State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

Minnesota is represented by its many symbols. Every Minnesota school child knows the Common Loon and the Lady’s Slipper are symbols of the state. But Minnesota, like all states, has named a number of official symbols to represent the cultural and natural treasures of the state, among them the Norway Pine (tree), the Monarch (butterfly), Honeycrisp™ Apple (fruit), Wild Rice (grain), Lake Superior Agate (gemstone), the Morel (mushroom) and the Blueberry Muffin (muffin).

It may sound a little silly but there is definite reasoning behind the careful consideration and selection of state symbols. State symbols represent things that are special to a particular state. They are generally used to identify a characteristic of the state’s heritage or natural resources which represents “uniqueness” and conveys a message of interest to the rest of the country and world.

Minnesota’s symbols are the fabric of who and what we are.

The quilt on the cover is designed in the North Star pattern dating from 19th century America.
Images used with the permission of the Minnesota Historical Society.

State of Minnesota

Comprehensive Annual Financial Report

For the Year Ended June 30, 2012

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

State of Minnesota

2012 Comprehensive Annual Financial Report

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

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

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

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

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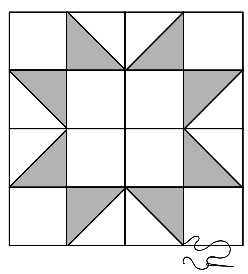


State of Minnesota

2012 Comprehensive Annual Financial Report

Transmittal Letter from the Commissioner of Minnesota Management and Budget

March 20, 2013

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

The Honorable Mark Dayton, Governor

Members of the Legislature

In accordance with Minnesota Statutes, Section 16A.50, Minnesota Management and Budget is pleased to submit the Comprehensive Annual Financial Report (CAFR) for the state of Minnesota for the fiscal year ended June 30, 2012. This report includes the financial statements for the state, and the disclosures necessary to accurately present the financial condition and results of operations for the year then ended. The report has been prepared in accordance with generally accepted accounting principles (GAAP) for governmental units.

The report is divided into three sections:

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

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

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

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

The independent Office of the Legislative Auditor has issued an unqualified (clean) opinion on the state of Minnesota's financial statements for the year ended June 30, 2012. The independent auditor's report is located at the front of the financial section of this report.

As a part of the audit of these financial statements, the Office of the Legislative Auditor is conducting a single audit of federal programs. This audit meets the requirements of the federal Single Audit Act and is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the state's internal controls and legal requirements involving the administration of federal awards for the year ended June 30, 2012. The supplementary report, "Financial and Compliance Report on Federally Assisted Programs," will be available in May 2013.

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

Financial Reporting Entity and Responsibilities

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

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

The Tobacco Securitization Authority is a blended component unit as it exists exclusively to benefit the state.

Minnesota Management and Budget is responsible for the Statewide Integrated Financial Tools (SWIFT), an Oracle PeopleSoft Enterprise Resource Planning System, which replaced a previous accounting system on July 1, 2011. The majority of the information related to these financial statements was prepared from information provided by SWIFT. SWIFT maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting basis for the financial statements. As SWIFT does not maintain all accrual information, adjustments to accounting data are necessary to provide financial statements in accordance with GAAP. The second ledger tracks information on a budgetary basis and recognizes revenues and expenditures essentially on a cash basis, except that encumbrances at year-end are considered expenditures. These disparate bases result in budgetary fund balances, which often differ significantly from those calculated under GAAP.

Minnesota Statutes, Section 16A.50, requires MMB to produce the CAFR by December 31st following the end of the fiscal year. As this was the state's first reporting cycle under SWIFT, it required a substantial commitment of time to design, develop, and test the new reports needed to produce the financial statements and related disclosures. This caused a delay in completing the financial statements and related disclosures by the statutory deadline as we maintained our commitment to high standards for accuracy and completeness.

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

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

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

Economic Condition and Outlook

By most measures, Minnesota's economy outperformed the U. S. economy during fiscal year 2012. The state's personal income growth rate exceeded the nation's, and our unemployment rate at the end of fiscal year 2012 was well below the national average. However, job creation in Minnesota appears to have been slower. Payroll employment in the state at the end of fiscal year 2012 was up by nearly 28,000 jobs or 1.0 percent. Nationally, payroll employment grew by 1.6 percent.

Minnesota's goods producing sectors added 10,600 jobs in fiscal year 2012, which was up 2.7 percent from fiscal year 2011 levels. Construction employment was up 3,900 jobs (4.4 percent), and manufacturing employment was more than 6,600 jobs (2.2 percent) above the level observed in June 2011. Construction and manufacturing employment, however, continue to be well below the levels observed before the onset of the Great Recession. Only about one-third of the nearly 48,000 manufacturing jobs lost in the recession were recovered by the close of fiscal year 2012. Construction industry employment recovery has been even slower, with less than 11 percent of the nearly 25,000 jobs lost recovered. Despite the slow growth in the goods producing sector, payroll employment levels in Minnesota are closer to their pre-recession levels compared to national level. By the end of fiscal year 2012, total payroll employment in Minnesota was reported to have recovered 51 percent of the jobs lost in the Great Recession, while nationally only 49 percent of the jobs lost have been recovered.

Minnesota's unemployment rate closed the fiscal year at 5.6 percent, 1.1 percentage points below its June 2011 level, and 2.7 percentage points lower than the national average. Minnesota's June 2012 unemployment rate was the 9th lowest among the 50 states. For the entire fiscal year, unemployment in Minnesota averaged 5.9 percent, while the U.S. rate averaged 8.6 percent.

Personal income in Minnesota also grew faster than the nation during the fiscal year 2012. Personal income grew at a 3.2 percent rate in fiscal year 2012, while U.S personal income grew by 3.0 percent. Minnesota ranked 25th among states in personal income growth between the 2nd quarter of 2011 and the 2nd quarter of 2012.

Minnesota's economy is likely to have another year of slow growth in fiscal year 2013. Payroll employment growth is expected to pick up slightly from the levels observed in fiscal year 2012, with about 44,000 jobs added. The 1.3 percent increase in payroll employment is slightly below the growth expected for the U.S. economy. Manufacturing employment is expected to grow by about 2,500 jobs and construction employment by about 1,000 jobs. The health care sector is forecasted to add more than 15,000 new jobs in fiscal year 2013.

General Fund Condition

On a budgetary basis, the General Fund ended fiscal year 2012 with an undesignated fund balance of $680 million. General Fund spending in fiscal year 2012 increased on a budgetary basis by 7.8 percent while revenues increased by 7.8 percent compared to fiscal year 2011. Two significant factors impacted fiscal year 2012 spending. Funding through the federal American Recovery and Reinvestment Act

(ARRA) for human services ended and expenditures shifted back to the General fund. In addition, the K-12 payment deferral increased from 30 percent to 40 percent.

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

On a GAAP basis, the General Fund reported a deficit of $113 million for fiscal year 2012, a difference of $793 million from the budgetary General Fund balance. The difference between the General Fund budgetary and GAAP fund balance results from two primary reasons. First, on a GAAP basis, the accruals of revenue and expenditures are required to be reported under the modified accrual basis of accounting. Second, several funds are included in the GAAP fund balance which are not included in the budgetary fund balance. These additional funds reported a fund balance of $954 million. The difference between the GAAP basis and budgetary basis General Fund fund balance, excluding these additional funds not reported in the budgetary fund balance, was $1.7 billion. For details of the budget to GAAP differences, see Note 18 – Budgetary Basis vs. GAAP in the Notes to the Financial Statements.

Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the state of Minnesota for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the twenty-seventh consecutive year that the state has received this prestigious award. To be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

Acknowledgments

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

Sincerely,

James Schowalter
Commissioner

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Minnesota

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

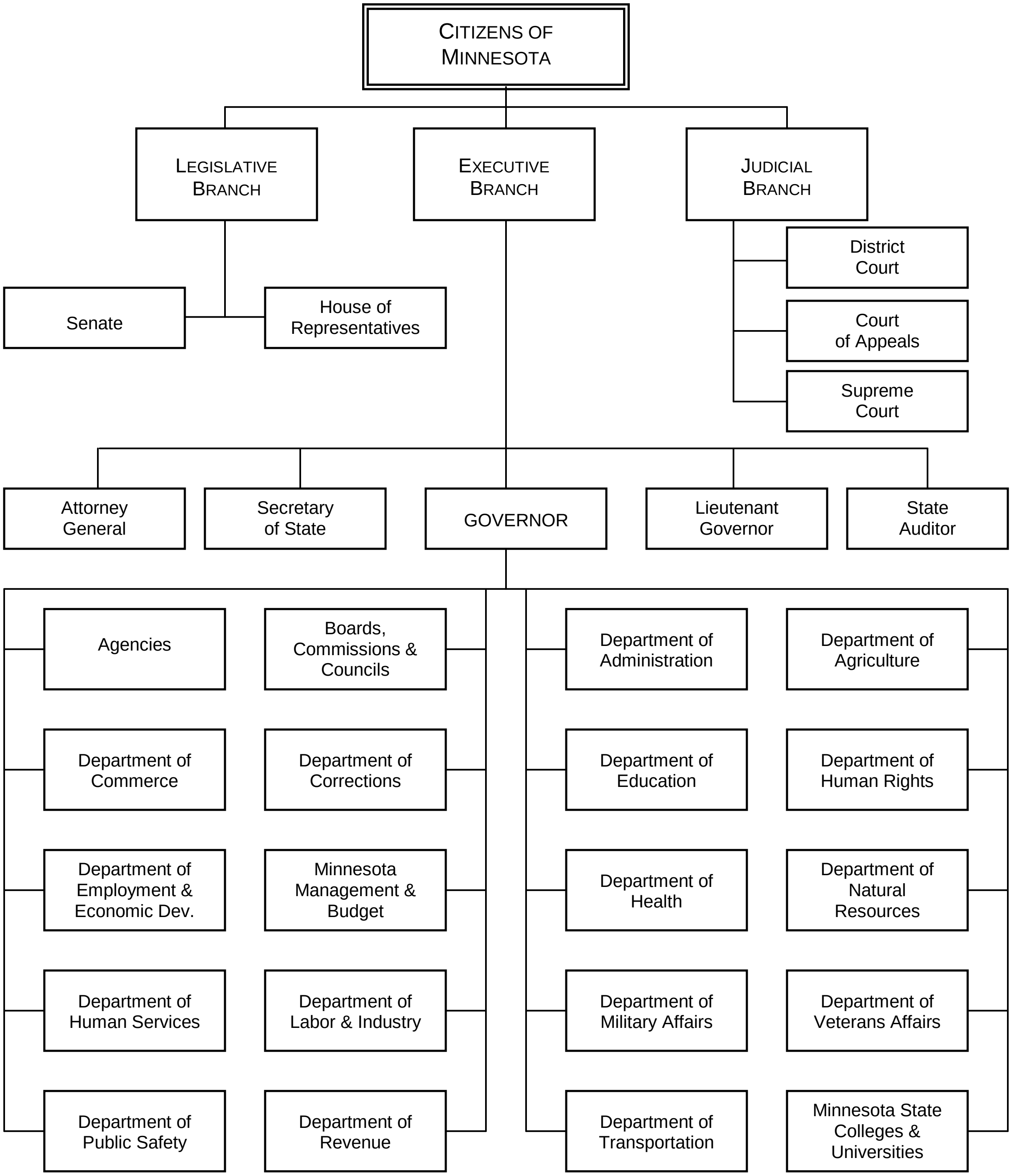
President

Executive Director

State of Minnesota

2012 Comprehensive Annual Financial Report

State Organization Chart



2012 Comprehensive Annual Financial Report

State Principal Officials

Executive Branch

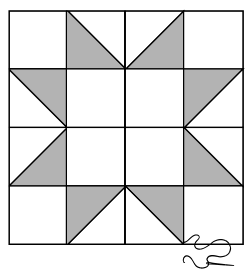
Governor	Mark Dayton
Lieutenant Governor	Yvonne Prettner Solon
Attorney General	Lori Swanson
Secretary of State	Mark Ritchie
State Auditor	Rebecca Otto

Legislative Branch

Speaker of the House of Representatives	Kurt Zellers
President of the Senate	Michelle L. Fischbach

Judicial Branch

Chief Justice of the Supreme Court	Lorie Skjerven Gildea



State of Minnesota

Financial Section

2012
Comprehensive
Annual
Financial Report

Independent Auditor's Report

Members of the Minnesota State Legislature

The Honorable Mark Dayton, Governor

Mr. James Schowalter, Commissioner, Minnesota Management and Budget

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota, as of and for the year ended June 30, 2012, 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 76 percent, 76 percent, and 23 percent, respectively, of the total assets, net assets, and operating revenues of the primary government's business-type activities. We also did not audit the financial statements of the Housing Finance Agency, Metropolitan Council, University of Minnesota, National Sports Center Foundation, Office of Higher Education, Public Facilities Authority, and Workers' Compensation Assigned Risk Plan, which cumulatively represent 99 percent, 99 percent, and 99 percent, respectively, of the total assets, net assets, and operating revenues of the total discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aforementioned major proprietary fund, business-type activities, and discretely presented component units, is based solely on the reports of other auditors.

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

In our opinion, based upon our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Minnesota as of June 30, 2012, 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.

The financial statements contained in this report are late. By state law, the Minnesota Department of Management and Budget is required to issue the State of Minnesota's financial statements by December 31 of each year. According to the department, the implementation of a new accounting system in July 2011 resulted in it being unable to produce timely financial statements for fiscal year 2012. This late release of the state's financial statements not only creates concern about legal compliance, it also diminishes the value of the information in the statements.

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

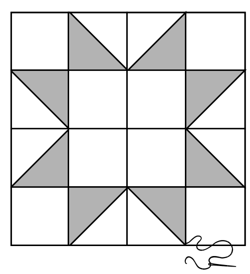
Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and the other required supplementary information, as listed in the Table of Contents, be presented to supplement the basic financial statements. Such information, although not a part of the State of Minnesota's basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Minnesota's basic financial statements. The Introduction, the Combining and Individual Nonmajor Fund Financial Statements and Schedules, General Obligation Debt Schedule, and the Statistical Section, as listed in the Table of Contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The Combining and Individual Nonmajor Fund Financial Statements and Schedules and the General Obligation Debt Schedule have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the reports of other auditors, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The Introduction and Statistical Sections have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, accordingly, we express no opinion on them.

James R. Nobles
Legislative Auditor

Cecile M. Ferkul, CPA, CISA
Deputy Legislative Auditor

March 20, 2013



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, 2012, 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.

Component Units

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. Discretely presented component units are shown separately from the primary government. 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 has one blended component unit, the Tobacco Securitization Authority, that is shown as a nonmajor special revenue fund.

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

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

- Housing Finance Agency
- Metropolitan Council
- University of Minnesota

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

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

State Fund and Component Unit Financial Statements

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

The fund financial statements focus on individual parts of the state, reporting the state's operations in more detail than in the government-wide statements. Fund financial statements focus on the most significant funds within the state.

The state's funds are divided into three categories:

Governmental Funds

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

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

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

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

The state maintains 23 individual state governmental funds, plus the blended component unit discussed above. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General and Federal funds, which are reported as major funds. Information from the remaining funds is combined into a single, aggregated column. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements included in this report.

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

Proprietary Funds

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

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

The state maintains 16 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 6 internal service funds are combined into two separate aggregated columns. Individual fund data for each of these nonmajor proprietary funds is provided in the form of combining statements presented in this report.

Fiduciary Funds

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

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

Component Units

Component units are legally separate organizations for which the state is financially accountable. The government-wide financial statements present information for the discretely presented 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 discretely presented component units' statements of net assets and statements of changes in net assets provide detail for each major discretely presented component unit and aggregate the detail for nonmajor discretely presented component units. Individual nonmajor discretely presented component unit detail can be found in the combining financial statements included in this report. The state's blended component unit is included in a combined single, aggregated column for nonmajor governmental funds. Individual fund data for this blended component unit is provided in the form of combining statements for nonmajor governmental funds 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, 2012, by $13.1 billion (presented as net assets). Of this amount, a deficit of $2.8 billion was reported as unrestricted net assets. For discussion on the variances from prior year, see the Government-wide Financial Analysis section.

- The state's total net assets increased by $993 million (8.2 percent) during fiscal year 2012. Net assets of governmental activities increased by $277 million (2.7 percent), while net assets of the business-type activities showed an increase of $716 million (37.4 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 $4.2 billion, an increase of $548 million compared to the prior year. Included in the ending fund balance is a General Fund unassigned deficit of $887 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 $292 million (3.3 percent) during the current fiscal year. The increase is primarily a result of the state issuing tobacco settlement revenue bonds for the Tobacco Securitization Authority (blended component unit). This increase was offset by a decrease in loans in the Unemployment Insurance Fund (enterprise fund) due to the payoff of cash advances to the U.S. Treasury for unemployment benefits.

Government-wide Financial Analysis

As noted earlier, net assets serve as a useful indicator of a government's financial position over time. The state's combined net assets (governmental and business-type activities) totaled $13.1 billion at the end of fiscal year 2012, compared to $12.1 billion at the end of the previous year.

Net Assets
June 30, 2012 and 2011
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current Assets[1]	$ 11,255,905	$ 10,303,270	$ 1,735,427	$ 1,545,363	$ 12,991,332	$ 11,848,633
Noncurrent Assets:						
Capital Assets[1]	12,791,184	12,375,682	2,004,524	1,906,660	14,795,708	14,282,342
Other Assets[1]	853,032	828,448	123,406	176,380	976,438	1,004,828
Total Assets	$ 24,900,121	$ 23,507,400	$ 3,863,357	$ 3,628,403	$ 28,763,478	$ 27,135,803
Current Liabilities	$ 6,709,396	$ 6,476,809	$ 368,881	$ 700,861	$ 7,078,277	$ 7,177,670
Noncurrent Liabilities	7,702,030	6,819,172	865,048	1,014,010	8,567,078	7,833,182
Total Liabilities	$ 14,411,426	$ 13,295,981	$ 1,233,929	$ 1,714,871	$ 15,645,355	$ 15,010,852
Net Assets:						
Invested in Capital Assets, Net of Related Debt[1]	$ 9,773,122	$ 9,166,460	$ 1,383,762	$ 1,352,739	$ 11,156,884	$ 10,519,199
Restricted[1]	3,546,397	3,379,428	1,252,075	643,700	4,798,472	4,023,128
Unrestricted[1]	(2,830,824)	(2,334,469)	(6,409)	(82,907)	(2,837,233)	(2,417,376)
Total Net Assets	$ 10,488,695	$ 10,211,419	$ 2,629,428	$ 1,913,532	$ 13,118,123	$ 12,124,951

[1] 2011 has been restated to be consistent with 2012 presentation.

The largest portion, $11.1 billion of $13.1 billion, of the state's net assets reflects investment in capital assets such as land, buildings, equipment, and infrastructure (pavement, bridges, and other immovable assets), less any related outstanding debt used to acquire those assets. The state uses these capital assets to provide services to citizens. Capital assets are not considered to be convertible to cash and cannot be used to fund the daily activities of the state or pay for the debt related to capital assets. Therefore, the resources needed to repay this debt related to capital assets must be provided from other sources.

Approximately $4.8 billion of the state's net assets represent resources subject to external restrictions, constitutional provisions, or enabling legislation, which restricts how these assets may be used. Additional information on the state's net asset restrictions is located in Note 16 – Equity in the notes to the financial statements.

The remaining net assets balance represents a deficit in unrestricted net assets of $2.8 billion. This deficit does not mean that the state lacks resources to pay its bills in the near future. This deficit reflects primarily two significant factors. First, the state, similar to other states, issues general obligation bonds and distributes the proceeds to component units and local units of government. These proceeds are used to finance the purchase or construction of capital assets. These entities record the capital assets in their statements of net assets; however, the state is responsible for the repayment of the debt. This practice allows the state to promote improved financial management by reducing bond issuance costs and obtaining more favorable financing arrangements. Second, the state reports the majority of the noncapital portion of net assets for most of its governmental activities' special revenue, debt service, and permanent funds as restricted.

The state's combined net assets for governmental and business-type activities increased $993 million (8.2 percent) over the course of this fiscal year. This resulted from a $277 million (2.7 percent) increase in net assets of governmental activities, and a $716 million (37.4 percent) increase in net assets of business-type activities.

Changes in Net Assets
Fiscal Years Ended June 30, 2012 and 2011
(In Thousands)

	Governmental Activities 2012	Governmental Activities 2011	Business-type Activities 2012	Business-type Activities 2011	Total Primary Government 2012	Total Primary Government 2011
Revenues:						
Program Revenues:						
Charges for Services	$ 1,296,943	$ 1,304,245	$ 3,088,037	$ 2,827,867	$ 4,384,980	$ 4,132,112
Operating Grants and Contributions	8,410,311	9,398,609	1,113,581	1,697,323	9,523,892	11,095,932
Capital Grants	135,113	202,285	-	1,515	135,113	203,800
General Revenues:						
Individual Income Taxes	8,409,530	7,883,583	-	-	8,409,530	7,883,583
Corporate Income Taxes	953,428	1,204,521	-	-	953,428	1,204,521
Sales Taxes	4,849,514	4,760,684	-	-	4,849,514	4,760,684
Property Taxes	809,044	771,020	-	-	809,044	771,020
Motor Vehicle Taxes	1,150,343	1,074,769	-	-	1,150,343	1,074,769
Fuel Taxes	849,955	851,245	-	-	849,955	851,245
Other Taxes	2,253,625	2,192,739	-	-	2,253,625	2,192,739
Tobacco Settlement	166,154	172,207	-	-	166,154	172,207
Investment/Interest Income	12,873	19,836	6,567	7,058	19,440	26,894
Other Revenues	94,707	139,406	12,134	18,765	106,841	158,171
Total Revenues	$ 29,391,540	$ 29,975,149	$ 4,220,319	$ 4,552,528	$ 33,611,859	$ 34,527,677
Expenses:						
Agricultural, Environmental and Energy Resources	$ 916,001	$ 969,947	$ -	$ -	$ 916,001	$ 969,947
Economic and Workforce Development	543,680	695,050	-	-	543,680	695,050
General Education	7,890,863	7,499,159	-	-	7,890,863	7,499,159
General Government	856,328	832,859	-	-	856,328	832,859
Health and Human Services	12,487,762	12,274,181	-	-	12,487,762	12,274,181
Higher Education	778,389	892,921	-	-	778,389	892,921
Intergovernmental Aid	1,358,521	1,339,943	-	-	1,358,521	1,339,943
Public Safety and Corrections	952,585	976,261	-	-	952,585	976,261
Transportation	2,343,031	2,897,408	-	-	2,343,031	2,897,408
Interest	506,909	322,773	-	-	506,909	322,773
State Colleges and Universities	-	-	1,816,268	1,903,985	1,816,268	1,903,985
Unemployment Insurance	-	-	1,490,943	2,228,405	1,490,943	2,228,405
Lottery	-	-	396,590	382,759	396,590	382,759
Other	-	-	280,817	269,880	280,817	269,880
Total Expenses	$ 28,634,069	$ 28,700,502	$ 3,984,618	$ 4,785,029	$ 32,618,687	$ 33,485,531
Excess (Deficiency) Before Transfers	$ 757,471	$ 1,274,647	$ 235,701	$ (232,501)	$ 993,172	$ 1,042,146
Transfers	(480,195)	(584,171)	480,195	584,171	-	-
Change in Net Assets	$ 277,276	$ 690,476	$ 715,896	$ 351,670	$ 993,172	$ 1,042,146
Net Assets, Beginning[1]	$ 10,211,419	$ 9,520,943	$ 1,913,532	$ 1,561,862	$ 12,124,951	$ 11,082,805
Net Assets, Ending	$ 10,488,695	$ 10,211,419	$ 2,629,428	$ 1,913,532	$ 13,118,123	$ 12,124,951

[1] 2011 has been restated to be consistent with 2012 presentation.

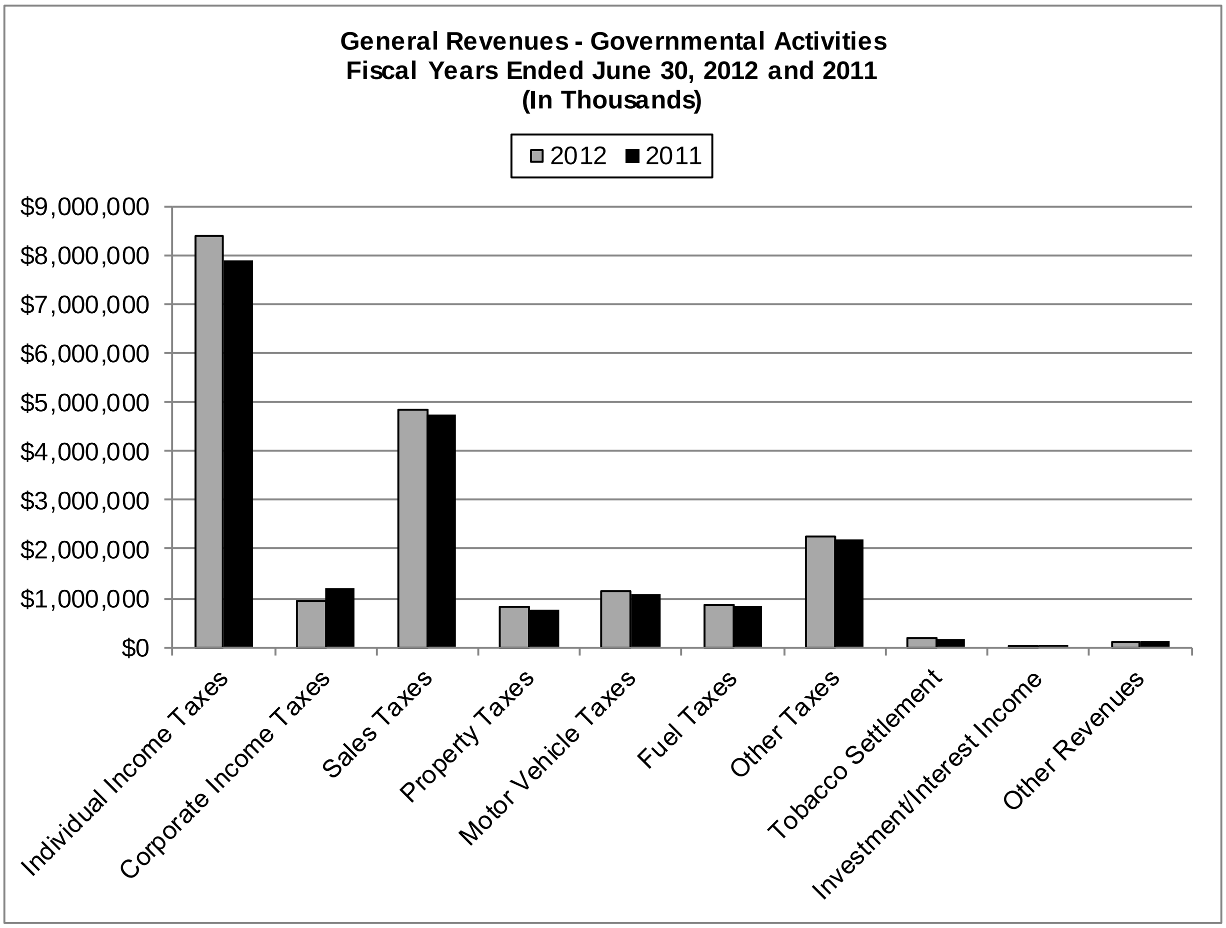
Approximately 57 percent of the state's total revenue (governmental and business-type activities) came from taxes, while 29 percent resulted from grants and contributions, including federal aid. Charges for various goods and services provided 13 percent of the total revenues. The remaining 1 percent came from other general revenues.

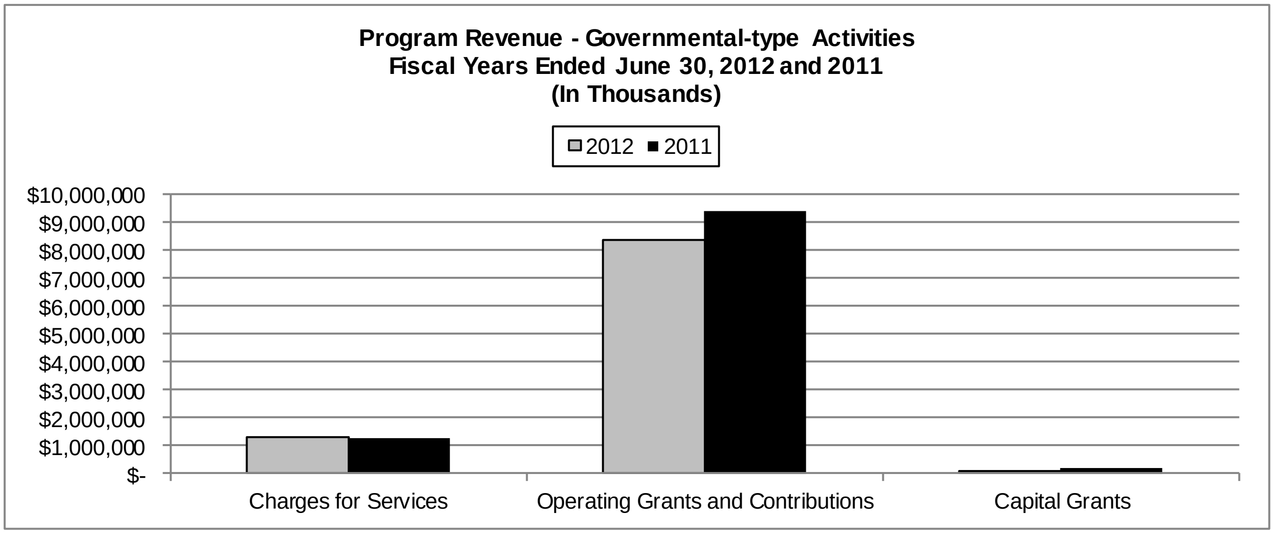
The state's expenses cover a range of services. The largest expenses were for general education, and health and human services.

Governmental Activities

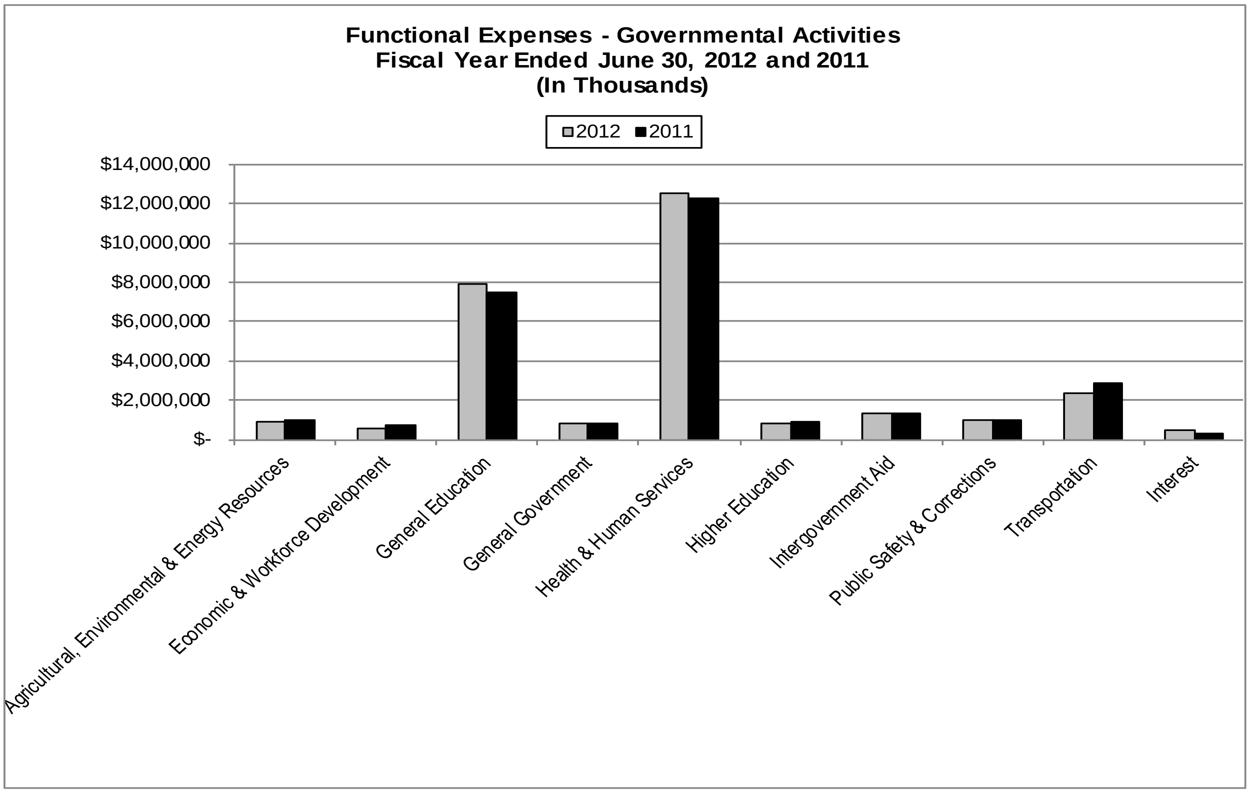
Governmental activities increased the state's net assets by $277 million compared to an increase of $690 million in the prior year.

There was a net decrease in revenues compared to the prior year. The decrease in revenue was primarily attributable to a decrease in federal program revenues related to the American Recovery and Reinvestment Act (ARRA). These decreases were partially offset by the increase in income and sales taxes as a result of the strengthening economy after an economic downturn.



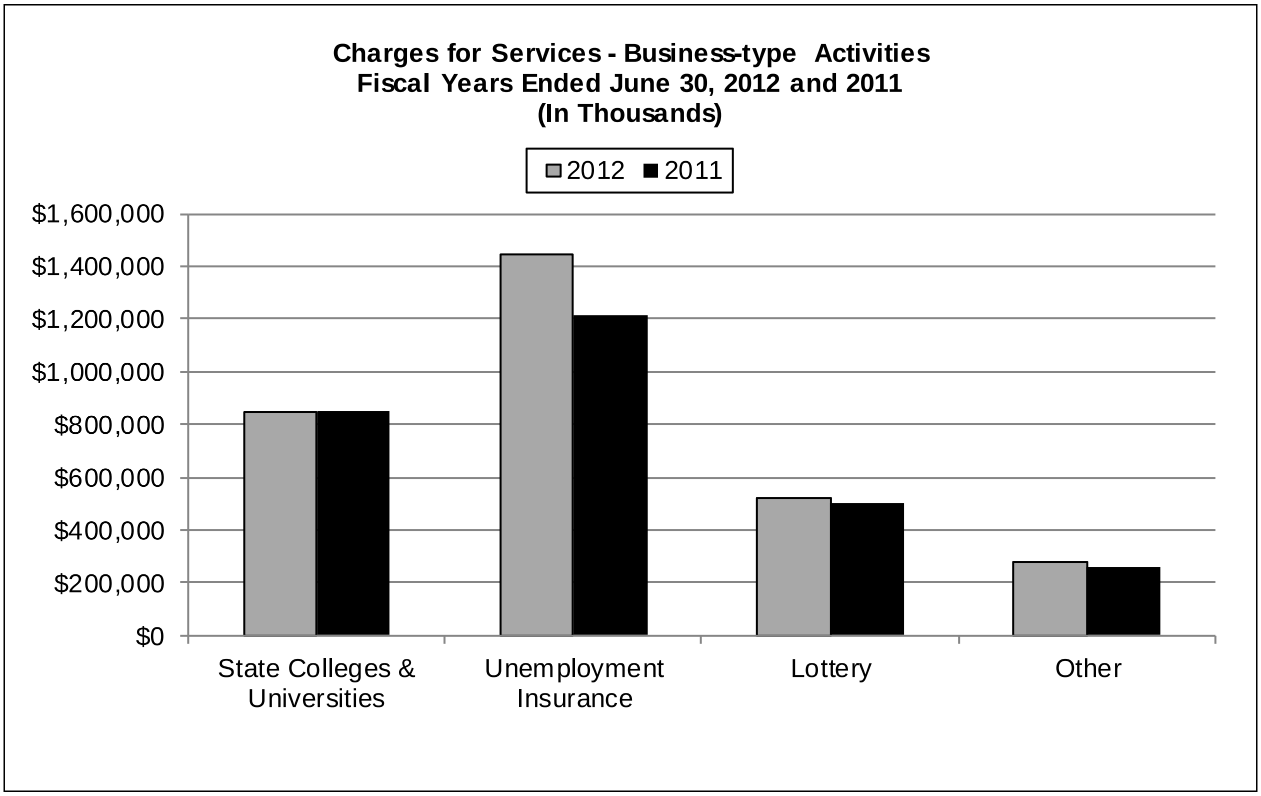


There was a slight decrease in functional expenses compared to the prior year. The decrease in transportation expense related to smaller grants to counties and cities as well as a one-time grant to Metropolitan Council (component unit). This grant was a result of the state transferring title of state-owned capital assets associated with the Northstar Commuter Rail project in the prior year. The decrease in higher education expense is due to a decrease in grants to the University of Minnesota (component unit), while the decrease in agricultural, environmental and energy resources expense is attributable to the reduction in grants from the federal government as the American Recovery and Reinvestment Act (ARRA) ended. The decrease in economic and workforce development expense is due to a decrease in grants for capital projects. These decreases were offset by an increase in state general education aid due to an increase of $50 per pupil as well as a slight increase of pupils.



Business-type Activities

Net assets for the state's proprietary funds increased by $716 million during the current year. This primarily resulted from a $122 million increase in net assets in the State Colleges and Universities Fund and a $597 million increase in net assets in the Unemployment Insurance Fund. The increase in net assets in the State Colleges and Universities Fund is consistent with the increase in net assets in the prior year. Both tuition and fee revenue and operating expenses increased due to an increase in the number of students enrolled, while federal grants decreased due to the ending of the funds received under the American Recovery and Reinvestment Act during fiscal year 2011. As a result of the continued strengthening economy, the Unemployment Insurance Fund had significant reductions in benefits paid during the current year as applicants transitioned to other programs, found employment, or were no longer eligible to receive benefits. In addition, insurance premiums increased due to a higher tax base and tax rates. These increases in net assets were partially offset by decreases in grants and subsidies as certain federal programs ended and the state no longer qualified for other programs as the unemployment rate decreased.



State Funds Financial Analysis

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

Governmental Funds

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

As of the end of the current fiscal year, the state's governmental funds reported combined ending fund balances of $4.2 billion, an increase of $548 million over the prior year.

The General Fund is the chief operating fund of the state. At the end of the current fiscal year, the unassigned fund balance of the General Fund was a deficit of $887 million, a decrease in the unassigned fund balance of $125 million during the current year.

Because the General Fund is the chief operating fund of the state, some of the same variances impacting Governmental Activities impacted the General Fund; however, the changes in federal grants related to ARRA grants shifted some expenditures back to the General Fund from the Federal Fund (special revenue fund) in the Human Services function. As previously noted, the transportation expenditures decrease related to decreased grants to counties and cities, while higher education expenditures decrease related to decreased grants to the University of Minnesota (component unit). In addition, general government expenditures decreased due to reductions to most general government agencies. These decreases were offset by increases in state general education aid due to an increase of $50 per pupil as well as a slight increase in pupils.

Proprietary Funds

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

The state's proprietary funds net assets increased by $716 million during the current year. This primarily resulted from a $122 million increase in net assets of the State Colleges and Universities Fund and an increase of $597 million in net assets of the Unemployment Insurance Fund. For further discussion, see the Government-wide Financial Analysis – Business-type Activities section.

General Fund Budgetary Highlights

General Fund Budgetary Highlights

Several significant economic forecast and budget actions occurred prior to and during fiscal year 2012. These are material to understanding changes in General Fund balances that occurred in fiscal year 2012. 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 2012.

Actions Establishing the Fiscal Year 2012 Budget

The February 2011 forecast projected a $5.028 billion deficit for the fiscal year 2012-13 biennium. This was an improvement from the November 2010 forecast projection, which was a $6.2 billion shortfall for the biennium.

The 2011 Legislative Session ended on the constitutional deadline without a budget agreement between the legislature and governor for the majority of state programs. The only budget bill enacted prior to the end of the regular session was Agriculture. This subsequently led to a 21-day state government shutdown of all activities deemed non-essential by the courts, including the temporary layoff of 19,000 state employees. In July 2011, the legislature and governor reached agreement on the fiscal year 2012-13 biennial budget and passed legislation ending the 21-day shutdown. The budget compromise for the fiscal year 2012-13 budget was balanced primarily through spending reductions, payment shifts, reductions to reserves, and use of the proceeds from bonds secured by tobacco settlement revenue to reduce debt service obligations.

Nearly two-thirds of the budget solution reflected one-time actions. These actions included the deferral of the repayment of the fiscal year 2010-11 K-12 school payment shift for a savings of $1.4 billion, extending and increasing the K-12 payment shift from 30 percent to 40 percent for a savings of $715 million, using proceeds from bonds secured by tobacco settlement revenue for a savings of $640 million, transfers from other funds in the amount of $174 million, one-time expenditure reductions totaling $135 million, and a reduction in the cash flow and budget reserves of $180 million. The remaining solution was primarily in permanent expenditure reductions totaling $1.977 billion.

Limited new spending was also included in the budget solution totaling $421 million, which included an increase to the general education per pupil formula by $50 each year.

Budget Actions during Fiscal Year 2012

The November 2011 forecast improved the budget outlook by creating an $876 million forecast balance driven by increased (1.2 percent) revenue projections and decreased spending primarily in human services programs. Current law directed this balance to restoring budget reserves. In February 2012, an additional forecast balance of $323 million was projected as a result of increased (0.3 percent) revenue projections and decreased (0.7 percent) spending. Of this amount, $5 million was added to the budget reserve, bringing the balance to $653 million, and $318 million was directed to reducing the school aid payment shift.

The 2012 legislative session resulted in minor adjustments to the fiscal year 2012-13 biennial budget. The major action taken during the 2012 session was the authorization of the construction of a new Vikings football stadium for a total project cost of $975 million. The state share of the project is $348 million, with costs to be offset by new tax revenues on expanded charitable gambling, electronic pull tabs, and bingo. A stadium reserve in the General Fund was created from these projected revenues.

In addition to the Vikings stadium, the legislature also approved a bonding bill totaling $550 million, of which $196 million is for higher education, $131 million is for economic development, and $97 million is for the environment.

Budget and GAAP Based Financial Outlook

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

On a budgetary basis, the state's General Fund ended fiscal year 2012 with a balance of $680 million. On a GAAP basis, the General Fund reported a deficit of $113 million for fiscal year 2012, a difference of $793 million from the budgetary General Fund balance. Additional information on the differences between the budgetary basis and the GAAP basis for the General Fund is included in Note 18 – Budgetary Basis vs. GAAP of the notes to the financial statements.

The November 2012 forecast resulted in a $1.330 billion budget balance for fiscal year 2012-13 which was allocated by law to repay the K-12 school payment shift. After this repayment, $1.1 billion remains to fully repay the payment shift. While the budget outlook for fiscal year 2012-13 improved, the November forecast continues to project a $1.095 billion shortfall for fiscal year 2014-15.

The February 2013 forecast showed increased revenue estimates of $217 million, decreased spending of $63 million, and a reduction to the stadium reserve of $15 million due to decreasing lawful gambling revenues from the November 2012 forecast. This resulted in a $295 million balance in the fiscal year 2012-13 biennium. Of this amount, $9 million was allocated to restore the budget reserve, $282 million was allocated to repaying the K-12 payment shift leaving $808 million of the shift still outstanding, and the remaining $4 million, after rounding to the nearest one tenth of a percent, was added to the budgetary reserve. The fiscal year 2014-15 outlook also improved with the budget shortfall dropping to $627 million.

Capital Asset and Debt Administration

Capital Assets

The state's investment in capital assets for governmental and business-type activities as of June 30, 2012, was $17.8 billion, less accumulated depreciation of $3.0 billion, resulting in a net book value of $14.8 billion. This investment in capital assets includes land, buildings, construction and development in progress, infrastructure, easements, art and historical treasures, internally generated computer software, and equipment. Infrastructure assets are long-lived capital assets, such as pavement, bridges, tunnels, drainage systems, lighting systems, and similar items that are normally stationary in nature.

