

COMMON REVENUE BOND FUND (RESOLUTION 876)

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2010 AND 2009

**COMMON REVENUE BOND FUND (RESOLUTION 876)
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YEARS ENDED DECEMBER 31, 2010 AND 2009**

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Port Authority of the City of Saint Paul
Saint Paul, Minnesota

We have audited the accompanying basic financial statements of the Common Revenue Bond Fund (Resolution 876) (the 876 Bond Fund) as of and for the years ended December 31, 2010 and 2009, as listed on the table of contents. These financial statements are the responsibility of the 876 Bond Fund's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1, the financial statements of the 876 Bond Fund are intended to present the financial position, and the changes in financial position and cash flows, of only the 876 Bond Fund, a prior financing program managed by the Port Authority of the City of Saint Paul, that are attributable to the transactions of the 876 Bond Fund. They do not purport to, and do not, present fairly the financial position of the Port Authority of the City of Saint Paul as of December 31, 2010 and 2009 or the changes in its financial position or its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the 876 Bond Fund as of December 31, 2010 and 2009, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the 876 Bond Fund will continue as a going concern. As discussed in Note 8 to the financial statements, the 876 Bond Fund has suffered shortfalls in facility rental revenue, and available net revenues were not sufficient to pay scheduled debt service during 2010. As of December 31, 2010 its liabilities exceed its assets. This raises substantial doubt about the 876 Bond Fund's ability to continue as a going concern. Management's plans in regard to these matters are described in Note 8. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Management has not presented Management's Discussion and Analysis for the 876 Bond Fund that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

LarsonAllen LLP
LarsonAllen LLP

Minneapolis, Minnesota
April 19, 2011



(1)

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BASIC FINANCIAL STATEMENTS

COMMON REVENUE BOND FUND (RESOLUTION 876)
STATEMENTS OF NET ASSETS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

ASSETS	2010	2009
CURRENT ASSETS		
Restricted Cash and Cash Equivalents	\$ 1,101	\$ 759
Interest Receivable	38	30
Accounts Receivable and Other, Net Allowance for Doubtful Accounts	3	17
Prepaid Expenses	-	2
Total Current Assets	1,142	808
Restricted Investments and Accrued Interest	21,310	21,788
Capital Assets, Net of Accumulated Depreciation	2,274	3,068
Total Assets	\$ 24,726	\$ 25,664
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Current Portion of Revenue Notes and Bonds	\$ 2,620	\$ 3,515
Past-Due Portion of Revenue Notes and Bonds	45,281	41,766
Accounts Payable, Accrued Expenses, and Unearned Revenue	480	1,662
Accrued Interest Payable, Including Portion Related to Past-Due Revenue Notes and Bonds	8,113	5,568
Total Current Liabilities	56,494	52,511
Revenue Notes and Bonds, Net of Current Maturities, Past-Due Portion and Unamortized Discounts of \$75 and \$145	3,694	6,244
Total Liabilities	60,188	58,755
NET ASSETS (DEFICIT)		
Invested in Capital Assets, Net of Related Debt	(49,321)	(48,458)
Restricted by Bond Indentures	13,859	15,368
Total Net Deficit	(35,462)	(33,091)
Total Liabilities and Net Deficit	\$ 24,726	\$ 25,664

See accompanying Notes to Basic Financial Statements.

COMMON REVENUE BOND FUND (RESOLUTION 876)
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

	2010	2009
OPERATING REVENUES		
876 Revenue Bond Facility Rents	\$ 779	\$ 1,214
Revenues from Non-Revenue Bond Facilities:		
Facility Rentals	1,836	1,790
Fleeting and Tonage	219	181
Total Operating Revenues	2,834	3,185
OPERATING EXPENSES		
Depreciation	320	517
General and Administrative	692	257
Total Operating Expenses	1,012	774
OPERATING INCOME	1,822	2,411
NON-OPERATING REVENUES (EXPENSES) AND GAINS		
Interest on Revenue Bonds and Notes Payable	(5,021)	(5,044)
Investment Income	36	39
Gain on Sale of 876 Bond Facilities	792	371
Total Non-Operating Revenues and Gains	(4,193)	(4,634)
CHANGE IN NET ASSETS	(2,371)	(2,223)
Net Deficit - Beginning of Year	(33,091)	(30,868)
NET DEFICIT - END OF YEAR	\$ (35,462)	\$ (33,091)

See accompanying Notes to Basic Financial Statements.

