
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $225,000,000 General Obligation State Trunk Highway Bonds, Series 2010B
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $225,000,000 General Obligation State Trunk Highway Bonds, Series 2010B, dated August , 2010 (the "Series 2010B Bonds"). The Series 2010B 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 Series 2010B 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.

2. The principal of and interest on the Series 2010B Bonds are payable from revenues of the State Trunk Highway Fund; but, if necessary for the payment thereof, 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.

3. Interest on the Series 2010B 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 not includable in adjusted current earnings of corporations in determining alternative minimum taxable income for purposes of the federal alternative minimum tax.

The opinions expressed in paragraph 3 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 Series 2010B 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 Series 2010B Bonds, with covenants made by the Commissioner of Management and Budget in the Order authorizing the issuance of the Series 2010B Bonds relating to certain continuing requirements of the Code, may result in inclusion of interest to be paid on the Series 2010B 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 Series 2010B Bonds. No provision has been made for an increase in the interest payable on the Series 2010B 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 Series 2010B Bonds.

Dated: August , 2010.

Very truly yours,

The Honorable Tom J. Hanson
Commissioner of Management and Budget
658 Cedar Street
400 Centennial Office Building
Saint Paul, Minnesota 55155

Re: $5,000,000 General Obligation Taxable State Bonds, Series 2010C
State of Minnesota

Dear Commissioner:

We certify that we have examined proceedings taken and facts and estimates certified by the Commissioner of Management and Budget of the State of Minnesota (the "State") on behalf of the State, preliminary to and in the issuance of $5,000,000 General Obligation Taxable State Bonds, Series 2010C, dated August 2010 (the "Series 2010C Bonds"). The Series 2010C 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 the Series 2010C 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.

We express no opinion regarding federal, state and other tax consequences to holders of the Series 2010C Bonds.

Dated: August , 2010.

Very truly yours,