Capital Assets
June 30, 2012 and 2011
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Capital Assets not Depreciated:						
Land	$ 2,114,604	$ 2,048,043	$ 88,420	$ 88,009	$ 2,203,024	$ 2,136,052
Buildings, Structures, Improvements	30,768	29,909	-	-	30,768	29,909
Construction in Progress	265,193	235,108	192,153	105,162	457,346	340,270
Development in Progress	29,947	74,673	-	-	29,947	74,673
Infrastructure	8,097,607	7,842,775	-	-	8,097,607	7,842,775
Easements	324,203	311,003	-	-	324,203	311,003
Art and Historical Treasures	3,731	2,353	-	-	3,731	2,353
Total Capital Assets not Depreciated	$ 10,866,053	$ 10,543,864	$ 280,573	$ 193,171	$ 11,146,626	$ 10,737,035
Capital Assets Depreciated:						
Buildings, Structures, Improvements	$ 2,551,589	$ 2,474,807	$ 2,835,261	$ 2,734,339	$ 5,386,850	$ 5,209,146
Infrastructure	167,869	160,683	-	-	167,869	160,683
Internally Generated Computer Software	67,010	396	15,695	14,923	82,705	15,319
Easements	4,090	4,090	-	-	4,090	4,090
Library Collections	-	-	46,124	47,167	46,124	47,167
Equipment, Furniture, Fixtures	619,178	599,734	333,557	334,709	952,735	934,443
Total Capital Assets Depreciated	$ 3,409,736	$ 3,239,710	$ 3,230,637	$ 3,131,138	$ 6,640,373	$ 6,370,848
Less: Accumulated Depreciation[1]	1,484,605	1,407,892	1,506,686	1,417,649	2,991,291	2,825,541
Capital Assets Net of Depreciation	$ 1,925,131	$ 1,831,818	$ 1,723,951	$ 1,713,489	$ 3,649,082	$ 3,545,307
Total	$ 12,791,184	$ 12,375,682	$ 2,004,524	$ 1,906,660	$ 14,795,708	$ 14,282,342

[1] 2011 has been restated to be consistent with 2012 presentation.

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

The state's goal is to maintain pavement at, or above, a 3.0 Pavement Quality Index (PQI) for all principal arterial pavement and at, or above, a 2.8 PQI for all other pavement. The most recent condition assessment, completed for calendar year 2011, indicated that the average PQI for principal arterial pavement was 3.3 and 3.2 for all other pavements. The state has maintained a stable condition of pavement over the past several years.

The state's goal is to have over 92 percent of principal arterial system bridges and 80 percent of all other system bridges in fair to good condition. The most recent condition assessment, completed for calendar year 2011, indicated that 95 percent of principal arterial system bridges and 91 percent of all other system bridges were in fair to good condition. The state has also maintained a stable condition of bridges over the past several years.

Prior Period Adjustment Governmental Activities: During fiscal year 2012, equipment accumulated depreciation decreased by $18.9 million. This decrease was attributable to a change in the method of depreciation to align with federal reporting on certain assets at MnDOT due to the conversion of capital assets into a new accounting system.

During the current year, the state continued to shift emphasis to pavement and bridge preservation and maintenance. The overall expenditures were under budget primarily due to the delay of currently planned capital projects that were originally budgeted.

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

Debt Administration

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

The state's general obligation bonds were rated on June 30, 2012, as follows:

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

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

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

The state's blended component unit, Tobacco Securitization Authority, issued revenue bonds which are payable solely from the state's tobacco settlement revenue.

Outstanding Bonded Debt and Unamortized Premium
June 30, 2012 and 2011
(In Thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
General Obligation	$ 5,772,034	$ 5,814,900	$ 249,636	$ 260,618	$ 6,021,670	$ 6,075,518
Revenue	794,574	12,055	431,952	375,409	1,226,526	387,464
Certificate of Participation	70,742	79,408	-	-	70,742	79,408
Total	$ 6,637,350	$ 5,906,363	$ 681,588	$ 636,027	$ 7,318,938	$ 6,542,390

During fiscal year 2012, the state issued the following bonds:

- $445.0 million in general obligation state various purpose bonds
- $320.0 million in general obligation state trunk highway bonds
- $4.0 million in general obligation Rural Finance Authority bonds
- $60.4 million in revenue bonds for a statewide 911 emergency response communication system

During fiscal year 2012, the state's blended component unit, Tobacco Securitization Authority, which is reported as part of the state's operations, issued the following bonds:

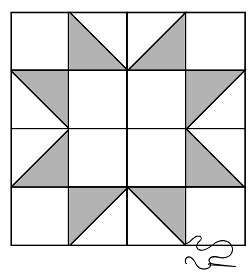
- $757.0 million in tobacco settlement revenue bonds

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

Requests for Information

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

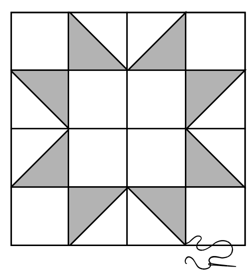
Questions about this report or requests for additional financial information should be addressed to Minnesota Management and Budget, 400 Centennial Office Building, 658 Cedar Street, Saint Paul, Minnesota, 55155.



State of Minnesota

Basic Financial Statements

2012
Comprehensive
Annual
Financial Report



State of Minnesota

2012
Comprehensive
Annual
Financial Report

Government-wide Financial Statements

STATEMENT OF NET ASSETS
JUNE 30, 2012
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 5,623,946	$ 1,101,687	$ 6,725,633	$ 948,579
Investments	1,524,732	26,442	1,551,174	877,072
Accounts Receivable	2,638,533	559,777	3,198,310	409,539
Due from Component Units	33,822	-	33,822	-
Due from Primary Government	-	-	-	52,850
Accrued Investment/Interest Income	18,917	-	18,917	45,140
Federal Aid Receivable	1,338,669	22,341	1,361,010	3,073
Inventories	35,945	21,553	57,498	51,745
Loans and Notes Receivable	28,229	6,453	34,682	434,056
Internal Balances	6,439	(6,439)	-	-
Securities Lending Collateral	-	-	-	1,877
Other Assets	6,673	3,613	10,286	79,296
Total Current Assets	$ 11,255,905	$ 1,735,427	$ 12,991,332	$ 2,903,227
Noncurrent Assets:				
Cash and Cash Equivalents-Restricted	$ -	$ 97,607	$ 97,607	$ 785,616
Investments-Restricted	-	-	-	997,458
Accounts Receivable-Restricted	-	-	-	47,778
Due from Primary Government-Restricted	-	-	-	20,944
Other Assets-Restricted	-	62	62	1,476
Due from Primary Government	-	-	-	14,488
Due from Component Units	66,863	-	66,863	-
Investments	-	-	-	3,535,957
Accounts Receivable	541,198	-	541,198	506,669
Loans and Notes Receivable	226,928	25,737	252,665	4,251,407
Depreciable Capital Assets (Net)	1,925,131	1,723,951	3,649,082	4,949,288
Nondepreciable Capital Assets	2,768,446	280,573	3,049,019	1,098,742
Infrastructure (Not depreciated)	8,097,607	-	8,097,607	-
Other Assets	18,043	-	18,043	13,775
Deferred Loss on Interest Rate Swap Agreements	-	-	-	39,634
Total Noncurrent Assets	$ 13,644,216	$ 2,127,930	$ 15,772,146	$ 16,263,232
Total Assets	$ 24,900,121	$ 3,863,357	$ 28,763,478	$ 19,166,459
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 5,595,464	$ 220,876	$ 5,816,340	$ 262,259
Due to Component Units	10,261	-	10,261	-
Due to Primary Government	-	-	-	60,914
Unearned Revenue	557,320	62,360	619,680	98,155
Accrued Interest Payable	91,029	3,850	94,879	76,779
Bonds and Notes Payable	294,198	42,344	336,542	555,884
Capital Leases Payable	7,026	4,784	11,810	595
Certificates of Participation Payable	8,245	-	8,245	-
Claims Payable	112,497	3,122	115,619	64,203
Compensated Absences Payable	33,319	15,683	49,002	150,784
Securities Lending Liabilities	-	-	-	1,877
Other Liabilities	37	15,862	15,899	64,971
Total Current Liabilities	$ 6,709,396	$ 368,881	$ 7,078,277	$ 1,336,421
Noncurrent Liabilities:				
Accounts Payable-Restricted	$ -	$ -	$ -	$ 134,704
Unearned Revenue-Restricted	-	-	-	43,993
Accrued Interest Payable-Restricted	-	-	-	10,087
Due to Primary Government	-	-	-	66,863
Unearned Revenue	-	-	-	23,128
Bonds and Notes Payable	6,301,022	644,259	6,945,281	5,890,553
Due to Component Units	14,488	-	14,488	-
Capital Leases Payable	137,293	35,353	172,646	10,225
Certificates of Participation Payable	62,497	-	62,497	-
Claims Payable	676,706	3,815	680,521	551,754
Compensated Absences Payable	246,125	123,542	369,667	98,443
Other Postemployment Benefits	166,156	26,303	192,459	133,821
Net Pension Obligation	97,743	-	97,743	-
Funds Held in Trust	-	-	-	223,755
Other Liabilities	-	31,776	31,776	50,172
Interest Rate Swap Agreements	-	-	-	39,634
Total Noncurrent Liabilities	$ 7,702,030	$ 865,048	$ 8,567,078	$ 7,277,132
Total Liabilities	$ 14,411,426	$ 1,233,929	$ 15,645,355	$ 8,613,553

STATEMENT OF NET ASSETS
JUNE 30, 2012
(IN THOUSANDS)

	PRIMARY GOVERNMENT			
NET ASSETS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Invested in Capital Assets, Net of Related Debt	$ 9,773,122	$ 1,383,762	$ 11,156,884	$ 3,883,714
Restricted for:				
Agricultural, Environmental and Energy Resources	$ 1,079,853	$ -	$ 1,079,853	$ -
Arts and Cultural Heritage	21,542	-	21,542	-
Capital Projects	-	9,320	9,320	-
Debt Service	-	119,469	119,469	-
Economic and Workforce Development	127,118	1,352	128,470	-
General Education	62,642	-	62,642	-
General Government	41,449	-	41,449	-
Health and Human Services	6,566	14,017	20,583	-
Higher Education	-	506,964	506,964	-
Public Safety and Corrections	29,808	56,079	85,887	-
School Aid-Expendable	6,064	-	6,064	-
School Aid-Nonexpendable	856,747	-	856,747	-
Transportation	1,314,608	-	1,314,608	-
Unemployment Benefits	-	518,666	518,666	-
Other Purposes	-	26,208	26,208	-
Component Units	-	-	-	5,665,293
Total Restricted	$ 3,546,397	$ 1,252,075	$ 4,798,472	$ 5,665,293
Unrestricted	$ (2,830,824)	$ (6,409)	$ (2,837,233)	$ 1,003,899
Total Net Assets	$ 10,488,695	$ 2,629,428	$ 13,118,123	$ 10,552,906

The notes are an integral part of the financial statements.

STATE OF MINNESOTA

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

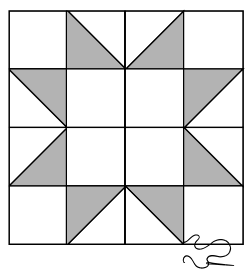
FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBU-TIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBU-TIONS
Primary Government:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources..	$ 916,001	$ 384,593	$ 258,525	$ 3,621
Economic and Workforce Development..................	543,680	59,481	243,326	-
General Education..	7,890,863	23,418	714,254	-
General Government...	856,328	249,824	25,165	26
Health and Human Services....................................	12,487,762	399,963	6,369,736	-
Higher Education..	778,389	636	289	-
Intergovernment Aid..	1,358,521	-	-	-
Public Safety and Corrections..................................	952,585	159,882	150,776	-
Transportation...	2,343,031	19,146	648,240	131,466
Interest..	506,909	-	-	-
Total Governmental Activities............................	$ 28,634,069	$ 1,296,943	$ 8,410,311	$ 135,113
Business-type Activities:				
State Colleges and Universities................................	$ 1,816,268	$ 848,541	$ 476,609	$ -
Unemployment Insurance...	1,490,943	1,444,622	636,972	-
Lottery...	396,590	520,049	-	-
Other...	280,817	274,825	-	-
Total Business-type Activities............................	$ 3,984,618	$ 3,088,037	$ 1,113,581	$ -
Total Primary Government..........................	$ 32,618,687	$ 4,384,980	$ 9,523,892	$ 135,113
Component Units:				
University of Minnesota..	$ 3,347,344	$ 1,406,677	$ 971,550	$ 170,922
Metropolitan Council...	836,063	327,241	143,660	529,095
Housing Finance..	401,252	204,807	203,043	-
Others..	370,002	139,405	55,725	-
Total Component Units..	$ 4,954,661	$ 2,078,130	$ 1,373,978	$ 700,017

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

The notes are an integral part of the financial statements.

NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS

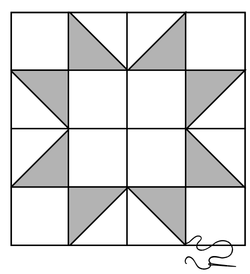
PRIMARY GOVERNMENT			
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
$ (269,262)		$ (269,262)	
(240,873)		(240,873)	
(7,153,191)		(7,153,191)	
(581,313)		(581,313)	
(5,718,063)		(5,718,063)	
(777,464)		(777,464)	
(1,358,521)		(1,358,521)	
(641,927)		(641,927)	
(1,544,179)		(1,544,179)	
(506,909)		(506,909)	
$ (18,791,702)		$ (18,791,702)	
	$ (491,118)	$ (491,118)	
	590,651	590,651	
	123,459	123,459	
	(5,992)	(5,992)	
	$ 217,000	$ 217,000	
$ (18,791,702)	$ 217,000	$ (18,574,702)	
			$ (798,195)
			163,933
			6,598
			(174,872)
			$ (802,536)
$ 8,409,530	$ -	$ 8,409,530	$ -
953,428	-	953,428	-
4,849,514	-	4,849,514	-
809,044	-	809,044	-
1,150,343	-	1,150,343	-
849,955	-	849,955	-
2,253,625	-	2,253,625	264,948
166,154	-	166,154	-
12,873	6,567	19,440	87,344
94,707	12,134	106,841	317,342
-	-	-	827,337
-	-	-	22,788
(480,195)	480,195	-	-
$ 19,068,978	$ 498,896	$ 19,567,874	$ 1,519,759
$ 277,276	$ 715,896	$ 993,172	$ 717,223
$ 10,009,567	$ 1,913,532	$ 11,923,099	$ 9,848,302
201,852	-	201,852	(12,619)
$ 10,211,419	$ 1,913,532	$ 12,124,951	$ 9,835,683
$ 10,488,695	$ 2,629,428	$ 13,118,123	$ 10,552,906



State of Minnesota

2012
Comprehensive
Annual
Financial Report

Fund Financial Statements



State of Minnesota

Major Governmental Funds

General Fund

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

Federal Fund

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

2012
Comprehensive
Annual
Financial Report

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2012
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 2,204,827	$ 10,416	$ 3,095,598	$ 5,310,841
Investments	513,765	-	990,295	1,504,060
Accounts Receivable	2,612,534	203,784	359,741	3,176,059
Interfund Receivables	281,281	9,638	250,078	540,997
Due from Component Unit	-	-	100,685	100,685
Accrued Investment/Interest Income	13,159	-	5,583	18,742
Federal Aid Receivable	144,734	1,103,903	90,032	1,338,669
Inventories	-	-	35,731	35,731
Loans and Notes Receivable	118,418	107	136,632	255,157
Advances to Other Funds	-	-	640,000	640,000
Prepaid Expense	-	-	1	1
Investment in Land	-	-	16,010	16,010
Total Assets	$ 5,888,718	$ 1,327,848	$ 5,720,386	$ 12,936,952
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 4,062,611	$ 1,041,677	$ 440,280	$ 5,544,568
Interfund Payables	92,858	246,534	195,230	534,622
Due to Component Unit	55	1,989	6,021	8,065
Deferred Revenue	1,846,059	37,525	140,075	2,023,659
Advances from Other Funds	-	-	640,000	640,000
Total Liabilities	$ 6,001,583	$ 1,327,725	$ 1,421,606	$ 8,750,914
Fund Balances:				
Nonspendable	$ 625,689	$ -	$ 892,478	$ 1,518,167
Restricted	148,483	123	2,299,920	2,448,526
Committed	-	-	561,628	561,628
Assigned	-	-	642,158	642,158
Unassigned	(887,037)	-	(97,404)	(984,441)
Total Fund Balances	$ (112,865)	$ 123	$ 4,298,780	$ 4,186,038
Total Liabilities and Fund Balances	$ 5,888,718	$ 1,327,848	$ 5,720,386	$ 12,936,952

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, 2012
(IN THOUSANDS)

Total Fund Balance for Governmental Funds		$	4,186,038
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	$ 8,097,607		
Nondepreciable Capital Assets	2,752,436		
Depreciable Capital Assets	3,316,454		
Accumulated Depreciation	(1,424,548)		
Total Capital Assets			12,741,949
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			1,483,184
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			17,006
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			276,722
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:			
Accrued Interest Payable	$ (91,002)		
General Obligation Bonds Payable	(5,153,512)		
Revenue Bonds Payable	(768,130)		
Loans and Notes Payable	(10,160)		
Bond Premium Payable	(644,966)		
Due to Component Units	(16,684)		
Capital Leases Payable	(144,319)		
Certificate of Participation Payable	(65,555)		
Certificate of Participation Premium Payable	(5,187)		
Claims Payable	(779,685)		
Compensated Absences Payable	(273,677)		
Net Other Post-Employment Benefits Obligation	(165,584)		
Net Pension Obligation	(97,743)		
Total Liabilities			(8,216,204)
Net Assets of Governmental Activities		$	10,488,695

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, 2012
(IN THOUSANDS)

	GENERAL	FEDERAL	NONMAJOR FUNDS	TOTAL
Net Revenues:				
Individual Income Taxes	$ 8,267,608	$ -	$ -	$ 8,267,608
Corporate Income Taxes	996,524	-	-	996,524
Sales Taxes	4,574,768	-	296,270	4,871,038
Property Taxes	813,723	-	-	813,723
Motor Vehicle Taxes	220,065	-	930,278	1,150,343
Fuel Taxes	-	-	851,410	851,410
Other Taxes	1,464,448	-	768,632	2,233,080
Tobacco Settlement	166,861	-	-	166,861
Federal Revenues	546	7,784,059	483,968	8,268,573
Licenses and Fees	225,681	4,435	322,830	552,946
Departmental Services	171,451	13,883	219,293	404,627
Investment/Interest Income	38,282	122	97,844	136,248
Other Revenues	306,889	51,974	210,791	569,654
Net Revenues	$ 17,246,846	$ 7,854,473	$ 4,181,316	$ 29,282,635
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ 204,553	$ 193,754	$ 506,006	$ 904,313
Economic and Workforce Development	118,676	237,472	232,699	588,847
General Education	7,171,507	641,531	72,073	7,885,111
General Government	628,869	13,033	100,752	742,654
Health and Human Services	5,644,629	6,242,132	580,566	12,467,327
Higher Education	712,363	317	65,278	777,958
Intergovernmental Aid	1,358,142	-	378	1,358,520
Public Safety and Corrections	546,974	163,567	183,317	893,858
Transportation	277,690	296,301	1,726,793	2,300,784
Total Current Expenditures	$ 16,663,403	$ 7,788,107	$ 3,467,862	$ 27,919,372
Capital Outlay	14,476	27,228	497,904	539,608
Debt Service	56,876	-	982,650	1,039,526
Total Expenditures	$ 16,734,755	$ 7,815,335	$ 4,948,416	$ 29,498,506
Excess of Revenues Over (Under) Expenditures	$ 512,091	$ 39,138	$ (767,100)	$ (215,871)
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ -	$ -	$ 760,894	$ 760,894
Revenue Bond Issuance	-	-	756,955	756,955
Payment to Refunded Bonds Escrow Agent	-	-	(400,775)	(400,775)
Bond Issue Premium	-	-	142,273	142,273
Transfers-In	485,353	1,664	658,940	1,145,957
Transfers-Out	(1,099,056)	(40,802)	(501,639)	(1,641,497)
Net Other Financing Sources (Uses)	$ (613,703)	$ (39,138)	$ 1,416,648	$ 763,807
Net Change in Fund Balances	$ (101,612)	$ -	$ 649,548	$ 547,936
Fund Balances, Beginning, as Reported	$ (149,842)	$ 123	$ 3,649,232	$ 3,499,513
Prior Period Adjustment	138,589	-	-	138,589
Fund Balances, Beginning, as Restated	$ (11,253)	$ 123	$ 3,649,232	$ 3,638,102
Fund Balances, Ending	$ (112,865)	$ 123	$ 4,298,780	$ 4,186,038

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, 2012
(IN THOUSANDS)

Net Change in Fund Balances for Governmental Funds	$	547,936
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 $108,217 in the current period		431,391
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		(18,430)
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		(41,617)
Net changes in revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds		79,075
Bond and loan proceeds provide current financial resources to governmental funds; however, issuing or incurring debt is reported as an increase of long-term liabilities in the Statement of Net Assets		(1,660,122)
Repayment of bonds, loans and capital leases are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets		943,755
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		(4,712)
Change in Net Assets of Governmental Activities	$	277,276

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, 2012
(IN THOUSANDS)

	GENERAL FUND		
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL
Net Revenues:			
Individual Income Taxes	$ 7,774,855	$ 7,876,600	$ 7,973,240
Corporate Income Taxes	852,135	946,800	1,046,142
Sales Taxes	4,656,262	4,633,229	4,657,734
Property Taxes	779,323	779,955	799,333
Motor Vehicle Taxes	205,650	221,263	223,726
Other Taxes	1,198,439	1,142,253	1,198,935
Tobacco Settlements	161,901	160,906	166,861
Departmental Services/Licenses and Fees	288,677	293,421	335,315
Investment/Interest Income	2,000	3,680	2,976
Other Revenues	360,891	354,540	306,116
Net Revenues	$ 16,280,133	$ 16,412,647	$ 16,710,378
Expenditures:			
Agricutural Environmental and Energy Resources	$ 166,073	$ 166,096	$ 157,729
Economic and Workforce Development	66,919	66,919	64,804
General Education	6,438,807	6,749,834	6,730,034
General Government	708,212	708,996	656,455
Health and Human Services	5,694,743	5,441,127	5,290,463
Higher Education	720,146	720,146	711,314
Intergovernment Aid	1,382,558	1,382,557	1,382,558
Public Safety and Corrections	574,077	574,208	555,242
Transportation	259,788	280,999	280,417
Total Expenditures	$ 16,011,323	$ 16,090,882	$ 15,829,016
Excess of Revenues Over (Under) Expenditures	$ 268,810	$ 321,765	$ 881,362
Other Financing Sources (Uses):			
Transfers-In	$ 455,603	$ 453,534	$ 499,148
Transfers-Out	(1,014,295)	(1,014,295)	(1,014,295)
Net Other Financing Sources (Uses)	$ (558,692)	$ (560,761)	$ (515,147)
Net Change in Fund Balances	$ (289,882)	$ (238,996)	$ 366,215
Fund Balances, Beginning, As Reported	$ 1,349,368	$ 1,349,368	$ 1,349,368
Prior Period Adjustments	-	-	175,003
Fund Balances, Beginning, as Restated	$ 1,349,368	$ 1,349,368	$ 1,524,371
Budgetary Fund Balances, Ending	$ 1,059,486	$ 1,110,372	$ 1,890,586
Less: Appropriation Carryover	-	-	164,067
Less: Reserved for Long-Term Receivables	-	-	38,883
Less: Budgetary Reserve	-	-	1,007,618
Undesignated Fund Balance, Ending	$ 1,059,486	$ 1,110,372	$ 680,018

The notes are an integral part of the financial statements.

Major Proprietary Funds

State Colleges and Universities Fund

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

Unemployment Insurance Fund

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

PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 809,730	$ 105,464	$ 186,493	$ 1,101,687	$ 313,105
Investments	26,442	-	-	26,442	20,672
Accounts Receivable	58,435	470,222	31,120	559,777	40,857
Interfund Receivables	26,965	-	2,223	29,188	-
Accrued Investment/Interest Income	-	-	-	-	175
Federal Aid Receivable	12,434	9,907	-	22,341	-
Inventories	14,562	-	6,991	21,553	214
Loans and Notes Receivable	6,453	-	-	6,453	-
Prepaid Expenses	1,372	-	943	2,315	6,672
Other Assets	-	-	1,298	1,298	-
Total Current Assets	$ 956,393	$ 585,593	$ 229,068	$ 1,771,054	$ 381,695
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 97,607	$ -	$ -	$ 97,607	$ -
Other Assets-Restricted	62	-	-	62	-
Loans and Notes Receivable	25,737	-	-	25,737	-
Depreciable Capital Assets (Net)	1,611,821	-	112,130	1,723,951	33,225
Nondepreciable Capital Assets	263,404	-	17,169	280,573	-
Prepaid Expenses	-	-	-	-	1,037
Total Noncurrent Assets	$ 1,998,631	$ -	$ 129,299	$ 2,127,930	$ 34,262
Total Assets	$ 2,955,024	$ 585,593	$ 358,367	$ 3,898,984	$ 415,957
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 154,294	$ 29,327	$ 37,255	$ 220,876	$ 88,017
Interfund Payables	-	14,494	21,133	35,627	-
Unearned Revenue	40,417	19,833	2,110	62,360	16,845
Accrued Interest Payable	-	3,273	577	3,850	27
Bonds and Notes Payable	30,645	-	11,699	42,344	7,586
Capital Leases Payable	4,599	-	185	4,784	-
Claims Payable	3,122	-	-	3,122	9,518
Compensated Absences Payable	14,235	-	1,448	15,683	562
Other Liabilities	15,862	-	-	15,862	37
Total Current Liabilities	$ 263,174	$ 66,927	$ 74,407	$ 404,508	$ 122,592
Noncurrent Liabilities:					
Bonds and Notes Payable	$ 491,282	$ -	$ 152,977	$ 644,259	$ 10,866
Capital Leases Payable	34,961	-	392	35,353	-
Claims Payable	3,815	-	-	3,815	-
Compensated Absences Payable	114,020	-	9,522	123,542	5,205
Other Postemployment Benefits	24,386	-	1,917	26,303	572
Other Liabilities	31,776	-	-	31,776	-
Total Noncurrent Liabilities	$ 700,240	$ -	$ 164,808	$ 865,048	$ 16,643
Total Liabilities	$ 963,414	$ 66,927	$ 239,215	$ 1,269,556	$ 139,235
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 1,355,857	$ -	$ 27,905	$ 1,383,762	$ 14,529
Restricted for:					
Bond Covenants	$ 72,625	$ -	$ -	$ 72,625	$ -
Capital Projects	9,320	-	-	9,320	-
Debt Service	46,844	-	-	46,844	-
Economic and Workforce Development	-	-	1,352	1,352	-
Health and Human Services	-	-	14,017	14,017	-
Higher Education	506,964	-	-	506,964	-
Public Safety and Corrections	-	-	56,079	56,079	-
Unemployment Benefits	-	518,666	-	518,666	-
Other Purposes	-	-	26,208	26,208	-
Total Restricted	$ 635,753	$ 518,666	$ 97,656	$ 1,252,075	$ -
Unrestricted	$ -	$ -	$ (6,409)	$ (6,409)	$ 262,193
Total Net Assets	$ 1,991,610	$ 518,666	$ 119,152	$ 2,629,428	$ 276,722

The notes are an integral part of the financial statements.

PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Tuition and Fees	$ 724,284	$ -	$ -	$ 724,284	$ -
Restricted Student Payments, Net	107,255	-	-	107,255	-
Net Sales	-	-	746,893	746,893	176,046
Insurance Premiums	-	1,393,733	45,021	1,438,754	684,012
Other Income	17,002	50,889	2,960	70,851	7,037
Total Operating Revenues	$ 848,541	$ 1,444,622	$ 794,874	$ 3,088,037	$ 867,095
Less: Cost of Goods Sold	-	-	390,318	390,318	-
Gross Margin	$ 848,541	$ 1,444,622	$ 404,556	$ 2,697,719	$ 867,095
Operating Expenses:					
Purchased Services	$ 210,875	$ -	$ 55,365	$ 266,240	$ 148,777
Salaries and Fringe Benefits	1,203,159	-	114,897	1,318,056	49,421
Student Financial Aid	34,931	-	-	34,931	-
Unemployment Benefits	-	1,477,200	-	1,477,200	-
Claims	-	-	36,609	36,609	648,311
Depreciation and Amortization	104,102	-	11,457	115,559	8,884
Supplies and Materials	149,088	-	17,742	166,830	9,265
Repairs and Maintenance	33,299	-	1,228	34,527	7,618
Indirect Costs	-	-	4,248	4,248	1,619
Other Expenses	47,057	-	6,908	53,965	524
Total Operating Expenses	$ 1,782,511	$ 1,477,200	$ 248,454	$ 3,508,165	$ 874,419
Operating Income (Loss)	$ (933,970)	$ (32,578)	$ 156,102	$ (810,446)	$ (7,324)
Nonoperating Revenues (Expenses):					
Investment Income	$ 5,463	$ 650	$ 454	$ 6,567	$ 2,114
Federal Grants	369,139	-	-	369,139	26
Private Grants	30,822	-	-	30,822	-
Grants and Subsidies	76,648	636,972	-	713,620	-
Other Nonoperating Revenues	-	12,259	194	12,453	-
Interest and Financing Costs	(22,526)	(6,579)	(7,260)	(36,365)	(319)
Grants, Aids and Subsidies	(11,231)	(7,164)	(23,400)	(41,795)	-
Other Nonoperating Expenses	-	-	(7,975)	(7,975)	(8,239)
Gain (Loss) on Disposal of Capital Assets	(496)	-	177	(319)	576
Total Nonoperating Revenues (Expenses)	$ 447,819	$ 636,138	$ (37,810)	$ 1,046,147	$ (5,842)
Income (Loss) Before Transfers and Contributions	$ (486,151)	$ 603,560	$ 118,292	$ 235,701	$ (13,166)
Capital Contributions	56,361	-	-	56,361	-
Transfers-In	551,293	-	3,799	555,092	45
Transfers-Out	-	(6,168)	(125,090)	(131,258)	(28,496)
Change in Net Assets	$ 121,503	$ 597,392	$ (2,999)	$ 715,896	$ (41,617)
Net Assets, Beginning, as Reported	$ 1,870,107	$ (78,726)	$ 122,151	$ 1,913,532	$ 318,339
Net Assets, Ending	$ 1,991,610	$ 518,666	$ 119,152	$ 2,629,428	$ 276,722

The notes are an integral part of the financial statements.

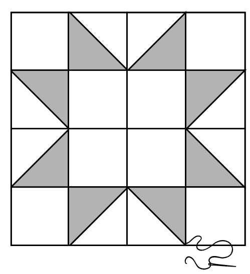
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	ENTERPRISE FUNDS				
	STATE COLLEGES & UNIVERSITIES	UNEMPLOYMENT INSURANCE	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Receipts from Customers	$ 850,437	$ 1,429,999	$ 790,620	$ 3,071,056	$ 850,115
Receipts from Other Revenues	-	-	4,297	4,297	14,050
Receipts from Repayment of Program Loans	3,908	-	-	3,908	-
Financial Aid Disbursements	(35,384)	-	-	(35,384)	-
Payments to Claimants	-	(1,495,836)	(352,914)	(1,848,750)	(637,035)
Payments to Suppliers	(443,354)	-	(124,629)	(567,983)	(113,887)
Payments to Employees	(1,243,191)	-	(118,524)	(1,361,715)	(51,373)
Payments to Others	-	-	(41,519)	(41,519)	(61,426)
Payments of Program Loans	(3,828)	-	-	(3,828)	-
Net Cash Flows from Operating Activities	$ (871,412)	$ (65,837)	$ 157,331	$ (779,918)	$ 444
Cash Flows from Noncapital Financing Activities:					
Grant Receipts	$ 474,680	$ 652,815	$ -	$ 1,127,495	$ -
Grant Disbursements	(11,231)	(7,068)	(20,734)	(39,033)	-
Transfers-In	551,293	-	3,799	555,092	45
Transfers-Out	-	(9,214)	(124,410)	(133,624)	(28,496)
Advances from Other Funds	-	-	-	-	2,615
Proceeds from Loans	-	865,871	-	865,871	-
Repayment of Loans	-	(1,326,050)	-	(1,326,050)	-
Proceeds from Bonds	-	-	67,420	67,420	-
Repayment of Bond Principal	-	-	(15,005)	(15,005)	-
Interest Paid	-	(14,895)	(7,260)	(22,155)	-
Net Cash Flows from Noncapital Financing Activities	$ 1,014,742	$ 161,459	$ (96,190)	$ 1,080,011	$ (25,836)
Cash Flows from Capital and Related Financing Activities:					
Capital Contributions	$ 58,609	$ -	$ -	$ 58,609	$ -
Investment in Capital Assets	(189,420)	-	(18,905)	(208,325)	(12,507)
Proceeds from Disposal of Capital Assets	2,996	-	49	3,045	1,875
Proceeds from Capital Debt	21,655	-	-	21,655	-
Proceeds from Loans	-	-	-	-	10,019
Capital Lease Payments	(5,858)	-	(173)	(6,031)	-
Repayment of Loan Principal	(931)	-	-	(931)	(7,341)
Repayment of Bond Principal	(25,871)	-	(304)	(26,175)	-
Interest Paid	(22,569)	-	(109)	(22,678)	(564)
Net Cash Flows from Capital and Related Financing Activities	$ (161,389)	$ -	$ (19,442)	$ (180,831)	$ (8,518)
Cash Flows from Investing Activities:					
Proceeds from Sales and Maturities of Investments	$ 12,533	$ -	$ -	$ 12,533	$ 5,660
Purchase of Investments	(11,313)	-	-	(11,313)	(6,094)
Investment Earnings	3,450	650	446	4,546	2,187
Net Cash Flows from Investing Activities	$ 4,670	$ 650	$ 446	$ 5,766	$ 1,753
Net Increase (Decrease) in Cash and Cash Equivalents	$ (13,389)	$ 96,272	$ 42,145	$ 125,028	$ (32,157)
Cash and Cash Equivalents, Beginning, as Reported	$ 920,726	$ 9,192	$ 144,348	$ 1,074,266	$ 345,262
Cash and Cash Equivalents, Ending	$ 907,337	$ 105,464	$ 186,493	$ 1,199,294	$ 313,105

PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(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)	$ (933,970)	$ (32,578)	$ 156,102	$ (810,446)	$ (7,324)
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:					
Depreciation and Amortization	$ 104,102	$ -	$ 11,457	$ 115,559	$ 8,884
Miscellaneous Nonoperating Revenues	421	16,865	-	17,286	-
Miscellaneous Nonoperating Expenses	-	-	(9,278)	(9,278)	(6,238)
Loan Principal Repayments	3,908	-	-	3,908	-
Loans Issued	(3,828)	-	-	(3,828)	-
Provision for Loan Defaults	198	-	-	198	-
Loans Forgiven	413	-	-	413	-
Change in Valuation of Assets	1,874	-	-	1,874	-
Change in Assets and Liabilities:					
Accounts Receivable	(458)	(30,430)	(6,040)	(36,928)	(13,053)
Inventories	(1,936)	-	254	(1,682)	19
Other Assets	-	-	131	131	(1,932)
Accounts Payable	(43,660)	(23,736)	7,769	(59,627)	11,417
Compensated Absences Payable	(285)	-	(2,705)	(2,990)	(168)
Unearned Revenues	2,354	4,092	180	6,626	9,072
Other Liabilities	(545)	(50)	(539)	(1,134)	(233)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 62,558	$ (33,259)	$ 1,229	$ 30,528	$ 7,768
Net Cash Flows from Operating Activities	$ (871,412)	$ (65,837)	$ 157,331	$ (779,918)	$ 444
Noncash Investing, Capital and Financing Activities:					
Transferred/Donated Assets	$ -	$ -	$ 7	$ 7	$ 346
Capital Assets Purchased on Account	7,745	-	-	7,745	-
Accrual of Computer Equipment as an Investment	-	-	-	-	
in Capital Assets	-	-	-	-	659
Bond Premium Amortization	2,334	-	-	2,334	-

The notes are an integral part of the financial statements.



State of Minnesota

2012
Comprehensive
Annual
Financial Report

Fiduciary Funds

Pension Trust Funds

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

Investment Trust Funds

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

Agency Fund

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

FIDUCIARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2012
(IN THOUSANDS)

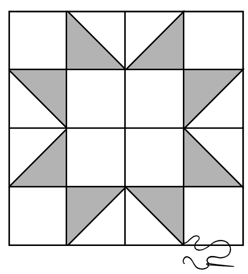
	PENSION TRUST	INVESTMENT TRUST	AGENCY
ASSETS			
Cash and Cash Equivalents	$ 46,921	$ -	$ 172,042
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 2,513,358	$ 71,829	$ -
Investments	52,137,240	336,065	-
Accrued Interest and Dividends	113,740	1,184	-
Securities Trades Receivables (Payables)	(869,470)	(5,853)	-
Total Investment Pool Participation	$ 53,894,868	$ 403,225	$ -
Receivables:			
Employer Contributions	$ 5,366	$ -	$ -
Member Contributions	15,897	-	-
Accounts Receivable	-	-	25,021
Interfund Receivables	10,470	-	-
Other Receivables	97,756	-	-
Accrued Interest and Dividends	53	-	-
Total Receivables	$ 129,542	$ -	$ 25,021
Securities Lending Collateral	$ 4,375,865	$ 21,607	$ -
Depreciable Capital Assets (Net)	27,041	-	-
Nondepreciable Capital Assets	429	-	-
Total Assets	$ 58,474,666	$ 424,832	$ 197,063
LIABILITIES			
Accounts Payable	$ 20,957	$ -	$ 197,063
Interfund Payables	10,406	-	-
Accrued Expense	3	-	-
Revenue Bonds Payable	22,969	-	-
Bond Interest	41	-	-
Compensated Absences Payable	2,445	-	-
Securities Lending Liabilities	4,375,865	21,607	-
Other Liabilities	163	-	-
Total Liabilities	$ 4,432,849	$ 21,607	$ 197,063
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 54,041,817	$ 403,225	$ -

The notes are an integral part of the financial statements.

FIDUCIARY FUNDS
STATEMENT OF CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	PENSION TRUST	INVESTMENT TRUST
Additions:		
Contributions:		
Employer	$ 989,364	$ -
Member	1,181,467	-
Contributions From Other Sources	7,668	-
Participating Plans	304,474	31,417
Total Contributions	$ 2,482,973	$ 31,417
Net Investment Income:		
Investment Income	$ 1,304,805	$ 15,415
Less: Investment Expense	(72,861)	-
Net Investment Income	$ 1,231,944	$ 15,415
Securities Lending Revenues (Expenses):		
Securities Lending Income	$ 38,337	$ 185
Securities Lending Rebates and Fees	(15,960)	(77)
Net Securities Lending Revenue	$ 22,377	$ 108
Total Investment Income	$ 1,254,321	$ 15,523
Transfers From Other Funds	$ 68,303	$ -
Other Additions	30,565	-
Total Additions	$ 3,836,162	$ 46,940
Deductions:		
Benefits	$ 3,830,725	$ -
Refunds and Withdrawals	258,168	31,152
Administrative Expenses	35,391	219
Transfers To Other Funds	24,507	-
Total Deductions	$ 4,148,791	$ 31,371
Net Increase (Decrease)	$ (312,629)	$ 15,569
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 54,168,869	$ 571,567
Change in Reporting Entity	1,666	-
Change in Fund Structure	183,911	(183,911)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 54,354,446	$ 387,656
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 54,041,817	$ 403,225

The notes are an integral part of the financial statements.



State of Minnesota

Major Discretely Presented Component Unit Funds

2012 Comprehensive Annual Financial Report

Housing Finance Agency

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

Metropolitan Council

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

University of Minnesota

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

COMPONENT UNIT FUNDS
STATEMENT OF NET ASSETS
DECEMBER 31, 2011 and JUNE 30, 2012
(IN THOUSANDS)

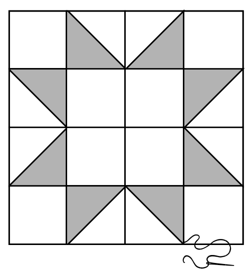
	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
ASSETS					
Current Assets:					
Cash and Cash Equivalents	$ 100,541	$ 147,124	$ 199,011	$ 501,903	$ 948,579
Investments	32,797	361,003	190,292	292,980	877,072
Accounts Receivable	9,396	29,388	351,519	19,236	409,539
Due from Primary Government	-	46,472	4,182	2,196	52,850
Accrued Investment/Interest Income	16,296	1,564	5,212	22,068	45,140
Federal Aid Receivable	1,694	-	-	1,379	3,073
Inventories	-	28,365	23,325	55	51,745
Loans and Notes Receivable	-	-	8,899	425,157	434,056
Securities Lending Collateral	-	-	1,877	-	1,877
Prepaid Expenses	13,354	-	-	3,594	16,948
Other Assets	15,566	4,488	42,218	76	62,348
Total Current Assets	$ 189,644	$ 618,404	$ 826,535	$ 1,268,644	$ 2,903,227
Noncurrent Assets:					
Cash and Cash Equivalents-Restricted	$ 332,141	$ 166,798	$ 192,598	$ 94,079	$ 785,616
Investments-Restricted	852,004	-	124,682	20,772	997,458
Accounts Receivable-Restricted	-	47,778	-	-	47,778
Due from Primary Government-Restricted	-	20,944	-	-	20,944
Other Assets-Restricted	-	1,476	-	-	1,476
Due from Primary Government	-	-	-	14,488	14,488
Investments	-	-	3,508,880	27,077	3,535,957
Accounts Receivable	-	-	159,254	347,415	506,669
Loans and Notes Receivable	1,845,098	49,464	53,468	2,303,377	4,251,407
Depreciable Capital Assets (Net)	1,937	2,514,212	2,428,909	4,230	4,949,288
Nondepreciable Capital Assets	-	768,883	328,892	967	1,098,742
Other Assets	-	-	6,697	7,078	13,775
Deferred Loss on Interest Swap Agreements	39,634	-	-	-	39,634
Total Noncurrent Assets	$ 3,070,814	$ 3,569,555	$ 6,803,380	$ 2,819,483	$ 16,263,232
Total Assets	$ 3,260,458	$ 4,187,959	$ 7,629,915	$ 4,088,127	$ 19,166,459
LIABILITIES					
Current Liabilities:					
Accounts Payable	$ 10,526	$ 67,739	$ 169,031	$ 14,963	$ 262,259
Due to Primary Government	-	-	4,822	56,092	60,914
Unearned Revenue	-	7,204	61,012	29,939	98,155
Accrued Interest Payable	42,987	3,068	12,002	18,722	76,779
Bonds and Notes Payable	62,765	134,050	287,525	71,544	555,884
Capital Leases Payable	-	595	-	-	595
Claims Payable	-	3,764	36,637	23,802	64,203
Compensated Absences Payable	196	18,463	132,026	99	150,784
Securities Lending Liabilities	-	-	1,877	-	1,877
Other Liabilities	-	647	63,738	586	64,971
Total Current Liabilities	$ 116,474	$ 235,530	$ 768,670	$ 215,747	$ 1,336,421
Noncurrent Liabilities:					
Accounts Payable-Restricted	$ -	$ 79,667	$ 55,037	$ -	$ 134,704
Unearned Revenue-Restricted	-	43,993	-	-	43,993
Accrued Interest Payable-Restricted	-	10,087	-	-	10,087
Due to Primary Government	-	-	25,817	41,046	66,863
Unearned Revenue	5,477	-	17,651	-	23,128
Bonds and Notes Payable	2,107,324	1,232,524	902,236	1,648,469	5,890,553
Capital Leases Payable	-	10,225	-	-	10,225
Claims Payable	-	14,084	11,472	526,198	551,754
Compensated Absences Payable	1,626	7,876	88,071	870	98,443
Other Postemployment Benefits	156	70,628	62,987	50	133,821
Funds Held in Trust	76,887	-	146,868	-	223,755
Other Liabilities	-	-	43,133	7,039	50,172
Interest Rate Swap Agreements	39,634	-	-	-	39,634
Total Noncurrent Liabilities	$ 2,231,104	$ 1,469,084	$ 1,353,272	$ 2,223,672	$ 7,277,132
Total Liabilities	$ 2,347,578	$ 1,704,614	$ 2,121,942	$ 2,439,419	$ 8,613,553
NET ASSETS					
Invested in Capital Assets, Net of Related Debt	$ 1,937	$ 2,181,916	$ 1,694,664	$ 5,197	$ 3,883,714
Restricted-Expendable	910,943	219,416	1,845,672	1,587,103	4,563,134
Restricted-Nonexpendable	-	-	1,102,159	-	1,102,159
Unrestricted	-	82,013	865,478	56,408	1,003,899
Total Net Assets	$ 912,880	$ 2,483,345	$ 5,507,973	$ 1,648,708	$ 10,552,906

The notes are an integral part of the financial statements.