COMMON REVENUE BOND FUND (RESOLUTION 876)
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	\$ 1,598	\$ 2,868
Payments for General and Administrative Expenses	(624)	(291)
Net Cash Provided by Operating Activities	974	2,577
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Paid	(2,405)	(2,886)
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale of Investments	28,185	17,602
Purchase of Investments	(27,706)	(23,906)
Proceeds from Sale of Property	1,266	371
Interest Received	28	40
Net Cash Provided (Used) by Investing Activities	1,773	(5,893)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	342	(6,202)
Cash and Cash Equivalents at Beginning of the Year	759	6,961
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	\$ 1,101	\$ 759
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 1,822	\$ 2,411
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	320	517
Changes in Operating Receivables, Payables, and Accruals:		
Accounts Receivable	6	(5)
Prepaid Expenses	2	(2)
Accounts Payable, Accrued Expenses, and Unearned Revenue	(1,176)	(344)
Net Cash Provided by Operating Activities	\$ 974	\$ 2,577
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond Discount Amortization	\$ (60)	\$ (92)

See accompanying Notes to Basic Financial Statements.

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Business

The Common Revenue Bond Fund (Resolution 876) of the Port Authority of the City of Saint Paul (the 876 Bond Fund) is managed by the Port Authority of the City of Saint Paul (the Port Authority) for the benefit of the 876 Bond Fund bondholders.

The Port Authority is a body corporate and politic created under the laws of the State of Minnesota and a redevelopment agency within the meaning of the Minnesota statutes. The Port Authority is a component unit of the City of Saint Paul (the City). The Port Authority is an enterprise fund and accounts for operations similar to private business enterprises, where the intent is that the costs to provide services on a continuing basis be financed or recovered primarily through user charges. The Port Authority's intended purpose is to increase the volume of commerce and employment in the City of Saint Paul through the creation of development districts and the acquisition and construction of industrial, commercial and other revenue-producing projects.

The Port Authority's lending and development programs are primarily financed by the issuance of various forms of revenue bonds or notes. The 876 Bond Fund was one of the financing programs managed by the Port Authority. The 876 Bond Fund was established in 1974 and provided for the issuance of revenue bonds which are payable from the pooled revenues of the financed projects and various pledged revenues. Projects are comprised of 876 Properties, which are land and facilities financed in whole or in part by the issuance of 876 Bonds. Non-Revenue Bond Facilities are revenue-producing properties not financed by 876 Bonds; while revenues are pledged to the 876 Bond Fund, the sales proceeds are not pledged to the 876 Bond Fund.

Measurement Focus and Basis of Accounting

The 876 Bond Fund's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989, (when applicable) that do not conflict with or contradict GASB pronouncements. Although the 876 Bond Fund has the option to apply FASB pronouncements issued after that date, it has chosen not to do so. The more significant accounting policies established in GAAP and used by the 876 Bond Fund are discussed below.

The 876 Bond Fund utilizes the economic resources measurement focus and the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted Cash and Cash Equivalents

Restricted cash and cash equivalents include demand deposits, money market mutual fund accounts and commercial paper with original maturities of three months or less. The periodic loan and lease payments received by the 876 Bond Fund are deposited by the Port Authority and invested on a short-term basis in checking and saving accounts. Interest income earned as a result of the pooling of the 876 Bond Fund deposits with the Port Authority's deposits is distributed based on the investment fund balances for the 876 Bond Fund and the Port Authority. All cash and cash equivalents are restricted for payment of debt service on the bonds.

Restricted Investments

Investments are reported at fair value, with the unrealized gains and losses reported as a component of investment income, except for debt securities that have a remaining maturity at the time of purchase of one year or less, which are reported at amortized cost. All earnings attributable to these funds are accounted for directly in the 876 Bond Fund and are restricted for payment of debt service on the bonds. The funds and accounts the 876 Bond Fund is required to maintain are as follows:

- **Bond Fund:** Ongoing pooled revenues from 876 financed projects and Non-Revenue Bond Facilities used for debt service payments.
- **Prepaid Net Revenues, Special Funds and Retained Funds:** Subaccounts funded from: 1) all available net revenues prepaid or other sums paid or credited under any revenue agreement with respect to any 876 property in accordance with any prepayment, termination or purchase provision to the extent such sums are computed with reference to the balance of debt service on any 876 Bonds; and 2) any proceeds from the sale of all or part of an 876 property, or in a lump-sum settlement in connection with such an 876 property, after deducting all of the 876 Bond Fund's expenses and equity interest.

Unamortized Bond Discounts

Unamortized bond discounts are being amortized over the life of the related bonds. Amortization of bond discounts for the years ended December 31, 2010 and 2009 were \$69 and \$91, respectively.

Net Assets

Net assets are classified in two components. *Net assets invested in capital assets, net of related debt* consists of capital assets net of accumulated depreciation and related indebtedness. *Restricted net assets* are noncapital net assets that must be used for a particular purpose, as specified by creditors.