COMPONENT UNIT FUNDS
STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 and JUNE 30, 2012
(IN THOUSANDS)

	HOUSING FINANCE AGENCY	METROPOLITAN COUNCIL	UNIVERSITY OF MINNESOTA	NONMAJOR COMPONENT UNITS	TOTAL COMPONENT UNITS
Net Expenses:					
Total Expenses	$ 401,252	$ 836,063	$ 3,347,344	$ 370,002	$ 4,954,661
Program Revenues:					
Charges for Services	$ 204,807	$ 327,241	$ 1,406,677	$ 139,405	$ 2,078,130
Operating Grants and Contributions	203,043	143,660	971,550	55,725	1,373,978
Capital Grants and Contributions	-	529,095	170,922	-	700,017
Net (Expense) Revenue	$ 6,598	$ 163,933	$ (798,195)	$ (174,872)	$ (802,536)
General Revenues:					
Taxes	$ -	$ 264,948	$ -	$ -	$ 264,948
Investment Income	-	16,031	57,362	13,951	87,344
Other Revenues	1,837	-	314,358	1,147	317,342
Total General Revenues before Grants	$ 1,837	$ 280,979	$ 371,720	$ 15,098	$ 669,634
State Grants Not Restricted	40,839	-	572,075	214,423	827,337
Total General Revenues	$ 42,676	$ 280,979	$ 943,795	$ 229,521	$ 1,496,971
Extraordinary Item	$ -	$ 22,788	$ -	$ -	$ 22,788
Change in Net Assets	$ 49,274	$ 467,700	$ 145,600	$ 54,649	$ 717,223
Net Assets, Beginning, as Reported	$ 863,606	$ 2,015,645	$ 5,374,992	$ 1,594,059	$ 9,848,302
Prior Period Adjustment	-	-	(12,619)	-	(12,619)
Net Assets, Beginning, as Restated	$ 863,606	$ 2,015,645	$ 5,362,373	$ 1,594,059	$ 9,835,683
Net Assets, Ending	$ 912,880	$ 2,483,345	$ 5,507,973	$ 1,648,708	$ 10,552,906

The notes are an integral part of the financial statements.



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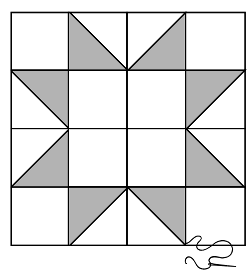

2012 Comprehensive Annual Financial Report
Notes to the Financial Statements

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

Note 1 – Summary of Significant Accounting and Reporting Policies

Basis of Presentation

The accompanying financial statements of the state of Minnesota (the state) have been prepared to conform to generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB). The state implemented the following GASB statement for the fiscal year ended June 30, 2012:

GASB Statement No. 64 "Derivative Instruments: Application of Hedge Accounting Termination Provisions" was issued in June 2011. The statement enhances comparability by clarifying the circumstances in which hedge accounting should continue when a swap counterparty, or a swap counterparty's credit support provider, is replaced. This statement had no impact on the state.

Financial Reporting Entity of the State of Minnesota

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

Component units may be blended or discretely presented. Blended component units, although legally separate entities, are, in substance, part of the state's operations. Discretely presented component units are 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. Discretely presented component units are also identified separately in the note disclosures because of their separate legal status. All discretely presented component units are presented in this report on the economic resources measurement focus and the accrual basis of accounting.

Blended Component Unit

Tobacco Securitization Authority (TSA) – TSA manages the securitization of the tobacco settlement revenue. The TSA is composed of a three member board consisting of commissioners of state departments. The commissioners direct the operations of TSA. TSA provides services exclusively for the state; thus, TSA is included as a special revenue fund. Additional information on the sales agreement between TSA and the state is located in Note 12 – General Long-Term Liabilities – Primary Government.

Discretely Presented Component Units

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

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

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

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

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

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

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

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

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

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

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

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

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

Housing Finance Agency
400 Sibley Street, Suite 300
St. Paul, Minnesota 55101-1998

University of Minnesota
Office of the Controller
205 West Bank Office Building
1300 South Second Street
Minneapolis, Minnesota 55455

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 55108-5227

Public Facilities Authority
Department of Employment & Economic Development
1st National Bank Building
332 Minnesota Street, Suite E-200
St. Paul, Minnesota 55101-1351

Workers' Compensation Assigned Risk Plan
Affinity Insurance Services, Inc.
5600 West 83rd Street
8200 Tower, Suite 1100
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 reports, available from the State Board of Investment, report on investments in investment pools, which include the majority of the state's Fiduciary Funds.

Financial Reporting Structure of the State of Minnesota

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

Government-wide Financial Statements

The government-wide financial statements (Statement of Net Assets and Statement of Activities) display information about the state as a whole, except for its fiduciary activities. These statements include separate columns for the governmental and business-type activities of the state and it's 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 bond covenant requirements, the source and use of financial resources, and how the state’s actual spending conforms to the budget. Because the governmental fund statements are presented using a different measurement focus and basis of accounting than used in the governmental column in the government-wide statements, reconciliations explaining the adjustments required to restate the fund-based financial statements for the government-wide governmental activities column are included.

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

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

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

Classification of Funds

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

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

- General Fund which accounts for all financial resources not accounted for and reported in another fund.

- Special revenue funds which account for revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects.

- Capital project funds which account for financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude capital-related outflows financed by proprietary funds or for assets that will be held in trust.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Cash Equivalents and Investments

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

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

Inventories

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

Securities Lending

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

Restricted Assets

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

Income Tax Credits

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

Grant Expenditures and Liabilities Recognition

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

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

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

Compensated Absences

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

Capital Assets

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

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

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

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

Current and Noncurrent Assets

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

Noncurrent Liabilities

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

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

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

Deferred Compensation Plan

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

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

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

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

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

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

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

Budgeting and Budgetary Control

The state operates on a two-year (biennial) budget cycle ending on June 30 of odd-numbered years. Appropriations in the biennial budget are usually for a single year; however, where specified, single year appropriations may be carried forward to the following year of the biennium. The governor's budget for the biennium is developed by Minnesota Management and Budget and presented to the legislature for approval. Specific appropriations are required for the majority of the expenditures from the General Fund. The accounts not requiring specific appropriations are considered perspective differences in the budgetary basis vs. GAAP reconciliation. Specific appropriations are also required for all special revenue funds except the Federal, Municipal State-Aid Street, County State-Aid Highway, Douglas J. Johnson Economic Protection Trust, Endowment, and Miscellaneous Special Revenue funds as well as the Tobacco Securitization Authority Fund (blended component unit). 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 accounting system maintains two separate ledgers. One is maintained primarily on a modified cash basis of accounting with certain accrual information and represents the starting point for the financial statements. The second ledger tracks information on a budgetary basis of accounting, which approximates a cash basis with the exception that, at year-end, encumbered amounts are included as expenditures of the year appropriated for budgetary reporting. The budget ledger controls expenditures by appropriation line item as established in the legally adopted appropriation bills. A separate report showing the detail of legal level of budgetary control and actual expenditures is available from Minnesota Management and Budget.

Interfund Activity and Balances

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

Change in Fund Structure

The 2011 Laws of Minnesota authorized the transfer of the assets of the Minneapolis Police Relief Association from the Supplemental Retirement Fund (investment trust) to the Police and Fire Fund (pension trust) managed by the Public Employees Retirement Association board of directors. The transfer was reported as a change in fund structure in the Supplemental Retirement Fund (investment trust) and the Police and Fire Fund (pension trust).

The 2012 Laws of Minnesota authorized the consolidation of the Fairmont Police Relief Association, part of the Supplemental Retirement Fund (investment trust), into the Police and Fire Fund (pension trust) managed by the Public Employees Retirement Association board of directors. The transfer was reported as a change in fund structure in the Supplemental Retirement Fund (investment trust) and the Police and Fire Fund (pension trust).

The 2011 Laws of Minnesota authorized the consolidation of the Minneapolis Firefighters Relief Association, part of the Supplemental Retirement Fund (investment trust), into the Police and Fire Fund (pension trust) managed by the Public Employees Retirement Association board of directors. The transfer was reported as a change in fund structure in the Supplemental Retirement Fund (investment trust) and the Police and Fire Fund (pension trust).

Change in Reporting Entity

The 2012 Laws of Minnesota authorized the merger of the Virginia Fire Department Consolidation Account into the Police and Fire Fund (pension trust) managed by the Public Employees Retirement Association board of directors. Investment balances were reported as a change in reporting entity in the Police and Fire Fund (pension trust).

Note 2 – Cash, Investments, and Derivative Instruments

Primary Government

Cash and Cash Equivalents

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

Deposits

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

Investments

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

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

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

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

Investment Derivative Instruments

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

The cash inflows, cash outflows, and changes in fair value of investment derivatives are reported as investment income. The June 30, 2012, fair value of investment derivatives are reported as investments.

Synthetic Guaranteed Investment Contract (SGIC): SBI maintains a fully benefit-responsive SGIC for the Supplemental Investment Pool - Fixed Interest Account of the Pension Trust and Investment Trust Funds portfolio. The investment objective of the Fixed Interest Account is to protect investors in defined contribution and deferred compensation plans from loss of their original investment and to provide a competitive interest rate. On June 30, 2012, the SGIC had a portfolio of well diversified high quality investment grade fixed income securities with a fair value of $1,163,388,000 that is $57,495,000 in excess of the value protected by the wrap contract. The Fixed Income Account also includes a liquid investment pool and a guaranteed investment contract with fair values of $273,190,000 and $86,752,000, respectively.

The following table summarizes, by derivative type, the investment derivative activity and June 30 positions for fiscal year 2012:

Primary Government
Derivative Activity for the Year Ended June 30, 2012
By Derivative Type
(In Thousands)

	Change in Fair Value	Year End Notional Amount	Year End Fair Value
Governmental Activities:			
Futures	$ 17,968	$ 41,997	$ -
Warrants	13	-	-
	$ 17,981	$ 41,997	$ -
Fiduciary Activities:			
Futures	$ 5,111	$ (223,189)	$ -
Futures Options Bought	(473)	889	35
Futures Options Written	1,678	(674)	(202)
FX Forwards	5,293	447,101	(437)
Warrants/Stock Rights	435	644	278
	$ 12,044	$ 224,771	$ (326)

Credit Risk: Minnesota is exposed to credit risk through eight counter parties in foreign currency forward (FX Forward) contracts used to offset the currency risk of a security. The state's FX Forward counter parties combined exposes the state to a maximum loss of $3,170,000 should these counter parties fail to perform. These counter parties have S&P credit ratings of A or better.

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

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

Interest Rate Risk – Investments

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

Credit Risk of Debt Security Investments

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

Primary Government
Governmental, Proprietary, and Agency Funds
Investments and Cash Equivalent Investments
As of June 30, 2012
(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	$ 436,268	0.96	100%	-	-	-
U.S. Agencies	832,311	0.93	96%	-	-	4%
Mortgage-backed Securities	273,912	3.33	90%	8%	1%	1%
State or Local Government Bonds	170,863	4.91	100%	-	-	-
Corporate Bonds	2,038,334	2.04	22%	45%	2%	31%
Yankee Bonds	108,448	1.79	52%	25%	3%	20%
Commercial Paper	2,130,971	0.13	81%	1%	-	18%
Repurchase Agreements	808,517	-	-	-	-	100%
Certificates of Deposit	693,465	0.14	11%	-	-	89%
Total Debt Securities	$ 7,493,089					
Equity Investments:						
Corporate Stock	$ 772,652					
Other Investments:						
Escheat Property	$ 9,798					
Money Market Accounts	8,840					
Total Other Investments	$ 18,638					
Total Investments	$ 8,284,379 (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.

Primary Government
Pension Trust and Investment Trust Funds
Investments and Cash Equivalent Investments
As of June 30, 2012
(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	$ 2,397,325	9.24	100%	-	-	-
U.S. Agencies	559,235	4.81	94%	6%	-	-
Mortgage-backed Securities	4,219,349	4.47	88%	5%	3%	4%
Yankee Bonds	669,878	6.79	32%	61%	4%	3%
State or Local Government Bonds	168,926	20.81	22%	72%	-	6%
Corporate Bonds	2,593,410	8.66	5%	80%	15%	-
Foreign Country Bonds	44,987	7.36	22%	26%	52%	-
Asset-backed Securities	330,267	3.77	70%	13%	10%	7%
Short Term Notes	2,137,601	0.23	15%	-	-	85%
FX Forwards	(437)	N/A	-	-	-	100%
Total Debt Securities	$ 13,120,541					
Other Investments:						
Guaranteed Investment Account						
Guaranteed Investment Contract (GIC)	$ 86,752					
Synthetic GIC	1,105,893					
Short Term Investments Pool	273,190					
Total Guaranteed Investment Account	$ 1,465,835					
Futures Options	(167)					
Mutual Funds	4,058,274					
Total Other Investments	$ 5,523,942					
Equity Investments:						
Corporate Stock	$ 28,688,725					
Alternative Equities	7,407,929					
Stock Rights/Warrants	278					
Total Equity Investments	$ 36,096,932					
Total Investments	$ 54,741,415 [1]					

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

Concentration of Credit Risk – Investments

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

Unrated Corporate Obligations

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

Corporate Stock

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

The state did not have concentration of credit risk over five percent as of June 30, 2012.

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, 2012.

Pension Trust and Investment Trust Funds
Foreign Currency Risk
International Investment Securities at Fair Value
As of June 30, 2012
(In Thousands)

Currency	Cash	Debt	Equity
Australian Dollar	$ 2,335	$ -	$ 404,784
Brazilian Real	539	-	83,942
Canadian Dollar	2,523	14,326	531,728
Danish Krone	498	-	76,564
Euro Currency	15,922	5,625	1,431,048
Hong Kong Dollar	3,023	-	389,757
Indian Rupee	140	-	121,900
Indonesian Rupiah	403	-	53,162
Japanese Yen	19,445	-	1,138,608
New Taiwan Dollar	338	-	90,669
Norwegian Krone	781	-	52,001
Pound Sterling	6,176	29,263	1,179,555
Singapore Dollar	670	-	85,421
South African Rand	776	-	61,114
South Korean Won	77	-	205,416
Swedish Krona	2,278	-	124,837
Swiss Franc	3,582	-	409,828
Other	1,458	-	277,709
Total	$ 60,964	$ 49,214	$ 6,718,043

Custodial Risk – Investments

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

Securities Lending

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

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

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

During the fiscal year, the state and the borrowers maintained the right to terminate securities lending transactions upon notice. The cash collateral received on each loan, together with the cash collateral of other qualified tax-exempt plan lenders, was invested in a collective investment pool. As of June 30, 2012, such investment had an average duration of 3.87 days and an average weighted maturity of 26.04 days for USD collateral.

Because the loans were terminable at will, their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2012, the state had no credit risk exposure to borrowers because the amounts the state owed the borrowers exceeded the amounts the borrowers owed the state.

The fair value of collateral held and the fair value of securities on loan for the state as of June 30, 2012, were $7,410,269,000 and $7,193,788,000, respectively. Some component units that are allocated a portion of the collateral have a December 31 year end.

Component Units

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

Housing Finance Agency

As of June 30, 2012, Housing Finance Agency (HFA) had $1,317,483,000 of cash, cash equivalents, and investments. As of June 30, 2012, $349,846,000 of deposits and $948,801,000 of investment securities were subject to custodial credit risk. HFA investments have weighted average maturities ranging from under one month (certificates of deposit) to 0.1 – 28.6 years.

HFA cash equivalents included $82,836,000 of investment agreements, which are generally uncollateralized interest-bearing contracts. As of June 30, 2012, all the investment agreement providers had a Standard & Poor’s long-term credit rating of ‘AA-’ or higher and a Moody’s long-term credit rating of ‘A1’ or higher, except for Depfa Bank PLC’s Standard & Poor’s rating which is discussed below. The individual investment agreements were unrated. Substantially all of the agreements contain termination clauses so that HFA may withdraw funds early if credit ratings deteriorate below specified levels and remedial action is not taken. Certain investment agreements with Depfa Bank PLC ($25,518,000) require a downgrade to the ratings on the related bonds before triggering the termination clauses. Because Depfa Bank PLC’s rating is ‘BBB’ from Standard & Poor’s, HFA reduced the carrying value of those agreements by $1,029,000 as of June 30, 2012.

HFA investments had an estimated fair market value of $884,801,000 as of June 30, 2012. Included in these investments were $10,983,000 in U.S. Treasuries (not rated), and $722,495,000 in U.S. Agencies having a Standard & Poor’s rating of ‘AA+’ and Moody’s Investors Services rating of ‘Aaa.’ An additional $87,590,000 in municipal debt investments had a Standard & Poor’s rating of ‘AA’ and Moody’s Investors Services rating of ‘Aa3.’

HFA had investments in single issuers as of June 30, 2012, excluding investments issued or explicitly guaranteed by the U.S. Government, that exceeded five percent or more of total investments. These investments amounted to $99,043,000 and involved Federal National Mortgage Association.

HFA has entered into interest rate swap agreements to hedge its issuance of variable rate mortgage revenue bonds for the objective of reducing HFA's cost of capital compared to using long-term fixed rate bonds. These interest rate swap agreements have been determined to be effective hedges by HFA's consultant and are reported at fair value as of June 30, 2012, as Interest Rate Swap Agreements noncurrent liability. The change in fair value for fiscal year 2012 is reported in "Deferred Loss on Interest Swap Agreements" noncurrent asset.

As of June 30, 2012, HFA had eight and six interest rate swap agreements with counterparties the Bank of New York Mellon and Royal Bank of Canada for total notional amounts of $201,940,000 and 186,535,000 having fair values of ($17,846,000) and ($21,789,000), respectively. For these counterparties, respectively, the decrease in fair values for fiscal year ended June 30, 2012, were $3,821,000 and $4,998,000.

The fair value of the swap represents HFA's potential exposure to credit risk. The counterparties, the Bank of New York Mellon and Royal Bank of Canada, have been rated by Moody's as 'Aa1,' and 'Aa3,' respectively, and by Standard & Poor's as 'AA-,' and 'AA-,' respectively.

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

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

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

Metropolitan Council

As of December 31, 2011, Metropolitan Council (MC), including its discretely presented component unit, had a cash and investment portfolio of $674,925,000. Of this amount, $683,226,000 was subject to rating. Using the Moody's Investors Services rating scale, $432,180,000 of these investments were rated 'Aaa' and $141,548,000 were rated 'Aa3,' while $109,498,000 were not rated. Outstanding checks of $8,301,000 comprise the remaining cash and investment amount.

MC has investment policies to address its various types of investment risks. Several MC investment holdings are subject to custodial credit risk. Of the $105,697,000 U.S. Treasury and agency investments, MC has a custodial credit risk exposure of $3,002,000 because the related securities are held by a custodial agent in the broker's name.

MC has adopted a simulation model of reporting investment sensitivity to fluctuation in interest rates. Assumptions are made of interest rate changes of 50, 100, 150, and 200 basis points with interest rate changes occurring on December 31, 2011. The investment portfolio has an average yield of 1.1 percent, modified duration of 2.7 years, effective duration of 1.5 years, and convexity of -.19.

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

Major Component Unit
Metropolitan Council
Fair Value of Investments
As of December 31, 2011
(In Thousands)

	Estimated Fair Value	
Fair Value of Portfolio Before Basis Point Increase	$	663,666
Fair Value of Portfolio After Basis Point Increase of:		
50 Points	$	657,757
100 Points	$	653,974
150 Points	$	649,949
200 Points	$	645,242

MC has used commodity futures as an energy forward pricing mechanism (EFPM) permitted by Minnesota Statutes, Section 473.1293. Statutorily, MC may not hedge more than 100% of the projected consumption of any of its commodities and only up to 23 months into the future. Since 2004, MC has hedged most of its annual diesel fuel consumption and since 2006, its natural gas consumption. The hedging transactions are separate from fuel purchase transactions. For 2011, MC performed a statistical analysis and determined that the liquidated hedges were essentially effective.

As of December 31, 2011, MC had 196 New York Mercantile Exchange (NYMEX) heating oil futures contracts (8.2 million gallons) acquired from February 1, 2010, through December 1, 2011, to terminate on dates from January 31, 2012, through February 28, 2013. MC also had 19 natural gas futures contracts acquired from May 17, 2010, through October 19, 2010, to terminate on dates from January 27, 2012, through September 26, 2012.

As of December 31, 2011, the heating oil and natural gas futures contracts had a fair value of $23,603,000 and ($588,000), respectively. These values are reported in "Other Assets-Current" and offset in "Accounts Payable-Current."

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

University of Minnesota

As of June 30, 2012, University of Minnesota (U of M), including its discretely presented component units, had $391,609,000 of cash and cash equivalents and $3,823,854,000 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 $355,520,000 and investments of $1,859,256,000.

Beginning December 31, 2010, and ending December 31, 2012, all non-interest-bearing accounts are fully insured, regardless of balance, at qualified FDIC-insured institutions. As of June 30, 2012, U of M's bank balance of $182,183,000 was fully insured but uncollateralized.

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

U of M has established policies to address the various types of investment risks. U of M uses Standard & Poor's ratings and duration as a measure of a debt investment's exposure to fair value changes arising from changing interest rates. As of June 30, 2012, $1,169,159,000 of investment in securities was subject to quality rating and interest rate risk. This amount was rated as follows:

- $963,427,000 was rated AA or Better

- $205,732,000 was not rated

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

- $740,097,000 in government agencies with an average duration of 1.90 to 2.50 years

- $40,000,000 in mortgage backed securities with an average duration of 22.40 years

- $183,330,000 in cash and cash equivalents with an average duration of 0.00 years

- $166,847,000 in mutual funds with an average duration of 7.10 years

As of June 30, 2012, U of M had $127,677,000 of equity investments subject to foreign currency risk. The two largest components of this amount are $16,346,000 in Japanese Yen and $45,113,000 in Euro Currency.

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

U of M has three other separate pay-fixed, receive-variable swaps that are considered ineffective. At June 30, 2012, the total fair value was ($15,600,000), with changes in fair value reported as investment income.

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

Nonmajor Component Units
Cash, Cash Equivalents, and Investments
As of December 31, 2011, or June 30, 2012, as applicable
(In Thousands)

Component Unit	Cash and Cash Equivalents	Investments
Agricultural and Economic Development Board	$ 2,317	$ 20,772
National Sports Center Foundation	462	-
Office of Higher Education	279,170	-
Public Facilities Authority	276,226	53,329
Rural Finance Authority	23,267	-
Workers' Compensation Assigned Risk Plan	14,540	266,728
Total	$ 595,982	$ 340,829

Note 3 – Disaggregation of Receivables

Primary Government
Components of Net Receivables
Government-wide
As of June 30, 2012
(In Thousands)

	Governmental Activities			
	General Fund	Federal Fund	Nonmajor Governmental Funds[1]	Total
Taxes:				
Corporate and Individual	$ 1,011,388	$ -	$ -	$ 1,011,388
Sales and Use	415,327	-	21,084	436,411
Property	390,241	-	-	390,241
Health Care Provider	270,233	-	87,067	357,300
Highway Users	-	-	71,581	71,581
Child Support	66,976	66,779	287	134,042
Workers' Compensation	-	-	105,298	105,298
Other	458,369	137,005	78,096	673,470
Net Receivables	$ 2,612,534	$ 203,784	$ 363,413	$ 3,179,731

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Insurance Premiums	$ -	$ 470,222	$ -	$ 470,222
Tuition and Fees	58,435	-	-	58,435
Other	-	-	31,120	31,120
Net Receivables	$ 58,435	$ 470,222	$ 31,120	$ 559,777
Total Government-wide Net Receivables				$ 3,739,508

[1]Includes $3,672 Internal Service Funds.

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

- Corporate and Individual Taxes $241,078,000
- Sales and Use Taxes $68,498,000
- Child Support $278,153,000

Receivable balances not expected to be collected within one year are:

- Corporate and Individual Taxes $149,317,000
- Sales and Use Taxes $67,096,000
- Child Support $114,453,000
- Health Care Provider $139,036,000
- Other Receivables $71,296,000

Note 4 – Loans and Notes Receivable

Primary Government
Loans and Notes Receivable, Net of Allowance
As of June 30, 2012
(In Thousands)

	General Fund	Federal Fund	Nonmajor Special Revenue Funds	Capital Projects Funds	State Colleges and Universities Fund
Student Loan Program	$ -	$ -	$ -	$ -	$ 32,190
Economic Development	69,867	107	41,973	-	-
School Districts	44,976	-	-	-	-
Agricultural, Environmental and Energy Resources	-	-	74,599	-	-
Transportation	-	-	16,343	163	-
Other	3,575	-	3,554	-	-
Total	$ 118,418	$ 107	$ 136,469	$ 163	$ 32,190

Component Units
Loans and Notes Receivable
As of June 30, 2012
(In Thousands)

Housing Finance Authority	$ 1,845,098
Metropolitan Council	49,464
University of Minnesota	62,367
Agricultural and Economic Development Board	738
Office of Higher Education	698,780
Public Facilities Authority	1,975,130
Rural Finance Authority	53,886
Total	$ 4,685,463

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/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, 2012
(In Thousands)

Due to the General Fund From:		
Federal Fund	$	246,454
Nonmajor Governmental Funds		15,917
Nonmajor Enterprise Funds		18,910
Total Due to General Fund From Other Funds	$	281,281
Due to the Federal Fund From:		
General Fund	$	7,731
Nonmajor Governmental Funds		1,109
Unemployment Insurance Fund		798
Total Due to Federal Fund From Other Funds	$	9,638
Due to the State Colleges and Universities Fund From:		
Nonmajor Governmental Funds	$	26,965
Total Due to State Colleges and Universities From Other Funds	$	26,965
Due to the Nonmajor Enterprise Funds From:		
Nonmajor Enterprise Funds	$	2,223
Total Due to Nonmajor Enterprise Funds From Other Funds	$	2,223
Due to Fiduciary Funds From:		
General Fund	$	64
Fiduciary Funds		10,406
Total Due to Fiduciary Funds From Other Funds	$	10,470
Due to the Nonmajor Governmental Funds From:		
General Fund	$	85,063
Federal Fund		80
Unemployment Insurance Fund		13,696
Nonmajor Governmental Funds		151,239
Total Due to Nonmajor Governmental Funds From Other Funds	$	250,078

Primary Government
Interfund Transfers
Year Ended June 30, 2012
(In Thousands)

Transfers to the General Fund From:		
Federal Fund	$	40,624
Nonmajor Governmental Funds		316,928
Nonmajor Enterprise Funds		100,609
Internal Service Funds		27,192
Total Transfers to General Fund From Other Funds	$	485,353
Transfers to the Federal Fund From:		
Unemployment Insurance Fund	$	214
Nonmajor Governmental Funds		1,450
Total Transfers to Federal Fund From Other Funds	$	1,664
Transfers and Capital Contributions to the State Colleges and Universities Fund From:		
General Fund	$	551,293
Nonmajor Governmental Funds – Capital Contributions		56,361
Total Transfers and Capital Contributions to State Colleges and Universities Fund From Other Funds	$	607,654
Transfers to Fiduciary Funds From:		
General Fund	$	43,796
Fiduciary Funds		24,507
Total Transfers to Fiduciary Funds From Other Funds	$	68,303
Transfers to the Nonmajor Governmental Funds From:		
General Fund	$	500,123
Federal Fund		178
Unemployment Insurance Fund		5,954
Nonmajor Governmental Funds		126,900
Nonmajor Enterprise Funds		24,481
Internal Service Funds		1,304
Total Transfers to Nonmajor Governmental Funds From Other Funds	$	658,940
Transfers and Capital Contributions to the Nonmajor Enterprise Funds From:		
General Fund	$	3,799
Total Transfers and Capital Contributions to Nonmajor Enterprise Funds From Other Funds	$	3,799
Transfers and Capital Contributions to Internal Service Funds From:		
General Fund	$	45
Total Transfers and Capital Contributions to Internal Service Funds From Other Funds	$	45

Component Units

Primary Government and Component Units
Receivables and Payables
As of June 30, 2012
(In Thousands)

	Due From Primary Government	Due To Primary Government
Component Units		
Major Component Units:		
Metropolitan Council	$ 67,416	$ -
University of Minnesota	4,182	30,639
Total Major Component Units	$ 71,598	$ 30,639
Nonmajor Component Units	$ 16,684	$ 97,138
Total Component Units	$ 88,282	$ 127,777

	Due From Component Units	Due To Component Units
Primary Government		
Major Governmental Funds:		
General Fund	$ -	$ 55
Federal Fund	-	1,989
Total Major Governmental Funds	$ -	$ 2,044
Nonmajor Governmental Funds	$ 100,685	$ 6,021
Total Primary Government	$ 100,685	$ 8,065 [1]

[1] Due to component units on the Government-wide Statement of Net Assets totals $24,749 and includes $16,684 of loans payable to the Public Facilities Authority (component unit) that are not fund level liabilities.

The Due To Primary Government balance exceeds the Due From Component Units balance by $27,092,000 because Metropolitan Council, Workers' Compensation Assigned Risk Plan, and National Sports Center Foundation use a different fiscal year end than the primary government. The $80,217,000 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 $16,684,000 loans payable disclosed above.

Note 6 – Capital Assets

Primary Government

Primary Government
Capital Asset Activity
Government-wide Governmental Activities
Year Ended June 30, 2012
(In Thousands)

	Beginning	Additions	Deductions	Ending
Governmental Activities				
Capital Assets not Depreciated:				
Land	$ 2,048,043	$ 69,980	$ (3,419)	$ 2,114,604
Buildings, Structures, Improvements	29,909	859	-	30,768
Construction in Progress	235,108	113,727	(83,642)	265,193
Development in Progress	74,673	28,065	(72,791)	29,947
Infrastructure	7,842,775	264,173	(9,341)	8,097,607
Easements	311,003	13,200	-	324,203
Art and Historical Treasures	2,353	1,778	(400)	3,731
Total Capital Assets not Depreciated	$ 10,543,864	$ 491,782	$ (169,593)	$ 10,866,053
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 2,474,807	$ 84,922	$ (8,140)	$ 2,551,589
Infrastructure	160,683	7,214	(28)	167,869
Internally Generated Computer	396	66,614	-	67,010
Easements	4,090	-	-	4,090
Equipment, Furniture, Fixtures	599,734	54,946	(35,502)	619,178
Total Capital Assets Depreciated	$ 3,239,710	$ 213,696	$ (43,670)	$ 3,409,736
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (962,804)	$ (64,030)	$ 6,680	$ (1,020,154)
Infrastructure	(47,294)	(3,236)	2	(50,528)
Easements	(565)	(98)	-	(663)
Internally Generated Computer	-	(5,630)	-	(5,630)
Equipment, Furniture, Fixtures (1)	(397,229)	(44,107)	33,706	(407,630)
Total Accumulated Depreciation	$ (1,407,892)	$ (117,101)	$ 40,388	$ (1,484,605)
Total Capital Assets Depreciated, Net	$ 1,831,818	$ 96,595	$ (3,282)	$ 1,925,131
Governmental Act. Capital Assets, Net	$ 12,375,682	$ 588,377	$ (172,875)	$ 12,791,184

(1) Prior year amount has been restated for the prior period adjustment.

Prior Period Adjustment Governmental Activities: During fiscal year 2012, equipment accumulated depreciation decreased by $18,940,000 resulting in a prior period adjustment. This decrease was attributable to a change in the method of depreciation to align with federal reporting on certain assets at the Minnesota Department of Transportation due to the conversion of capital assets into a new accounting system. This change has been reflected as an adjustment to the beginning balance.

Capital outlay expenditures in the governmental funds totaled $539,608,000 for fiscal year 2012. Donations of general capital assets received during fiscal year 2012 were valued at $3,633,000. Transfers of $149,382,000 were primarily from construction in progress for completed projects. Permanent School Fund additions were $2,000. Additions in internal service funds were $12,853,000.

General capital assets purchased with resources provided by outstanding capital lease agreements in governmental activities as of June 30, 2012, consisted of equipment with a cost of $3,706,000 and buildings with a cost of $180,005,000.

Primary Government
Capital Asset Activity
Government-wide Business-type Activities and Fiduciary Funds
Year Ended June 30, 2012
(In Thousands)

	Beginning	Additions	Deductions	Ending
Business-type Activities				
Capital Assets not Depreciated:				
Land	$ 88,009	$ 597	$ (186)	$ 88,420
Construction in Progress	105,162	183,760	(96,769)	192,153
Total Capital Assets not Depreciated	$ 193,171	$ 184,357	$ (96,955)	$ 280,573
Capital Assets Depreciated:				
Buildings, Structures, Improvements	$ 2,734,339	$ 106,506	$ (5,584)	$ 2,835,261
Library Collections	47,167	5,970	(7,013)	46,124
Internally Generated Computer	14,923	1,558	(786)	15,695
Equipment, Furniture, Fixtures	334,709	14,665	(15,817)	333,557
Total Capital Assets Depreciated	$ 3,131,138	$ 128,699	$ (29,200)	$ 3,230,637
Accumulated Depreciation for:				
Buildings, Structures, Improvements	$ (1,170,704)	$ (83,329)	$ 3,506	$ (1,250,527)
Library Collections	(27,630)	(6,589)	7,013	(27,206)
Internally Generated Computer	(6,718)	(2,148)	738	(8,128)
Equipment, Furniture, Fixtures	(212,597)	(23,479)	15,251	(220,825)
Total Accumulated Depreciation	$ (1,417,649)	$ (115,545)	$ 26,508	$ (1,506,686)
Total Capital Assets Depreciated, Net	$ 1,713,489	$ 13,154	$ (2,692)	$ 1,723,951
Business-type Act. Capital Assets, Net	$ 1,906,660	$ 197,511	$ (99,647)	$ 2,004,524
Fiduciary Funds				
Capital Assets not Depreciated:				
Land	$ 429	$ -	$ -	$ 429
Total Capital Assets not Depreciated	$ 429	$ -	$ -	$ 429
Capital Assets Depreciated:				
Buildings	$ 29,763	$ 1	$ -	$ 29,764
Equipment, Furniture, Fixtures	8,330	2,306	(915)	9,721
Total Capital Assets Depreciated	$ 38,093	$ 2,307	$ (915)	$ 39,485
Accumulated Depreciation for:				
Buildings	$ (7,440)	$ (760)	$ -	$ (8,200)
Equipment, Furniture, Fixtures	(4,295)	(559)	610	(4,244)
Total Accumulated Depreciation	$ (11,735)	$ (1,319)	$ 610	$ (12,444)
Total Capital Assets Depreciated, Net	$ 26,358	$ 988	$ (305)	$ 27,041
Fiduciary Funds, Capital Assets, Net	$ 26,787	$ 988	$ (305)	$ 27,470

Primary Government
Depreciation Expense
Government-wide
Year Ended June 30, 2012
(In Thousands)

Governmental Activities:		
Agricultural, Environmental & Energy Resources	$	6,796
Economic and Workforce Development		2,210
General Education		5,003
General Government		19,980
Health and Human Services		19,181
Public Safety and Corrections		25,508
Transportation		29,539
Internal Service Funds		8,884
Total Governmental Activities	$	117,101
Business-type Activities:		
State Colleges and Universities	$	104,102
Lottery		893
Other		10,564
Total Business-type Activities	$	115,559

Primary Government
Significant Project Authorizations and Commitments
As of June 30, 2012
(In Thousands)

	Administration		Transportation	
Authorization	$	101,541	$	718,188
Less: Expended through June 30, 2012		(59,121)		(329,486)
Less: Unexpended Commitment		(24,308)		(202,171)
Remaining Available Authorization	$	18,112	$	186,531

Land in the Permanent School Fund was donated by the federal government and valued at the estimated fair value at the time of donation. These acres totaled 2,521,276 on June 30, 2012.

Component Units

Component Units
Capital Assets
As of December 31, 2011, or June 30, 2012, as applicable
(In Thousands)

	Major Component Units				
	Housing Finance Agency	Metropolitan Council	University of Minnesota	Nonmajor Component Units	Totals
Land and Improvements	$ -	$ 203,156	$ 90,189	$ 967	$ 294,312
Construction in Progress	-	565,727	186,973	-	752,700
Museums and Collections	-	-	51,728	-	51,728
Permanent Easement	-	-	2	-	2
Buildings and Improvements	-	3,194,728	3,322,497	5,592	6,522,817
Equipment	2,265	991,741	861,064	2,172	1,857,242
Capitalized Software	6,028	-	111,949	-	117,977
Other Intangible Assets	-	-	4,473	-	4,473
Infrastructure	-	-	438,055	-	438,055
Total	$ 8,293	$ 4,955,352	$ 5,066,930	$ 8,731	$10,039,306
Less: Accumulated Depreciation	$ 6,356	$ 1,672,257	$ 2,369,979	$ 3,534	$ 4,052,126
Net Total	$ 1,937	$ 3,283,095	$ 2,696,951 (1)	$ 5,197	$ 5,987,180

(1) In addition to this amount, the component units of the University of Minnesota had combined capital assets with a net value of $60,850 as of June 30, 2012.

Note 7 – Disaggregation of Payables

Primary Government
Components of Accounts Payable
Government-wide
As of June 30, 2012
(In Thousands)

	Governmental Activities			
	General Fund[2]	Federal Fund	Nonmajor Governmental Funds[1]	Total
School Aid Programs	$ 2,583,846	$ 183,063	$ 1,258	$ 2,768,167
Tax Refunds	540,716	-	-	540,716
Medical Care Programs	561,552	648,474	66,300	1,276,326
Grants	207,120	129,391	77,056	413,567
Salaries and Benefits	58,074	12,275	28,058	98,407
Vendors/Service Providers	111,367	68,474	318,440	498,281
Net Payables	$ 4,062,675	$ 1,041,677	$ 491,112	$ 5,595,464

	Business-type Activities			
	State Colleges and Universities	Unemployment Insurance	Nonmajor Enterprise Funds	Total
Salaries and Benefits	$ 87,066	$ -	$ 994	$ 88,060
Vendors/Service Providers	67,228	29,327	36,261	132,816
Net Payables	$ 154,294	$ 29,327	$ 37,255	$ 220,876
Total Government-wide Net Payables				$ 5,816,340

(1) Includes $50,832 Internal Service Funds.

(2) Includes $64 interfund payable to Fiduciary Funds reclassified to accounts payable on the government-wide statement of net assets.

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.

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 Hennepin County Supplemental Retirement Fund Postretirement Health Care Benefits Fund Unclassified Employees Retirement Fund State Deferred Compensation Fund
Public Employees Retirement Association (PERA)	Public Employees Retirement Fund Minneapolis Employees Retirement Fund Police and Fire Fund Public Employees Correctional Fund Volunteer Firefighter Retirement Fund Defined Contribution Fund
Teachers Retirement Association (TRA)	Teachers Retirement Fund
Minnesota State Colleges and Universities	State Colleges and Universities Retirement Fund

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.

Basis of Accounting and Valuation of Investments

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

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

The individual pension trust funds participate in internal investment pools sponsored by the state and administered by the Minnesota State Board of Investment (SBI). The pools function much like mutual funds, with the various pension trust funds purchasing "units" in the pool rather than individual securities. At year-end, some security purchase and sale transactions entered into by SBI were not settled, resulting in securities trades receivables and payables. These unsettled securities trades are an essential element in determining the fair value of each pension trust fund's pooled investment balance; therefore, the trades are reported in the Combining Statement of Net Assets of pension trust funds as net amounts and allocated to the individual pension trust funds. As of June 30, 2012, this presentation resulted in a negative asset within the total investment pool participation.

Defined Benefit Pension Funds

Plan Descriptions and Contribution Information

- Multiple-employer, cost-sharing plans:

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

  The 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. The annuity formula for each type of membership is the greater of a step rate with a flat reduction for each month of early retirement, or a level rate (the higher step rate) with an actuarially based reduction for early retirement. The applicable rates for each year of allowable service based on average salary for basic members are 2.2 and 2.7 percent, and for coordinated members, 1.2 and 1.7 percent. Annual benefits increase by 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding. The state is not an employer of the participants in the plan, but performs in a fiduciary capacity.

  The Minneapolis Employees Retirement Fund (MERF) participating employers primarily include the City of Minneapolis, Minneapolis Special School District No. 1, and Minneapolis-St. Paul Metropolitan Airports Commission. MERF was closed to new members as of July 1, 1978. The Actuarial Accrued Liability is 74 percent funded according to the latest actuarial evaluation. The annuity formula for participants is 2.0 percent for each of the first 10 years of service and 2.5 percent each year thereafter of average salary. Annual benefits increase by 1.0 percent or 2.5 percent if the plan is funded at least 90 percent of full funding. The state is funding a portion of the unfunded actuarial liability, which is set in the state's biennial budget. The state is not liable for any additional portion of the unfunded liability without legislative action. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

The 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. The annuity formula for each member is 3.0 percent of average salary for each year of service in that plan. Annual benefits increase by 1.0 percent, then by the CPI up to 1.5 percent until the fund is 90 percent of full funding, then the CPI up to 2.5 percent. Prior to 1981, these employees were not covered by a local relief association. The fund covers all those hired since 1980. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

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

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

- Multiple employer, agent plan

The Volunteer Firefighter Retirement Fund (VFRF) was established on January 1, 2010, as a lump-sum defined benefit plan largely funded by fire state aid. Members do not contribute to the plan. Employer contributions are determined annually. There are 35 employers participating in this plan. If fire state aid plus investment income are not expected to cover the normal cost of benefits during the next calendar year, an employer contribution is calculated and payable by the end of the next calendar year. Benefits are determined by employee years of service multiplied by a benefit level chosen by the entity sponsoring the fire department from 20 possible levels ranging from $500 to $7,500 per year of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40 percent through 20 years at 100 percent. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353G. The state is not an employer of participants in the plan, but performs in a fiduciary capacity.

- Single-employer (state of Minnesota) plans:

The Correctional Employees Retirement Fund (CERF) covers state employees who have direct contact with inmates at Minnesota correctional facilities generally 75 percent of the time or higher. The annuity is 2.4 percent of average salary for each year of service and 2.2 percent for hires after June 30, 2010. Annual benefits increase by 2.0 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis.

The Elective State Officers Fund (ESOF) covers state constitutional officers elected prior to July 1, 1997. The ESOF is excluded from the single-employers plan disclosures since no active, contributing members remain in the plan. This plan is closed to new entrants according to Minnesota Statutes, Chapter 352C. Annual benefits to retirees and survivors increase by 2.0 percent or 2.5 percent if SERF's accrued liability funding ratio is a least 90 percent determined on a market value of assets basis.

The Judicial Retirement Fund (JRF) covers judges of the Supreme Court, Court of Appeals, and district courts. The annuity is 2.7 percent of average salary for each year of service prior to June 30, 1980, and 3.2 percent for each year thereafter up to 76.8 percent. Annual benefits increase by 2.0 percent or 2.5 percent if the plan's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis.

The Legislative Retirement Fund (LRF) covers certain members of the state's House of Representatives and Senate. Legislators newly elected since July 1, 1997, are covered by the Unclassified Employee Retirement Fund (defined contribution fund). The annuity benefit formula ranges from 2.5 percent to 5.0 percent of average salary for each year of service depending on a member's length of service. Annual benefits increase by 2.0 percent or 2.5 percent if SERF's accrued liability funding ratio is at least 90 percent determined on a market value of assets basis.

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

Statutory Contribution Rates
Year Ended June 30, 2012

	Single Employer					Multiple Employer	
	CERF	ESOF	JRF	LRF	SPRF	SERF	TRF
Statutory Authority,							
Minnesota Chapter	352.90-352.955	352C	490	3A	352B	352.01-352.87	354
Required Contribution Rate							
Active Members	8.60%	N/A	8.00%	9.00%	12.40%	5.00%	6.00%
Employer(s)	12.10%	N/A	20.50%	N/A	18.60%	5.00%	6.00%

Multiple Employer Plan
Required Contributions
(In Thousands)

Required Contributions[1]		SERF	TRF
Employee	2012	$ 118,358	$ 239,834
	2011	$ 122,029	$ 218,024
	2010	$ 113,716	$ 214,909
Employers[2]	2012	$ 115,159	$ 244,935
	2011	$ 118,563	$ 222,723
	2010	$ 115,181	$ 220,538
Primary Government[3]	2012	$ 86,273	$ 27,994
	2011	$ 86,698	$ 28,287
	2010	$ 82,642	$ 28,693

(1) Contribution rates are statutorily determined.

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

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

Single Employer Plan Disclosures
As of June 30, 2012
(In Thousands)

	CERF	JRF	LRF	SPRF
Annual Required Contributions (ARC)[1]	$ 52,185	$ 12,203	$ 17,212	$ 22,828
Interest on Net Pension Obligation (NPO)[1]	5,769	(654)	376	(1,171)
Amortization Adjustment to ARC[1]	(4,103)	489	(545)	1,012
Annual Pension Cost (APC)	$ 53,851	$ 12,038	$ 17,043	$ 22,669
Contributions	(41,391)	(10,853)	(4,059)	(19,373)
Increase (Decrease) in NPO	$ 12,460	$ 1,185	$ 12,984	$ 3,296
NPO, Beginning Balance	$ 67,872	$ (7,697)	$ 4,427	$ (13,790)
NPO, Ending (Asset)	$ 80,332	$ (6,512)	$ 17,411	$ (10,494)

(1)Components of annual pension cost.

Single Employer Plan Disclosures
(In Thousands)

		CERF	JRF	LRF	SPRF
Annual Pension Cost (APC)	2012	$ 53,851	$ 12,038	$ 17,043	$ 22,669
	2011	$ 50,077	$ 11,467	$ 6,750	$ 20,406
	2010	$ 49,088	$ 12,146	$ 7,992	$ 23,536
Percentage of APC Contributed	2012	77%	90%	24%	85%
	2011	82%	99%	44%	81%
	2010	76%	99%	27%	72%
Net Pension Obligation (NPO) (End of Year)	2012	$ 80,332	$ (6,512)	$ 17,411	$ (10,494)
	2011	$ 67,872	$ (7,697)	$ 4,427	$ (13,790)
	2010	$ 58,689	$ (7,857)	$ 642	$ (17,745)

Schedule of Funding Status
(In Thousands)

	CERF	JRF	LRF	SPRF
Actual Valuation Date	7/1/2011	7/1/2011	7/1/2011	7/1/2011
Actuarial Value of Plan Assets	$ 637,027	$ 145,996	$ 19,140	$ 563,046
Actuarial Accrued Liability	$ 907,012	$ 248,630	$ 216,559	$ 700,898
Total Unfunded Actuarial Liability	$ 269,985	$ 102,634	$ 197,419	$ 137,852
Funded Ratio	70%	59%	9%	80%
Annual Covered Payroll	$ 197,702	$ 40,473	$ 1,774	$ 63,250
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	137%	254%	11,128%	218%

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

Actuarial Assumptions for MSRS Defined Benefit Retirement Plans

- The actuarial cost method used by all plans is the Individual Entry Age Normal Cost Method. The date of actuarial valuation is July 1, 2011.

- The calculation of the actuarial valuation of assets is the sum of the market asset value at July 1, 2011, plus the scheduled recognition of investment gains or losses during the current and the preceding four fiscal years.

- Expected net investment returns for pre-retirement and post-retirement for July 1, 2011, are 8.5 percent and 6.5 percent, respectively, except for the SPRF whose post-retirement return is 7.0 and LRF whose pre-retirement and post-retirement are 0.0 percent. Future return assumptions for pre-retirement and post-retirement, respectively, will be 8.0 percent and 6.0 percent, from July 1, 2012, to June 30, 2017. Beginning July 1, 2017, the net investment returns for pre-retirement and post-retirement will be 8.5 percent and 6.5 percent. SPRF expected net investment returns for pre-retirement and post-retirement are 8.0 percent and 6.5 percent from July 1, 2012, to June 30, 2017. Beginning July 1, 2017, the net investment returns for pre-retirement and post-retirement will be 8.5 and 7.0 percent. Future return assumptions for pre-retirement and post-retirement return is 0.0 percent for LRF.

- Minnesota statutory valuation standards do not require an inflation rate assumption to cost the plans. Benefit increases after retirement are accounted for by the 6.5 percent post-retirement investment return assumption that is 2.0 percent less than the pre-retirement investment return assumption, except for LRF whose benefit increases after retirement are 2.0 percent.

- The amortization method uses level percentage of projected payroll growth, except for the Legislative and ESOF Retirement plans, which use the level dollar amortization method.

- Projected payroll growth is a level 4.50 percent except for JRF, which is a level 4.0 percent, and SERF, which is a level 3.75 percent.

- The statutory amortization periods for SERF, CERF, ESORF, JRF, LRF, and SPRF are through June 30, of 2040, 2038, 2017, 2038, 2021, and 2036, respectively.

- The amortization period is closed.

- Additional actuarial assumptions are detailed in the July 1, 2011, actuarial valuation reports for the MSRS defined benefit retirement funds. These reports are located online at http://www.msrs.state.mn.us/info/fincl.htmls.

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.

Postretirement Health Care Benefits Fund (PHCBF), authorized by Minnesota Statutes, Section 352.98, creates a post-retirement health care savings plan by which public employers and employees may save to cover post-retirement health care costs. Contributions to the plan are defined in a personnel policy or in a collective bargaining agreement. Contributions to the plan by or on behalf of an employee are held in trust for reimbursement of employee and dependent health-related expenses following termination of public service. The current plan is based on state employee contributions without any matching provision by the state. A plan participant may request reimbursement until funds accumulated in the participant's account are exhausted.

The Unclassified Employees 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, specified employees of various statutorily designated entities, or judges who exceed the maximum benefit cap under the Judicial Retirement Fund. Statutory contribution rates are 5.0 percent for employee and 6.0 percent for employer. However, contribution rates for participating judges is 8.0 percent with no employer contribution. Benefits are either participant's account balance withdrawals or an annuity based on age, value of the participant's account, and a 6.0 percent post-retirement interest assumption.

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

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. The statutory contribution rate is 5.0 percent. Plan benefits depend solely on amounts contributed to the plan, plus investment earnings, less administrative expenses.

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 $60,000. Statutes allow additional employer and employee contributions under specific circumstances.

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, 2012
(In Thousands)

	HCSRF	PHCBF	UERF	DCF	CURF
Employee Contributions	$ 458	$ 128,375	$ 5,586	$ 1,548	$ 34,926
Employer Contributions	$ 459	N/A	$ 5,918	$ 1,674	$ 41,500

Investment Trust Funds

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

Component Units

The following component units are participants in the State Employees Retirement Fund (SERF), Police and Fire Fund (P&FF), and the Unclassified Employees Retirement funds (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. In addition, Minnesota Statutes, Section 136F.481, authorized MnSCU to implement an early separation incentive program in fiscal year 2010. Approximately 150 former faculty members and staff currently receive this benefit. The cost of the benefits was $1,891,000 during fiscal year ended June 30, 2012, with a remaining liability as of June 30, 2012, of $3,879,000.

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, Section 43A.27, Subdivision 3, and Minnesota Statutes, Section 471.61, Subdivision 2a, and required under the terms of selected employment contracts. All pre-age 65 state retirees with at least 5 years of allowable pension service who are entitled at the time of retirement to receive an annuity under the state retirement program are eligible to participate in the state's health and dental insurance plan until age 65. Retirees not eligible for an employer subsidy must pay 100 percent of the premiums to continue receiving coverage. These employees are allowed to stay in the active employee risk pool with the same premium rate and are, therefore, subsidized by the insurance premiums rates for active state employees, resulting in an implicit rate subsidy. As of July 1, 2010, there were approximately 2,450 retirees participating in the state's insurance plan under this provision.

The state also subsidizes the health care and dental premium rates for certain employees, primarily conservation officers, correctional officers at state correctional facilities, and state troopers through an explicit rate subsidy under terms of selected employment contracts. If the retiree terminates employment prior to age 55, the employer's premium contribution rate is frozen at the date of the employee's retirement and is payable by the state until the retiree is age 65. The retiree is responsible for any other portion of the premiums. If the retiree terminates employment at age 55 or later, the employer contributes the active employee's premium rate each year until the retiree is age 65. Coverage ends at the retiree's attainment of age 65. As of July 1, 2010, there were approximately 1,150 correctional and law enforcement retirees receiving an explicit rate subsidy.

The state also offered an early retirement incentive that provided up to 24 months of employer contributions to the health and dental premiums at the level of coverage the employee was receiving at the time of separation. Employees must have met the eligibility requirements and retire before June 30, 2011, to receive this benefit. There were approximately 1,000 retirees receiving an explicit rate subsidy under this incentive.

The state does not issue a separate financial report for its OPEB as the state does not fund an OPEB plan and operates on a pay-as-you-go basis.

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, 2012, the state contributed $53,217,000 to the plan. Plan members retirees receiving benefits through the implicit rate subsidy contributed $25,123,000 through their average required contribution of $447 per month for retiree-only coverage and $1,315 for retiree-family coverage.

Annual OPEB Cost and Net OPEB Obligation

The state's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a thirty year amortization period using a 4.75 percent discount rate. For year ending June 30, 2012, the state's ARC is $80,079,000.

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

OPEB Disclosures
As of June 30, 2012
(In Thousands)

Annual Required Contributions (ARC)(1)	$	80,079
Interest on Net OPEB Obligation (NOO)(1)		7,804
Amortization Adjustment to ARC(1)		(6,355)
Annual OPEB Cost (Expense)	$	81,528
Contributions		(53,217)
Increase in NOO	$	28,311
NOO, Beginning Balance	$	164,311
NOO, Ending(2)	$	192,622

(1)Components of annual OPEB cost.

(2)Governmental Activities, Business-type Activities, and Fiduciary Funds include $166,156; $26,303; and $163, respectively.

The state's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal years 2012, 2011, and 2010 are as follows:

OPEB Disclosures
(In Thousands)

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	$ 81,528	65%	$ 192,622
June 30, 2011	$ 77,250	51%	$ 164,311
June 30, 2010	$ 73,312	43%	$ 126,579

Funded Status and Funding Progress

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

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

Actuarial Methods and Assumptions

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

Actuarial Assumptions for OPEB

- The actuarial cost method used is the Entry Age Normal Cost method. The date of actuarial valuation is July 1, 2010.
- Expected investment return is 4.75 percent based on the estimated long-term investment yield on the general assets of the state.
- Inflation rate is 3.0 percent.
- Projected salary increases are a level 4.0 percent.

- The annual health care cost trend rate is 7.65 percent initially, reduced by increments to an ultimate rate of 5.0 percent after approximately 20 years. The annual dental cost trend rate is 5.0 percent.

- The amortization period for the unfunded actuarial accrued liability is 30 year level percent of pay.

- The amortization period is open.

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

Component Units – Postemployment Benefits Other Than Pensions

Metropolitan Council (MC) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care and life insurance plan to eligible retirees, their spouses, and dependents. MC does not fund its OPEB benefits in an irrevocable trust. However, it has separately invested $106,218,000 as of December 31, 2011, for this purpose. The annual required contribution for 2011 was $31,217,000 or 11.4 percent of annual covered payroll. As of December 31, 2011, 2010, and 2009, the net OPEB obligation was $70,628,000, $57,948,000, and $44,400,000 respectively. The actuarial accrued liability (AAL) for benefits was $337,805,000 as of December 31, 2011, all of which was unfunded. The covered payroll was $275,037,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 122.8 percent.

University of Minnesota (U of M) administers another postemployment benefit (OPEB) plan, a single-employer defined benefit health care plan to eligible employees, retirees, their spouses, and dependents and an academic disability plan for faculty and academic professional and administrative employees. U of M does not fund its OPEB benefits in an irrevocable trust. The annual required contribution for the year ended June 30, 2012, was $26,157,000 or 2.1 percent of annual covered payroll. As of June 30, 2012, 2011, and 2010, the net OPEB obligation was $62,987,000, $44,131,000, and $33,482,000. The actuarial accrued liability (AAL) for benefits was $116,182,000 as of June 30, 2012, all of which was unfunded. The covered payroll was $1,222,548,000, and the ratio of the unfunded actuarial accrued liability (UAAL) to the covered payroll was 9.5 percent.

Note 10 – Long-Term Commitments

Long-term commitments consist of grant agreements, construction projects, and other contracts. A portion of these commitments will be funded by current reserves, and these amounts are included on the face of the financial statements in the restricted, committed, and assigned fund balance amounts. Resources provided by future bond proceeds, gas taxes, motor vehicle registration revenues, and federal grants will fund the remaining commitments. Governmental funds' encumbrances, both current and long-term, as of June 30, 2012, were as follows:

Primary Government
Encumbrances
As of June 30, 2012
(In Thousands)

Major Fund: General Fund	$ 184,491
Non-Major Governmental Funds	1,397,744
Total Encumbrances	$1,582,235

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 2012, the Petrofund has reimbursed eligible applicants approximately $423,000,000 since program inception in 1987. Future expenditures from the Petrofund will be necessary as existing cleanup projects are completed and new cleanup projects are begun at currently undiscovered leak sites. The estimated total payments from the program, which is scheduled to sunset on June 30, 2017, are between $435,000,000 and $465,000,000 for investigative and cleanup costs.

Environmental and Remediation Fund

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

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

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

Minnesota State Colleges and Universities

The Minnesota State Colleges and Universities had commitments of $95,449,000 for construction and renovation of college and university facilities as of June 30, 2012.

Component Units

As of June 30, 2012, the Housing Finance Agency (HFA) had committed approximately $273,919,000 for the purchase or origination of future loans or other housing assistance.

Metropolitan Council entered into contracts for various purposes such as transit services and construction projects. As of December 31, 2011, unpaid commitments for Metro Transit Bus services were approximately $73,966,000. Future commitments for Metro Transit Light Rail were approximately $234,696,000, while future commitments for Metro Transit Commuter Rail were approximately $5,548,000. Finally, future commitments for Regional Transit and Environmental Services were approximately $307,233,000 and $48,476,000, respectively.

University of Minnesota (U of M) had construction projects in progress with an estimated completion cost of $358,449,000 as of June 30, 2012. These costs will be funded from plant fund assets and state appropriations.

As of June 30, 2012, Public Facilities Authority (PFA) had committed approximately $195,000,000 for the origination or disbursement of future loans under the Clean Water, Drinking Water, and Transportation Revolving Loan programs. PFA also committed $38,000,000 for grants.

Note 11 – Operating Lease Agreements

Operating Leases

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

Lease expenditures for the fiscal year ended June 30, 2012, totaled approximately $87,417,000 and $22,756,000 for the primary government and component units, respectively. Lease expenditures for the year ended December 31, 2011, totaled approximately $1,438,000 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
2013	$ 84,527	2013	$ 17,586	2012	$ 1,091
2014	66,317	2014	14,771	2013	1,131
2015	46,273	2015	9,602	2014	918
2016	39,083	2016	6,840	2015	487
2017	33,013	2017	6,547	2016	430
2018-2022	77,436	2018-2022	25,114	2017-2021	1,015
2023-2027	8,260	2023-2027	8,078	2022-2026	103
2028-2032	1,990	2028-2032	7,924	2027-2031	103
2033-2037	-	2033-2037	5,122	2032-2036	102
2038-2042	-	2038-2042	-	2037-2041	7
Total	$ 356,899	Total	$ 101,584	Total	$ 5,387

Note 12 – Long-Term Liabilities – Primary Government

Primary Government
Long-Term Liabilities
Year Ended June 30, 2012
(In Thousands)

	Beginning Balances	Increases	Decreases	Ending Balances	Amounts Due Within One Year
Governmental Activities					
Liabilities For:					
General Obligation Bonds	$ 5,814,900	$ 875,967	$ 918,833	$ 5,772,034	$ 282,837
Revenue Bonds	12,055	784,155	1,636	794,574	915
Loans	31,583	10,019	12,990	28,612	10,446
Due to Component Unit	18,818	-	2,134	16,684	2,196
Capital Leases	151,156	-	6,837	144,319	7,026
Certificates of Participation	79,408	-	8,666	70,742	8,245
Claims	840,693	48,257	99,747	789,203	112,497
Compensated Absences	285,035	234,810	240,401	279,444	33,319
Net Other Postemployment Obligation	142,597	68,989	45,430	166,156	-
Net Pension Obligation	72,299	70,894	45,450	97,743	-
Total	$ 7,448,544	$ 2,093,091	$ 1,382,124	$ 8,159,511	$ 457,481
Business-type Activities					
Liabilities For:					
General Obligation Bonds	$ 260,618	$ 9,719	$ 20,701	$ 249,636	$ 18,483
Revenue Bonds	375,409	79,356	22,813	431,952	23,130
Loans	465,280	866,716	1,326,981	5,015	731
Capital Leases	46,168	-	6,031	40,137	4,784
Claims	7,717	3,477	4,257	6,937	3,122
Compensated Absences	141,839	23,200	25,814	139,225	15,683
Net Other Postemployment Obligation	21,513	12,347	7,557	26,303	-
Total	$ 1,318,544	$ 994,815	$ 1,414,154	$ 899,205	$ 65,933

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	$ 4,655,864	$ 1,116,170	$ -	$ 249,636	$ 6,021,670
Revenue Bonds	5,588	788,986	-	431,952	1,226,526
Loans	-	10,160	18,452	5,015	33,627
Due to Component Unit	-	16,684	-	-	16,684
Capital Leases	142,443	1,876	-	40,137	184,456
Certificates of Participation	70,742	-	-	-	70,742
Claims	114,541	665,144	9,518	6,937	796,140
Compensated Absences	141,934	131,743	5,767	139,225	418,669
Net Other Postemployment Benefit Obligation	165,584	-	572	26,303	192,459
Net Pension Obligation	97,743	-	-	-	97,743
Total	$ 5,394,439	$ 2,730,763	$ 34,309	$ 899,205	$ 9,058,716

The following tables show principal and interest payment schedules for general obligation bonds, revenue bonds, loans, due to component unit, capital leases, and certificates of participation. There are no payment schedules for claims, compensated absences, net other postemployment benefit obligation, and net pension 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
2013	$ 282,837	$ 236,808	$ 18,483	$ 10,905	$ 301,320	$ 247,713
2014	271,703	225,618	18,407	10,013	290,110	235,631
2015	451,012	209,626	17,993	9,119	469,005	218,745
2016	422,203	188,860	17,537	8,244	439,740	197,104
2017	398,676	169,210	16,704	7,383	415,380	176,593
2018-2022	1,664,989	587,900	76,381	25,196	1,741,370	613,096
2023-2027	1,160,997	241,089	51,793	9,131	1,212,790	250,220
2028-2032	501,095	41,356	15,185	1,028	516,280	42,384
Total	$ 5,153,512	$ 1,900,467	$ 232,483	$ 81,019	$ 5,385,995	$ 1,981,486
Bond Premium	618,522	-	17,153	-	635,675	-
Total	$ 5,772,034	$ 1,900,467	$ 249,636	$ 81,019	$ 6,021,670	$ 1,981,486

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
2013	$ 915	$ 37,616	$ 23,130	$ 18,351	$ 24,045	$ 55,967
2014	37,855	37,579	24,305	17,430	62,160	55,009
2015	38,780	36,562	25,280	16,435	64,060	52,997
2016	31,295	35,348	26,230	15,399	57,525	50,747
2017	32,775	33,887	26,665	14,287	59,440	48,174
2018-2022	179,100	144,415	129,550	53,768	308,650	198,183
2023-2027	217,460	95,907	108,370	25,085	325,830	120,992
2028-2032	229,950	31,088	50,155	6,530	280,105	37,618
2033-2037	-	-	3,081	74	3,081	74
Total	$ 768,130	$ 452,402	$ 416,766	$ 167,359	$ 1,184,896	$ 619,761
Bond Premium	26,444	-	15,186	-	41,630	-
Total	$ 794,574	$ 452,402	$ 431,952	$ 167,359	$ 1,226,526	$ 619,761

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
2013	$ 12,642	$ 755	$ 731	$ 213	$ 13,373	$ 968
2014	15,169	556	735	180	15,904	736
2015	5,964	418	429	157	6,393	575
2016	4,007	303	410	141	4,417	444
2017	2,203	212	366	452	2,569	664
2018-2022	2,627	607	1,630	132	4,257	739
2023-2027	1,873	289	714	-	2,587	289
2028-2032	811	35	-	-	811	35
Total	$ 45,296	$ 3,175	$ 5,015	$ 1,275	$ 50,311	$ 4,450

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
2013	$ 7,026	$ 7,240	$ 4,784	$ 913	$ 11,810	$ 8,153
2014	7,312	6,930	4,760	1,028	12,072	7,958
2015	7,145	6,582	4,606	1,114	11,751	7,696
2016	7,491	6,212	4,353	1,205	11,844	7,417
2017	7,857	5,825	4,275	1,159	12,132	6,984
2018-2022	45,206	22,634	15,396	5,950	60,602	28,584
2023-2027	56,947	10,112	922	403	57,869	10,515
2028-2032	5,335	232	1,041	128	6,376	360
Total	$ 144,319	$ 65,767	$ 40,137	$ 11,900	$ 184,456	$ 77,667

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

Year Ended June 30	Governmental Activities Principal	Governmental Activities Interest
2013	$ 8,245	$ 2,974
2014	8,575	2,644
2015	8,920	2,301
2016	9,270	1,945
2017	9,690	1,527
2018 - 2022	20,855	1,577
Total	$ 65,555	$ 12,968
Premium on Certificates of Participation	5,187	-
Total	$ 70,742	$ 12,968

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 2012, 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, 2012
(In Thousands)

General Fund	$	221,572
Special Revenue Funds:		
Trunk Highway Fund	$	72,601
Natural Resources Funds		9
Miscellaneous Special Revenue Fund		250
Total Special Revenue Funds	$	72,860
Capital Projects Fund:		
Building Fund	$	81
Total Transfers to Debt Service Fund	$	294,513

General Obligation Bond Issues

In September 2011, the state issued $769,000,000 general obligation bonds, Series 2011A through Series 2011C:

- Series 2011A for $445,000,000 in state various purpose bonds were issued at a true interest rate of 2.82 percent.
- Series 2011B for $320,000,000 in state trunk highway bonds were issued at a true interest rate of 2.89 percent.
- Series 2011C for $4,000,000 in state taxable bonds were issued at a true interest rate of 1.32 percent.

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

Primary Government
General Obligation Bonds
Outstanding Defeased Debt
(In Thousands)

Refunding Date	Refunding Amount	Refunded Amount	June 30, 2012 Outstanding Amount	Refunded Bond Call/Maturity Date
October 23, 2009	$ 100,395	$ 92,225	$ 92,225	November 1, 2012
September 29, 2010	133,962	123,025	107,850	August 1, 2012
September 29, 2010	85,125	78,175	64,350	November 1, 2012
September 29, 2010	298,435	274,070	252,245	August 1, 2013
September 29, 2010	226,002	207,550	192,725	August 1, 2014
September 29, 2010	164,261	150,850	140,075	November 1, 2014
November 29, 2011	84,851	82,355	82,355	August 1, 2012
November 29, 2011	17,150	16,645	16,645	October 1, 2012
November 29, 2011	55,709	54,070	54,070	November 1, 2012
November 29, 2011	17,232	16,725	16,725	December 1, 2012
November 29, 2011	42,444	41,195	41,195	June 1, 2013
November 29, 2011	76,804	74,545	74,545	August 1, 2013
November 29, 2011	14,574	14,145	14,145	October 1, 2013
November 29, 2011	53,705	52,125	52,125	November 1, 2013
November 29, 2011	21,868	21,225	21,225	December 1, 2013
November 29, 2011	28,586	27,745	27,745	June 1, 2014
	$ 1,421,103	$ 1,326,670	$ 1,250,245	

The following table is a schedule of general obligation bonds authorized, but unissued, and bonds outstanding as of June 30, 2012. This schedule includes all general obligation bonds that were sold, including bonds sold for the State Operated Community Services and State Colleges and Universities funds (enterprise funds).

Primary Government
General Obligation Bonds Authorized, but Unissued, and Bonds Outstanding
As of June 30, 2012
(In Thousands)

Purpose	Authorized But Unissued	Amount Outstanding	Interest Rates Range - %
State Building	$ 698	$ 1,080	5.00
State Operated Community Services	-	1,766	5.00
State Transportation	1,760	199,105	4.00 - 5.00
Maximum Effort School Loan	-	21,990	5.00
Rural Finance Authority	10,000	44,000	1.35 - 5.25
Refunding Bonds	-	1,454,190	1.75 - 5.00
Trunk Highway	1,236,458	1,116,170	2.00 - 5.00
Various Purpose	1,356,480	2,547,694	2.00 - 5.00
Total	$ 2,605,396	$ 5,385,995	

State Appropriation Bonds

The following table is a schedule of state appropriation bonds authorized, but unissued as of June 30, 2012.

Primary Government
State Appropriation Bonds Authorized, but Unissued
As of June 30, 2012
(In Thousands)

Purpose	Authorized But Unissued
Professional Football Stadium	$ 498,000
Pay-for-Performance	10,000
Total	$ 508,000

During the fiscal year 2012 legislative session, the state was authorized to issue general fund appropriation bonds to finance the costs of a professional football stadium project of the Minnesota Sports Facilities Authority, a related organization. In addition, the Minnesota Pay-for-Performance Act of 2011 authorized issuance of up to $10 million bond proceeds as incentive payments to service providers for certain financial outcomes that will result in decreased costs or increased revenues to the state.

Loans Payable and Due to Component Unit

Governmental activities loans are loans relating to the Trunk Highway Fund (special revenue fund). Loans outstanding of $10,160,000 were from local government entities to finance certain trunk highway projects. In addition, $16,684,000 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.

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.

Certificates of Participation

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

Revenue Bonds Payable

In July 2006, $15,145,000 of revenue bonds were issued to provide grants to school districts located in the state's taconite assistance area (as defined in statute) and for bond administrative costs. Minnesota Laws of 2005, Chapter 152, Article 1, Section 39 as amended; Minnesota Statutes, Section 298.2211; and an order of the Commissioner of Iron Range Resources and Rehabilitation authorized the issuance of the bonds. To repay the bonds, the Iron Range Resources and Rehabilitation Board has pledged future appropriations of the annual distribution of taconite production tax revenues to the Iron Range Resources and Rehabilitation account within the General Fund and the Douglas J. Johnson Economic Protection Trust Fund (special revenue fund). These tax distributions, totaling $27,759,000 for fiscal year 2012, have averaged approximately one third of the state's total annual taconite production tax revenues over the last five years. The debt service on the bonds is payable solely from these taconite production tax distributions. The interest rates on the bonds are 4.00 percent (7 years) and 4.50 percent (thereafter) over the 15 year term of the bonds. Bonds maturing on and after October 1, 2014, are subject to optional redemption. For fiscal year 2012, principal and interest paid by the Iron Range Resources and Rehabilitation Board on the bonds was $1,391,000. The total principal and interest remaining to be paid as of June 30, 2012, is $13,858,000 payable through November 2021.

The state is authorized by Minnesota Statutes, Section 403.275, and by Minnesota Statewide Radio Board resolution to issue revenue bonds for a current development phase of a public safety radio communications system. On November 1, 2006, $35,000,000 in revenue bonds were issued at a true interest rate of 3.76 percent. On November 13, 2008, $42,205,000 in revenue bonds were issued at a true interest rate of 4.60 percent. On October 22, 2009, $60,510,000 in revenue bonds were issued at a true interest rate of 3.17 percent. On August 16, 2011, $60,380,000 in revenue bonds were issued at a true interest rate of 2.96 percent. The state has pledged future 911 fee revenues to repay the debt. The debt service on these bonds is payable solely from the revenues derived from the 911 fee assessed on wireless and wire-line telephone service. Annual principal and interest payments on the bonds are expected to require less than 30 percent of the total 911 fee revenues. The total principal and interest remaining to be paid on the bonds as of June 30, 2012, is $197,546,000, payable through June 2026. Principal and interest paid during fiscal year 2012 and total 911 fee revenues were $21,648,000 and $68,516,000, respectively. The bonds are accounted for in the 911 Services Fund (enterprise fund) and are insured by a financial guaranty insurance policy issued by MBIA Insurance Corporation.

Minnesota State Colleges and Universities (MnSCU) (enterprise fund) is authorized by Minnesota Statutes, Section 136F.98, to issue revenue bonds whose aggregate principal shall not exceed $300,000,000 at any time. The proceeds of these bonds are used to finance the acquisition, construction, and remodeling of buildings for dormitory, residence hall, parking ramps, student union, and food service purposes at state universities. Revenue bonds currently outstanding have interest rates of 1.0 percent to 6.5 percent. Vermilion Community College and Itasca Community College issued revenue bonds through the state of Minnesota Higher Education Facility Authority and the Itasca County Housing Redevelopment Authority. The revenue bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and from student fees. These revenue bonds are payable through 2033. Annual principal and interest payments on the bonds are expected to require less than 21 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $383,458,000. Principal and interest paid for the current year and total customer net revenues were $19,434,000 and $111,171,000, 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 49 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $3,036,000. Principal and interest paid and total customer net revenues during fiscal year 2012 were $207,000 and $431,000, respectively. These revenue bonds have a variable interest rate of 2.5 percent to 5.75 percent.

Vermilion Community College issued revenue bonds through the Minnesota Higher Education Facilities Authority that are payable through 2013. These bonds are payable solely from, and collateralized by, an irrevocable pledge of revenues to be derived from the operation of the financed buildings and guaranteed by the City of Ely. Annual principal and interest payments on the bonds are expected to require less than 33.0 percent of net revenues. The total principal and interest remaining to be paid on the bonds is $85,000. Principal and interest paid and total customer net revenues during fiscal year 2012 were $82,000 and $259,000, respectively. These revenue bonds have a fixed interest rate of 6.0 percent.

In July 2011, Minnesota Statutes, Section 16A.98, created the Tobacco Securitization Authority (TSA) (blended component unit, special revenue fund) to manage securitization of the tobacco settlement payments exclusively for the state's benefit.

In November 2011, the state and TSA entered into a sales agreement. In the agreement, the state will relinquish its future tobacco settlement revenue to TSA starting in fiscal year 2014 through 2031. TSA sold revenue bonds and transferred to the state $640 million of the proceeds and a residual certificate in exchange for the rights to receive and retain 100 percent of the state's tobacco settlement revenue starting in fiscal year 2014 through fiscal year 2031. The residual certificate represents the state's ownership interest in excess tobacco settlement revenue to be received by TSA during the terms of the sales agreement. The total tobacco settlement revenue sold, based on the projected payment schedule, is estimated to be $2.9 billion. These tobacco revenues will be used to pay principal and interest payments totaling $1.2 billion with the residuals expected to be approximately $1.7 billion. The proceeds from the sale of these revenues were used to refund a portion of the state's general obligation bonds and certificates of participation. For fiscal year 2012, principal and interest paid by Tobacco Securitization Authority Fund (blended component unit, special revenue fund) was $9,492,000. The total principal and interest remaining to be paid as of June 30, 2012, is $1,206,674,000. See Note 21 Subsequent Event for a Supreme Court conclusion impacting this agreement.

Claims

Municipal solid waste landfill liability of $161,523,000 for closure and postclosure care claims are payable from the Environmental and Remediation Fund (special revenue fund) and the General Fund. The state has assumed responsibility for the long-term care of certain closed municipal solid waste facilities. Minnesota Statutes, Section 115B.39, established the landfill cleanup program to provide environmental response to qualified, state-permitted, closed landfills. The state is responsible, in perpetuity, for performing cleanup and final closure work, as well as all postclosure maintenance and monitoring, at qualifying sites. There are currently 109 landfills in the program. Funding for the state's ongoing claims at these landfills comes from the Environmental and Remediation Fund (special revenue fund). The Environmental and Remediation Fund includes revenues from insurance recovery proceeds and financial assurance from previous owners and operators. Proceeds from the sale of state general obligation bonds, accounted for in the Building Fund (capital projects fund) and repaid by the General Fund, have been used for design and construction work at the publicly-owned landfills in the program. Estimated landfill closure and postclosure liabilities include planned response actions, future unknown additional remedies which have some probability of occurring, future replacement of some remedial systems, and administrative costs. Since costs are estimated at current value, actual costs could be different because of inflation, changes in technology, inclusion of additional qualifying sites or changes in regulations, and future unanticipated response actions.

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, 2012, were $50,288,000. Of this total, $36,815,000 was the liability for remediation on sites designated pursuant to state or federal superfund laws. The pollution remediation amounts are estimated through an analysis of existing polluted sites. The liabilities are based on the weighted average of the pollution remediation outlays expected to be incurred to settle those liabilities. Because the liabilities are measured at their current value, they are subject to change due to inflation, technology improvements, or changes to applicable laws and regulations. Funding for the state's pollution remediation primarily comes from the Environmental and Remediation Fund (special revenue fund), which was established under Minnesota Statutes, Section 116.155, and the Petroleum Tank Cleanup Fund (special revenue fund), which was established under Minnesota Statutes, Section 115C.08.

The governmental activities and business-type activities liability for workers' compensation of $114,874,000 and $6,937,000, respectively, are based on claims filed for injuries to state employees occurring prior to June 30, 2012, and is an undiscounted estimate of future payments. The liability will be liquidated using future resources at unspecified times.

Claims of $32,300,000 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).

Claims of $420,700,000 are for reimbursements of supplementary and second injury benefits for old workers' compensation injuries. Legislative action ended both the supplementary and second injury programs. The claim amount represents the estimated discounted (5.00 percent) cost of supplementary benefits for injuries prior to October 1, 1995, and second injury program benefits for injuries prior to July 1, 1992. Without alteration by settlements, the liability is expected to extend to approximately the year 2052 for supplementary benefits and 2042 for second injuries.

The remaining $9,518,000 is for claims in the Risk Management Fund (internal service fund).

Compensated Absences

The compensated absences liability for governmental activities and business-type activities of $279,444,000 and $139,225,000 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.

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 2012, 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 2012, principal and interest paid by the State Employees Retirement Fund (SERF), Teachers Retirement Fund (TRF), and Public Employees Retirement Fund (PERF) was $2,076,000. The total principal and interest remaining to be paid as of June 30, 2012, is $ 37,935,000, payable through 2030.

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

Year Ended June 30	Principal	Interest
2013	$ 750	$ 1,338
2014	775	1,297
2015	825	1,254
2016	875	1,208
2017	925	1,158
2018-2022	5,550	4,924
2023-2027	7,475	3,086
2028-2032	5,794	701
Total	$ 22,969	$ 14,966

Note 13 – Long-Term Liabilities – Component Units

Revenue and General Obligation Bonds

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, 2012, net of unamortized discounts/premiums, was $2,170,089,000.

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 $1,362,469,000 in general obligation bonds and general obligation grant anticipation notes and $2,700,000 of revenue bonds outstanding on December 31, 2011, both net of unamortized discounts/premiums.

University of Minnesota (U of M) issues general obligation bonds and revenue bonds for capital projects. On June 30, 2012, the principal amount of general obligation bonds and revenue bonds outstanding, net of unamortized discounts/premiums, was $635,042,000 and $308,369,000, respectively.

Agricultural and Economic Development Board (AEDB) issues revenue bonds to provide loans for agricultural and economic projects. On June 30, 2012, the principal amount of revenue bonds outstanding was $1,835,000.

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, 2012, the outstanding principal of revenue bonds was $547,265,000, net of unamortized discounts/premiums.

Public Facilities Authority (PFA) is authorized by Minnesota Statutes, Section 446A.04, to issue revenue bonds to make loans to municipalities for wastewater treatment facilities. The amount outstanding on 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, 2012, net of unamortized discounts/premiums, was $1,167,558,000.

Loans and Notes Payable

Metropolitan Council received loans from the Minnesota Housing Finance Authority in 2002 and 2004 for $400,000, and $730,000, respectively. In 2004, MC received a $275,000 loan from Hennepin County Housing and Redevelopment Authority for a total of $1,405,000 of loans outstanding on December 31, 2011. The terms of the loan agreements are 30 years, although they may be extended indefinitely if all the terms of the loan agreement are met.

University of Minnesota issued tax-exempt commercial paper notes which are backed by U of M's self-liquidity and supported by a line of credit with a major commercial bank. On June 30, 2012, the outstanding commercial paper notes was $246,350,000. U of M intends to hold the commercial paper notes as a long-term financing vehicle.

National Sports Center Foundation refinanced a majority of its existing debt with a new bank in 2011. On December 31, 2011, the total outstanding loans and notes payable was $3,355,000.

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

Year Ended December 31	MC[1] Principal	MC[1] Interest[2]	Year Ended June 30	U of M Principal	U of M Interest
2012	$ 132,745	$ 39,892	2013	$ 31,757	$ 28,943
2013	105,835	37,725	2014	28,358	27,477
2014	129,577	34,939	2015	32,265	26,040
2015	85,206	32,195	2016	33,955	24,550
2016	85,083	29,453	2017	35,270	22,980
2017-2021	441,871	103,192	2018-2022	160,040	90,270
2022-2026	280,487	38,096	2023-2027	113,085	57,634
2027-2031	86,079	5,209	2028-2032	113,745	25,245
2032-2036	-	-	2033-2037	43,520	4,976
Total	$ 1,346,883	$ 320,701	Total	$ 591,995	$ 308,115
Unamortized Discounts/ Premiums and Issuance Costs	15,586	-		43,047	-
Total	$ 1,362,469	$ 320,701	Total	$ 635,042	$ 308,115

[1] MC general obligation bonds include general obligation grant anticipation notes of $90 million issued in fiscal year 2012.

[2] MC interest is net of Build America Bonds federal subsidy.

Component Units
Revenue Bonds
Major Component Units
(In Thousands)

	HFA		U of M			MC	
Year Ended June 30	Principal	Interest	Principal	Interest	Year Ended December 31	Principal	Interest
2013	$ 62,765	$ 73,849	$ 9,418	$ 14,415	2012	$ 1,305	$ 81
2014	47,165	73,917	7,942	13,246	2013	1,365	27
2015	54,940	72,530	8,920	12,816	2014	-	-
2016	50,690	70,968	9,350	12,385	2015	-	-
2017	53,210	69,381	9,830	11,911	2016	-	-
2018-2022	276,940	318,935	57,150	51,545	2017-2021	-	-
2023-2027	351,315	264,067	73,130	35,557	2022-2026	-	-
2028-2032	451,705	191,807	62,730	17,654	2027-2031	-	-
2033-2037	496,915	105,965	44,630	5,044	2032-2036	-	-
2038-2042	293,335	22,741	-	-	2037-2041	-	-
2043-2047	19,600	1,858	-	-	2042-2046	-	-
2048-2052	5,830	221	-	-	2047-2051	-	-
Total	$2,164,410	$1,266,239	$ 283,100	$ 174,573	Total	$ 2,670	$ 108
Unamortized Discounts/ Premiums and Issuance Costs	5,679	-	25,269	-		30	-
Total	$2,170,089	$1,266,239	$ 308,369	$ 174,573	Total	$ 2,700	$ 108

Component Units
Revenue Bonds
Nonmajor Component Units
(In Thousands)

Year Ended June 30	AEDB Principal	AEDB Interest	OHE Principal	OHE Interest	PFA Principal	PFA Interest
2013	$ 375	$ 76	$ -	$ 4,692	$ 70,550	$ 54,308
2014	385	59	360	4,692	73,825	50,939
2015	400	42	1,135	4,685	77,620	47,293
2016	120	31	1,090	4,651	83,835	43,426
2017	130	24	3,045	4,618	78,475	39,282
2018-2022	425	33	68,370	20,275	424,155	134,081
2023-2027	-	-	18,150	14,616	221,960	49,778
2028-2032	-	-	8,050	11,637	85,015	8,378
2033-2037	-	-	72,400	9,418	-	-
2038-2042	-	-	188,425	3,852	-	-
2043-2047	-	-	185,000	1,027	-	-
	$ 1,835	$ 265	$ 546,025	$ 84,163	$1,115,435	$ 427,485
Unamortized Discounts/Premiums and Issuance Costs	-	-	1,240	-	52,123	-
Total	$ 1,835	$ 265	$ 547,265	$ 84,163	$1,167,558	$ 427,485

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 had entered into three separate interest rate swaps. All of these were pay-fixed, receive-variable interest rate swaps which changed the variable interest rate bonds to synthetic fixed-rate bonds. On February 1, 2011, U of M terminated these interest rate swap agreements related to the Series 1999A, 2001C, and 2003A bonds at a cost of $17,195,000, which included a net realized loss of $4,695,000.

As of June 30, 2012, U of M has three freestanding pay-fixed, receive-variable interest rate swaps that are considered ineffective hedges, where the changes in fair value are included in investment income reported in the Statements of Activities. See Note 2 – Cash, Investments, and Derivative Instruments for more information.

Office of Higher Education

The interest rates on all of the bonds are reset periodically. The rates on all of the bonds, except the taxable Series 2008A bonds, the tax-exempt Series 2008B bonds, and the tax-exempt series 2010 and 2011 bonds, are based on a determination by the auction agent through auction proceedings. The rates on the taxable bonds cannot exceed the lesser of one-month LIBOR plus 1.0 percent; 17.0 percent; or the 91 day average of the three-month T-Bill plus an applicable spread of 1.25 percent. The rates on the tax-exempt bonds cannot exceed the lesser of the applicable percentage of the Kenny index or the after-tax equivalent rate; 14.0 percent; or the three month average of the three-month T-Bill plus an applicable spread of 1.25 percent. The interest on the auction rate bonds is payable each time the rates are reset and no principal payments are required until final maturity.

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

The rates on the tax-exempt Series 2011A and 2011B bonds are determined by a remarketing agent. The rates on the Series 2011A and 2011B bonds cannot exceed 12.0 percent. The interest on the Series 2011A and 2011B bonds is payable monthly and no principal payments are required until final maturity.

The rates on the tax-exempt Series 2010 bonds are fixed and range from 2.0 percent to 5.0 percent. The interest on the 2010 bonds is paid semi-annually. The annual effective interest rate was 4.62 percent for the year ended June 30, 2012.

Housing Finance Agency

As of June 30, 2012, all of the HFA interest rate swap agreements have been determined to be effective hedges, as defined by GASB 53. The fair value is displayed as an interest rate swap agreement liability, whereas the inception-to-date change in fair value as of June 30, 2012, is included in the deferred loss on interest rate swap agreements asset on the Statement of Net Assets. See Note 2 – Cash, Investment, and Derivative Instruments for more information.

Bond Defeasances

In prior years, University of Minnesota defeased various bonds by placing the proceeds from new bond issuances into an irrevocable trust to provide for all future debt-service payments on the old bonds. The amount defeased for general obligation bonds 1982 and 1996 Series A was $271,635,000 with $153,600,000 outstanding as of June 30, 2012. 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, 2012.

Public Facilities Authority had $260,500,000 of various refunding series bonds that were defeased but not yet redeemed as of June 30, 2012. These amounts are not reflected in the financial statements as of June 30, 2012.

Housing Finance Agency defeased all outstanding Single Family Mortgage Bonds totaling $81,085,000 on April 26, 2012. On that date, HFA issued $150,750,000 of Residential Housing Finance Bonds, a portion of which defeased $45,720,000 of the Single Family Mortgage Bonds. The reacquisition price of the refunded bonds exceeded the net carrying amount by $447,000, which has been netted against the new debt and amortized over the remaining life of the refunded debt. The refunding of these bonds decreased total future debt service by approximately $3,969,000 and resulted in a present value savings of approximately $5,786,000 for HFA with refunding bond proceeds and available cash.

On April 26, 2012, HFA defeased $35,365,000 of Single Family Mortgage Bonds. The reacquisition price exceeded the net carrying amount by $754,000, which is included in interest expense.

The trust account assets and the liability for the defeased bonds were not included in HFA's statement of net assets after April 26, 2012. At June 30, 2012, the outstanding principal of the defeased bonds was $12,380,000.

Note 14 – Segment Information

Primary Government
Segment Information Financial Data
Year Ended June 30, 2012
(In Thousands)

	Minnesota State Colleges and Universities			
		Vermilion	Itasca	
	Revenue Fund	Modular Housing	Residence Halls	911 Services
Condensed Statement of Net Assets				
Assets:				
Current Assets	$ 80,419	$ 116	$ 12	$ 99,753
Restricted Assets	149,568	143	397	-
Notes Receivable	1,200	-	-	-
Capital Assets	277,628	760	3,308	98,948
Total Assets	$ 508,815	$ 1,019	$ 3,717	$ 198,701
Liabilities:				
Current Liabilities	$ 33,979	$ 91	$ 116	$ 17,325
Noncurrent Liabilities	263,186	-	1,946	151,903
Total Liabilities	$ 297,165	$ 91	$ 2,062	$ 169,228
Net Assets:				
Invested in Capital Assets, Net of Related Debt	$ 109,444	$ 760	$ 1,267	$ -
Restricted	102,206	60	312	29,473
Unrestricted	-	108	76	-
Total Net Assets	$ 211,650	$ 928	$ 1,655	$ 29,473
Condensed Statement of Revenues, Expenses and Changes in Fund Net Assets				
Operating Revenues - Customer Charges	$ 111,168	$ 259	$ 430	$ 68,516
Depreciation Expense	(13,925)	(34)	(119)	(8,170)
Other Operating Expenses	(74,432)	(139)	(209)	(36,356)
Operating Income (Loss)	$ 22,811	$ 86	$ 102	$ 23,990
Nonoperating Revenues (Expenses):				
Interest Income	$ 741	$ -	$ 8	$ 1
Private Grants	9,082	-	-	-
Interest Expense	(10,412)	(7)	(116)	(7,245)
Other	(78)	-	-	(20,960)
Transfers-In (Out)	-	-	-	(682)
Change in Net Assets	$ 22,144	$ 79	$ (6)	$ (4,896)
Beginning Net Assets	189,506	849	1,661	34,369
Ending Net Assets	$ 211,650	$ 928	$ 1,655	$ 29,473
Condensed Statement of Cash Flows				
Net Cash Provided (Used) By:				
Operating Activities	$ 37,192	$ 109	$ 243	$ 30,876
Net Cash Provided Noncapital Activities	9,082	-	-	-
Noncapital Financing Activities	-	-	-	23,744
Capital and Related Financing Activities	(89,898)	(84)	(206)	(18,040)
Investing Activities	595	-	8	1
Net Increase (Decrease)	$ (43,029)	$ 25	$ 45	$ 36,581
Beginning Cash and Cash Equivalents	$ 203,093	$ 203	$ 264	$ 58,512
Ending Cash and Cash Equivalents	$ 160,064	$ 228	$ 309	$ 95,093

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

- MnSCU Revenue Fund constructs, maintains, and operates college buildings for residence hall, student union, or food service purposes.

- MnSCU Vermilion segment accounts for the construction and operation of student housing at Vermilion Community College.

- MnSCU Itasca Residence Hall accounts for the construction of student housing at Itasca Community College.

- 911 Services Fund accounts for activities related to the enhancement of the state's 911 emergency response system.

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

Note 15 – Contingent Liabilities

Public Employee Pension Funds

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:

Primary Government
Contingent Liabilities
(In Thousands)

Fund	Liability as of		Unfunded Liability
St. Paul Teachers Retirement Fund	July 01, 2011	$	417,157
Duluth Teachers Retirement Fund	June 30, 2011	$	85,993

University of Minnesota

The University of Minnesota (U of M) issued revenue bonds to finance a football stadium on campus. In 2006, the Minnesota Legislature appropriated from the General Fund $10.25 million per year not to exceed 25 years starting in 2008. Grants from the General Fund are conditioned upon satisfaction of certain requirements by the U of M.

The U of M issued revenue bonds to finance Biomedical Science Research facilities. In 2008, the Minnesota Legislature appropriated from the General Fund amounts ranging from $850,000 to $15.55 million per year not to exceed 25 years starting in 2010. Grants from the General Fund are conditioned upon satisfaction of certain requirements by the U of M.

Housing Finance Agency

The Housing Finance Agency (HFA) issued appropriation bonds 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. In 2008, the Minnesota Legislature appropriated from the General Fund up to $2.4 million per year for 20 years starting in 2009.

School District Credit Enhancement Program

Minnesota Statutes established a school district credit enhancement program. If a school district is unable to pay its debt service due on school district and intermediate school district certificates of indebtedness, capital notes, certificate of participation, and general obligation bonds enrolled in the program, the legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through 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. The total amount of debt rolled in the program at June 30, 2012 is $13.2 billion. The state has not had to make any debt service payments on behalf of school districts or intermediate school districts under this program.

City and County Credit Enhancement Program

Minnesota Statutes established a city and county credit enhancement program. If a city or county is unable to pay its debt service due on general obligation bonds enrolled in the program issued for the construction, improvement, or rehabilitation of certain projects or certain redevelopment, contaminated site cleanup, the legislature appropriates annually from the General Fund the amounts necessary to make the debt service payments. This amount is repaid to the General Fund through a reduction in state aid payable to the city or county, or the levy of an ad valorem tax which may be made with the approval of Public Facility Authority. The total general obligation bonds enrolled into the program on June 30, 2012 is $503 million. The state has not had to make any debt service payments on behalf of cities or counties under this program.

Note 16 – Equity

Restricted Net Assets – Government-wide Statement of Net Assets

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

Primary Government
Restricted Net Asset Balances
As of June 30, 2012
(In Thousands)

	Restricted by Constitution	Restricted by Enabling Legislation	Restricted by Other	Total
Restricted For:				
Agricultural, Environmental and Energy Resources	$ 260,737	$ 807,257	$ 11,859	$ 1,079,853
Arts and Cultural Heritage	21,542	-	-	21,542
Capital Projects	-	-	9,320	9,320
Debt Service	-	-	119,469	119,469
Economic and Workforce Development	-	126,739	1,731	128,470
General Education	-	59,374	3,268	62,642
General Government	-	40,641	808	41,449
Health and Human Services	-	5,278	15,305	20,583
Higher Education	-	-	506,964	506,964
Public Safety and Corrections	-	29,693	56,194	85,887
School Aid - Expendable	6,064	-	-	6,064
School Aid - Nonexpendable	856,747	-	-	856,747
Transportation	1,298,649	15,959	-	1,314,608
Unemployment Benefits	-	-	518,666	518,666
Other Purposes	-	-	26,208	26,208
Total Restricted Net Assets	$ 2,443,739	$ 1,084,941	$ 1,269,792	$ 4,798,472

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:

Governmental Funds
Fund Balances
As of June 30, 2012
(In Thousands)

	General Fund	Major Special Revenue Fund Federal Fund	Other Funds	Total
Fund Balances:				
Nonspendable:				
Inventory	$ -	$ -	$ 35,731	$ 35,731
Trust or Permanent Fund Principal	625,689	-	856,747	1,482,436
Restricted for:				
Agricultural, Environmental and Energy Resources	22,395	123	470,789	493,307
Arts and Cultural Heritage	-	-	21,542	21,542
Capital Projects	-	-	181,208	181,208
Debt Service	-	-	129,441	129,441
Economic and Workforce Development	69,065	-	84,586	153,651
General Education	57,023	-	11,558	68,581
General Government	-	-	39,307	39,307
Health and Human Services	-	-	6,288	6,288
Public Safety	-	-	28,470	28,470
Transportation	-	-	1,326,731	1,326,731
Committed to:				
Agricultural, Environmental and Energy Resources	-	-	51,506	51,506
Economic and Workforce Development	-	-	201,134	201,134
General Education	-	-	1,414	1,414
General Government	-	-	14,594	14,594
Health and Human Services	-	-	178,305	178,305
Public Safety	-	-	79,406	79,406
Transportation	-	-	35,269	35,269
Assigned to:				
Capital Projects	-	-	2,158	2,158
General Government	-	-	640,000	640,000
Unassigned:	(887,037)	-	(97,404)	(984,441)
Total Fund Balances	$ (112,865)	$ 123	$ 4,298,780	$ 4,186,038

Deficit Equity Balances

A $3,749,000 deficit total net asset balance was reported in the Behavioral Services Fund (enterprise fund) as of June 30, 2012. Repayment schedules have been established. This fund's operations continue to be evaluated for future operations.

A $97,404,000 deficit fund balance in the Debt Service Fund (debt service) resulted from the state's Debt Service Fund receiving the proceeds of the revenue bonds reported in the Tobacco Securitization Authority Fund (blended component unit, special revenue fund) that were used to refund certain general obligation bonds and certificates of participation. These proceeds are recorded as an advance from other funds in the Debt Service Fund. See Note 12 – Long-Term Liabilities – Primary Government and Note 21 – Subsequent Events for further information on the advance from the Tobacco Securitization Authority Fund and the sale of the state's tobacco settlement revenue.

Note 17 – Risk Management

Primary Government

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

Risk Management Fund

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

The property coverage offers an agency a range of deductibles from $1,000 through $250,000 per loss. The fund covers the balance of the claim up to $1,000,000. The reinsurance program provides coverage up to $1,000,000,000. Once annual aggregate losses paid by the Risk Management Fund reach $2,500,000 in any one fiscal year, the reinsurer will provide coverage in excess of a $25,000 maintenance deductible for each claim. Agencies electing not to participate in the Risk Management Fund, and not able to cover the losses from their operating budget, must seek other reimbursements or additional appropriations from the legislature.

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

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

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

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

Tort Claims

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

Workers' Compensation

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

The program is required by state law to be a member of the Workers' Compensation Reinsurance Association (WCRA). WCRA reimburses the state for catastrophic workers' compensation claims that exceed the current retention amount of $1,840,000.

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

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

State Employee Group Insurance Program

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

SEGIP provides benefits coverage to employees by contracting with carriers through a network of providers throughout the state. SEGIP had settlements of $2,096,216 greater than coverage during the fiscal year ended June 30, 2012.

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, 2012, was 4,966 members and their dependents. The members of the pool include 46 school districts, 25 cities/townships, 3 counties, and 10 other public employers. PEIP provides medical benefits coverage to public employees through a self-insured statewide program administered through several private-sector claims administrators/managed care organizations, as well as fully insured life and dental coverage. The pool will be self-sustaining through member premiums and will reinsure for claims through its administrators/managed care organizations for stop-loss coverage for claims in excess of $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.

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 6/30/11	$ 14,649	$ (3,349)	$ 2,091	$ 9,209
Fiscal Year Ended 6/30/12	$ 9,209	$ 2,448	$ 2,598	$ 9,059
Tort Claims				
Fiscal Year Ended 6/30/11	$ -	$ 818	$ 818	$ -
Fiscal Year Ended 6/30/12	$ -	$ 1,381	$ 1,381	$ -
Workers' Compensation				
Fiscal Year Ended 6/30/11	$ 111,772	$ 39,901	$ 22,295	$ 129,378
Fiscal Year Ended 6/30/12	$ 129,378	$ 15,030	$ 22,596	$ 121,812
State Employee Insurance Plans				
Fiscal Year Ended 6/30/11	$ 44,816	$ 614,842	$ 612,034	$ 47,624
Fiscal Year Ended 6/30/12	$ 47,624	$ 645,863	$ 636,351	$ 57,136

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

	Year Ended June 30	
	2012	2011
Unpaid Claims and Claim Adjustment Expenses, Beginning	$ 1,943	$ 1,960
Incurred Claims and Claim Adjustment Expenses:		
Provision for Insured Events of Current Year	$ 36,024	$ 22,643
Increases (Decreases) in Provision for Insured Events of Prior Years	585	12
Total Incurred Claims and Claim Adjustment Expenses	$ 36,609	$ 22,655
Payments:		
Claims and Claims Adjustment Expenses Attributable to Insured Events of Current Year	$ 32,716	$ 20,720
Claims and Claims Adjustment Expenses Attributable to Insured Events of Prior Years	2,498	1,952
Total Payments	$ 35,214	$ 22,672
Total Unpaid Claims and Claim Adjustment Expenses, Ending	$ 3,338	$ 1,943

Component Units

Housing Finance Agency

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

Metropolitan Council

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

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

MC has self-administered workers' compensation claims for all divisions. Liabilities are reported when information is available that suggests there has been an occurrence with probable loss incurred. Liabilities include an amount for claims that have been incurred but not reported. Claims liabilities are re-evaluated periodically to consider recently settled claims, the frequency of claims, and other economic and social factors. Liabilities for incurred losses to be settled by fixed or reasonably determinable payments over a long period of time are reported at their present value using a discount rate of 2.89 percent. The self-insurance retention limit for workers' compensation is $1,840,000 per single loss. For claims above the retention limit, the Workers' Compensation Reinsurance Association reimburses MC.

University of Minnesota

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

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

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

Component Units
Claims Liabilities
(In Thousands)

	Beginning Claims Liability	Net Additions and Changes in Claims	Payment of Claims	Ending Claims Liability
Metropolitan Council - Workers' Compensation				
Fiscal Year Ended 12/31/10	$ 15,809	$ 10,106	$ 7,169	$ 18,746
Fiscal Year Ended 12/31/11	$ 18,746	$ 5,572	$ 6,470	$ 17,848
University of Minnesota – RUMINCO, Ltd.				
Fiscal Year Ended 6/30/11	$ 7,818	$ 2,345	$ 2,300	$ 7,863
Fiscal Year Ended 6/30/12	$ 7,863	$ 2,110	$ 1,831	$ 8,142
University of Minnesota – Workers’ Compensation				
Fiscal Year Ended 6/30/11	$ 12,683	$ 3,517	$ 4,235	$ 11,965
Fiscal Year Ended 6/30/12	$ 11,965	$ 2,969	$ 3,360	$ 11,574
University of Minnesota – Medical/Dental				
Fiscal Year Ended 6/30/11	$ 18,644	$ 246,634	$ 241,117	$ 24,161
Fiscal Year Ended 6/30/12	$ 24,161	$ 246,924	$ 242,692	$ 28,393

Note 18 – Budgetary Basis vs. GAAP

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

General Fund
Reconciliation of GAAP Basis Fund Balance
to Budgetary Fund Balance
As of June 30, 2012
(In Thousands)

GAAP Basis Fund Balance:	$	(112,865)
Less: Encumbrances		116,608
Unassigned Fund Balance	$	(229,473)
Basis of Accounting Differences:		
Revenue Accruals/Adjustments:		
Taxes Receivable	$	(513,868)
Tax Refunds Payable		484,940
Human Services Receivable		(23,821)
Unearned Revenue		11,160
Escheat Asset		(10,337)
Other Receivables		(20,127)
Permanent School Fund Reimbursement		(4,893)
Investments at Market		8,532
Expenditure Accruals/Adjustments:		
Medical Care Programs		479,717
Human Services Grants Payable		60,303
Education Aids		2,535,355
Police and Fire Aid		77,331
Other Payables		2,918
Other Financial Sources (Uses):		
Transfers-In		(12,726)
Fund Structure Differences:		
Terminally Funded Pension Plans		64
Perspective Differences:		
Account with no Legally Adopted Budget		(954,489)
Long-Term Receivables		(38,883)
Appropriation Carryover		(164,067)
Budgetary Reserve		(1,007,618)
Budgetary Basis:		
Undesignated Fund Balance	$	680,018

Note 19 – Litigation Note

1) Payment of tort claims against the state is made from funds appropriated by the Minnesota Legislature to agencies for their general operations to the extent such funds are available without unduly hindering the operation of the agency, from appropriations of dedicated receipts if practicable, or from funds appropriated for the payment of tort claims. The Tort Claims appropriations for each of the fiscal years ending June 30, 2011, and June 30, 2012, are $761,000. The maximum limit of liability for tort claims arising out of a single occurrence in Minnesota on or before January 1, 2000, and before January 1, 2008, is $1,000,000. The maximum limited liability for any one claim is $300,000 for claims arising before August 1, 2007, and $400,000 for claims arising on or after August 1, 2007, and before July 1, 2009, for any one claim and the maximum limits of liability for tort claims arising in Minnesota on or after January 1, 2008, and prior to July 1, 2009, is $1,200,000 for any number of claims arising out of a single occurrence. For tort claims arising in Minnesota on or after July 1, 2009, the maximum limits are $500,000 for any one claim and $1,500,000 for any number of claims arising out of a single occurrence.

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

   b. *Alliance Pipeline, L.P. v. Commissioner of Revenue, et al.* (Minnesota Tax Court). Alliance operates a natural gas pipeline company and owns and operates property throughout 13 Minnesota counties. In October 2009, Alliance filed an appeal in Minnesota Tax Court challenging the Commissioner's 2009 assessment of Alliance's natural gas pipeline property in Minnesota. Subsequently, Alliance appealed the Commissioner's assessment for tax years 2010 and 2011. The legal issues in this appeal are very similar to the legal challenges raised in the *Minnesota Energy Resources Corp. v. Commissioner* appeals listed below. Alliance argues: (1) that the Commissioner has failed to correctly determine the market value of the property as defined by Minnesota Statutes, Section 272.03, Subdivision 8; (2) that Minnesota Rule 8100 exceeds the Commissioner's statutory authority to the extent it creates a valuation process which does not value utility property at its fair market value; and (3) that the assessment is unconstitutional in violation of the Equal Protection Clause, the Uniformity Clause and the Due Process Clause of the Minnesota Constitution and the Equal Protection and Due Process and Commerce Clauses of the U.S. Constitution.

c. *Electric Cooperative Assessment Cases* (Minnesota Tax Court). Electric cooperatives filed a series of 16 separate appeals in Tax Court of the Commissioner of Revenue's assessment of sales tax for varying periods generally ranging from 2003 through 2006. Each electric cooperative estimates costs for its members as it bills those members throughout the year and collects sales tax based on those estimates. At year's end, if the cooperative has charged members in excess of the actual costs, it issues patronage adjustments in the form of "capital credits" to the members for the difference in cost. After doing so, the appellants filed for a refund in the sales tax paid on the difference between the actual and estimated costs. The Department initially paid the refunds to each appellant, but later issued assessments for the amounts that had been refunded. Citing Minnesota Rule 8130.1100, Subpart 5 (stating that when part of contribution is credited back to member's capital account after sale, credited amount is included in taxable sales price), the Department denied each appellant's administrative appeal. There are an estimated 44 electric cooperatives in the state that are similarly situated. The Department estimates total financial potential impact to the state of the Commissioner losing the legal issue in these cases is approximately $20.9 million in one-time refunds with an on-going annual impact of $4.2 million. The electric cooperatives filed a motion for partial summary claiming some of the assignment periods at issue are time barred.

d. *Minnesota Energy Resources Corp. v. Commissioner of Revenue* (Minnesota Tax Court). The plaintiff, a natural gas pipeline corporation, appeals the market valuations made of the pipeline corporation's real, personal and operating property subject to assessment in 53 counties in Minnesota. The separate appeals for tax years 2008, 2009, 2010, and 2011 are consolidated. The pipeline corporation argues: (1) that the Commissioner has failed to correctly determine the market value (as defined in Minnesota Statutes, Section 272.03, Subdivision 8) of the pipeline's property in Minnesota and in its determination has employed methods which overstate the market value and arrived at a value in excess of market value; and (2) that the pipeline's property in Minnesota was unfairly and unequally assessed compared to property in the same class and the property of similarly situated taxpayers in violation of Minnesota Statutes, Section 273.11, the Equal Protection Clause; the Uniformity of Taxation Clause (Art. X, Sec. 1) and the Due Process clause of the Minnesota Constitution and the Equal Protection and Due Process Clause of U.S. Constitution. The apportionable 2008 market value for this property is $126 million under the Minnesota rule in effect for 2008. A new Minnesota rule governs calculation for the 2009-2011 tax years. Minnesota Energy Resources Corp. objects to both the old and new rules. Specifically, Minnesota Energy Resources Corp. disagrees with how the capitalization rate is calculated, the fact that external obsolescence is not included in depreciation, the weighting of cost factors and claim that the property tax assessments are not applied evenly throughout Minnesota.

e. *Skaja v. Minnesota Department of Health* and *Bearder, et al. v. State of Minnesota, et al. Anderson v. State of Minnesota*. (Hennepin County District Court). On November 16, 2011, the Minnesota Supreme Court issued an opinion in the *Bearder* case, holding that blood specimens collected under the newborn screening program are "genetic information" and that statutes governing the newborn screening program provide a limited exception to the requirements of the Genetic Privacy Act. The *Bearder* case was remanded to district court for further proceedings. Twelve families subsequently served the *Skaja* complaint and seek class action status, declaratory relief, injunctive relief and damages for alleged violation of the Genetic Privacy Act. The purported class includes all parents and children whose blood specimens were stored or used after newborn screening testing was complete. The *Anderson* plaintiffs (additional parents of minor children) commenced their action on January 13, 2012, alleging that the Department's collection, storage and use of blood samples pursuant to the Screening Program violated Minnesota Statutes, Section 13.386, the genetic privacy law. The complaint is styled as a class action. Plaintiffs seek damages, injunctive relief and an award of attorney's fees and torts. On April 16, 2012, the district court consolidated the three cases for all purposes. Motions for class certification have been filed.

Note 20 – Prior Period Adjustment and Extraordinary Item

Primary Government – Prior Period Adjustment

During fiscal year 2012, the Department of Human Services recognized that the federal government owed the state reimbursement for the federal share of Medicaid expenditures incurred by the state in prior years that were not submitted for reimbursement. A prior period adjustment of $138.6 million was made in the General Fund to reflect the federal revenue due to the state.

During fiscal year 2012, the Department of Human Services recognized additional unbilled revenue related to HMO Provider Surcharges that should have been recognized in the prior year. A prior period adjustment of $44.3 million was made in the government-wide financial statements to reflect the revenue.

During fiscal year 2012, the Minnesota Department of Transportation changed the method of depreciation to align with the method used for federal reporting. This change resulted in a prior period adjustment of $18.9 million reflected in the government-wide financial statements. See Note 6 – Capital Assets for additional information.

Discretely Presented Component Unit (University of Minnesota) – Prior Period Adjustment

During fiscal year 2012, the University of Minnesota identified an overstatement of Investments that was recorded as a prior period adjustment of $12.6 million.

Discretely Presented Component Unit (Metropolitan Council) – Extraordinary Item

On December 12, 2010, a combination of record snowfall and high winds led to the accumulation of large amounts of snow and ice on Metrodome roof causing it to collapse. Almost all events scheduled between December 12, 2010, and August 2011 were canceled as the Metrodome roof was replaced. The Metropolitan Sports Facilities Commission, a component unit of the Metropolitan Council (discretely presented component unit), received $22.8 million in insurance proceeds for property damage and business interruption coverage.

Note 21 – Subsequent Events

Primary Government

On August 9, 2012, the state sold $21.9 million of Retirement System Building Revenue Refunding bonds at a true interest rate of 1.63 percent. These bonds will provide funding for a current refunding of the Retirement System Building Revenue bonds, Series 2000 which were issued to finance the acquisition design, construction and equipping of a building and related facilities jointly occupied by the Minnesota State Retirement System, the Teachers Retirement Association and the Public Employees Retirement Association. The revenue bonds are secured by certain pledged assets of each of the retirement systems.

On August 16, 2012, the state sold $422.0 million of general obligation state various purpose bonds Series 2012A at a true interest rate of 2.05 percent, $234.0 million of general obligation state trunk highway bonds Series 2012B at a true interest rate of 2.38 percent, and $2.5 million general obligation state taxable state bonds Series 2012C at a true interest rate of 1.03 percent. These bonds are backed by the full faith and credit and taxing power of the state.

On December 18, 2012, the state defeased $13.0 million of certain maturities of certificates of participation Series 2009. These certificates were issued to provide funding for the development, acquisition, installation, and implementation of a new statewide accounting and procurement system and integrated tax software.

In August 2012, a special legislative session was held to provide disaster assistance of $167.5 million for flood relief. The primary sources of funds are $71.9 million from the General Fund and $82.5 million from general obligation bonds.

On October 31, 2012, the Minnesota Supreme Court concluded that the Appropriation Refunding Bonds do not constitute public debt for which the State has pledged its full faith, credit and taxing powers. The Minnesota Supreme Court held that, accordingly, the bonds are not subject to the Minnesota Constitution's Article XI, Section 5, restrictions on the use of the proceeds of "public debt." Resulting from the decision of this court case, on November 21, 2012, the state sold $54.7 million of state General Fund appropriation refunding bonds taxable Series 2012A at a true interest rate of 0.61 percent, and $601.6 million of state general fund appropriation refunding bonds tax-exempt Series 2012B at a true interest rate of 2.46 percent. The bonds were issued for the purpose of refunding tobacco settlement revenue bonds Series 2011A and Series 2011B of the Tobacco Securitization Authority. These appropriation bonds are payable only from amounts appropriated by the legislature of the state.

Blended Component Unit

As a result of the sale of the state general fund appropriation refunding bonds, as stated above, the Tobacco Securitization Authority (Authority, blended component unit), by resolution dated November 5, 2012, has authorized and directed the trustee for the Authority bonds to give notice of the extraordinary optional redemption of the Series 2011B Authority bonds and notice of defeasance of both series of the Authority. Subsequently, the Series 2011 bonds were defeased and the Sale Agreement between the Authority and the state terminated and released the lien of the Authority Indenture on the state's tobacco settlement revenues.

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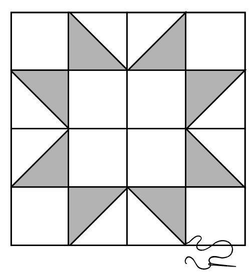


Modified Approach for Infrastructure

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

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

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

Lane Miles of Pavement

Measurement Scale

The Minnesota Department of Transportation (MnDOT) 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
2011	3.30	3.20
2010	3.33	3.17
2009	3.25	3.12

Bridges and Tunnels

Measurement Scale

MnDOT utilizes three performance measures to maintain and improve the bridge system: Structural Condition Rating, Geometric Rating, and Posted Bridge and Bridge Load Carrying Capacity. The Structural Condition Rating will be used to determine if the bridge system is being maintained at a serviceable level for the condition of the bridges under MnDOT'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	2011	2010	2009
Fair to Good	94.5%	94.4%	94.0%

All Other Systems	2011	2010	2009
Fair to Good	91.4%	91.3%	90.4%

Budgeted and Estimated Costs to Maintain

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

		Costs to be Capitalized			Maintenance of System			
		Bridges	Pavement	Total Costs	Bridges	Pavement	Total Costs	Total Construction Program
Budget	2012	$ 257,442	$ 288,138	$ 545,580	$ 23,111	$ 504,601	$ 527,712	$ 1,073,292
	2011	241,801	270,378	512,179	25,390	356,957	382,347	894,526
	2010	128,668	391,274	519,942	14,172	328,573	342,745	862,687
	2009	153,692	357,479	511,171	12,312	250,415	262,727	773,898
	2008	183,449	308,443	491,892	10,836	223,926	234,762	726,654
Actual	2012	$ 105,736	$ 158,438	$ 264,174	$ 64,810	$ 571,693	$ 636,503	$ 900,677
	2011	153,245	156,672	309,917	60,898	566,820	627,718	937,635
	2010	142,295	188,096	330,391	71,361	531,980	603,341	933,732
	2009	175,274	257,489	432,763	37,994	408,090	446,084	878,847
	2008	252,306	279,664	531,970	35,341	364,939	400,280	932,250

Actuarial Measures of Pension Funding Progress

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

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

Required supplementary information of funding progress is provided for the following plans:

- Correctional Employees Retirement Fund (CERF)
- Judicial Retirement Fund (JRF)
- Legislative Retirement Fund (LRF)
- State Patrol Retirement Fund (SPRF)

Required Supplementary Information
Schedule of Funding Progress
(In Thousands)

		CERF	JRF	LRF	SPRF
Actuarial Valuation Date	2011	7/1/2011	7/1/2011	7/1/2011	7/1/2011
	2010	7/1/2010	7/1/2010	7/1/2010	7/1/2010
	2009	7/1/2009	7/1/2009	7/1/2009	7/1/2009
Actuarial Value of Plan Assets	2011	$ 637,027	$ 145,996	$ 19,140	$563,046
	2010	$ 603,863	$ 144,728	$ 26,821	$567,211
	2009	$ 590,339	$ 147,120	$ 28,663	$584,501
Actuarial Accrued Liability	2011	$ 907,012	$ 248,630	$ 216,559	$700,898
	2010	$ 851,086	$ 240,579	$ 86,236	$683,360
	2009	$ 821,250	$ 241,815	$ 90,431	$725,334
Total Unfunded Actuarial Liability	2011	$ 269,985	$ 102,634	$ 197,419	$137,852
	2010	$ 247,223	$ 95,851	$ 59,415	$116,149
	2009	$ 230,911	$ 94,695	$ 61,768	$140,833
Funded Ratio[(1)]	2011	70%	59%	9%	80%
	2010	71%	60%	31%	83%
	2009	72%	61%	32%	81%
Annual Covered Payroll	2011	$ 197,702	$ 40,473	$ 1,774	$ 63,250
	2010	$ 192,450	$ 39,291	$ 1,877	$ 63,250
	2009	$ 193,445	$ 39,444	$ 1,963	$ 61,511
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	2011	137%	254%	11,128%	218%
	2010	128%	244%	3,165%	184%
	2009	119%	240%	3,147%	229%

[(1)]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		7/1/2010 (1)
		7/1/2008
		7/1/2006
Actuarial Value of Plan Assets	7/1/2010	$ -
	7/1/2008	$ -
	7/1/2006	$ -
Actuarial Accrued Liability	7/1/2010	$ 799,321
	7/1/2008	$ 754,801
	7/1/2006	$ 659,044
Total Unfunded Actuarial Liability	7/1/2010	$ 799,321
	7/1/2008	$ 754,801
	7/1/2006	$ 659,044
Funded Ratio(2)	7/1/2010	0%
	7/1/2008	0%
	7/1/2006	0%
Annual Covered Payroll	7/1/2010	$ 3,027,241
	7/1/2008	$ 2,785,335
	7/1/2006	$ 2,838,228
Ratio of Unfunded Actuarial Liability to Annual Covered Payroll	7/1/2010	26%
	7/1/2008	27%
	7/1/2006	23%

(1)The July 1, 2010, Actuarial Valuation Report is the most recently issued report available. The Actuarial Valuation Report is prepared every two years.

(2)Actuarial value of assets as a percent of actuarial accrued liability.

Public Employees Insurance Program Development Information

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

	Fiscal Year Ended (In Thousands)									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Required Contribution and Investment Revenue:										
Earned	$ 23,458	$ 22,764	$ 19,177	$ 14,942	$ 13,219	$ 13,439	$ 12,286	$ 25,031	$ 34,161	$ 45,413
Ceded	2,321	2,231	1,736	1,491	1,347	1,298	1,218	2,684	2,660	3,502
Net Earned	$ 21,137	$ 20,533	$ 17,441	$ 13,451	$ 11,872	$ 12,141	$ 11,068	$ 22,347	$ 31,501	$ 41,911
2. Unallocated Expenses	$ 2,528	$ 2,296	$ 1,904	$ 1,638	$ 1,547	$ 1,505	$ 1,534	$ 2,037	$ 2,411	$ 3,018
3. Estimated Claims and Expenses End of Policy Year:										
Incurred	$ 19,715	$ 19,466	$ 16,499	$ 12,551	$ 11,206	$ 10,748	$ 9,473	$ 19,350	$ 24,134	$ 38,173
Ceded	1,570	1,980	1,913	1,382	1,782	380	667	562	1,491	2,149
Net Incurred	$ 18,145	$ 17,486	$ 14,586	$ 11,169	$ 9,424	$ 10,368	$ 8,806	$ 18,788	$ 22,643	$ 36,024
4. Net Paid (Cumulative) as of:										
End of Policy Year	$ 15,847	$ 15,699	$ 12,909	$ 10,055	$ 8,226	$ 9,403	$ 7,921	$ 16,848	$ 20,720	$ 32,716
One Year Latter	17,572	17,367	14,141	11,282	9,352	10,415	8,482	18,828	23,219	
Two Years Latter	17,579	17,764	14,139	11,301	9,358	10,413	8,454	18,826		
Three Years Latter	17,579	17,764	14,139	11,301	9,358	10,413	8,454			
Four Years Latter	17,579	17,764	14,139	11,301	9,358	10,413				
Five Years Latter	17,579	17,696	14,139	11,301	9,358					
Six Years Latter	17,579	17,696	14,139	11,301						
Seven Years Latter	17,579	17,696	14,139							
Eight Years Latter	17,579	17,969								
Nine Years Latter	17,579									
5. Re-estimated Ceded Claims and Expenses	$ 1,570	$ 1,980	$ 1,913	$ 1,382	$ 1,782	$ 380	$ 667	$ 562	$ 1,491	$ 2,149
6. Re-estimated Net Incurred Claims and Expenses:										
End of Policy Year	$ 18,145	$ 17,486	$ 14,586	$ 11,169	$ 9,424	$ 10,368	$ 8,806	$ 18,788	$ 22,643	$ 36,024
One Year Latter	17,595	17,385	14,152	11,294	9,362	10,425	8,502	18,848	23,249	
Two Years Latter	17,579	17,764	14,139	11,301	9,358	10,413	8,454	18,826		
Three Years Latter	17,579	17,764	14,139	11,301	9,358	10,413	8,454			
Four Years Latter	17,579	17,764	14,139	11,301	9,358	10,413				
Five Years Latter	17,579	17,696	14,139	11,301	9,358					
Six Years Latter	17,579	17,696	14,139	11,301						
Seven Years Latter	17,579	17,696	14,139							
Eight Years Latter	17,579	17,696								
Nine Years Latter	17,579									
7. Increase (Decrease) in Estimated Net Incurred Claims and Expenses From End of Policy Year	$ (566)	$ 210	$ (447)	$ 132	$ (66)	$ 45	$ (352)	$ 38	$ 606	$ -

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.

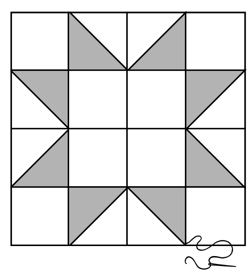
3. This section shows the fund's gross incurred claims and allocated claim adjustment expenses, claims assumed by reinsurers, and net incurred claims and allocated adjustment expenses (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage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



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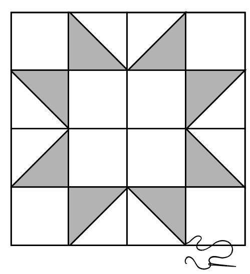
Combining and Individual Fund Statements – Nonmajor Funds



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

Debt Service Fund

The fund accounts for the accumulation of resources for, and the payment of, most general obligation long-term debt principal and interest as well as lease-purchase financing for technology improvement.

Permanent Fund

Permanent School Fund

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

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING BALANCE SHEET
JUNE 30, 2012
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
ASSETS					
Cash and Cash Equivalents	$ 2,373,534	$ 292,406	$ 170,293	$ 259,365	$ 3,095,598
Investments	143,170	173,671	673,454	-	990,295
Accounts Receivable	354,669	-	5,072	-	359,741
Interfund Receivables	244,987	-	5,091	-	250,078
Due from Component Unit	-	100,685	-	-	100,685
Accrued Investment/Interest Income	423	2,040	3,120	-	5,583
Federal Aid Receivable	90,032	-	-	-	90,032
Inventories	35,731	-	-	-	35,731
Loans and Notes Receivable	136,469	-	-	163	136,632
Advances to Other Funds	640,000	-	-	-	640,000
Prepaid Expense	1	-	-	-	1
Investment in Land	-	-	16,010	-	16,010
Total Assets	$ 4,019,016	$ 568,802	$ 873,040	$ 259,528	$ 5,720,386
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts Payable	$ 366,950	$ -	$ 32	$ 73,298	$ 440,280
Interfund Payables	158,372	26,206	9,893	759	195,230
Due to Component Unit	3,916	-	-	2,105	6,021
Deferred Revenue	139,771	-	304	-	140,075
Advances from Other Funds	-	640,000	-	-	640,000
Total Liabilities	$ 669,009	$ 666,206	$ 10,229	$ 76,162	$ 1,421,606
Fund Balances:					
Nonspendable	$ 35,731	$ -	$ 856,747	$ -	$ 892,478
Restricted	2,112,648	-	6,064	181,208	2,299,920
Committed	561,628	-	-	-	561,628
Assigned	640,000	-	-	2,158	642,158
Unassigned	-	(97,404)	-	-	(97,404)
Total Fund Balances	$ 3,350,007	$ (97,404)	$ 862,811	$ 183,366	$ 4,298,780
Total Liabilities and Fund Balances	$ 4,019,016	$ 568,802	$ 873,040	$ 259,528	$ 5,720,386

NONMAJOR GOVERNMENTAL FUNDS - BY FUND TYPE
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	SPECIAL REVENUE	DEBT SERVICE	PERMANENT PERMANENT SCHOOL	CAPITAL PROJECTS	TOTAL
Net Revenues:					
Sales Taxes	$ 296,270	$ -	$ -	$ -	$ 296,270
Motor Vehicle Taxes	930,278	-	-	-	930,278
Fuel Taxes	851,410	-	-	-	851,410
Other Taxes	768,632	-	-	-	768,632
Federal Revenues	483,968	-	-	-	483,968
Licenses and Fees	322,733	-	97	-	322,830
Departmental Services	185,101	-	34,192	-	219,293
Investment/Interest Income	27,606	20,973	49,258	7	97,844
Other Revenues	209,958	800	18	15	210,791
Net Revenues	$ 4,075,956	$ 21,773	$ 83,565	$ 22	$ 4,181,316
Expenditures:					
Current:					
Agricultural, Environmental and Energy Resources	$ 410,750	$ -	$ 9,320	$ 85,936	$ 506,006
Economic and Workforce Development	174,607	-	-	58,092	232,699
General Education	37,625	-	24,294	10,154	72,073
General Government	76,461	130	-	24,161	100,752
Health and Human Services	580,556	-	-	10	580,566
Higher Education	22,543	-	-	42,735	65,278
Intergovernmental Aid	378	-	-	-	378
Public Safety and Corrections	177,641	-	-	5,676	183,317
Transportation	1,525,185	-	-	201,608	1,726,793
Total Current Expenditures	$ 3,005,746	$ 130	$ 33,614	$ 428,372	$ 3,467,862
Capital Outlay	259,236	-	-	238,668	497,904
Debt Service	32,186	950,464	-	-	982,650
Total Expenditures	$ 3,297,168	$ 950,594	$ 33,614	$ 667,040	$ 4,948,416
Excess of Revenues Over (Under) Expenditures	$ 778,788	$ (928,821)	$ 49,951	$ (667,018)	$ (767,100)
Other Financing Sources (Uses):					
General Obligation Bond Issuance	$ -	$ 8,500	$ -	$ 752,394	$ 760,894
Revenue Bond Issuance	756,955	-	-	-	756,955
Payment to Refunded Bonds Escrow Agent	-	(400,775)	-	-	(400,775)
Bond Issue Premium	27,200	115,073	-	-	142,273
Transfers-In	359,336	294,513	5,091	-	658,940
Transfers-Out	(439,394)	-	-	(62,245)	(501,639)
Net Other Financing Sources (Uses)	$ 704,097	$ 17,311	$ 5,091	$ 690,149	$ 1,416,648
Net Change in Fund Balances	$ 1,482,885	$ (911,510)	$ 55,042	$ 23,131	$ 649,548
Fund Balances, Beginning, as Reported	$ 1,867,122	$ 814,106	$ 807,769	$ 160,235	$ 3,649,232
Fund Balances, Ending	$ 3,350,007	$ (97,404)	$ 862,811	$ 183,366	$ 4,298,780

State of Minnesota

2012
Comprehensive
Annual
Financial Report

Nonmajor Special Revenue Funds

Trunk Highway Fund

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

Highway User Tax Distribution Fund

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

State Airports Fund

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

Municipal State-Aid Street Fund

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

County State-Aid Highway Fund

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

Petroleum Tank Cleanup Fund

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

Natural Resources Fund

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

Game and Fish Fund

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

Environmental and Remediation Fund

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

Douglas J. Johnson Economic Protection Trust Fund

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

Heritage Fund

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

Endowment Fund

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

Special Compensation Fund

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

Health Care Access Fund

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

Workforce Development Fund

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

Tobacco Securitization Authority Fund (Blended Component Unit)

The fund manages the securitization of the tobacco settlement revenue.

Miscellaneous Special Revenue Fund

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

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
ASSETS				
Cash and Cash Equivalents	$ 729,259	$ 18,656	$ 12,892	$ 145,359
Investments	-	-	-	-
Accounts Receivable	7,064	71,581	422	42
Interfund Receivables	69,150	46,398	-	10,038
Accrued Investment/Interest Income	-	-	-	-
Federal Aid Receivable	87,205	-	-	32
Inventories	35,722	-	-	-
Loans and Notes Receivable	-	-	2,576	-
Advances to Other Funds	-	-	-	-
Prepaid Expenses	-	-	-	-
Total Assets	$ 928,400	$ 136,635	$ 15,890	$ 155,471
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 116,246	$ 2,351	$ 1,982	$ 15,649
Interfund Payables	5,129	127,406	-	744
Due to Component Unit	-	-	-	-
Deferred Revenue	-	2,571	-	-
Total Liabilities	$ 121,375	$ 132,328	$ 1,982	$ 16,393
Fund Balances:				
Nonspendable	$ 35,722	$ -	$ -	$ -
Restricted	771,303	4,307	13,908	139,078
Committed	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances	$ 807,025	$ 4,307	$ 13,908	$ 139,078
Total Liabilities and Fund Balances	$ 928,400	$ 136,635	$ 15,890	$ 155,471

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION
$ 430,894	$ 22,130	$ 43,863	$ 28,195	$ 43,647
-	-	-	16,572	702
151	10	3,021	3,543	13,775
47,514	-	16,034	1,030	11,439
-	-	-	75	1
32	-	-	2,616	6
-	-	-	-	-
-	-	-	-	638
-	-	-	-	-
-	-	-	1	-
$ 478,591	$ 22,140	$ 62,918	$ 52,032	$ 70,208

$ 75,258	$ 2,234	$ 5,437	$ 7,125	$ 3,735
2,834	3,616	5,091	-	-
-	-	2,379	-	-
-	10	-	-	4,050
$ 78,092	$ 5,860	$ 12,907	$ 7,125	$ 7,785

$ -	$ -	$ -	$ -	$ -
400,499	16,280	-	44,907	62,423
-	-	50,011	-	-
-	-	-	-	-
$ 400,499	$ 16,280	$ 50,011	$ 44,907	$ 62,423
$ 478,591	$ 22,140	$ 62,918	$ 52,032	$ 70,208

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING BALANCE SHEET
JUNE 30, 2012
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT	SPECIAL COMPENSATION
ASSETS				
Cash and Cash Equivalents	$ 65,724	$ 243,909	$ 17,392	$ 37,456
Investments	69,655	-	939	-
Accounts Receivable	1,217	21,087	300	105,298
Interfund Receivables	-	28,140	-	1,419
Accrued Investment/Interest Income	343	-	4	-
Federal Aid Receivable	-	-	-	7
Inventories	-	-	-	-
Loans and Notes Receivable	39,494	-	-	-
Advances to Other Funds	-	-	-	-
Prepaid Expenses	-	-	-	-
Total Assets	$ 176,433	$ 293,136	$ 18,635	$ 144,180
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 96	$ 10,773	$ 916	$ 15,505
Interfund Payables	-	-	-	-
Due to Component Unit	-	84	-	-
Deferred Revenue	1,208	-	-	105,607
Total Liabilities	$ 1,304	$ 10,857	$ 916	$ 121,112
Fund Balances:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	282,279	17,719	23,068
Committed	175,129	-	-	-
Assigned	-	-	-	-
Total Fund Balances	$ 175,129	$ 282,279	$ 17,719	$ 23,068
Total Liabilities and Fund Balances	$ 176,433	$ 293,136	$ 18,635	$ 144,180

HEALTH CARE ACCESS		WORKFORCE DEVELOPMENT		TOBACCO SECURITIZATION AUTHORITY		MISCELLANEOUS SPECIAL REVENUE		TOTAL	
$	116,299	$	30,484	$	74,139	$	313,236	$	2,373,534
	-		-		55,302		-		143,170
	87,067		13,405		-		26,686		354,669
	-		28		-		13,797		244,987
	-		-		-		-		423
	-		-		-		134		90,032
	-		-		-		9		35,731
	-		-		-		93,761		136,469
	-		-		640,000		-		640,000
	-		-		-		-		1
$	203,366	$	43,917	$	769,441	$	447,623	$	4,019,016
$	48,599	$	1,938	$	-	$	59,106	$	366,950
	679		-		-		12,873		158,372
	-		-		-		1,453		3,916
	2,870		1,220		-		22,235		139,771
$	52,148	$	3,158	$	-	$	95,667	$	669,009
$	-	$	-	$	-	$	9	$	35,731
	-		40,759		129,441		166,677		2,112,648
	151,218		-		-		185,270		561,628
	-		-		640,000		-		640,000
$	151,218	$	40,759	$	769,441	$	351,956	$	3,350,007
$	203,366	$	43,917	$	769,441	$	447,623	$	4,019,016

NONMAJOR SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	TRUNK HIGHWAY	HIGHWAY USER TAX DISTRIBUTION	STATE AIRPORTS	MUNICIPAL STATE-AID STREET
Net Revenues:				
Sales Taxes	$ -	$ -	$ -	$ -
Motor Vehicle Taxes	532,847	11,672	13,945	77,348
Fuel Taxes	483,029	4,588	3,026	70,118
Other Taxes	-	-	-	-
Federal Revenues	446,903	-	-	294
Licenses and Fees	8,191	-	610	-
Departmental Services	9,405	176	-	-
Investment/Interest Income	3,229	120	56	762
Other Revenues	22,985	-	-	-
Net Revenues	$ 1,506,589	$ 16,556	$ 17,637	$ 148,522
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ -	$ -	$ -	$ -
Economic and Workforce Development	-	-	-	-
General Education	-	-	-	-
General Government	26	1,656	-	-
Health and Human Services	-	-	-	-
Higher Education	-	-	-	-
Intergovernmental Aid	-	-	-	-
Public Safety and Corrections	85,478	8,865	-	-
Transportation	902,578	153	17,999	130,030
Total Current Expenditures	$ 988,082	$ 10,674	$ 17,999	$ 130,030
Capital Outlay	231,938	-	-	-
Debt Service	5,393	7	-	-
Total Expenditures	$ 1,225,413	$ 10,681	$ 17,999	$ 130,030
Excess of Revenues Over (Under) Expenditures	$ 281,176	$ 5,875	$ (362)	$ 18,492
Other Financing Sources (Uses):				
Revenue Bond Issuance	$ -	$ -	$ -	$ -
Bond Issue Premium	-	-	-	-
Transfers-In	4,611	-	-	2,219
Transfers-Out	(72,670)	(2,322)	-	-
Net Other Financing Sources (Uses)	$ (68,059)	$ (2,322)	$ -	$ 2,219
Net Change in Fund Balances	$ 213,117	$ 3,553	$ (362)	$ 20,711
Fund Balances, Beginning, as Reported	$ 593,908	$ 754	$ 14,270	$ 118,367
Fund Balances, Ending	$ 807,025	$ 4,307	$ 13,908	$ 139,078

COUNTY STATE-AID HIGHWAY	PETROLEUM TANK CLEANUP	NATURAL RESOURCES	GAME AND FISH	ENVIRONMENTAL AND REMEDIATION
$ 9,299	$ -	$ -	$ -	$ -
294,466	-	-	-	-
266,937	-	23,712	-	-
-	-	-	-	55,586
344	-	1,005	23,787	-
-	21,023	20,848	53,431	35,327
-	5	32,861	1,651	3,730
2,135	134	94	3,091	279
-	53	1,274	168	1,862
$ 573,181	$ 21,215	$ 79,794	$ 82,128	$ 96,784
$ -	$ 8,700	$ 83,837	$ 87,728	$ 83,283
-	5,593	-	-	100
-	-	160	-	-
-	-	-	-	266
-	-	-	-	209
-	-	-	-	-
-	-	-	-	-
-	-	-	-	66
438,045	-	5,670	-	-
$ 438,045	$ 14,293	$ 89,667	$ 87,728	$ 83,924
-	-	2,712	1,851	260
-	-	-	-	-
$ 438,045	$ 14,293	$ 92,379	$ 89,579	$ 84,184
$ 135,136	$ 6,922	$ (12,585)	$ (7,451)	$ 12,600
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	400	14,451	14,130	28,207
(4,118)	(8,950)	(6,386)	(582)	(19,651)
$ (4,118)	$ (8,550)	$ 8,065	$ 13,548	$ 8,556
$ 131,018	$ (1,628)	$ (4,520)	$ 6,097	$ 21,156
$ 269,481	$ 17,908	$ 54,531	$ 38,810	$ 41,267
$ 400,499	$ 16,280	$ 50,011	$ 44,907	$ 62,423

CONTINUED

NONMAJOR SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	D J JOHNSON ECONOMIC PROTECTION TRUST	HERITAGE	ENDOWMENT	SPECIAL COMPENSATION
Net Revenues:				
Sales Taxes	$ -	$ 286,971	$ -	$ -
Motor Vehicle Taxes	-	-	-	-
Fuel Taxes	-	-	-	-
Other Taxes	711	-	-	91,182
Federal Revenues	-	-	-	2
Licenses and Fees	-	-	-	1,431
Departmental Services	161	-	-	5,148
Investment/Interest Income	5,623	1,095	134	331
Other Revenues	557	977	11,050	-
Net Revenues	$ 7,052	$ 289,043	$ 11,184	$ 98,094
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ -	$ 84,471	$ 3,675	$ 511
Economic and Workforce Development	3,038	4,550	342	90,359
General Education	-	12,447	3,482	-
General Government	-	34,471	92	6,563
Health and Human Services	-	2,243	352	-
Higher Education	-	-	-	-
Intergovernmental Aid	-	-	-	-
Public Safety and Corrections	-	-	137	-
Transportation	-	16,263	-	-
Total Current Expenditures	$ 3,038	$ 154,445	$ 8,080	$ 97,433
Capital Outlay	-	12,328	2,754	130
Debt Service	696	-	-	-
Total Expenditures	$ 3,734	$ 166,773	$ 10,834	$ 97,563
Excess of Revenues Over (Under) Expenditures	$ 3,318	$ 122,270	$ 350	$ 531
Other Financing Sources (Uses):				
Revenue Bond Issuance	$ -	$ -	$ -	$ -
Bond Issue Premium	-	-	-	-
Transfers-In	-	-	11	-
Transfers-Out	-	(4,000)	-	-
Net Other Financing Sources (Uses)	$ -	$ (4,000)	$ 11	$ -
Net Change in Fund Balances	$ 3,318	$ 118,270	$ 361	$ 531
Fund Balances, Beginning, as Reported	$ 171,811	$ 164,009	$ 17,358	$ 22,537
Fund Balances, Ending	$ 175,129	$ 282,279	$ 17,719	$ 23,068

HEALTH CARE ACCESS	WORKFORCE DEVELOPMENT	TOBACCO SECURITIZATION AUTHORITY	MISCELLANEOUS SPECIAL REVENUE	TOTAL
$ -	$ -	$ -	$ -	$ 296,270
-	-	-	-	930,278
-	-	-	-	851,410
548,716	45,638	-	26,799	768,632
-	-	-	11,633	483,968
-	-	-	181,872	322,733
-	-	-	131,964	185,101
262	142	(173)	10,292	27,606
700	-	-	170,332	209,958
$ 549,678	$ 45,780	$ (173)	$ 532,892	$ 4,075,956
$ -	$ -	$ -	$ 58,545	$ 410,750
-	36,786	-	33,839	174,607
-	-	-	21,536	37,625
1,324	-	5,049	27,014	76,461
303,861	-	-	273,891	580,556
-	-	-	22,543	22,543
-	-	-	378	378
-	-	-	83,095	177,641
-	-	-	14,447	1,525,185
$ 305,185	$ 36,786	$ 5,049	$ 535,288	$ 3,005,746
-	5	-	7,258	259,236
295	-	9,492	16,303	32,186
$ 305,480	$ 36,791	$ 14,541	$ 558,849	$ 3,297,168
$ 244,198	$ 8,989	$ (14,714)	$ (25,957)	$ 778,788
$ -	$ -	$ 756,955	$ -	$ 756,955
-	-	27,200	-	27,200
42,800	-	-	252,507	359,336
(197,894)	(1,387)	-	(121,434)	(439,394)
$ (155,094)	$ (1,387)	$ 784,155	$ 131,073	$ 704,097
$ 89,104	$ 7,602	$ 769,441	$ 105,116	$ 1,482,885
$ 62,114	$ 33,157	$ -	$ 246,840	$ 1,867,122
$ 151,218	$ 40,759	$ 769,441	$ 351,956	$ 3,350,007

STATE OF MINNESOTA

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	TRUNK HIGHWAY		HIGHWAY USER TAX DISTRIBUTION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ -	$ -
Motor Vehicle Taxes	-	-	917,466	914,969
Fuel Taxes	-	-	864,492	846,741
Other Taxes	-	-	-	-
Federal Revenue	532,136	393,993	-	-
Departmental Services/Licenses and Fees	12,066	16,510	2,500	2,315
Investment/Interest Income	3,088	3,078	292	376
Other Revenues	36,222	22,580	-	-
Net Revenues	$ 583,512	$ 436,161	$ 1,784,750	$ 1,764,401
Expenditures:				
Agricutural Environmental & Energy Resources.	$ -	$ -	$ -	$ -
Economic and Workforce Development	-	-	-	-
General Education	-	-	-	-
General Government	600	28	2,183	1,666
Health and Human Services	-	-	-	-
Intergovernment Aid	-	-	7	7
Public Safety and Corrections	87,822	84,485	9,080	9,038
Transportation	1,452,108	1,124,582	155	155
Total Expenditures	$ 1,540,530	$ 1,209,095	$ 11,425	$ 10,866
Excess of Revenues Over (Under) Expenditures	$ (957,018)	$ (772,934)	$ 1,773,325	$ 1,753,535
Other Financing Sources (Uses):				
Transfers-In	$ 1,039,872	$ 1,028,336	$ -	$ -
Transfers-Out	(72,691)	(72,691)	(1,753,360)	(1,753,360)
Net Other Financing Sources (Uses)	$ 967,181	$ 955,645	$ (1,753,360)	$ (1,753,360)
Net Change in Fund Balances	$ 10,163	$ 182,711	$ 19,965	$ 175
Fund Balances, Beginning, As Reported	$ 221,700	$ 221,700	$ 1,849	$ 1,849
Prior Period Adjustments	-	(3,303)	-	1
Fund Balances, Beginning, as Restated	$ 221,700	$ 218,397	$ 1,849	$ 1,850
Budgetary Fund Balances, Ending	$ 231,863	$ 401,108	$ 21,814	$ 2,025
Less: Appropriation Carryover	-	367,807	-	557
Less: Reserved for Long-Term Receivables	-	-	-	-
Undesignated Fund Balance, Ending	$ 231,863	$ 33,301	$ 21,814	$ 1,468

	STATE AIRPORTS		PETROLEUM TANK CLEANUP		NATURAL RESOURCES	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
	$ -	$ -	$ -	$ -	$ 12,495	$ 12,193
	14,200	13,783	-	-	-	-
	3,632	3,470	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	1,106	1,006
	510	647	27,656	27,664	46,349	48,634
	74	56	300	140	88	94
	90	40	73	59	3,743	1,342
	$ 18,506	$ 17,996	$ 28,029	$ 27,863	$ 63,781	$ 63,269
	$ -	$ -	$ 9,356	$ 8,966	$ 91,007	$ 82,795
	-	-	12,746	12,746	-	-
	-	-	-	-	160	160
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	20,761	19,210	-	-	5,670	5,670
	$ 20,761	$ 19,210	$ 22,102	$ 21,712	$ 96,837	$ 88,625
	$ (2,255)	$ (1,214)	$ 5,927	$ 6,151	$ (33,056)	$ (25,356)
	$ -	$ -	$ 400	$ 400	$ 29,145	$ 27,969
	-	-	(10,571)	(10,571)	(4,047)	(4,047)
	$ -	$ -	$ (10,171)	$ (10,171)	$ 25,098	$ 23,922
	$ (2,255)	$ (1,214)	$ (4,244)	$ (4,020)	$ (7,958)	$ (1,434)
	$ 4,769	$ 4,769	$ 12,962	$ 12,962	$ 32,334	$ 32,334
	-	477	-	-	-	878
	$ 4,769	$ 5,246	$ 12,962	$ 12,962	$ 32,334	$ 33,212
	$ 2,514	$ 4,032	$ 8,718	$ 8,942	$ 24,376	$ 31,778
	-	1,456	-	4,263	-	16,456
	-	2,576	-	-	-	-
	$ 2,514	$ -	$ 8,718	$ 4,679	$ 24,376	$ 15,322

CONTINUED

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	GAME AND FISH		ENVIRONMENTAL & REMEDIATION	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ 12,495	$ 12,193	$ -	$ -
Motor Vehicle Taxes	-	-	-	-
Fuel Taxes	-	-	-	-
Other Taxes	-	-	51,613	51,527
Federal Revenue	22,866	22,866	-	-
Departmental Services/Licenses and Fees	54,764	54,967	36,592	39,174
Investment/Interest Income	151	144	161	236
Other Revenues	157	346	2,037	1,886
Net Revenues	$ 90,433	$ 90,516	$ 90,403	$ 92,823
Expenditures:				
Agricutural Environmental & Energy Resources	$ 98,893	$ 88,682	$ 93,712	$ 90,640
Economic and Workforce Development	-	-	493	493
General Education	-	-	-	-
General Government	-	-	698	266
Health and Human Services	-	-	309	236
Intergovernment Aid	-	-	-	-
Public Safety and Corrections	-	-	69	66
Transportation	-	-	-	-
Total Expenditures	$ 98,893	$ 88,682	$ 95,281	$ 91,701
Excess of Revenues Over (Under) Expenditures	$ (8,460)	$ 1,834	$ (4,878)	$ 1,122
Other Financing Sources (Uses):				
Transfers-In	$ 846	$ 859	$ 11,430	$ 10,577
Transfers-Out	(657)	(657)	(411)	(411)
Net Other Financing Sources (Uses)	$ 189	$ 202	$ 11,019	$ 10,166
Net Change in Fund Balances	$ (8,271)	$ 2,036	$ 6,141	$ 11,288
Fund Balances, Beginning, As Reported	$ 28,030	$ 28,030	$ 28,016	$ 28,016
Prior Period Adjustments	-	1,072	-	1,142
Fund Balances, Beginning, as Restated	$ 28,030	$ 29,102	$ 28,016	$ 29,158
Budgetary Fund Balances, Ending	$ 19,759	$ 31,138	$ 34,157	$ 40,446
Less: Appropriation Carryover	-	18,286	-	22,554
Less: Reserved for Long-Term Receivables	-	-	-	638
Undesignated Fund balance, Ending	$ 19,759	$ 12,852	$ 34,157	$ 17,254

HERITAGE		SPECIAL COMPENSATION		HEALTH CARE ACCESS	
FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
$ 263,755	$ 265,885	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	55,811	86,813	546,235	551,858
-	-	6	6	-	-
-	-	3,660	4,771	-	-
753	1,096	544	271	262	262
955	978	-	-	6,818	7,925
$ 265,463	$ 267,959	$ 60,021	$ 91,861	$ 553,315	$ 560,045
$ 148,259	$ 135,999	$ 751	$ 513	$ -	$ -
7,982	7,982	84,543	81,912	-	-
13,831	13,402	-	-	-	-
33,194	33,140	7,950	6,599	1,749	1,328
2,988	2,268	-	-	343,950	312,681
-	-	-	-	295	295
-	-	-	-	-	-
16,263	16,263	-	-	-	-
$ 222,517	$ 209,054	$ 93,244	$ 89,024	$ 345,994	$ 314,304
$ 42,946	$ 58,905	$ (33,223)	$ 2,837	$ 207,321	$ 245,741
$ -	$ -	$ -	$ -	$ 42,800	$ 42,800
(3,998)	(3,998)	-	-	(199,371)	(199,371)
$ (3,998)	$ (3,998)	$ -	$ -	$ (156,571)	$ (156,571)
$ 38,948	$ 54,907	$ (33,223)	$ 2,837	$ 50,750	$ 89,170
$ 85,310	$ 85,310	$ 69,591	$ 69,591	$ 21,864	$ 21,864
-	5,953	-	3,312	-	925
$ 85,310	$ 91,263	$ 69,591	$ 72,903	$ 21,864	$ 22,789
$ 124,258	$ 146,170	$ 36,368	$ 75,740	$ 72,614	$ 111,959
-	113,293	-	8,556	-	34,878
-	-	-	-	-	-
$ 124,258	$ 32,877	$ 36,368	$ 67,184	$ 72,614	$ 77,081

CONTINUED

NONMAJOR APPROPRIATED SPECIAL REVENUE FUNDS (CONTINUED)
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL BUDGETARY BASIS YEAR ENDED JUNE 30, 2012 (IN THOUSANDS)

	WORKFORCE DEVELOPMENT		COMBINED TOTALS	
	FINAL BUDGET	ACTUAL	FINAL BUDGET	ACTUAL
Net Revenues:				
Sales Taxes	$ -	$ -	$ 288,745	$ 290,271
Motor Vehicle Taxes	-	-	931,666	928,752
Fuel Taxes	-	-	868,124	850,211
Other Taxes	43,560	46,146	697,219	736,344
Federal Revenue	1	1	556,115	417,872
Departmental Services/Licenses and Fees	-	-	184,097	194,682
Investment/Interest Income	100	142	5,813	5,895
Other Revenues	-	-	50,095	35,156
Net Revenues	$ 43,661	$ 46,289	$ 3,581,874	$ 3,459,183
Expenditures:				
Agricutural Environmental & Energy Resources	$ -	$ -	$ 441,978	$ 407,595
Economic and Workforce Development	36,616	36,266	142,380	139,399
General Education	-	-	13,991	13,562
General Government	-	-	46,374	43,027
Health and Human Services	-	-	347,247	315,185
Intergovernment Aid	-	-	302	302
Public Safety and Corrections	-	-	96,971	93,589
Transportation	-	-	1,494,957	1,165,880
Total Expenditures	$ 36,616	$ 36,266	$ 2,584,200	$ 2,178,539
Excess of Revenues Over (Under) Expenditures	$ 7,045	$ 10,023	$ 997,674	$ 1,280,644
Other Financing Sources (Uses):				
Transfers-In	$ -	$ -	$ 1,124,493	$ 1,110,941
Transfers-Out	-	-	(2,045,106)	(2,045,106)
Net Other Financing Sources (Uses)	$ -	$ -	$ (920,613)	$ (934,165)
Net Change in Fund Balances	$ 7,045	$ 10,023	$ 77,061	$ 346,479
Fund Balances, Beginning, As Reported	$ 8,255	$ 8,255	$ 514,680	$ 514,680
Prior Period Adjustments	-	5,269	-	15,726
Fund Balances, Beginning, as Restated	$ 8,255	$ 13,524	$ 514,680	$ 530,406
Budgetary Fund Balances, Ending	$ 15,300	$ 23,547	$ 591,741	$ 876,885
Less: Appropriation Carryover	-	891	-	588,997
Less: Reserved for Long-Term Receivables	-	-	-	3,214
Undesignated Fund balance, Ending	$ 15,300	$ 22,656	$ 591,741	$ 284,674

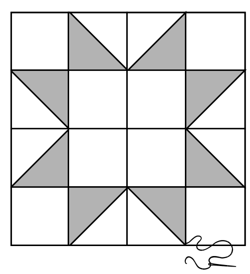
Note to Nonmajor Appropriated Special Revenue Funds Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual Budgetary Basis

Year Ended June 30, 2012
(In Thousands)

Budgetary Basis vs GAAP
Nonmajor Appropriated Special Revenue Funds

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

	Trunk Highway	Highway User Tax Distribution	State Airports	Petroleum Tank Cleanup	Natural Resources	Game and Fish	Environmental & Remediation	Heritage	Special Compensation	Health Care Access	Workforce Development
GAAP Basis Fund Balances:	$ 807,025	$ 4,307	$ 13,908	$ 16,280	$ 50,011	$ 44,907	$ 62,423	$ 282,279	$ 23,068	$ 151,218	$ 40,759
Less: Nonspendable Inventory	35,722	-	-	-	-	-	-	-	-	-	-
Less: Encumbrances	646,385	238	9,527	6,716	8,132	3,540	9,311	114,825	598	13,695	4,821
Undesignated Fund Balances	$ 124,918	$ 4,069	$ 4,381	$ 9,564	$ 41,879	$ 41,367	$ 53,112	$ 167,454	$ 22,470	$ 137,523	$ 35,938
Basis of Accounting Differences											
Revenue Accruals/Adjustments:											
Taxes Receivable	$ -	$ -	$ (422)	$ -	$ -	$ -	$ (9,622)	$ (21,087)	$ (41,713)	$ (77,033)	$ (13,405)
Deferred Revenue	-	2,571	-	10	-	-	4,050	-	105,607	2,870	1,220
Other Receivables	(82,250)	(67,074)	-	(10)	(1,537)	(3,379)	(1,932)	-	(17,843)	-	-
Investments at Market	-	-	-	-	-	(3,171)	-	-	-	-	-
Expenditure Accruals/Adjustments:											
Health and Human Services	-	-	-	-	-	-	-	-	-	48,599	-
Other Payables	-	-	73	(622)	2,379	(2,649)	-	-	7,219	-	(178)
Other Financing Sources (Uses):											
Transfers-In	(65,535)	-	-	-	(16,034)	(1,030)	-	(197)	-	-	(28)
Transfers-Out	-	62,459	-	-	5,091	-	-	-	-	-	-
Perspective Differences:											
Acct with no Legally Adopted Budget	-	-	-	-	-	-	(5,162)	-	-	-	-
Long-Term Receivables	-	-	(2,576)	-	-	-	(638)	-	-	-	-
Long-Term Commitments	423,975	-	-	-	-	-	-	-	-	-	-
Appropriation Carryforward	(367,807)	(557)	(1,456)	(4,263)	(16,456)	(18,286)	(22,554)	(113,293)	(8,556)	(34,878)	(891)
Budgetary Basis Undesignated Fund Balances	$ 33,301	$ 1,468	$ -	$ 4,679	$ 15,322	$ 12,852	$ 17,254	$ 32,877	$ 67,184	$ 77,081	$ 22,656



State of Minnesota

Nonmajor Capital Projects Funds

Building Fund

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

General Projects Fund

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

Transportation Fund

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

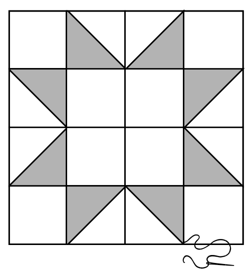
2012 Comprehensive Annual Financial Report

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2012
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
ASSETS				
Cash and Cash Equivalents	$ 175,145	$ 2,202	$ 82,018	$ 259,365
Loans and Notes Receivable	163	-	-	163
Total Assets	$ 175,308	$ 2,202	$ 82,018	$ 259,528
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts Payable	$ 42,785	$ 44	$ 30,469	$ 73,298
Interfund Payables	759	-	-	759
Due to Component Unit	2,105	-	-	2,105
Total Liabilities	$ 45,649	$ 44	$ 30,469	$ 76,162
Fund Balances:				
Restricted	$ 129,659	$ -	$ 51,549	$ 181,208
Assigned	-	2,158	-	2,158
Total Fund Balances	$ 129,659	$ 2,158	$ 51,549	$ 183,366
Total Liabilities and Fund Balances	$ 175,308	$ 2,202	$ 82,018	$ 259,528

NONMAJOR CAPITAL PROJECTS FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	BUILDING	GENERAL PROJECTS	TRANSPORTATION	TOTAL
Net Revenues:				
Investment/Interest Income	$ 7	$ -	$ -	$ 7
Other Revenues	15	-	-	15
Net Revenues	$ 22	$ -	$ -	$ 22
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources	$ 85,832	$ 104	$ -	$ 85,936
Economic and Workforce Development	58,092	-	-	58,092
General Education	10,110	44	-	10,154
General Government	24,148	-	13	24,161
Health and Human Services	10	-	-	10
Higher Education	42,735	-	-	42,735
Public Safety and Corrections	5,676	-	-	5,676
Transportation	66,814	-	134,794	201,608
Total Current Expenditures	$ 293,417	$ 148	$ 134,807	$ 428,372
Capital Outlay	96,629	-	142,039	238,668
Total Expenditures	$ 390,046	$ 148	$ 276,846	$ 667,040
Excess of Revenues Over (Under) Expenditures	$ (390,024)	$ (148)	$ (276,846)	$ (667,018)
Other Financing Sources (Uses):				
General Obligation Bond Issuance	$ 404,094	$ -	$ 348,300	$ 752,394
Transfers-Out	(62,245)	-	-	(62,245)
Net Other Financing Sources (Uses)	$ 341,849	$ -	$ 348,300	$ 690,149
Net Change in Fund Balances	$ (48,175)	$ (148)	$ 71,454	$ 23,131
Fund Balances, Beginning, as Reported	$ 177,834	$ 2,306	$ (19,905)	$ 160,235
Fund Balances, Ending	$ 129,659	$ 2,158	$ 51,549	$ 183,366



State of Minnesota

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Nonmajor Enterprise Funds

Behavioral Services Fund

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

Enterprise Activities Fund

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

Giants Ridge Fund

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

Minnesota Correctional Industries Fund

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

911 Services Fund

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

Public Employees Insurance Fund

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

State Lottery Fund

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

State Operated Community Services Fund

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

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 750	$ 15,970	$ 154	$ 17,066
Accounts Receivable	4,210	3,092	91	6,645
Interfund Receivables	-	-	-	-
Inventories	-	681	219	5,306
Prepaid Expenses	-	1	-	404
Other Assets	-	-	1,298	-
Total Current Assets	$ 4,960	$ 19,744	$ 1,762	$ 29,421
Noncurrent Assets:				
Depreciable Capital Assets (Net)	$ 1,124	$ 822	$ 17,883	$ 4,850
Nondepreciable Capital Assets	-	3	1,489	-
Total Noncurrent Assets	$ 1,124	$ 825	$ 19,372	$ 4,850
Total Assets	$ 6,084	$ 20,569	$ 21,134	$ 34,271
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 5,885	$ 8,580	$ 203	$ 1,790
Interfund Payables	2,223	-	-	-
Unearned Revenue	-	20	-	-
Accrued Interest Payable	-	-	-	-
Bonds and Notes Payable	-	-	-	-
Capital Leases Payable	-	-	91	-
Compensated Absences Payable	199	45	33	157
Total Current Liabilities	$ 8,307	$ 8,645	$ 327	$ 1,947
Noncurrent Liabilities:				
Bonds and Notes Payable	$ -	$ -	$ -	$ -
Capital Leases Payable	-	-	171	-
Compensated Absences Payable	1,122	425	174	837
Other Postemployment Benefits	404	54	-	31
Total Noncurrent Liabilities	$ 1,526	$ 479	$ 345	$ 868
Total Liabilities	$ 9,833	$ 9,124	$ 672	$ 2,815
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 1,124	$ 825	$ 19,110	$ 4,850
Restricted for:				
Economic and Workforce Development	$ -	$ -	$ 1,352	$ -
Health and Human Services	-	-	-	-
Public Safety and Corrections	-	-	-	26,606
Other Purposes	-	10,620	-	-
Total Restricted	$ -	$ 10,620	$ 1,352	$ 26,606
Unrestricted	$ (4,873)	$ -	$ -	$ -
Total Net Assets	$ (3,749)	$ 11,445	$ 20,462	$ 31,456

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 95,093	$ 19,660	$ 21,768	$ 16,032	$ 186,493
4,660	1,681	4,709	6,032	31,120
-	-	-	2,223	2,223
-	-	785	-	6,991
-	-	379	159	943
-	-	-	-	1,298
$ 99,753	$ 21,341	$ 27,641	$ 24,446	$ 229,068
$ 84,057	$ -	$ 1,536	$ 1,858	$ 112,130
14,891	-	-	786	17,169
$ 98,948	$ -	$ 1,536	$ 2,644	$ 129,299
$ 198,701	$ 21,341	$ 29,177	$ 27,090	$ 358,367
$ 5,300	$ 4,110	$ 8,243	$ 3,144	$ 37,255
-	-	18,910	-	21,133
-	1,603	487	-	2,110
577	-	-	-	577
11,380	-	-	319	11,699
-	-	-	94	185
68	5	160	781	1,448
$ 17,325	$ 5,718	$ 27,800	$ 4,338	$ 74,407
$ 151,530	$ -	$ -	$ 1,447	$ 152,977
-	-	-	221	392
373	34	1,268	5,289	9,522
-	1	109	1,318	1,917
$ 151,903	$ 35	$ 1,377	$ 8,275	$ 164,808
$ 169,228	$ 5,753	$ 29,177	$ 12,613	$ 239,215
$ -	$ -	$ 1,536	$ 460	$ 27,905
$ -	$ -	$ -	$ -	$ 1,352
-	-	-	14,017	14,017
29,473	-	-	-	56,079
-	15,588	-	-	26,208
$ 29,473	$ 15,588	$ -	$ 14,017	$ 97,656
$ -	$ -	$ (1,536)	$ -	$ (6,409)
$ 29,473	$ 15,588	$ -	$ 14,477	$ 119,152

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

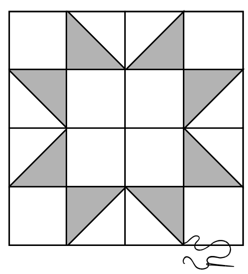
	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Operating Revenues:				
Net Sales	$ 17,381	$ 18,300	$ 3,858	$ 40,247
Insurance Premiums	-	-	-	-
Other Income	6	115	-	2,482
Total Operating Revenues	$ 17,387	$ 18,415	$ 3,858	$ 42,729
Less: Cost of Goods Sold	-	2,391	720	16,989
Gross Margin	$ 17,387	$ 16,024	$ 3,138	$ 25,740
Operating Expenses:				
Purchased Services	$ 3,344	$ 1,901	$ 3,714	$ 2,562
Salaries and Fringe Benefits	14,582	5,246	1,400	9,751
Claims	1	-	-	-
Depreciation and Amortization	51	108	1,205	923
Supplies and Materials	2,095	74	383	811
Repairs and Maintenance	20	17	24	280
Indirect Costs	143	202	-	872
Other Expenses	24	5	120	5,806
Total Operating Expenses	$ 20,260	$ 7,553	$ 6,846	$ 21,005
Operating Income (Loss)	$ (2,873)	$ 8,471	$ (3,708)	$ 4,735
Nonoperating Revenues (Expenses):				
Investment Income	$ 4	$ 4	$ -	$ 81
Other Nonoperating Revenues	-	-	1	-
Interest and Financing Costs	-	-	(15)	-
Grants, Aids and Subsidies	(13)	-	-	(1,358)
Other Nonoperating Expenses	-	(7,975)	-	-
Gain (Loss) on Disposal of Capital Assets	(11)	-	1	11
Total Nonoperating Revenues (Expenses)	$ (20)	$ (7,971)	$ (13)	$ (1,266)
Income (Loss) Before Transfers and Contributions	$ (2,893)	$ 500	$ (3,721)	$ 3,469
Transfers-In	-	1,658	2,141	-
Transfers-Out	-	-	-	(600)
Change in Net Assets	$ (2,893)	$ 2,158	$ (1,580)	$ 2,869
Net Assets, Beginning, as Reported	$ (856)	$ 9,287	$ 22,042	$ 28,587
Net Assets, Ending	$ (3,749)	$ 11,445	$ 20,462	$ 31,456

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 68,516	$ -	$ 520,049	$ 78,542	$ 746,893
-	45,021	-	-	45,021
-	354	-	3	2,960
$ 68,516	$ 45,375	$ 520,049	$ 78,545	$ 794,874
-	-	370,218	-	390,318
$ 68,516	$ 45,375	$ 149,831	$ 78,545	$ 404,556
$ 18,186	$ 6,397	$ 13,478	$ 5,783	$ 55,365
5,157	150	10,264	68,347	114,897
-	36,608	-	-	36,609
8,170	-	893	107	11,457
12,769	1	948	661	17,742
199	-	-	688	1,228
39	7	-	2,985	4,248
6	26	789	132	6,908
$ 44,526	$ 43,189	$ 26,372	$ 78,703	$ 248,454
$ 23,990	$ 2,186	$ 123,459	$ (158)	$ 156,102
$ 1	$ 98	$ 156	$ 110	$ 454
-	-	193	-	194
(7,245)	-	-	-	(7,260)
(21,102)	-	-	(927)	(23,400)
-	-	-	-	(7,975)
142	-	-	34	177
$ (28,204)	$ 98	$ 349	$ (783)	$ (37,810)
$ (4,214)	$ 2,284	$ 123,808	$ (941)	$ 118,292
-	-	-	-	3,799
(682)	-	(123,808)	-	(125,090)
$ (4,896)	$ 2,284	$ -	$ (941)	$ (2,999)
$ 34,369	$ 13,304	$ -	$ 15,418	$ 122,151
$ 29,473	$ 15,588	$ -	$ 14,477	$ 119,152

NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	BEHAVIORAL SERVICES	ENTERPRISE ACTIVITIES	GIANTS RIDGE	MINNESOTA CORRECTIONAL INDUSTRIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 16,951	$ 18,495	$ 3,757	$ 40,247
Receipts from Other Revenues	-	116	-	2,482
Payments to Claimants	-	-	-	-
Payments to Suppliers	(3,114)	(3,707)	(4,815)	(28,616)
Payments to Employees	(15,176)	(5,380)	(1,452)	(9,751)
Payments to Others	-	(8,624)	-	(1,408)
Net Cash Flows from Operating Activities	$ (1,339)	$ 900	$ (2,510)	$ 2,954
Cash Flows from Noncapital Financing Activities:				
Grant Disbursements	$ -	$ -	$ (5)	$ -
Transfers-In	-	1,658	2,141	-
Transfers-Out	-	-	-	(600)
Proceeds from Bonds	-	-	-	-
Repayment of Bond Principal	-	-	-	-
Interest Paid	-	-	-	-
Net Cash Flows from Noncapital Financing Activities	$ -	$ 1,658	$ 2,136	$ (600)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ -	$ -	$ (55)	$ (530)
Proceeds from Disposal of Capital Assets	-	-	-	11
Capital Lease Payments	-	-	(87)	-
Repayment of Bond Principal	-	-	-	-
Interest Paid	-	-	(15)	-
Net Cash Flows from Capital and Related Financing Activities	$ -	$ -	$ (157)	$ (519)
Cash Flows from Investing Activities:				
Investment Earnings	$ 4	$ 3	$ -	$ 81
Net Cash Flows from Investing Activities	$ 4	$ 3	$ -	$ 81
Net Increase (Decrease) in Cash and Cash Equivalents	$ (1,335)	$ 2,561	$ (531)	$ 1,916
Cash and Cash Equivalents, Beginning, as Reported	$ 2,085	$ 13,409	$ 685	$ 15,150
Cash and Cash Equivalents, Ending	$ 750	$ 15,970	$ 154	$ 17,066
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ (2,873)	$ 8,471	$ (3,708)	$ 4,735
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	$ 51	$ 108	$ 1,205	$ 923
Miscellaneous Nonoperating Expenses	-	(7,870)	-	(1,408)
Change in Assets and Liabilities:				
Accounts Receivable	(388)	191	(4)	(1,893)
Inventories	-	(16)	1	457
Other Assets	-	1	-	(7)
Accounts Payable	2,444	35	33	700
Compensated Absences Payable	(594)	(29)	(9)	-
Unearned Revenues	-	10	(28)	-
Other Liabilities	21	(1)	-	(553)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 1,534	$ (7,571)	$ 1,198	$ (1,781)
Net Cash Flows from Operating Activities	$ (1,339)	$ 900	$ (2,510)	$ 2,954
Noncash Investing, Capital and Financing Activities:				
Transferred/Donated Assets	$ -	$ -	$ -	$ 7

911 SERVICES	PUBLIC EMPLOYEES INSURANCE	STATE LOTTERY	STATE OPERATED COMMUNITY SERVICES	TOTAL
$ 69,343	$ 45,182	$ 519,938	$ 76,707	$ 790,620
-	517	54	1,128	4,297
-	(35,757)	(317,157)	-	(352,914)
(33,047)	(6,325)	(32,238)	(12,767)	(124,629)
(5,420)	(157)	(10,695)	(70,493)	(118,524)
-	(18)	(31,469)	-	(41,519)
$ 30,876	$ 3,442	$ 128,433	$ (5,425)	$ 157,331
$ (20,729)	$ -	$ -	$ -	$ (20,734)
-	-	-	-	3,799
(682)	-	(123,128)	-	(124,410)
67,420	-	-	-	67,420
(15,005)	-	-	-	(15,005)
(7,260)	-	-	-	(7,260)
$ 23,744	$ -	$ (123,128)	$ -	$ (96,190)
$ (18,040)	$ -	$ (277)	$ (3)	$ (18,905)
-	-	38	-	49
-	-	-	(86)	(173)
-	-	-	(304)	(304)
-	-	-	(94)	(109)
$ (18,040)	$ -	$ (239)	$ (487)	$ (19,442)
$ 1	$ 99	$ 156	$ 102	$ 446
$ 1	$ 99	$ 156	$ 102	$ 446
$ 36,581	$ 3,541	$ 5,222	$ (5,810)	$ 42,145
$ 58,512	$ 16,119	$ 16,546	$ 21,842	$ 144,348
$ 95,093	$ 19,660	$ 21,768	$ 16,032	$ 186,493
$ 23,990	$ 2,186	$ 123,459	$ (158)	$ 156,102
$ 8,170	$ -	$ 893	$ 107	$ 11,457
-	-	-	-	(9,278)
518	(971)	241	(3,734)	(6,040)
-	-	(188)	-	254
-	-	137	-	131
(1,809)	1,698	4,320	348	7,769
7	(1)	(91)	(1,988)	(2,705)
-	536	(338)	-	180
-	(6)	-	-	(539)
$ 6,886	$ 1,256	$ 4,974	$ (5,267)	$ 1,229
$ 30,876	$ 3,442	$ 128,433	$ (5,425)	$ 157,331
$ -	$ -	$ -	$ -	$ 7



State of Minnesota

2012
Comprehensive
Annual
Financial Report

Internal Service Funds

Central Motor Pool Fund

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

Central Services Fund

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

Employee Insurance Fund

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

Enterprise Technologies Fund

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

Plant Management Fund

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

Risk Management Fund

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

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE	ENTERPRISE TECHNOLOGIES
ASSETS				
Current Assets:				
Cash and Cash Equivalents	$ 3,380	$ 820	$ 249,118	$ 11,023
Investments	-	-	20,672	-
Accounts Receivable	3,005	5,117	10,151	19,403
Accrued Investment/Interest Income	-	-	175	-
Inventories	-	9	-	-
Prepaid Expenses	-	377	-	6,274
Total Current Assets	$ 6,385	$ 6,323	$ 280,116	$ 36,700
Noncurrent Assets:				
Depreciable Capital Assets (Net)	$ 18,210	$ 37	$ -	$ 8,184
Prepaid Expenses	-	-	-	1,037
Total Noncurrent Assets	$ 18,210	$ 37	$ -	$ 9,221
Total Assets	$ 24,595	$ 6,360	$ 280,116	$ 45,921
LIABILITIES				
Current Liabilities:				
Accounts Payable	$ 1,107	$ 3,208	$ 73,100	$ 6,105
Unearned Revenue	-	-	11,844	4,809
Accrued Interest Payable	18	-	-	9
Bonds and Notes Payable	5,174	-	-	2,412
Claims Payable	-	-	-	-
Compensated Absences Payable	11	30	42	295
Other Liabilities	-	-	-	37
Total Current Liabilities	$ 6,310	$ 3,238	$ 84,986	$ 13,667
Noncurrent Liabilities:				
Bonds and Notes Payable	$ 6,974	$ -	$ -	$ 3,892
Compensated Absences Payable	93	343	461	2,959
Other Postemployment Benefits	10	86	25	247
Total Noncurrent Liabilities	$ 7,077	$ 429	$ 486	$ 7,098
Total Liabilities	$ 13,387	$ 3,667	$ 85,472	$ 20,765
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	$ 5,814	$ 37	$ -	$ 1,977
Unrestricted	$ 5,394	$ 2,656	$ 194,644	$ 23,179
Total Net Assets	$ 11,208	$ 2,693	$ 194,644	$ 25,156

PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 25,523	$ 23,241	$ 313,105
-	-	20,672
2,645	536	40,857
-	-	175
205	-	214
-	21	6,672
$ 28,373	$ 23,798	$ 381,695
$ 6,147	$ 647	$ 33,225
-	-	1,037
$ 6,147	$ 647	$ 34,262
$ 34,520	$ 24,445	$ 415,957
$ 2,273	$ 2,224	$ 88,017
-	192	16,845
-	-	27
-	-	7,586
-	9,518	9,518
166	18	562
-	-	37
$ 2,439	$ 11,952	$ 122,592
$ -	$ -	$ 10,866
1,203	146	5,205
193	11	572
$ 1,396	$ 157	$ 16,643
$ 3,835	$ 12,109	$ 139,235
$ 6,094	$ 607	$ 14,529
$ 24,591	$ 11,729	$ 262,193
$ 30,685	$ 12,336	$ 276,722

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE	ENTERPRISE TECHNOLOGIES
Operating Revenues:				
Net Sales	$ 13,933	$ 13,231	$ -	$ 86,468
Insurance Premiums	-	-	672,534	-
Other Income	-	-	7,037	-
Total Operating Revenues	$ 13,933	$ 13,231	$ 679,571	$ 86,468
Gross Margin	$ 13,933	$ 13,231	$ 679,571	$ 86,468
Operating Expenses:				
Purchased Services	$ 913	$ 9,429	$ 76,391	$ 47,009
Salaries and Fringe Benefits	712	2,972	4,188	27,547
Claims	-	-	645,863	-
Depreciation and Amortization	4,557	102	-	3,745
Supplies and Materials	5,559	82	27	1,626
Repairs and Maintenance	1,378	209	1	3,503
Indirect Costs	18	83	279	242
Other Expenses	136	2	111	4
Total Operating Expenses	$ 13,273	$ 12,879	$ 726,860	$ 83,676
Operating Income (Loss)	$ 660	$ 352	$ (47,289)	$ 2,792
Nonoperating Revenues (Expenses):				
Investment Income	$ 54	$ -	$ 1,935	$ 25
Federal Grants	-	-	-	26
Interest and Financing Costs	(217)	-	-	(102)
Other Nonoperating Expenses	(265)	-	-	(6,121)
Gain (Loss) on Disposal of Capital Assets	571	-	-	-
Total Nonoperating Revenues (Expenses)	$ 143	$ -	$ 1,935	$ (6,172)
Income (Loss) Before Transfers and Contributions	$ 803	$ 352	$ (45,354)	$ (3,380)
Transfers-In	-	-	-	45
Transfers-Out	-	-	(13)	(828)
Change in Net Assets	$ 803	$ 352	$ (45,367)	$ (4,163)
Net Assets, Beginning, as Reported	$ 10,405	$ 2,341	$ 240,011	$ 29,319
Net Assets, Ending	$ 11,208	$ 2,693	$ 194,644	$ 25,156

PLANT MANAGEMENT	RISK MANAGEMENT	TOTAL
$ 62,318	$ 96	$ 176,046
-	11,478	684,012
-	-	7,037
$ 62,318	$ 11,574	$ 867,095
$ 62,318	$ 11,574	$ 867,095
$ 10,805	$ 4,230	$ 148,777
12,988	1,014	49,421
-	2,448	648,311
480	-	8,884
1,957	14	9,265
2,527	-	7,618
715	282	1,619
260	11	524
$ 29,732	$ 7,999	$ 874,419
$ 32,586	$ 3,575	$ (7,324)
$ -	$ 100	$ 2,114
-	-	26
-	-	(319)
-	(1,853)	(8,239)
5	-	576
$ 5	$ (1,753)	$ (5,842)
$ 32,591	$ 1,822	$ (13,166)
-	-	45
(27,655)	-	(28,496)
$ 4,936	$ 1,822	$ (41,617)
$ 25,749	$ 10,514	$ 318,339
$ 30,685	$ 12,336	$ 276,722

INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE	ENTERPRISE TECHNOLOGIES
Cash Flows from Operating Activities:				
Receipts from Customers	$ 12,574	$ 9,453	$ 672,579	$ 82,330
Receipts from Other Revenues	-	-	14,050	-
Payments to Claimants	-	-	(634,438)	-
Payments to Suppliers	(7,382)	(9,398)	(75,367)	-
Payments to Employees	(741)	(3,029)	(4,358)	(28,509)
Payments to Others	(265)	-	(30)	(61,131)
Net Cash Flows from Operating Activities	$ 4,186	$ (2,974)	$ (27,564)	$ (7,310)
Cash Flows from Noncapital Financing Activities:				
Transfers-In	$ -	$ -	$ -	$ 45
Transfers-Out	-	-	(13)	(828)
Advances from Other Funds	-	2,615	-	-
Net Cash Flows from Noncapital Financing Activities	$ -	$ 2,615	$ (13)	$ (783)
Cash Flows from Capital and Related Financing Activities:				
Investment in Capital Assets	$ (7,034)	$ -	$ -	$ (4,353)
Proceeds from Disposal of Capital Assets	1,847	-	-	-
Proceeds from Loans	6,185	-	-	3,834
Repayment of Loan Principal	(4,804)	-	-	(2,537)
Interest Paid	(218)	-	-	(346)
Net Cash Flows from Capital and Related Financing Activities	$ (4,024)	$ -	$ -	$ (3,402)
Cash Flows from Investing Activities:				
Proceeds from Sales and Maturities of Investments	$ -	$ -	$ 5,660	$ -
Purchase of Investments	-	-	(6,094)	-
Investment Earnings	54	-	2,008	25
Net Cash Flows from Investing Activities	$ 54	$ -	$ 1,574	$ 25
Net Increase (Decrease) in Cash and Cash Equivalents	$ 216	$ (359)	$ (26,003)	$ (11,470)
Cash and Cash Equivalents, Beginning, as Reported	$ 3,164	$ 1,179	$ 275,121	$ 22,493
Cash and Cash Equivalents, Ending	$ 3,380	$ 820	$ 249,118	$ 11,023

	CENTRAL MOTOR POOL	CENTRAL SERVICES	EMPLOYEE INSURANCE	ENTERPRISE TECHNOLOGIES
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:				
Operating Income (Loss)	$ 660	$ 352	$ (47,289)	$ 2,792
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:				
Depreciation and Amortization	$ 4,557	$ 102	$ -	$ 3,745
Miscellaneous Nonoperating Expenses	(265)	-	-	(5,973)
Change in Assets and Liabilities:				
Accounts Receivable	(1,359)	(3,847)	(67)	(8,645)
Inventories	-	(3)	-	-
Other Assets	-	273	-	(2,199)
Accounts Payable	592	243	13,273	542
Compensated Absences Payable	-	(3)	(20)	-
Unearned Revenues	-	(22)	6,689	2,406
Other Liabilities	1	(69)	(150)	22
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 3,526	$ (3,326)	$ 19,725	$ (10,102)
Net Cash Flows from Operating Activities	$ 4,186	$ (2,974)	$ (27,564)	$ (7,310)
Noncash Investing, Capital and Financing Activities:				
Transferred/Donated Assets	$ 228	$ 88	$ -	$ -
Accrual of Computer Equipment as an Investment in Capital Assets	-	-	-	659

PLANT MANAGEMENT		RISK MANAGEMENT		TOTAL	
$	61,663	$	11,516	$	850,115
	-		-		14,050
	-		(2,597)		(637,035)
	(17,365)		(4,375)		(113,887)
	(13,723)		(1,013)		(51,373)
	-		-		(61,426)
$	30,575	$	3,531	$	444
$	-	$	-	$	45
	(27,655)		-		(28,496)
	-		-		2,615
$	(27,655)	$	-	$	(25,836)
$	(1,120)	$	-	$	(12,507)
	28		-		1,875
	-		-		10,019
	-		-		(7,341)
	-		-		(564)
$	(1,092)	$	-	$	(8,518)
$	-	$	-	$	5,660
	-		-		(6,094)
	-		100		2,187
$	-	$	100	$	1,753
$	1,828	$	3,631	$	(32,157)
$	23,695	$	19,610	$	345,262
$	25,523	$	23,241	$	313,105
$	32,586	$	3,575	$	(7,324)
$	480	$	-	$	8,884
	-		-		(6,238)
	(655)		1,520		(13,053)
	22		-		19
	-		(6)		(1,932)
	(1,649)		(1,584)		11,417
	(172)		27		(168)
	-		(1)		9,072
	(37)		-		(233)
$	(2,011)	$	(44)	$	7,768
$	30,575	$	3,531	$	444
$	30	$	-	$	346
	-		-		659

State of Minnesota

2012 Comprehensive Annual Financial Report

Pension Trust Funds

Minnesota State Retirement System

State Employees Retirement Fund

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

Correctional Employees Retirement Fund

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

Elective State Officers Fund

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

Judicial Retirement Fund

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

Legislative Retirement Fund

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

State Patrol Retirement Fund

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

Hennepin County Supplemental Retirement Fund

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

Postretirement Health Care Benefits Fund

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

Unclassified Employees Retirement Fund

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

State Deferred Compensation Fund

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

Public Employees Retirement Association

Public Employees Retirement Fund

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

Minneapolis Employees Retirement Fund

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

Police and Fire Fund

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

Public Employees Correctional Fund

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

Volunteer Firefighter Retirement Fund

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

Defined Contribution Fund

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

Teachers Retirement Association

Teachers Retirement Fund

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

State Colleges and Universities

Colleges and Universities Retirement Fund

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

PENSION TRUST FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	JUDICIAL RETIREMENT
ASSETS				
Cash and Cash Equivalents	$ 8,216	$ 1,625	$ -	$ 450
Investment Pools, at fair value:				
Cash Equivalent Investments	$ 415,181	$ 31,593	$ -	$ 7,056
Investments	8,811,414	636,634	-	139,018
Accrued Interest and Dividends	21,372	1,544	-	337
Securities Trades Receivables (Payables)	(164,463)	(11,882)	-	(2,594)
Total Investment Pool Participation	$ 9,083,504	$ 657,889	$ -	$ 143,817
Receivables:				
Employer Contributions	$ 4,113	$ 748	$ -	$ -
Member Contributions	4,113	532	-	-
Interfund Receivables	4,310	7	8	6
Other Receivables	395	5	-	3
Accrued Interest and Dividends	39	3	-	1
Total Receivables	$ 12,970	$ 1,295	$ 8	$ 10
Securities Lending Collateral	$ 826,547	$ 59,745	$ -	$ 13,049
Depreciable Capital Assets (Net)	5,946	-	-	-
Nondepreciable Capital Assets	88	-	-	-
Total Assets	$ 9,937,271	$ 720,554	$ 8	$ 157,326
LIABILITIES				
Accounts Payable	$ 6,151	$ 409	$ -	$ 96
Interfund Payables	16	877	8	95
Accrued Expense	-	-	-	-
Revenue Bonds Payable	5,660	-	-	-
Bond Interest	-	-	-	-
Compensated Absences Payable	733	-	-	-
Securities Lending Liabilities	826,547	59,745	-	13,049
Other Liabilities	67	-	-	-
Total Liabilities	$ 839,174	$ 61,031	$ 8	$ 13,240
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 9,098,097	$ 659,523	$ -	$ 144,086

MINNESOTA STATE RETIREMENT SYSTEM

LEGISLATIVE RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	POSTRETIREMENT HEALTHCARE BENEFITS	UNCLASSIFIED EMPLOYEES RETIREMENT	STATE DEFERRED COMPENSATION
$ 1,195	$ 739	$ 202	$ 1,289	$ 454	$ 16,616
$ 622	$ 25,344	$ 20,196	$ 190,051	$ 20,179	$ 66,778
13,943	532,482	104,895	319,200	255,122	4,192,872
34	1,292	332	614	651	16
(260)	(9,939)	(1,891)	(3,998)	(2,961)	(2)
$ 14,339	$ 549,179	$ 123,532	$ 505,867	$ 272,991	$ 4,259,664
$ -	$ 343	$ 13	$ -	$ 149	$ -
-	229	13	4,192	130	6,688
57	2	-	4	1	-
-	8	4	214	7	487
-	2	-	-	-	8
$ 57	$ 584	$ 30	$ 4,410	$ 287	$ 7,183
$ 1,307	$ 49,953	$ 1,202	$ 4,923	$ 2,657	$ 41,453
-	-	-	-	-	-
-	-	-	-	-	-
$ 16,898	$ 600,455	$ 124,966	$ 516,489	$ 276,389	$ 4,324,916
$ 12	$ 315	$ 31	$ 232	$ 53	$ 1,086
56	231	7	1,985	290	766
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,307	49,953	1,202	4,923	2,657	41,453
-	-	-	-	-	-
$ 1,375	$ 50,499	$ 1,240	$ 7,140	$ 3,000	$ 43,305
$ 15,523	$ 549,956	$ 123,726	$ 509,349	$ 273,389	$ 4,281,611

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2012
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	PUBLIC EMPLOYEES RETIREMENT	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
ASSETS			
Cash and Cash Equivalents	$ 5,653	$ 406	$ 2,363
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 636,140	$ 34,216	$ 270,530
Investments	13,132,085	764,332	5,586,414
Accrued Interest and Dividends	31,852	1,854	13,550
Securities Trades Receivables (Payables)	(245,106)	(14,266)	(104,269)
Total Investment Pool Participation	$ 13,554,971	$ 786,136	$ 5,766,225
Receivables:			
Employer Contributions	$ -	$ -	$ -
Member Contributions	-	-	-
Interfund Receivables	6,057	-	16
Other Receivables	13,597	56,383	11,226
Accrued Interest and Dividends	-	-	-
Total Receivables	$ 19,654	$ 56,383	$ 11,242
Securities Lending Collateral	$ 1,232,119	$ 71,668	$ 524,144
Depreciable Capital Assets (Net)	8,485	-	-
Nondepreciable Capital Assets	170	-	-
Total Assets	$ 14,821,052	$ 914,593	$ 6,303,974
LIABILITIES			
Accounts Payable	$ 1,615	$ 13	$ 2,201
Interfund Payables	18	101	5,582
Accrued Expense	-	-	-
Revenue Bonds Payable	8,652	-	-
Bond Interest	-	-	-
Compensated Absences Payable	944	-	-
Securities Lending Liabilities	1,232,119	71,668	524,144
Other Liabilities	51	-	-
Total Liabilities	$ 1,243,399	$ 71,782	$ 531,927
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 13,577,653	$ 842,811	$ 5,772,047

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 219	$ -	$ 73	$ 7,421	$ -	$ 46,921
$ 15,029	$ 551	$ 3,750	$ 776,142	$ -	$ 2,513,358
294,741	6,438	37,888	16,159,156	1,150,606	52,137,240
715	26	103	39,448	-	113,740
(5,501)	(252)	(480)	(301,606)	-	(869,470)
$ 304,984	$ 6,763	$ 41,261	$ 16,673,140	$ 1,150,606	$ 53,894,868
$ -	$ -	$ -	$ -	$ -	$ 5,366
-	-	-	-	-	15,897
2	-	-	-	-	10,470
433	59	81	14,854	-	97,756
-	-	-	-	-	53
$ 435	$ 59	$ 81	$ 14,854	$ -	$ 129,542
$ 27,666	$ 694	$ 3,366	$ 1,515,372	$ -	$ 4,375,865
-	-	-	12,610	-	27,041
-	-	-	171	-	429
$ 333,304	$ 7,516	$ 44,781	$ 18,223,568	$ 1,150,606	$ 58,474,666
$ 1	$ 1	$ -	$ 8,741	$ -	$ 20,957
229	-	145	-	-	10,406
-	-	-	3	-	3
-	-	-	8,657	-	22,969
-	-	-	41	-	41
-	-	-	768	-	2,445
27,666	694	3,366	1,515,372	-	4,375,865
-	-	-	45	-	163
$ 27,896	$ 695	$ 3,511	$ 1,533,627	$ -	$ 4,432,849
$ 305,408	$ 6,821	$ 41,270	$ 16,689,941	$ 1,150,606	$ 54,041,817

PENSION TRUST FUNDS
COMBINING STATEMENT OF CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	MINNESOTA STATE RETIREMENT SYSTEM			
	STATE EMPLOYEES RETIREMENT	CORRECTIONAL EMPLOYEES RETIREMENT	ELECTIVE STATE OFFICERS	JUDICIAL RETIREMENT
Additions:				
Contributions:				
Employer	$ 115,159	$ 24,188	$ -	$ 7,922
Member	118,358	17,203	-	2,931
Contributions From Other Sources	-	-	-	-
Participating Plans	-	-	-	-
Total Contributions	$ 233,517	$ 41,391	$ -	$ 10,853
Net Investment Income:				
Investment Income	$ 220,634	$ 16,517	$ -	$ 3,470
Less: Investment Expense	(12,402)	(896)	-	(196)
Net Investment Income	$ 208,232	$ 15,621	$ -	$ 3,274
Securities Lending Revenues (Expenses):				
Securities Lending Income	$ 7,244	$ 524	$ -	$ 114
Securities Lending Rebates and Fees	(3,016)	(218)	-	(47)
Net Securities Lending Revenue	$ 4,228	$ 306	$ -	$ 67
Total Investment Income	$ 212,460	$ 15,927	$ -	$ 3,341
Transfers From Other Funds	$ 24,303	$ -	$ 465	$ -
Other Additions	374	-	-	-
Total Additions	$ 470,654	$ 57,318	$ 465	$ 14,194
Deductions:				
Benefits	$ 552,088	$ 42,571	$ 458	$ 18,539
Refunds and Withdrawals	11,573	1,257	-	-
Administrative Expenses	6,356	548	7	73
Transfers To Other Funds	204	-	-	-
Total Deductions	$ 570,221	$ 44,376	$ 465	$ 18,612
Net Increase (Decrease)	$ (99,567)	$ 12,942	$ -	$ (4,418)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 9,197,664	$ 646,581	$ -	$ 148,504
Change in Reporting Entity	-	-	-	-
Change in Fund Structure	-	-	-	-
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 9,197,664	$ 646,581	$ -	$ 148,504
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 9,098,097	$ 659,523	$ -	$ 144,086

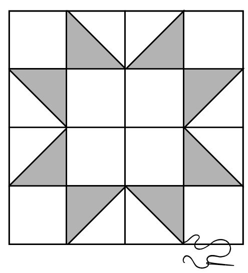
MINNESOTA STATE RETIREMENT SYSTEM					
LEGISLATIVE RETIREMENT	STATE PATROL RETIREMENT	HENNEPIN COUNTY SUPPLEMENTAL RETIREMENT	POSTRETIREMENT HEALTHCARE BENEFITS	UNCLASSIFIED EMPLOYEES RETIREMENT	STATE DEFERRED COMPENSATION
$ -	$ 11,620	$ 459	$ -	$ 5,918	$ -
124	7,753	458	128,375	5,586	216,010
-	-	-	-	-	-
-	-	-	-	-	-
$ 124	$ 19,373	$ 917	$ 128,375	$ 11,504	$ 216,010
$ 266	$ 13,232	$ 4,118	$ 8,548	$ 6,839	$ 90,298
(20)	(750)	(130)	(2,755)	(225)	(4,872)
$ 246	$ 12,482	$ 3,988	$ 5,793	$ 6,614	$ 85,426
$ 11	$ 438	$ 10	$ 42	$ 23	$ 353
(4)	(182)	(4)	(17)	(10)	(146)
$ 7	$ 256	$ 6	$ 25	$ 13	$ 207
$ 253	$ 12,738	$ 3,994	$ 5,818	$ 6,627	$ 85,633
$ 3,935	$ -	$ -	$ -	$ 204	$ -
-	-	49	2,422	89	4,480
$ 4,312	$ 32,111	$ 4,960	$ 136,615	$ 18,424	$ 306,123
$ 7,721	$ 50,007	$ 2,807	$ 58,987	$ -	$ 29,615
172	275	3,933	-	5,250	170,442
36	158	50	2,151	180	4,507
-	-	-	-	24,303	-
$ 7,929	$ 50,440	$ 6,790	$ 61,138	$ 29,733	$ 204,564
$ (3,617)	$ (18,329)	$ (1,830)	$ 75,477	$ (11,309)	$ 101,559
$ 19,140	$ 568,285	$ 125,556	$ 433,872	$ 284,698	$ 4,180,052
-	-	-	-	-	-
-	-	-	-	-	-
$ 19,140	$ 568,285	$ 125,556	$ 433,872	$ 284,698	$ 4,180,052
$ 15,523	$ 549,956	$ 123,726	$ 509,349	$ 273,389	$ 4,281,611

CONTINUED

PENSION TRUST FUNDS (CONTINUED)
COMBINING STATEMENT OF CHANGES
IN NET ASSETS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	PUBLIC EMPLOYEES RETIREMENT ASSOCIATION		
	PUBLIC EMPLOYEES RETIREMENT	MINNEAPOLIS EMPLOYEES RETIREMENT	POLICE AND FIRE
Additions:			
Contributions:			
Employer	$ 368,037	$ 31,623	$ 121,891
Member	321,412	1,104	76,264
Contributions From Other Sources	-	-	-
Participating Plans	-	-	304,474
Total Contributions	$ 689,449	$ 32,727	$ 502,629
Net Investment Income:			
Investment Income	$ 332,592	$ 18,911	$ 152,630
Less: Investment Expense	(18,479)	(1,079)	(7,852)
Net Investment Income	$ 314,113	$ 17,832	$ 144,778
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 10,800	$ 628	$ 4,595
Securities Lending Rebates and Fees	(4,496)	(261)	(1,913)
Net Securities Lending Revenue	$ 6,304	$ 367	$ 2,682
Total Investment Income	$ 320,417	$ 18,199	$ 147,460
Transfers From Other Funds	$ -	$ 22,750	$ -
Other Additions	564	207	15,234
Total Additions	$ 1,010,430	$ 73,883	$ 665,323
Deductions:			
Benefits	$ 1,000,644	$ 140,709	$ 386,208
Refunds and Withdrawals	39,105	1,178	8,822
Administrative Expenses	9,650	172	855
Transfers To Other Funds	-	-	-
Total Deductions	$ 1,049,399	$ 142,059	$ 395,885
Net Increase (Decrease)	$ (38,969)	$ (68,176)	$ 269,438
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 13,616,622	$ 910,987	$ 5,317,032
Change in Reporting Entity	-	-	1,666
Change in Fund Structure	-	-	183,911
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 13,616,622	$ 910,987	$ 5,502,609
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 13,577,653	$ 842,811	$ 5,772,047

PUBLIC EMPLOYEES RETIREMENT ASSOCIATION					
PUBLIC EMPLOYEES CORRECTIONAL	VOLUNTEER FIREFIGHTER RETIREMENT	DEFINED CONTRIBUTION	TEACHERS RETIREMENT	STATE COLLEGES AND UNIVERSITIES RETIREMENT	TOTAL
$ 14,320	$ 118	$ 1,674	$ 244,935	$ 41,500	$ 989,364
9,581	-	1,548	239,834	34,926	1,181,467
-	-	-	6,092	1,576	7,668
-	-	-	-	-	304,474
$ 23,901	$ 118	$ 3,222	$ 490,861	$ 78,002	$ 2,482,973
$ 8,118	$ 250	$ 1,282	$ 398,195	$ 28,905	$ 1,304,805
(414)	-	(34)	(22,757)	-	(72,861)
$ 7,704	$ 250	$ 1,248	$ 375,438	$ 28,905	$ 1,231,944
$ 243	$ 7	$ 27	$ 13,278	$ -	$ 38,337
(101)	(3)	(12)	(5,530)	-	(15,960)
$ 142	$ 4	$ 15	$ 7,748	$ -	$ 22,377
$ 7,846	$ 254	$ 1,263	$ 383,186	$ 28,905	$ 1,254,321
$ -	$ 153	$ -	$ 16,493	$ -	$ 68,303
-	3,076	-	4,070	-	30,565
$ 31,747	$ 3,601	$ 4,485	$ 894,610	$ 106,907	$ 3,836,162
$ 4,809	$ 273	$ -	$ 1,485,527	$ 49,762	$ 3,830,725
1,332	6	2,128	12,695	-	258,168
229	21	145	10,023	230	35,391
-	-	-	-	-	24,507
$ 6,370	$ 300	$ 2,273	$ 1,508,245	$ 49,992	$ 4,148,791
$ 25,377	$ 3,301	$ 2,212	$ (613,635)	$ 56,915	$ (312,629)
$ 280,031	$ 3,520	$ 39,058	$ 17,303,576	$ 1,093,691	$ 54,168,869
-	-	-	-	-	1,666
-	-	-	-	-	183,911
$ 280,031	$ 3,520	$ 39,058	$ 17,303,576	$ 1,093,691	$ 54,354,446
$ 305,408	$ 6,821	$ 41,270	$ 16,689,941	$ 1,150,606	$ 54,041,817



State of Minnesota

2012
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Financial Report

Investment Trust Funds

Supplemental Retirement Fund

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

Investment Trust Fund

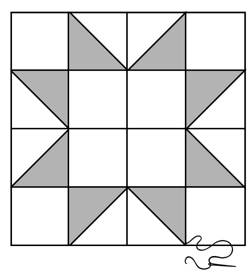
The fund provides an investment vehicle for external funds authorized to be invested by the state.

INVESTMENT TRUST FUNDS
STATEMENT OF PLAN NET ASSETS
JUNE 30, 2012
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
ASSETS			
Investment Pools, at fair value:			
Cash Equivalent Investments	$ 13,136	$ 58,693	$ 71,829
Investments	199,237	136,828	336,065
Accrued Interest and Dividends	624	560	1,184
Securities Trades Receivables (Payables)	(4,886)	(967)	(5,853)
Total Investment Pool Participation	$ 208,111	$ 195,114	$ 403,225
Securities Lending Collateral	$ 21,607	$ -	$ 21,607
Total Assets	$ 229,718	$ 195,114	$ 424,832
LIABILITIES			
Securities Lending Liabilities	$ 21,607	$ -	$ 21,607
Total Liabilities	$ 21,607	$ -	$ 21,607
Net Assets Held in Trust for Pension Benefits and Pool Participants	$ 208,111	$ 195,114	$ 403,225

INVESTMENT TRUST FUNDS
STATEMENT OF CHANGES
IN PLAN NET ASSETS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	SUPPLEMENTAL RETIREMENT	INVESTMENT TRUST	TOTAL
Additions:			
Contributions:			
Participating Plans	$ 20,476	$ 10,941	$ 31,417
Total Contributions	$ 20,476	$ 10,941	$ 31,417
Net Investment Income:			
Investment Income	$ 5,387	$ 10,028	$ 15,415
Net Investment Income	$ 5,387	$ 10,028	$ 15,415
Securities Lending Revenues (Expenses):			
Securities Lending Income	$ 185	$ -	$ 185
Securities Lending Rebates and Fees	(77)	-	(77)
Net Securities Lending Revenue	$ 108	$ -	$ 108
Total Investment Income	$ 5,495	$ 10,028	$ 15,523
Total Additions	$ 25,971	$ 20,969	$ 46,940
Deductions:			
Refunds and Withdrawals	$ 23,575	$ 7,577	$ 31,152
Administrative Expenses	196	23	219
Total Deductions	$ 23,771	$ 7,600	$ 31,371
Net Increase (Decrease)	$ 2,200	$ 13,369	$ 15,569
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Reported	$ 389,822	$ 181,745	$ 571,567
Change in Fund Structure	(183,911)	-	(183,911)
Net Assets Held in Trust for Pension Benefits and Pool Participants, Beginning, as Restated	$ 205,911	$ 181,745	$ 387,656
Net Assets Held in Trust for Pension Benefits and Pool Participants, Ending	$ 208,111	$ 195,114	$ 403,225



State of Minnesota

Agency Fund

2012
Comprehensive
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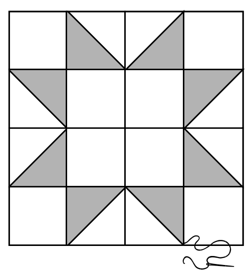
Financial Report

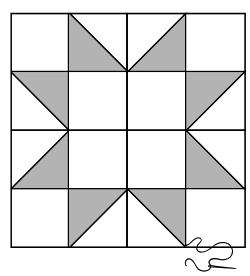
Agency Fund

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



AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	BEGINNING BALANCE	INCREASES	DECREASES	ENDING BALANCE
MISCELLANEOUS AGENCY				
ASSETS				
Cash and Cash Equivalents	$ 105,687	$ 1,603,704	$ 1,537,349	$ 172,042
Accounts Receivable	24,671	25,021	24,671	25,021
Total Assets	$ 130,358	$ 1,628,725	$ 1,562,020	$ 197,063
LIABILITIES				
Accounts Payable	$ 130,358	$ 1,628,725	$ 1,562,020	$ 197,063
Total Liabilities	$ 130,358	$ 1,628,725	$ 1,562,020	$ 197,063



State of Minnesota

2012
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Nonmajor Component Unit Funds

Agricultural and Economic Development Board

The board administers programs for agricultural and economic development.

National Sports Center Foundation

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

Office of Higher Education

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

Public Facilities Authority

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

Rural Finance Authority

The authority administers state agricultural programs.

Workers' Compensation Assigned Risk Plan

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

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF NET ASSETS
DECEMBER 31, 2012 and JUNE 30, 2012
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
ASSETS			
Current Assets:			
Cash and Cash Equivalents	$ 2,317	$ 462	$ 185,091
Investments	-	-	-
Accounts Receivable	-	426	3,274
Due from Primary Government	-	-	-
Accrued Investment/Interest Income	81	-	2,569
Federal Aid Receivable	-	-	-
Inventories	-	55	-
Loans and Notes Receivable	153	-	92,122
Prepaid Expenses	-	85	189
Other Assets	-	-	-
Total Current Assets	$ 2,551	$ 1,028	$ 283,245
Noncurrent Assets:			
Cash and Cash Equivalents-Restricted	$ -	$ -	$ 94,079
Investments-Restricted	20,772	-	-
Due from Primary Government	-	-	-
Investments	-	-	-
Accounts Receivable	-	-	-
Loans and Notes Receivable	585	-	606,658
Depreciable Capital Assets (Net)	-	4,223	7
Nondepreciable Capital Assets	-	967	-
Other Assets	-	85	3,983
Total Noncurrent Assets	$ 21,357	$ 5,275	$ 704,727
Total Assets	$ 23,908	$ 6,303	$ 987,972
LIABILITIES			
Current Liabilities:			
Accounts Payable	$ 16	$ 1,130	$ 3,185
Due to Primary Government	-	-	-
Unearned Revenue	-	840	10,619
Accrued Interest Payable	35	-	585
Bonds and Notes Payable	375	619	-
Claims Payable	-	-	-
Compensated Absences Payable	-	-	59
Other Liabilities	-	-	-
Total Current Liabilities	$ 426	$ 2,589	$ 14,448
Noncurrent Liabilities:			
Due to Primary Government	$ -	$ -	$ -
Bonds and Notes Payable	1,460	2,736	547,265
Claims Payable	-	-	-
Compensated Absences Payable	-	-	533
Other Postemployment Benefits	-	-	50
Other Liabilities	-	250	6,092
Total Noncurrent Liabilities	$ 1,460	$ 2,986	$ 553,940
Total Liabilities	$ 1,886	$ 5,575	$ 568,388
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	$ -	$ 5,190	$ 7
Restricted-Expendable	19,713	-	419,266
Unrestricted	2,309	(4,462)	311
Total Net Assets	$ 22,022	$ 728	$ 419,584

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
$ 276,226	$ 23,267	$ 14,540	$ 501,903
26,252	-	266,728	292,980
-	-	15,536	19,236
2,196	-	-	2,196
18,847	-	571	22,068
1,379	-	-	1,379
-	-	-	55
328,988	3,894	-	425,157
-	-	3,320	3,594
-	-	76	76
$ 653,888	$ 27,161	$ 300,771	$ 1,268,644
$ -	$ -	$ -	$ 94,079
-	-	-	20,772
14,488	-	-	14,488
27,077	-	-	27,077
-	-	347,415	347,415
1,646,142	49,992	-	2,303,377
-	-	-	4,230
-	-	-	967
3,010	-	-	7,078
$ 1,690,717	$ 49,992	$ 347,415	$ 2,819,483
$ 2,344,605	$ 77,153	$ 648,186	$ 4,088,127
$ 8,018	$ -	$ 2,614	$ 14,963
-	29,000	27,092	56,092
-	-	18,480	29,939
18,102	-	-	18,722
70,550	-	-	71,544
-	-	23,802	23,802
40	-	-	99
586	-	-	586
$ 97,296	$ 29,000	$ 71,988	$ 215,747
$ -	$ 41,046	$ -	$ 41,046
1,097,008	-	-	1,648,469
-	-	526,198	526,198
337	-	-	870
-	-	-	50
697	-	-	7,039
$ 1,098,042	$ 41,046	$ 526,198	$ 2,223,672
$ 1,195,338	$ 70,046	$ 598,186	$ 2,439,419
$ -	$ -	$ -	$ 5,197
1,144,487	-	3,637	1,587,103
4,780	7,107	46,363	56,408
$ 1,149,267	$ 7,107	$ 50,000	$ 1,648,708

NONMAJOR COMPONENT UNIT FUNDS
COMBINING STATEMENT OF ACTIVITIES
YEARS ENDED DECEMBER 31, 2011 and JUNE 30, 2012
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	NATIONAL SPORTS CENTER FOUNDATION	OFFICE OF HIGHER EDUCATION
Net Expenses:			
Total Expenses	$ 1,154	$ 12,438	$ 205,071
Program Revenues:			
Charges for Services	$ 267	$ 10,439	$ 45,370
Operating Grants and Contributions	-	-	4,840
Net (Expense) Revenue	$ (887)	$ (1,999)	$ (154,861)
General Revenues:			
Investment Income	$ 161	$ -	$ -
Other Revenues	-	1,147	-
Total General Revenues before Grants	$ 161	$ 1,147	$ -
State Grants Not Restricted	-	-	181,688
Total General Revenues	$ 161	$ 1,147	$ 181,688
Change in Net Assets	$ (726)	$ (852)	$ 26,827
Net Assets, Beginning, as Reported	$ 22,748	$ 1,580	$ 392,757
Net Assets, Ending	$ 22,022	$ 728	$ 419,584

PUBLIC FACILITIES AUTHORITY	RURAL FINANCE AUTHORITY	WORKERS' COMPENSATION ASSIGNED RISK PLAN	TOTAL
$ 100,840	$ 1,736	$ 48,763	$ 370,002
$ 45,411	$ 2,945	$ 34,973	$ 139,405
50,885	-	-	55,725
$ (4,544)	$ 1,209	$ (13,790)	$ (174,872)
$ -	$ -	$ 13,790	$ 13,951
-	-	-	1,147
$ -	$ -	$ 13,790	$ 15,098
32,735	-	-	214,423
$ 32,735	$ -	$ 13,790	$ 229,521
$ 28,191	$ 1,209	$ -	$ 54,649
$ 1,121,076	$ 5,898	$ 50,000	$ 1,594,059
$ 1,149,267	$ 7,107	$ 50,000	$ 1,648,708

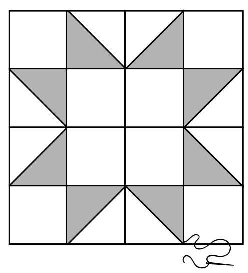
NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Operating Revenues:			
Loan Interest Income	$ 70	$ 2,944	$ 3,014
Rental and Service Fees	-	1	1
Other Income	197	-	197
Total Operating Revenues	$ 267	$ 2,945	$ 3,212
Operating Expenses:			
Economic and Manpower Development	$ 1,007	$ 1,736	$ 2,743
Total Operating Expenses	$ 1,007	$ 1,736	$ 2,743
Operating Income (Loss)	$ (740)	$ 1,209	$ 469
Nonoperating Revenues (Expenses):			
Bond Interest Expense	$ (147)	$ -	$ (147)
Investment/Interest Income	161	-	161
Total Nonoperating Revenues (Expenses)	$ 14	$ -	$ 14
Change in Net Assets	$ (726)	$ 1,209	$ 483
Net Assets, Beginning, as Reported	$ 22,748	$ 5,898	$ 28,646
Net Assets, Ending	$ 22,022	$ 7,107	$ 29,129

STATE OF MINNESOTA

NONMAJOR COMPONENT UNITS
NOT ISSUING SEPARATELY AUDITED FINANCIAL STATEMENTS
COMBINING STATEMENT OF CASH FLOWS
YEAR ENDED JUNE 30, 2012
(IN THOUSANDS)

	AGRICULTURAL & ECONOMIC DEVELOPMENT BOARD	RURAL FINANCE AUTHORITY	TOTAL
Cash Flows from Operating Activities:			
Receipts from Customers	$ 1,811	$ 16,385	$ 18,196
Receipts from Other Revenues	197	8,520	8,717
Payments to Customers	-	(10,245)	(10,245)
Payments to Suppliers	(750)	-	(750)
Payments to Employees	(20)	-	(20)
Payments to Others	-	(12,863)	(12,863)
Net Cash Flows from Operating Activities	$ 1,238	$ 1,797	$ 3,035
Cash Flows from Non-Capital Financing:			
Payment of Bond Interest	$ (204)	$ -	$ (204)
Repayment of Bond Principal	(2,621)	-	(2,621)
Loan Issuances	(145)	-	(145)
Net Cash Flows from Non-Capital Financing Activities	$ (2,970)	$ -	$ (2,970)
Cash Flows from Investing Activities:			
Proceeds from Sales and Maturities of Investments	$ 5,395	$ -	$ 5,395
Purchase of Investments	(6,587)	-	(6,587)
Investment Interest	486	-	486
Net Cash Flows from Investing Activities	$ (706)	$ -	$ (706)
Net Increase (Decrease) in Cash and Cash Equivalents	$ (2,438)	$ 1,797	$ (641)
Cash and Cash Equivalents, Beginning, as Reported	$ 4,755	$ 21,470	$ 26,225
Cash and Cash Equivalents, Ending	$ 2,317	$ 23,267	$ 25,584
Reconciliation of Operating Income (Loss) to Net Cash Flows from Operating Activities:			
Operating Income (Loss)	$ (740)	$ 1,209	$ 469
Adjustments to Reconcile Operating Income to Net Cash Flows from Operating Activities:			
Loans Receivable	$ 1,978	$ 3,332	$ 5,310
Due to Primary Government	-	(2,744)	(2,744)
Net Reconciling Items to be Added to (Deducted from) Operating Income	$ 1,978	$ 588	$ 2,566
Net Cash Flows from Operating Activities	$ 1,238	$ 1,797	$ 3,035



State of Minnesota

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General Obligation Debt Schedule

GENERAL OBLIGATION BONDS AUTHORIZED, ISSUED AND UNISSUED
June 30, 2012
(In Thousands)

Purpose of Issue	Law Authorizing	Total Authorization	Previously Issued	Remaining Authorization
Building [18, 19, 20, 21]	1990,Ch.610	$ 270,129.1	$ 270,126.0	$ 3.1
Building [11, 15, 17, 19]	1994,Ch.643	523,874.5	523,849.0	25.5
Building [9, 10, 11,15]	X1997, Ch. 2	37,432.0	37,335.0	97.0
Building [9, 10, 11, 12, 15, 16]	1999, Ch. 240	439,437.1	438,865.0	572.1
Various Purpose [3, 5, 9, 10, 11, 14]	2000, Ch. 492	527,682.7	518,575.0	9,107.7
Various Purpose [3, 5, 9, 11, 13]	X2001, Ch. 12	116,127.7	115,778.0	349.7
Various Purpose [3, 4, 5, 7, 9, 11, 12]	2002, Ch. 393	600,797.1	598,705.0	2,092.1
Various Purpose [5, 9]	X2002, Ch. 1	15,273.0	15,055.0	218.0
Trunk Highway [5]	X2003, Ch. 19, Art.3	400,191.5	399,990.0	201.5
Trunk Highway [5]	X2003, Ch. 19, Art.4	106,026.5	105,700.0	326.5
Various Purpose [1, 3, 4, 7]	2005, Ch. 20	920,079.0	911,579.0	8,500.0
Various Purpose [3, 4, 7, 8]	2006, Ch. 258	996,373.3	988,803.0	7,570.3
Various Purpose [4]	X2007, Ch. 2	53,971.7	36,845.0	17,126.7
Trunk Highway	X2007, Ch. 2	20,020.0	19,470.0	550.0
Trunk Highway [4]	2008, Ch. 152	1,783,300.0	679,190.0	1,104,110.0
Transportation	2008, Ch. 152	60,060.0	58,300.0	1,760.0
Various Purpose [1, 4, 6]	2008, Ch. 179	797,369.3	738,947.0	58,422.3
Various Purpose	2008, Ch. 365	105,500.0	102,730.0	2,770.0
Trunk Highway	2009, Ch. 36	40,000.0	5,000.0	35,000.0
Various Purpose [4]	2009, Ch. 93	258,865.0	231,035.0	27,830.0
Trunk Highway	2009, Ch. 93	2,705.0	2,700.0	5.0
Various Purpose [2]	2010, Ch. 189	715,205.0	528,500.0	186,705.0
Trunk Highway [2]	2010, Ch. 189	26,445.0	26,400.0	45.0
Trunk Highway	2010, Ch. 388	100,100.0	20,000.0	80,100.0
Various Purpose	X2010, Ch. 1	36,790.0	12,000.0	24,790.0
Various Purpose	X2011, Ch. 12	555,140.0	101,000.0	454,140.0
Trunk Highway	2012, Ch. 287	16,120.0	0.0	16,120.0
Various Purpose	2012, Ch. 293	566,858.0	0.0	566,858.0
Totals		$ 10,091,872.5	$ 7,486,477.0	$ 2,605,395.5

(1) Special Session Laws 2011, Chapter 12 also reduced Various Purpose Bonds authorizations in Laws 2005, Chapter 20 by $22,000,000; and Laws 2008, Chapter 179 by $3,500,000. However, as of July 2012, only $18,520.5 was available in remaining authorization so that is the amount that was cancelled.

(2) The Governor vetoed $361,460,000 of appropriations for Various Purpose capital projects and $6,500,000 for Trunk Highway projects to be funded from Laws 2010, Chapter 189. The Governor requested that the bond authorizations be reduced to match the appropriations in the 2011 Legislative Session but no capital budget was passed during this time frame. The bond authorizations for Laws 2010, Chapter 189 were reduced in Special Session Laws 2011, Chapter 12 to match the appropriations. The net reductions to the bond authorizations were $359,660,000 for Various Purpose Bonds and $6,500,000 for Trunk Highway Bonds.

(3) Minnesota Statutes, Section 16A.642, required that on January 1, 2011, the Commissioner of Management and Budget report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2011. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by $2,000; Special Session Laws 2001, Chapter 12 by $631,014; Laws 2002, Chapter 393 by $34,670; Laws 2005, Chapter 20 by $2,697,899; and Laws 2006, Chapter 258 by $6,481,965.

(4) Laws 2010, Chapter 189 also reduced Various Purpose Bonds authorizations in Laws 2002, Chapter 393 by $280,914; Laws 2005, Chapter 20 by $1,682,567; Laws 2006, Chapter 258 by $7,770; Special Session Laws 2007, Chapter 2 by $2,283,263; Laws 2008, Chapter 179 by $152,660; and Laws 2009, Chapter 93 by $3,900,000. Laws 2010, Chapter 189 reduced Trunk Highway Bond authorization Laws 2008, Chapter 152 by $18,500,000. Laws 2010, Chapter 189 reduced the Various Purpose Bond authorization in Laws 2009, Chapter 93 by $85,155,000 to offset the appropriations that the Governor vetoed $85,155,000.

(5) Minnesota Statutes, Section 16A.642, required that on January 1, 2009, the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2009. The cancellation report reduced Various Purpose Bonds authorizations as follows: Laws 2000, Chapter 492 by $217,331; Special Session Laws 2001, Chapter 12 by $171,552; Laws 2002, Chapter 393 by $284,508; and Special Session Laws 2002, Chapter 1 by $178,656. The cancellation report also reduced Trunk Highway Bonds authorized by Special Session Laws 2003, Chapter 19, Article 3 by $208,570; Special Session Laws 2003, Chapter 19, Article 4 by $4,083,466.

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

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

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

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

(10) Minnesota Statutes, Section 16A.642, required that on January 1, 2005, the Commissioner of Finance report unencumbered bond proceeds balances to the legislature that were enacted more than four years prior. These bond proceeds balances and their bond authorizations cancelled effective on July 1, 2005. The cancellation report reduced Building Bond authorizations as follows: Special Session Laws 1997, Chapter 2 by 763,514; and Laws 1999, Chapter 240 by $292,887. The cancellation report also reduced Various Purpose Bonds authorizationed by Laws 2000, Chapter 492 by $3,333,695.

(11) Laws 2005, Chapter 20 reduced Building Bond authorizations as follows: Laws 1994, Chapter 643 by $2,631,376; Special Session Laws 1997, Chapter 2 by $18; and Laws 1999, Chapter 240 by $24,887,000. Laws 2005, Chapter 20 also reduced Various Purpose Bonds authorized by Laws 2000, Chapter 492 by $3,300,000; Special Session Laws 2001, Chapter 12 by $1,000,000; and Laws 2002, Chapter 393 by $352,923,000.

(12) The Governor vetoed $352,923,000 of appropriations for capital projects to be funded from Laws 2002, Chapter 393. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20. Laws of 2002, Chapter 393 also corrected the bond authorization reported in footnote 15 below by increasing the bond authorization of Laws 1998, Chapter 404 by $2,700,000 and reducing the bond authorization of Laws 1999, Chapter 240 by the $2,700,000.

(13) The Governor vetoed $1,000,000 of appropriations for capital projects to be funded from Special Session Laws 2001, Chapter 12. The bond authorization was reduced to match the appropriations in the Laws 2005, Chapter 20.

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

(15) Laws 2000, Chapter 492 reduced Building Bonds authorizations as follows: Laws 1994, Chapter 643 by $1,964.000; Special Session Laws 1997, Chapter 2 by $10,000,000; and Laws 1999, Chapter 240 by $4,000,000. The $2,700,000 bond authorization reduction for Laws of 1998, Chapter 404 was for the cancellation of projects actually authorized by Laws of 1999, Chapter 240.

(16) The Governor vetoed $23,605,000 of appropriations for capital projects and $10,440,000 of appropriations for transportation projects to be funded from Laws 1999, Chapter 240. The bond authorization was reduced to match the appropriations in Laws 2005, Chapter 20.

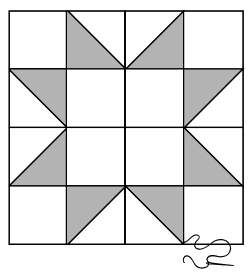
(17) Laws 1998, Chapter 404 reduced Building Bonds authorization in Laws 1994, Chapter 643 by $1,350,000.

(18) Laws 1997, Chapter 202 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by $9,260,000.

(19) Special Session Laws 1995, Chapter 2 reduced Building Bond authorizations as follows: Laws 1990, Chapter 610 by $580,000; and Laws 1994, Chapter 643 by $1,245,000.

(20) Laws 1994, Chapter 643 reduced Building Bond authorizations of Laws 1990, Chapter 610 by $115,000.

(21) Laws 1993, Chapter 373 reduced Building Bond authorizations of Laws 1990, Chapter 610 by $2,500,000.



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Statistical Section

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

Financial Trends

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

Revenue Capacity

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

Debt Capacity

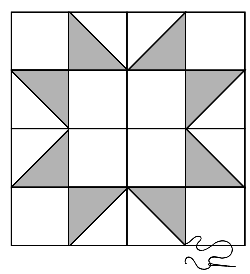
These schedules present information to help assess the affordability of the state's current level of outstanding debt and the state's ability to issue additional debt in the future.

Economic and Demographic Information

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

Operating Information

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



2012 Comprehensive Annual Financial Report
Index of Statistical Section

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

	2003	2004	2005	2006
Governmental Activities:				
Invested in Capital Assets, Net of Related Debt	$ 4,998,667	$ 5,525,157	$ 5,943,503	$ 6,468,103
Restricted	2,280,661	2,387,732	2,452,423	2,482,626
Unrestricted	(526,251)	(987,312)	(673,695)	649,481
Total Governmental Activities Net Assets	$ 6,753,077	$ 6,925,577	$ 7,722,231	$ 9,600,210
Business-type Activities:				
Invested in Capital Assets, Net of Related Debt	$ 812,780	$ 872,804	$ 884,486	$ 931,297
Restricted	151,812	86,291	520,745	852,943
Unrestricted	179,009	218,797	(1,096)	(1,089)
Total Business-type Activities Net Assets	$ 1,143,601	$ 1,177,892	$ 1,404,135	$ 1,783,151
Primary Government:				
Invested in Capital Assets, Net of Related Debt	$ 5,811,447	$ 6,397,961	$ 6,827,989	$ 7,399,400
Restricted	2,432,473	2,474,023	2,973,168	3,335,569
Unrestricted	(347,242)	(768,515)	(674,791)	648,392
Total Primary Government Net Assets	$ 7,896,678	$ 8,103,469	$ 9,126,366	$ 11,383,361

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

2007	2008	2009	2010	2011	2012
$ 6,781,966	$ 7,775,939	$ 8,285,028	$ 8,947,341	$ 9,147,520	$ 9,773,122
2,703,598	2,693,756	2,552,659	3,060,905	3,396,243	3,546,397
1,317,416	489,661	(917,895)	(2,646,096)	(2,534,196)	(2,830,824)
$ 10,802,980	$ 10,959,356	$ 9,919,792	$ 9,362,150	$ 10,009,567	$ 10,488,695
$ 1,016,955	$ 1,108,136	$ 1,199,727	$ 1,293,856	$ 1,352,739	$ 1,383,762
1,058,032	1,140,070	737,400	509,705	643,700	1,252,075
(1,403)	(5,900)	(38,907)	(300,615)	(82,907)	(6,409)
$ 2,073,584	$ 2,242,306	$ 1,898,220	$ 1,502,946	$ 1,913,532	$ 2,629,428
$ 7,798,921	$ 8,884,075	$ 9,484,755	$ 10,241,197	$ 10,500,259	$ 11,156,884
3,761,630	3,833,826	3,290,059	3,570,610	4,039,943	4,798,472
1,316,013	483,761	(956,802)	(2,946,711)	(2,617,103)	(2,837,233)
$ 12,876,564	$ 13,201,662	$ 11,818,012	$ 10,865,096	$ 11,923,099	$ 13,118,123

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

	2003	2004	2005	2006
Program Revenues:				
Governmental Activities:				
Charges for Services				
Agricultural, Environmental and Energy Resources (1)	$ 179,037	$ 187,779	$ 196,047	$ 218,376
Economic and Workforce Development (1)	125,832	158,788	159,929	214,650
General Education	34,038	33,284	39,655	38,808
General Government	183,052	214,962	226,809	245,015
Health and Human Services	571,531	516,539	360,563	447,404
Higher Education	249	-	2	-
Public Safety and Corrections	101,157	138,359	143,998	174,807
Transportation	16,445	15,473	17,451	19,226
Operating Grants and Contributions				
Health and Human Services	3,764,754	3,874,378	4,075,420	4,187,909
All Others	1,454,634	1,554,481	1,480,801	1,506,094
Capital Grants and Contributions	131,632	269,786	261,236	452,197
Total Governmental Activities Program Revenues	$ 6,562,361	$ 6,963,829	$ 6,961,911	$ 7,504,486
Business-type Activities:				
Charges for Services:				
State Colleges and Universities	$ 583,236	$ 636,138	$ 651,094	$ 694,053
Unemployment Insurance	608,634	806,185	908,540	1,054,227
Lottery	351,815	387,800	408,011	449,761
Other	153,962	171,598	169,182	178,764
Operating Grants and Contributions	369,481	312,200	198,217	176,023
Capital Grants and Contributions	2,274	2,307	1,687	1,963
Total Business-type Activities Program Revenues	$ 2,069,402	$ 2,316,228	$ 2,336,731	$ 2,554,791
Total Primary Government Program Revenues	$ 8,631,763	$ 9,280,057	$ 9,298,642	$ 10,059,277
Expenses:				
Governmental Activities:				
Agricultural, Environmental and Energy Resources (1)	$ 541,828	$ 557,414	$ 612,566	$ 525,251
Economic and Workforce Development (1)	671,469	591,513	505,901	273,510
General Education	6,929,870	6,512,834	6,820,389	7,336,455
General Government	652,005	671,908	654,758	718,996
Health and Human Services	8,102,781	8,228,552	8,466,865	8,823,115
Higher Education	785,524	744,112	762,092	786,563
Intergovernmental Aid	1,480,533	1,355,683	1,284,576	1,400,479
Public Safety and Corrections	750,143	731,438	764,307	818,192
Transportation	1,727,604	1,662,402	1,685,256	1,791,316
Interest	169,023	181,323	184,573	172,612
Total Governmental Activities Expenses	$ 21,810,780	$ 21,237,179	$ 21,741,283	$ 22,646,489
Business-type Activities:				
State Colleges and Universities	$ 1,386,493	$ 1,385,817	$ 1,394,893	$ 1,479,519
Unemployment Insurance	1,054,281	931,659	686,818	690,713
Lottery	273,884	287,550	302,575	332,031
Other	153,397	166,923	172,886	183,043
Total Business-type Activities Expenses	$ 2,868,055	$ 2,771,949	$ 2,557,172	$ 2,685,306
Total Primary Government Expenses	$ 24,678,835	$ 24,009,128	$ 24,298,455	$ 25,331,795

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

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

2007	2008	2009	2010	2011	2012
$ 335,670	$ 360,056	$ 339,523	$ 358,666	$ 369,400	$ 384,593
44,551	52,400	47,377	49,212	46,764	59,481
42,943	54,662	42,192	21,342	19,403	23,418
278,846	240,331	270,153	266,565	265,022	249,824
265,853	330,570	285,963	353,929	424,670	399,963
-	-	-	3	3	636
130,830	143,073	159,155	156,139	157,201	159,882
18,796	21,474	45,385	25,397	21,782	19,146
4,609,077	4,909,527	5,996,063	6,775,255	6,692,535	6,369,736
1,891,362	1,767,796	1,758,923	3,388,958	2,706,074	2,040,575
236,700	449,765	272,736	206,292	202,285	135,113
$ 7,854,628	$ 8,329,654	$ 9,217,470	$ 11,601,758	$ 10,905,139	$ 9,842,367
$ 750,742	$ 794,091	$ 827,997	$ 771,104	$ 851,754	$ 848,541
946,269	835,725	800,590	972,425	1,211,352	1,444,622
422,570	461,565	482,738	499,271	504,514	520,049
230,657	233,944	232,570	246,829	260,247	274,825
187,530	217,224	872,484	1,958,195	1,697,323	1,113,581
1,839	1,142	4,262	1,554	1,515	-
$ 2,539,607	$ 2,543,691	$ 3,220,641	$ 4,449,378	$ 4,526,705	$ 4,201,618
$ 10,394,235	$ 10,873,345	$ 12,438,111	$ 16,051,136	$ 15,431,844	$ 14,043,985
$ 762,549	$ 825,842	$ 834,458	$ 950,738	$ 969,947	$ 916,001
568,064	704,501	695,314	715,085	695,050	543,680
7,323,406	7,675,567	7,811,723	8,042,744	7,499,159	7,890,863
771,733	816,111	800,123	762,238	832,859	856,328
9,596,061	10,296,359	11,248,700	11,949,235	12,274,181	12,487,762
921,339	981,943	912,011	981,859	892,921	778,389
1,489,439	1,511,715	1,435,897	1,558,453	1,339,943	1,358,521
855,328	901,641	944,400	958,915	976,261	952,585
1,795,056	2,047,500	2,068,880	2,468,573	2,897,408	2,343,031
208,719	221,162	210,435	261,802	322,773	506,909
$ 24,291,694	$ 25,982,341	$ 26,961,941	$ 28,649,642	$ 28,700,502	$ 28,634,069
$ 1,550,936	$ 1,675,051	$ 1,743,609	$ 1,802,527	$ 1,903,985	$ 1,816,268
735,987	828,857	1,865,939	3,038,557	2,228,405	1,490,943
311,893	346,834	363,832	377,025	382,759	396,590
215,005	228,361	235,163	222,110	269,880	280,817
$ 2,813,821	$ 3,079,103	$ 4,208,543	$ 5,440,219	$ 4,785,029	$ 3,984,618
$ 27,105,515	$ 29,061,444	$ 31,170,484	$ 34,089,861	$ 33,485,531	$ 32,618,687

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

	2003	2004	2005	2006
Net (Expense)/Revenue:				
Governmental Activities	$ (15,248,419)	$ (14,273,350)	$ (14,779,372)	$ (15,142,003)
Business-type Activities	(798,653)	(455,721)	(220,441)	(130,515)
Total Primary Government Net Expense	$ (16,047,072)	$ (14,729,071)	$ (14,999,813)	$ (15,272,518)
General Revenues and Other Changes in Net Assets				
Governmental Activities:				
Taxes:				
Individual Income Taxes	$ 5,497,328	$ 5,863,383	$ 6,556,331	$ 7,069,242
Corporate Income Taxes	636,214	643,442	702,839	1,189,328
Sales Taxes	3,924,424	3,911,496	4,269,837	4,439,667
Property Taxes	594,094	608,860	603,412	633,288
Motor Vehicle Taxes	606,137	587,223	552,856	539,468
Fuel Taxes	656,326	643,964	652,493	659,980
Other Taxes	1,981,468	2,190,491	2,417,175	2,663,939
Tobacco Settlement	261,525	173,173	178,177	184,139
Unallocated Investment/Interest Income	24,049	32,712	42,753	101,803
Other Revenues	203,206	178,255	63,182	28,447
Special Item	30,000	-	-	-
Transfers	(548,291)	(471,382)	(425,180)	(474,090)
Total Governmental Activities	$ 13,866,480	$ 14,361,617	$ 15,613,875	$ 17,035,211
Business-type Activities:				
Unallocated Investment/Interest Income	$ 15,697	$ 16,213	$ 9,264	$ 18,300
Other Revenues	9,294	2,417	12,240	17,141
Transfers	548,291	471,382	425,180	474,090
Total Business-type Activities	$ 573,282	$ 490,012	$ 446,684	$ 509,531
Total Primary Government General Revenues	$ 14,439,762	$ 14,851,629	$ 16,060,559	$ 17,544,742
Change in Net Assets:				
Governmental Activities:	$ (1,381,939)	$ 88,267	$ 834,503	$ 1,893,208
Prior Period Adjustments	(41,919)	84,233	(37,849)	(15,229)
Change in Accounting Principle	-	-	-	-
Change in Fund Structure	(3,641)	-	-	-
Business-type Activities:	(225,371)	34,291	226,243	379,016
Prior Period Adjustments	-	-	-	-
Change in Fund Structure	3,641	-	-	-
Total Primary Government Change in Net Assets	$ (1,649,229)	$ 206,791	$ 1,022,897	$ 2,256,995

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

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

2007	2008	2009	2010	2011	2012
$ (16,437,066)	$ (17,652,687)	$ (17,744,471)	$ (17,047,884)	$ (17,795,363)	$ (18,791,702)
(274,214)	(535,412)	(987,902)	(990,841)	(258,324)	217,000
$ (16,711,280)	$ (18,188,099)	$ (18,732,373)	$ (18,038,725)	$ (18,053,687)	$ (18,574,702)
$ 7,463,959	$ 7,929,096	$ 7,203,337	$ 6,792,510	$ 7,883,583	$ 8,409,530
1,160,380	1,039,843	741,049	539,534	1,204,521	953,428
4,600,984	4,474,576	4,338,748	4,379,236	4,760,684	4,849,514
667,395	703,972	733,899	746,685	771,020	809,044
1,025,820	1,011,494	955,785	997,214	1,074,769	1,150,343
647,168	651,988	758,271	826,574	851,245	849,955
2,154,689	2,149,162	2,206,648	2,224,237	2,192,739	2,253,625
184,924	186,425	176,140	157,924	172,207	166,154
155,016	121,638	57,790	21,242	19,836	12,873
91,867	103,416	95,316	145,608	139,406	94,707
-	-	-	-	-	-
(510,578)	(654,359)	(610,880)	(543,525)	(584,171)	(480,195)
$ 17,641,624	$ 17,717,251	$ 16,656,103	$ 16,287,239	$ 18,485,839	$ 19,068,978
$ 26,786	$ 48,126	$ 32,306	$ 8,483	$ 7,058	$ 6,567
17,811	1,649	630	-	18,765	12,134
510,578	654,359	610,880	543,525	584,171	480,195
$ 555,175	$ 704,134	$ 643,816	$ 552,008	$ 609,994	$ 498,896
$ 18,196,799	$ 18,421,385	$ 17,299,919	$ 16,839,247	$ 19,095,833	$ 19,567,874
$ 1,204,558	$ 64,564	$ (1,088,368)	$ (760,645)	$ 690,476	$ 277,276
7,684	-	94,658	87,186	15,857	201,852
-	91,812	(45,854)	115,817	-	-
(9,472)	-	-	-	(58,916)	-
280,961	168,722	(344,086)	(438,833)	351,670	715,896
-	-	-	43,559	-	-
9,472	-	-	-	58,916	-
$ 1,493,203	$ 325,098	$ (1,383,650)	$ (952,916)	$ 1,058,003	$ 1,195,024

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

	2003	2004	2005	2006
General Fund:				
Reserved	$ 74,766	$ 120,506	$ 161,257	$ 228,640
Designated	-	-	-	610,167
Undesignated	(1,006,866)	(448,465)	(68,292)	-
Total General Fund	$ (932,100)	$ (327,959)	$ 92,965	$ 838,807
All Other Governmental Funds:				
Reserved	$ 3,944,156	$ 2,543,206	$ 2,797,593	$ 2,805,382
Designated, Reported In:				
Special Revenue Funds	442,662	580,118	484,012	715,202
Debt Service Fund	-	-	-	-
Permanent Funds	-	-	-	-
Undesignated, Reported In:				
Special Revenue Funds	396,014	262,630	189,873	239,599
Capital Projects Funds	44	(62,340)	(8,187)	(48,184)
Total All Other Governmental Funds	$ 4,782,876	$ 3,323,614	$ 3,463,291	$ 3,711,999
Total Governmental Funds	$ 3,850,776	$ 2,995,655	$ 3,556,256	$ 4,550,806

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

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

2007	2008	2009	2010	2011	2012
$ 155,985	$ 153,150	$ 111,182	$ -	$ -	$ -
1,124,122	689,476	-	-	-	-
-	-	(752,490)	-	-	-
$ 1,280,107	$ 842,626	$ (641,308)	$ -	$ -	$ -
$ 2,020,610	$ 1,931,753	$ 1,858,589	$ -	$ -	$ -
1,139,133	1,266,623	1,214,750	-	-	-
704,800	707,086	742,069	-	-	-
15,690	9,479	5,862	-	-	-
243,192	339,989	344,884	-	-	-
6,044	(12,873)	2,472	-	-	-
$ 4,129,469	$ 4,242,057	$ 4,168,626	$ -	$ -	$ -
$ 5,409,576	$ 5,084,683	$ 3,527,318	$ -	$ -	$ -

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

	2003	2004	2005	2006
General Fund:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total General Fund	$ -	$ -	$ -	$ -
All Other Governmental Funds:				
Nonspendable	$ -	$ -	$ -	$ -
Restricted	-	-	-	-
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total All Other Governmental Funds	$ -	$ -	$ -	$ -
Total Governmental Funds	$ -	$ -	$ -	$ -

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

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

2007	2008	2009	2010	2011	2012
$ -	$ -	$ -	$ 465,601	$ 579,800	$ 625,689
-	-	-	173,687	171,033	148,483
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	(1,525,534)	(900,675)	(887,037)
$ -	$ -	$ -	$ (886,246)	$ (149,842)	$ (112,865)
$ -	$ -	$ -	$ 718,469	$ 833,403	$ 892,478
-	-	-	2,380,542	2,450,612	2,300,043
-	-	-	537,009	382,939	561,628
-	-	-	3,920	2,306	642,158
-	-	-	-	(19,905)	(97,404)
$ -	$ -	$ -	$ 3,639,940	$ 3,649,355	$ 4,298,903
$ -	$ -	$ -	$ 2,753,694	$ 3,499,513	$ 4,186,038

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

	2003	2004	2005	2006
Revenues:				
Individual Income Taxes	$ 5,477,799	$ 5,836,790	$ 6,534,422	$ 7,068,712
Corporate Income Taxes	572,689	648,837	711,136	1,189,915
Sales Taxes	3,822,453	3,959,236	4,281,391	4,473,275
Property Taxes	585,416	599,622	610,809	631,279
Motor Vehicle Taxes	1,109,090	1,096,890	1,067,444	1,037,593
Fuel Taxes	645,886	651,261	655,162	659,647
Federal Revenues	5,265,603	5,550,606	5,606,553	5,864,373
Other Taxes and Revenues	3,212,677	3,396,171	3,591,776	4,080,518
Total Revenues	$ 20,691,613	$ 21,739,413	$ 23,058,693	$ 25,005,312
Expenditures:				
Current:				
Agricultural, Environmental and Energy Resources (1)	$ 594,696	$ 575,363	$ 578,000	$ 537,220
Economic and Workforce Development (1)	750,463	649,090	617,247	703,108
General Education	6,929,529	6,512,633	6,820,292	7,337,888
General Government	604,481	617,052	622,177	690,753
Health and Human Services	8,091,315	8,229,553	8,465,547	8,820,143
Higher Education	785,887	745,406	764,072	786,606
Intergovernment Aid	1,480,533	1,355,683	1,284,576	1,400,479
Public Safety and Corrections	748,482	711,888	753,260	793,202
Transportation	1,724,106	1,647,447	1,644,500	1,776,980
Securities Lending Rebates and Fees	6,968	3,854	9,030	18,049
Capital Outlay	572,534	701,372	703,777	854,612
Debt Service:				
Principal	275,718	253,127	260,930	288,932
Interest	144,940	184,833	184,191	183,240
Total Expenditures	$ 22,709,652	$ 22,187,301	$ 22,707,599	$ 24,191,212
Excess of Revenues Over (Under) Expenditures	$ (2,018,039)	$ (447,888)	$ 351,094	$ 814,100
Other Financing Sources (Uses):				
Bond Proceeds	$ 256,362	$ 417,937	$ 507,294	$ 377,949
Certificates of Participation Issuance	-	-	-	-
Loan Proceeds	14,897	-	17,885	24,388
Proceeds from Refunding Bonds	391,680	20,855	171,880	160,960
Payment of Refunding Bonds	-	(425,715)	(171,880)	(160,960)
Bond Issue Premium	58,252	33,455	61,662	45,141
Certificates of Participation Premium	-	-	-	-
Net Transfers In (Out)	(523,318)	(456,971)	(387,029)	(449,246)
Capital Leases	3,134	1,774	8,387	180,005
Total Other Financing Sources (Uses)	$ 201,007	$ (408,665)	$ 208,199	$ 178,237
Changes in Inventory	(321)	1,432	1,308	-
Changes in Fund Structure	(1,117)	-	-	-
Prior Period Adjustments	(59,340)	-	-	-
Special Item	30,000	-	-	-
Net Change in Fund Balances	$ (1,847,810)	$ (855,121)	$ 560,601	$ 992,337
Debt Service as a Percentage of Noncapital Expenditures	1.9%	2.0%	2.0%	2.0%

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

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

2007	2008	2009	2010	2011	2012
$ 7,412,381	$ 7,932,036	$ 7,162,974	$ 6,729,244	$ 7,828,818	$ 8,267,608
1,163,095	1,024,040	727,928	540,504	1,135,193	996,524
4,513,452	4,499,550	4,279,178	4,411,277	4,681,525	4,871,038
665,746	704,246	729,373	766,830	766,926	813,723
1,025,820	1,011,494	955,785	997,214	1,074,769	1,150,343
648,078	651,860	756,381	825,341	852,765	851,410
6,333,686	6,858,191	7,887,945	10,020,456	9,162,775	8,268,573
4,027,767	4,005,067	3,810,907	4,074,393	4,249,437	4,063,416
$ 25,790,025	$ 26,686,484	$ 26,310,471	$ 28,365,259	$ 29,752,208	$ 29,282,635
$ 755,168	$ 782,381	$ 866,963	$ 918,410	$ 1,022,523	$ 904,313
605,784	719,801	704,736	755,337	720,542	588,847
7,320,491	7,673,220	7,808,279	8,038,447	7,494,180	7,885,111
699,585	772,835	753,882	730,091	787,042	742,654
9,581,606	10,298,462	11,238,043	11,929,558	12,252,582	12,467,327
922,772	983,319	913,292	981,868	892,947	777,958
1,489,439	1,511,715	1,435,897	1,549,453	1,317,185	1,358,520
813,636	858,385	891,480	901,983	911,490	893,858
1,765,410	2,029,762	2,040,334	2,416,333	2,673,915	2,300,784
29,929	21,534	1,237	132	89	-
693,041	818,701	746,955	643,736	699,583	539,608
349,941	373,619	389,371	381,845	344,703	471,448
222,175	220,957	230,645	295,974	352,557	568,078
$ 25,248,977	$ 27,064,691	$ 28,021,114	$ 29,543,167	$ 29,469,338	$ 29,498,506
$ 541,048	$ (378,207)	$ (1,710,643)	$ (1,177,908)	$ 282,870	$ (215,871)
$ 720,445	$ 637,744	$ 675,810	$ 722,904	$ 843,496	$ 1,517,849
-	-	-	74,980	-	-
24,610	414	549	5,729	677	-
264,050	-	155,415	426,505	907,785	-
(264,050)	-	(155,415)	(426,505)	(907,785)	(400,775)
57,918	34,016	56,112	108,704	233,570	142,273
-	-	-	7,411	-	-
(479,598)	(622,455)	(580,540)	(523,176)	(557,776)	(495,540)
1,090	1,308	-	3,356	-	-
$ 324,465	$ 51,027	$ 151,931	$ 399,908	$ 519,967	$ 763,807
2,845	2,287	1,347	4,376	1,898	-
(9,588)	-	-	-	(58,916)	-
-	-	-	-	-	138,589
-	-	-	-	-	-
$ 858,770	$ (324,893)	$ (1,557,365)	$ (773,624)	$ 745,819	$ 686,525
2.3%	2.3%	2.3%	2.3%	2.4%	3.6%

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

	2002	2003	2004	2005
Farm Earnings	$ 980,509	$ 1,890,660	$ 2,466,520	$ 3,089,441
Private Earnings:				
Forestry, Fishing, Related Activities	$ 282,013	$ 296,927	$ 301,315	$ 301,845
Mining	380,852	399,799	430,736	453,720
Utilities	1,176,293	1,136,952	1,273,103	1,248,361
Construction	9,279,159	9,693,308	10,377,189	10,574,558
Manufacturing:				
Durable Goods Manufacturing	13,377,345	13,858,423	14,703,033	14,903,048
Nondurable Goods Manufacturing	6,981,285	7,155,596	7,284,143	7,260,833
Wholesale Trade	8,605,381	8,930,235	9,500,469	10,025,738
Retail Trade	8,974,539	9,258,367	9,590,980	9,571,126
Transportation and Warehousing	5,010,525	5,178,203	5,433,112	5,583,772
Information	4,005,539	3,915,092	4,091,623	4,142,205
Finance and Insurance	10,702,728	11,492,034	12,187,514	12,647,381
Real Estate and Rental and Leasing	2,821,021	2,893,049	2,914,275	2,970,362
Professional and Technical Services	10,074,878	10,221,545	10,825,901	11,440,141
Management of Companies and Enterprises	6,062,365	6,052,241	6,926,319	6,719,458
Administrative and Waste Services	3,991,636	4,124,896	4,333,128	4,611,705
Educational Services	1,525,624	1,621,389	1,739,372	1,781,380
Health Care and Social Assistance	13,859,167	14,908,626	15,988,253	16,675,293
Arts, Entertainment, and Recreation	1,317,325	1,440,220	1,502,810	1,523,561
Accommodation and Food Services	3,215,164	3,376,348	3,587,470	3,677,062
Other Services, Except Public Administration	5,266,709	5,232,613	5,453,478	5,693,557
Total Private Earnings	$ 116,909,548	$ 121,185,863	$ 128,444,223	$ 131,805,106
Government and Government Enterprises:				
Federal, Civilian	$ 2,434,264	$ 2,557,012	$ 2,757,741	$ 2,832,440
Military	473,651	663,606	745,144	966,040
State and Local	15,625,483	16,089,018	16,567,688	17,138,227
Total Government and Government Enterprises	$ 18,533,398	$ 19,309,636	$ 20,070,573	$ 20,936,707
Nonfarm Earnings	135,442,946	140,495,499	148,514,796	152,741,813
Total Earnings By Industry	$ 136,423,455	$ 142,386,159	$ 150,981,316	$ 155,831,254
Derivation of Personal Income:				
Earnings By Place of Work	$ 136,423,455	$ 142,386,159	$ 150,981,316	$ 155,831,254
Other Personal Income (1)	34,574,578	35,760,502	37,348,629	38,158,390
Personal income	$ 170,998,033	$ 178,146,661	$ 188,329,945	$ 193,989,644

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

Source: Bureau of Economic Analysis, U.S. Department of Commerce, SA05N - Personal income by major source and earnings by industry as of September 25, 2012.

Note: The estimates of earnings for 2002-2006 are based on the 2002 North American Industry Classification System (NAICS). The estimates for 2007-2010 are based on the 2007 NAICS. Under the 2007 NAICS, internet publishing and broadcasting was reclassified to other information services. The estimates for 2011 forward are based on the 2012 NAICS.

2006	2007	2008	2009	2010	2011
$ 2,680,438	$ 2,611,979	$ 4,534,958	$ 3,128,218	$ 4,239,150	$ 5,174,974
$ 322,520	$ 331,291	$ 363,055	$ 375,401	$ 474,378	$ 498,500
510,529	496,648	569,846	392,713	569,337	686,281
1,359,490	1,341,776	1,561,150	1,518,731	1,595,273	1,683,949
10,519,155	10,188,790	9,177,943	7,936,155	7,909,259	8,418,102
15,139,874	15,449,197	15,545,095	14,010,211	14,301,769	15,210,283
7,557,310	7,584,431	8,723,364	7,586,192	7,825,576	8,223,403
10,539,400	11,060,667	11,559,965	10,723,846	11,024,058	11,634,169
9,640,300	9,758,460	9,291,098	9,070,313	9,213,028	9,568,336
5,294,729	5,549,312	5,660,973	5,138,069	5,188,307	5,436,887
4,179,078	4,467,478	4,577,089	4,434,846	4,444,277	4,696,039
13,391,232	14,038,193	13,705,758	13,247,376	14,399,556	15,281,965
2,983,106	2,653,833	2,835,561	2,635,654	2,761,895	2,841,732
12,375,438	13,460,799	14,390,199	13,319,041	13,564,508	14,364,782
7,217,755	8,291,254	9,622,963	8,013,237	9,149,283	9,290,948
4,902,735	5,081,752	5,112,831	4,779,281	5,137,590	5,562,635
1,938,994	2,091,268	2,262,925	2,462,885	2,470,913	2,606,188
18,059,007	19,331,595	20,308,450	21,178,348	22,074,062	22,340,924
1,731,523	1,816,631	1,809,220	1,745,774	1,912,604	1,951,722
3,795,917	4,058,411	3,997,290	3,838,404	3,966,080	4,203,526
5,824,217	5,992,562	5,785,340	5,750,639	5,808,299	6,043,097
$ 137,282,309	$ 143,044,348	$ 146,860,115	$ 138,157,116	$ 143,790,052	$ 150,543,468
$ 2,995,599	$ 3,059,076	$ 3,177,923	$ 3,253,407	$ 3,290,078	$ 3,307,026
896,525	971,403	961,427	1,055,862	1,044,439	983,386
17,962,127	18,715,439	19,757,794	20,282,087	20,524,265	20,622,030
$ 21,854,251	$ 22,745,918	$ 23,897,144	$ 24,591,356	$ 24,858,782	$ 24,912,442
159,136,560	165,790,266	170,757,259	162,748,472	168,648,834	175,455,910
$ 161,816,998	$ 168,402,245	$ 175,292,217	$ 165,876,690	$ 172,887,984	$ 180,630,884
$ 161,816,998	$ 168,402,245	$ 175,292,217	$ 165,876,690	$ 172,887,984	$ 180,630,884
44,040,406	48,438,103	52,776,912	50,390,820	52,965,141	57,534,845
$ 205,857,404	$ 216,840,348	$ 228,069,129	$ 216,267,510	$ 225,853,125	$ 238,165,729

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2003 through 2012

Tax Year 2003

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

Tax Year 2004

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

Tax Year 2005

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

Tax Year 2006

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

Tax Year 2007

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

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

Schedule 6 - Revenue Rates
Tax Rates and Taxable Income Brackets for 2003 through 2012 - (Continued)

Tax Year 2008

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

Tax Year 2009

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

Tax Year 2010

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

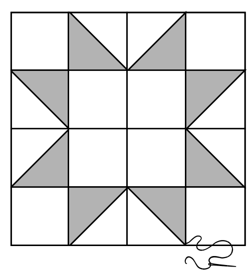
Tax Year 2011

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

Tax Year 2012

	5.35% Up To	7.05%	7.85% Over
Married Joint	$ 34,590	$34,591 - $137,430	$ 137,430
Married Separate	$ 17,300	$17,301 - $ 68,720	$ 68,720
Single	$ 23,670	$23,671 - $ 77,730	$ 77,730
Head of Household	$ 29,130	$29,131 - $117,060	$ 117,060

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



Schedule 7 - Principal Tax Payers
Personal Income Tax Filers and Liability By Income Level
Calendar Years 2001 and 2010

Calendar Year 2001[1]

Federal Adjusted Gross Income	Number of Returns[2]	Percent of Total	Personal Income Tax Liability[3]	Percent of Total
$ 0 – 4,999	246,355	10.20%	$ 1,933,676	0.04%
$ 5,000 – 9,999	217,065	8.99%	14,090,227	0.26%
$ 10,000 – 19,999	357,369	14.80%	93,475,507	1.72%
$ 20,000 – 29,999	321,342	13.31%	220,455,607	4.07%
$ 30,000 – 39,999	259,122	10.73%	305,300,695	5.63%
$ 40,000 – 49,999	204,961	8.49%	330,945,836	6.10%
$ 50,000 – 99,999	577,441	23.91%	1,672,762,259	30.86%
$ 100,000 – 249,999	189,511	7.85%	1,333,733,022	24.60%
$ 250,000 – 499,999	25,760	1.07%	483,249,063	8.91%
$ 500,000 & Over	16,112	0.67%	965,118,627	17.80%
	2,415,038	100.00%	$ 5,421,064,519	100.00%

Calendar Year 2010

Federal Adjusted Gross Income	Number of Returns[2]	Percent of Total	Personal Income Tax Liability[3]	Percent of Total
$ 0 – 4,999	216,164	8.41%	$ 2,924,436	0.04%
$ 5,000 – 9,999	196,817	7.66%	5,158,137	0.07%
$ 10,000 – 19,999	340,490	13.25%	61,562,700	0.87%
$ 20,000 – 29,999	303,340	11.81%	165,959,354	2.33%
$ 30,000 – 39,999	255,103	9.93%	251,164,846	3.53%
$ 40,000 – 49,999	206,692	8.04%	310,401,380	4.37%
$ 50,000 – 99,999	650,903	25.33%	1,804,018,067	25.38%
$ 100,000 – 249,999	337,097	13.12%	2,254,900,423	31.72%
$ 250,000 – 499,999	40,591	1.58%	743,503,118	10.46%
$ 500,000 & Over	22,259	0.87%	1,509,396,228	21.23%
	2,569,456	100.00%	$ 7,108,988,689	100.00%

[1]There was no income tax sample available for calendar year 2001. Therefore, estimates were obtained using a different methodology.
[2]Total number of returns filed.
[3]Minnesota Income Tax Liability before refundable tax credits.

Note: Calendar year 2010 is the most recent year available.

Source: Minnesota Department of Revenue, 2010 Individual Income Tax Sample.

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

	2003	2004	2005	2006
Governmental Activities:				
General Obligation Bonds [1]	$ 3,387,932	$ 3,173,115	$ 3,483,856	$ 3,615,381
Loans	24,198	19,653	17,130	45,918
Revenue Bonds	-	-	-	-
Certificates of Partipation Payable	-	-	-	-
Capital Leases	8,846	9,085	11,037	182,930
Total	$ 3,420,976	$ 3,201,853	$ 3,512,023	$ 3,844,229
Business-type Activities:				
General Obligation Bonds [1]	$ 127,644	$ 145,101	$ 149,448	$ 164,631
Loans	135,486	275,703	87,376	5,832
Revenue Bonds	52,925	51,410	52,475	95,780
Capital Leases	12,483	14,868	26,497	26,520
Total	$ 328,538	$ 487,082	$ 315,796	$ 292,763
Total Debt to the Primary Government	$ 3,749,514	$ 3,688,935	$ 3,827,819	$ 4,136,992
Less: Set Aside to Repay General Debt	$ (263,810)	$ (258,925)	$ (286,535)	$ (313,324)
Net Debt to the Primary Government	$ 3,485,704	$ 3,430,010	$ 3,541,284	$ 3,823,668
Total Personal Income	$ 170,998,033	$ 178,146,661	$ 188,329,945	$ 193,989,644
Ratio of Total Debt to Personal Income	2.19%	2.07%	2.03%	2.13%
Per Capita Total Outstanding Debt (Actual Dollars)	$ 747	$ 730	$ 752	$ 808
Ratio of Net General Obligation Debt to Personal Income	1.90%	1.72%	1.78%	1.79%
Per Capita Net General Obligation Debt (Actual Dollars)	$ 648	$ 605	$ 658	$ 677

[1] Net of applicable premium or discount

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

2007		2008		2009		2010		2011		2012
$	4,036,703	$	4,330,291	$	4,667,902	$	5,103,210	$	5,814,900	$	5,772,034
	60,494		59,889		53,658		41,319		31,583		28,612
	15,145		14,500		13,715		12,900		12,055		794,574
	-		-		-		80,649		79,408		70,742
	172,732		167,877		161,629		158,175		151,156		144,319
$	4,285,074	$	4,572,557	$	4,896,904	$	5,396,253	$	6,089,102	$	6,810,281
$	199,690	$	224,090	$	241,946	$	250,353	$	260,618	$	249,636
	5,419		5,829		5,582		603,020		465,280		5,015
	170,941		209,719		278,246		320,779		375,409		431,952
	25,382		22,647		20,324		18,662		46,168		40,137
$	401,432	$	462,285	$	546,098	$	1,192,814	$	1,147,475	$	726,740
$	4,686,506	$	5,034,842	$	5,443,002	$	6,589,067	$	7,236,577	$	7,537,021
$	(372,510)	$	(368,800)	$	(406,310)	$	(420,055)	$	(463,165)	$	(301,320)
$	4,313,996	$	4,666,042	$	5,036,692	$	6,169,012	$	6,773,412	$	7,235,701
$	205,857,404	$	216,840,348	$	226,049,178	$	217,704,959	$	227,543,790	$	238,165,729
	2.28%		2.32%		2.41%		3.03%		3.18%		3.16%
$	908	$	967	$	1,037	$	1,248	$	1,363	$	1,410
	1.88%		1.93%		1.99%		2.27%		2.47%		2.40%
$	748	$	804	$	858	$	934	$	1,057	$	1,070

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

	2003	2004	2005	2006
State University Board Revenue				
- Segment of College and University Enterprise Fund				
Gross Revenues(1)	$ 60,606	$ 66,221	$ 70,091	$ 76,901
Less: Operating Expenses(2)	(47,599)	(54,221)	(53,884)	(57,496)
Net Available Revenue	$ 13,007	$ 12,000	$ 16,207	$ 19,405
Debt Service				
Principal	$ -	$ 1,065	$ 1,115	$ 1,222
Interest	2,247	1,695	1,401	3,496
Total Debt Service	$ 2,247	$ 2,760	$ 2,516	$ 4,718
Coverage	5.79	4.35	6.44	4.11
Vermilion Community College and Itasca Community College Student Housing				
- Segments of College and University Enterprise Fund				
Gross Revenues(1)	$ 570	$ 595	$ 595	$ 1,010
Less: Operating Expenses(2)	(335)	(332)	(385)	(660)
Net Available Revenue	$ 235	$ 263	$ 210	$ 350
Debt Service				
Principal	$ 130	$ 140	$ 150	$ 230
Interest	96	86	75	189
Total Debt Service	$ 226	$ 226	$ 225	$ 419
Coverage	1.04	1.16	0.93	0.84
Giants Ridge Enterprise Fund(4)				
Gross Revenues(1)	$ 3,128	$ 4,994	$ 5,138	$ 4,693
Less: Operating Expenses(2)	(3,876)	(4,283)	(4,532)	(5,139)
Net Available Revenue	$ (748)	$ 711	$ 606	$ (446)
Debt Service				
Principal(3)	$ 310	$ 310	$ 615	$ 615
Interest	574	1,170	1,071	1,045
Total Debt Service	$ 884	$ 1,480	$ 1,686	$ 1,660
Coverage	(0.85)	0.48	0.36	(0.27)

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

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

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

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

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

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

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

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

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

	2007	2008	2009	2010	2011	2012
	$ 83,073	$ 88,884	$ 96,248	$ 101,311	$ 110,055	$ 111,171
	(60,778)	(65,166)	(69,867)	(71,426)	(72,391)	(74,432)
	$ 22,295	$ 23,718	$ 26,381	$ 29,885	$ 37,664	$ 36,739
	$ 1,875	$ 1,945	$ 2,945	$ 6,125	$ 7,870	$ 7,545
	4,663	5,374	7,091	10,816	8,070	11,889
	$ 6,538	$ 7,319	$ 10,036	$ 16,941	$ 15,940	$ 19,434
	3.41	3.24	2.63	1.76	2.36	1.89
	$ 1,074	$ 1,038	$ 618	$ 628	$ 667	$ 698
	(567)	(675)	(346)	(338)	(348)	(334)
	$ 507	$ 363	$ 272	$ 290	$ 319	$ 364
	$ 370	$ 135	$ 145	$ 145	$ 155	$ 165
	170	155	148	141	134	124
	$ 540	$ 290	$ 293	$ 286	$ 289	$ 289
	0.94	1.25	0.93	1.01	1.10	1.26
	$ 4,204	$ 4,338	$ 4,195	$ 4,184	$ 3,922	$ 3,138
	(5,293)	(5,447)	(5,796)	(5,889)	(6,005)	(5,641)
	$ (1,089)	$ (1,109)	$ (1,601)	$ (1,705)	$ (2,083)	$ (2,503)
	$ 665	$ 705	$ 760	$ 815	$ 11,310	$ -
	1,009	963	917	858	630	15
	$ 1,674	$ 1,668	$ 1,677	$ 1,673	$ 11,940	$ 15
	(0.65)	(0.66)	(0.95)	(1.02)	(0.17)	(166.87)

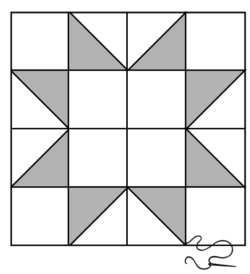
Schedule 9 - Pledged Revenue Coverage (Continued)
Last Ten Fiscal Years (In Thousands)

	2003	2004	2005	2006
D.J. Johnson Economic Protection Trust Fund[5]				
Taconite Production Tax[7]	$ -	$ -	$ -	$ -
Net Available Revenue	$ -	$ -	$ -	$ -
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	-
Total Debt Service	$ -	$ -	$ -	$ -
Coverage	N/A	N/A	N/A	N/A
Iron Range Resources and Rehabilitation Agency (IRRRA)[8]				
Taconite Production Tax[7]	$ -	$ -	$ -	$ -
Net Available Revenue	$ -	$ -	$ -	$ -
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	-
Total Debt Service	$ -	$ -	$ -	$ -
Coverage	N/A	N/A	N/A	N/A
911 Services Fund[6]				
911 Services Fees	$ -	$ -	$ -	$ -
Less: Operating Expenses[2]	-	-	-	-
Net Available Revenue	$ -	$ -	$ -	$ -
Debt Service				
Principal	$ -	$ -	$ -	$ -
Interest	-	-	-	-
Total Debt Service	$ -	$ -	$ -	$ -
Coverage	N/A	N/A	N/A	N/A

(1) Proceeds from grants and subsidies and investment income from nonoperating revenues are included.
(2) Depreciation, amortization, bad debt, interest and financing expenses are not included.
(3) Revenue bonds were defeased in June 2001 and reissued in February 2002.
(4) Revenue bonds of $16.0 million for Giants Ridge were issued on November 1, 2000.
(5) Revenue bonds of $15.0 million for Iron Range Educational Facilities were issued on July 26, 2006.
(6) Revenue bonds of $35.0 million and $42.2 were issued on November 1, 2006, and November 13, 2008, respectively, for 911 Services.
(7) Taxes pledged for these bonds consist only of the portion allocated to the Iron Range Resources and Rehabilitation Agency (IRRRA) and D.J.Johnson Economic Protection Trust Funds.
(8) In 2011, the entire $11.31 million in outstanding revenue bonds was redeemed. Of this amount, the D.J. Johnson Economic Protection Trust Fund contributed $8.70 million.

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

2007	2008	2009	2010	2011	2012
$ 2,864	$ 4,002	$ 3,682	$ 3,197	$ 4,302	$ 843
$ 2,864	$ 4,002	$ 3,682	$ 3,197	$ 4,302	$ 843
$ -	$ 322	$ 393	$ 408	$ 422	$ 440
264	320	305	289	273	256
$ 264	$ 642	$ 698	$ 697	$ 695	$ 696
10.85	6.23	5.28	4.59	6.19	1.21
$ 16,840	$ 20,672	$ 20,152	$ 19,611	$ 21,574	$ 14,642
$ 16,840	$ 20,672	$ 20,152	$ 19,611	$ 21,574	$ 14,642
$ -	$ 322	$ 393	$ 408	$ 422	$ 440
265	320	305	289	273	256
$ 265	$ 642	$ 698	$ 697	$ 695	$ 696
63.55	32.20	28.87	28.14	31.04	21.04
$ 49,527	$ 52,271	$ 52,677	$ 60,229	$ 63,373	$ 68,516
(15,052)	(25,812)	(23,225)	(7,290)	(30,996)	(36,356)
$ 34,475	$ 26,459	$ 29,452	$ 52,939	$ 32,377	$ 32,160
$ -	$ 2,590	$ 5,365	$ 13,375	$ 12,100	$ 15,005
976	1,672	2,453	4,642	5,150	7,260
$ 976	$ 4,262	$ 7,818	$ 18,017	$ 17,250	$ 22,265
35.32	6.21	3.77	2.94	1.88	1.44



Schedule 10 - Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income (Thousands)	Per Capita Personal Income	Median Age	Unemployment Rate
2002	5,018,935	$ 170,998,033	$ 34,071	35.9	4.5%
2003	5,053,572	$ 178,146,661	$ 35,252	36.1	4.9%
2004	5,087,713	$ 188,329,945	$ 37,017	36.3	4.6%
2005	5,119,598	$ 193,989,644	$ 37,892	36.5	4.2%
2006	5,163,555	$ 205,857,404	$ 39,867	36.6	4.1%
2007	5,207,203	$ 216,840,348	$ 41,642	36.8	4.6%
2008	5,247,018	$ 228,069,129	$ 43,466	37.1	5.4%
2009	5,281,203	$ 216,267,510	$ 40,950	37.2	8.1%
2010	5,310,658	$ 225,853,125	$ 42,528	37.4	7.3%
2011	5,344,861	$ 238,165,729	$ 44,560	37.4	6.4%

Sources: U.S. Census Bureau
Bureau of Economic Analysis, U.S. Department of Commerce
Minnesota Department of Employment and Economic Development

Schedule 11 - Principal Employers
Current Year and Ten Years Ago[1]

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

[1]Calendar Year 2011 is the most current year available.

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

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

	2003	2004	2005	2006
Primary Government:				
Public Safety and Corrections	5,807	5,705	5,752	6,245
Transportation	5,223	4,788	4,849	4,710
Agricultural, Environmental and Energy Resources [1]	4,539	4,400	4,389	4,019
Economic & Workforce Development [1]	2,669	4,257	4,136	3,976
General Education	880	857	864	964
Higher Education	14,094	14,006	14,407	14,150
Health and Human Services	9,118	7,415	7,570	7,827
General Government	5,470	5,761	6,050	6,520
Total	47,800	47,189	48,017	48,411

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

Sources: Minnesota Management & Budget
Minnesota State Colleges and Universities

2007	2008	2009	2010	2011	2012
6,198	6,447	6,517	6,553	6,569	6,457
4,435	4,544	4,713	4,969	4,964	4,514
4,322	4,465	4,515	4,467	4,416	4,221
3,486	2,379	2,499	2,661	2,621	2,368
935	897	882	880	877	851
14,437	14,841	15,592	15,835	15,851	15,554
8,042	9,587	8,257	9,167	8,997	8,694
6,559	7,393	8,393	6,868	7,005	6,867
48,414	50,553	51,368	51,400	51,300	49,526

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

	2003	2004	2005	2006
Public Safety and Corrections				
Incarcerated Inmates	7,073	7,795	7,978	8,874
Offenders on Supervision	16,753	19,061	18,106	19,977
Correctional Facilities	10	10	10	10
Reassignment of Minnesota Certificates of Title	2,700,603	2,363,013	2,344,311	1,542,648 (2)
Crashes Investigated By State Patrol	22,939	18,789	23,429	23,777
Transportation				
Miles of Highways	29,078	29,153	29,130	29,100
Trunk Highway Bridges	2,784	2,831	2,876	2,907
Acres of Right-of-Way	250,243	252,205	252,433	253,852
Agricultural, Environmental and Energy Resources				
Recreational Fishing Licenses Issued/License Year	1,513,018	1,490,110	1,478,219	1,499,482
Watercraft Licenses Issued/Calendar Year	845,379	854,110	853,999	863,434
Acres of State Land Managed by Forestry/Fiscal Year	3,853,000	3,853,000	3,853,000	3,853,000
Farms/Calendar Year	80,000	79,600	79,600	79,300
Acres of Farmland/Calendar Year (1,000 Acres)	27,600	27,400	27,200	27,000
Agricultural Production-Crops/Calendar Year (In Thousands)	$ 4,391,532	$ 5,147,314	$ 4,866,387	$ 5,183,498
Agricultural Production-Livestock/Calendar Year (In Thousands)	$ 4,089,925	$ 4,974,098	$ 4,970,842	$ 4,864,539
Economic and Workforce Development				
Unemployment Claims Filed	323,262	299,630	285,669	276,381
Workplace Injuries Reported	44,983	43,871	42,002	39,919
General Education				
Kindergarten Through Grade 12 Students	835,227 (1)	829,832	825,843	826,543
School Districts	343	343	343	343
Charter Schools	78	88	106	125
Special Education Age 0-21 Childcount	115,802	117,666	118,501	119,720
Higher Education				
Full Year Equivalents	132,586	135,819	135,494	134,220
Number of Students Graduated	29,438	32,480	32,638	33,860
Buildings - Square Footage	24,509,182	25,263,803	25,559,289	25,725,125
Health and Human Services				
Average Monthly Cash Recipients	184,848	182,645	171,738	164,632
Average Monthly Health Care Enrollees	636,228	649,032	663,529	667,182
Health Care Providers	5,517	5,491	5,726	6,276
General Government				
Individual Income Tax Payers/Calendar Year	2,416,197	2,415,563	2,501,144	2,563,373
Corporate Income Tax Returns/Calendar Year	37,522	51,803	39,334	43,304
Sales Tax Permit Holders/Calendar Year	226,000	229,000	219,000	197,000

Note: N/A = Information not available.

(1) Fiscal year 1997-2003 average daily membership is adjusted to current law which requires that each student can be counted as no more than one.
(2) Certificates of Titles prior to fiscal year 2006 were based on the number of transactions. Beginning in fiscal year 2006, Certificates of Title were based on the number of applicants.
(3) Estimate

Source: Applicable State Agencies

2007	2008	2009	2010	2011	2012
8,900	9,270	9,217	9,619	9,429	9,345
18,979	20,132	20,974	20,559	19,727	19,697
10	10	10	10	10	10
1,402,284	1,436,622	1,268,416	1,277,295	1,277,132	1,319,334
20,975	20,198	20,297	20,324	25,768	20,527
29,200	29,191	29,228	29,370	29,347	29,310
2,924	2,981	3,021	2,988	2,985	2,985
254,087	254,074	254,269	254,880	254,852	254,958
1,386,087	1,326,087	1,363,841	1,247,885	1,317,401	N/A
866,971	870,736	873,986	908,232	928,540	N/A
3,852,000	3,847,000	3,922,744	3,915,225	3,915,178	3,914,875
81,000	81,000	81,000	80,500	79,800	N/A
26,900	26,900	26,900	26,900	26,850	N/A
$ 6,848,553	$ 10,288,852	$ 8,760,107	$ 9,327,774	$10,853,947	N/A
$ 5,849,694	$ 6,095,538	$ 5,185,204	$ 6,202,670	$ 7,012,641	N/A
228,664	193,499	336,266	350,443	353,277	319,473
39,827	38,178	35,416	32,828	33,889	33,757
827,197	823,755	821,021	821,923	823,347	827,725 (3)
340	340	340	337	337	337
131	143	153	154	149	148
121,511	123,269	124,592	126,108	127,863	128,430
135,839	139,885	143,924	155,427	157,903	153,521 (3)
33,796	33,328	35,026	36,464	38,765	39,049 (3)
26,007,169	26,065,364	26,672,956	26,792,759	27,248,375	27,835,651
159,390	158,556	164,293	174,372	185,739	183,983
661,265	667,086	707,006	776,430	832,903	855,643
6,710	7,120	8,368	7,971	8,872	9,295
2,602,439	2,715,679	2,687,864	2,695,214	2,708,203	2,762,039
38,339	40,900	33,822	32,115	38,072	31,842
256,000	277,000	277,000	284,000	284,000	256,439

Note: Of the $14.8 billion in capital assets owned by the state, $9.9 billion (67 percent) of the assets represent infrastructure and right of way under the Transportation function. The remaining $4.9 billion in capital assets is allocated to other functions.