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Right to Tax Revenues from the City

Neither the City nor the Port Authority has an obligation to provide funds to pay principal and/or interest on the 876 Bond Fund bonds.

Operating Leases

The 876 Bond Fund's leasing operations consist principally of the leasing of various land and facilities. A majority of the capital assets are subject to operating leases. All of the 876 facility leases are classified as operating leases, which expire at various times through 2019. Under the operating method of accounting for these leases, the cost of the land improvements and facilities is recorded as an asset and is depreciated over the terms of the leases, and the rental income is recognized ratably as the lease rental payments are earned. The leases contain a buyout clause whereby the lessee can purchase the property under lease for specified terms based on the lease agreement.

Capital Assets

Capital assets include land and land improvements, and buildings and structures. Land and land improvements are recorded at cost. Buildings and structures are recorded at cost, including capitalized interest. Because the buildings and structures are subject to long-term operating leases (see Note 6), these facilities are depreciated on a straight-line basis over the terms of the leases (generally 20-30 years).

Impairment of Capital Assets

The 876 Bond Fund reviews its capital assets for recoverability whenever events or changes in circumstances suggest that the service utility of a capital asset may have significantly or unexpectedly declined, indicating that an impairment of its long-lived assets has occurred. If an impairment has occurred, the impairment loss is measured based on the diminished service utility of the capital asset. For 2010, management has determined that no impairment of capital assets occurred.

Deposits by Lessees

Certain bond issues require the lessees to deposit funds as security for the related bonds or for other purposes. The 876 Bond Fund provides a credit against the lease payment generally during the last year of the lease agreement. Deposits by lessees are included with accrued expenses in the statement of net assets.+

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Land Rents, Fleeting and Tonnage Revenues

The 876 Bond Fund is also entitled to net revenues from non-876 bond financed properties consisting of tonnage and fleeting activities in which barge access to Port Authority properties has been granted and other net revenues generated by rentals of unencumbered land parcels of the Port Authority.

Use of Estimates and Concentration of Risk

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. The 876 Bond Fund includes 876 bonds which are collateralized by real estate financing leases, as well as the revenues from Non-Revenue Bond Facilities; future economic changes in the Saint Paul real estate market could affect future revenues from these sources. While the 876 Bond Fund uses the best information available to make its evaluation of allowances for uncollectible accounts and loss reserves, future adjustments to these estimates may be necessary if there are significant changes in economic conditions, and ultimate results could differ from those estimates.

Reclassifications

Certain amounts reported in prior years have been reclassified to conform to the presentation at December 31, 2010.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

In accordance with applicable Minnesota state statutes, the 876 Bond Fund maintains deposits at financial institutions authorized by the board of commissioners. All such depositories are members of the Federal Reserve System. Minnesota Statutes require that all deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or corporate surety bonds.

Authorized collateral includes: U.S. government treasury bills, notes, and or bonds; securities issued by a U.S. government agency; general obligations of local governments rated "A" or better; revenue obligations of a state or local government rated "AA" or better; irrevocable standby letters of credit issued by a Federal Home Loan Bank; and time deposits insured by a federal agency. Minnesota statutes require securities pledged as collateral held in safekeeping in a restricted account at the Federal Reserve Bank or at an account at a trust department of a commercial bank or other financial institution not owned or controlled by the depository.

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Deposits (Continued)

Custodial Credit Risk – Deposits – In the case of deposits, custodial credit risk is the risk that in the event of bank failure, the 876 Bond Fund's deposits may not be returned to it. The 876 Bond Fund's deposit policy does not provide additional restrictions beyond Minnesota state statutes. At year-end, the carrying amount of the 876 Bond Fund's deposits was entirely covered by federal depository insurance or by surety bonds and collateral in accordance with Minnesota Statutes.

Investments

The 876 Bond Fund may also may invest idle funds as authorized by Minnesota statutes as follows:

- Direct obligations or obligations guaranteed by the United States or its agencies
- Shares of investment companies registered under the Federal Investment Company Act of 1940 and receives the highest credit rating, is rated in one of the two highest rating categories by a statistical rating agency, and all of the investments have a final maturity of thirteen months or less
- General obligations rated "A" or better; revenue obligations rated "AA" or better
- General obligations of the Minnesota Housing Finance Agency rated "A" or better
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of highest quality category by at least two nationally recognized rating agencies, and maturing 270 days or less
- Guaranteed investment contracts guaranteed by United States commercial banks or domestic branches of foreign banks, or United States insurance companies if similar debt obligations of the issuer or the collateral pledged by the issuer is in one of the top two rating categories
- Repurchase or reverse purchase agreements and security lending agreements with financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The 876 Bond Fund's investments consisted of the following at December 31:

Investment Type	2010				Total
	Investment Maturities (In Years)				
	Less than 1	1-5	6-10	More Than 10	
Commercial Paper	\$ 1,631	\$ -	\$ -	\$ -	\$ 1,631
U.S. Treasury Notes	603	-	-	-	603
Government-sponsored Enterprises:					
Federal Home Loan Mortgage Corp (Freddie Mac)	8,073	-	-	-	8,073
Federal National Mortgage Assoc. (Fannie Mae)	3,853	-	-	-	3,853
State & Local Obligations :					
Municipal Bonds	-	390	350	6,410	7,150
Total	<u>\$ 14,160</u>	<u>\$ 390</u>	<u>\$ 350</u>	<u>\$ 6,410</u>	<u>\$ 21,310</u>

Investment Type	2009				Total
	Investment Maturities (In Years)				
	Less than 1	1-5	6-10	More Than 10	
Government-sponsored Enterprises:					
Federal Farm Credit Bank (FFCB)	\$ 3,449	\$ -	\$ -	\$ -	\$ 3,449
Federal Home Loan Bank (FHLB)	3,599	-	-	-	3,599
Federal Home Loan Mortgage Corp (Freddie Mac)	3,149	-	-	-	3,149
Federal National Mortgage Assoc. (Fannie Mae)	3,263	-	-	-	3,263
Mortgage-backed securities:					
Federal National Mortgage Assoc. (Fannie Mae)	1,295	-	-	-	1,295
State & Local Obligations :					
Municipal Bonds	1,678	-	740	4,615	7,033
Total	<u>\$ 16,433</u>	<u>\$ -</u>	<u>\$ 740</u>	<u>\$ 4,615</u>	<u>\$ 21,788</u>

Interest Rate Risk – As a means of managing its exposure to fair value losses arising from increasing interest rates, it is the 876 Bond Fund's practice to match maturities to its liquidity needs. The 876 Bond Fund establishes benchmarks that reflect its expected cash flow needs and minimize interest rate that is materially longer or shorter than those established by the benchmarks chosen. Maximum duration of the portfolio is 120% of the benchmark duration.

Credit Risk – As a means of managing its exposure to an issuer of a debt security that will not fulfill its obligation, it is the 876 Bond Fund's practice to follow state law, which limits investments in authorized securities to certain credit risk ratings and maturities. It is the 876 Bond Fund's policy that securities must carry an A- or higher long-term rating by one rating agency or the highest quality short term rating (without regard to modifiers) by two of the following rating agencies: Standard & Poor's (S&P), Fitch or Moody's.

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The 876 Bond Fund's investments at December 31, 2010 and 2009 carried the following ratings:

Investment Type	2010				Total
	Credit Risk (Lowest rating from Moody's, S&P and Fitch Ratings)				
	AAA/A-1	AA	A	Not Rated	
Commercial Paper	\$ 1,631	\$ -	\$ -	\$ -	\$ 1,631
U.S. Treasury Notes	603	-	-	-	603
Government-sponsored Enterprises					
Federal Home Loan Mortgage Corp (Freddie Mac)	8,073	-	-	-	8,073
Federal National Mortgage Assoc. (Fannie Mae)	3,853	-	-	-	3,853
State & Local Obligations :					
Municipal Bonds	5,515	1,635	-	-	7,150
Total	<u>\$ 19,675</u>	<u>\$ 1,635</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,310</u>

Investment Type	2009				Total
	Credit Risk (Lowest rating from Moody's, S&P and Fitch Ratings)				
	AAA/A-1	AA	A	Not Rated	
Government-sponsored Enterprises:					
Federal Farm Credit Bank (FFCB)	\$ 3,449	\$ -	\$ -	\$ -	\$ 3,449
Federal Home Loan Bank (FHLB)	3,599	-	-	-	3,599
Federal Home Loan Mortgage Corp (Freddie Mac)	3,149	-	-	-	3,149
Federal National Mortgage Assoc. (Fannie Mae)	3,263	-	-	-	3,263
Mortgage-backed securities:					
Federal National Mortgage Assoc. (Fannie Mae)	1,295	-	-	-	1,295
State & Local Obligations :					
Municipal Bonds	4,506	1,827	700	-	7,033
Total	<u>\$ 19,261</u>	<u>\$ 1,827</u>	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 21,788</u>

Custodial Credit Risk – For an investment, the custodial credit risk is that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the 876 Bond Fund will not be able to recover the value of its investments that are in the possession of another party. The 876 Bond Fund requires all securities purchased to be made in such a manner so that the securities are registered in the 876 Bond Fund's name or are in the possession of the 876 Bond Fund or a third-party custodian.

Concentration of Credit Risk: The 876 Bond Fund diversifies its portfolio in order to minimize the impact of losses from any one individual issuer. It is the 876 Bond Fund's policy to limit the amount invested in any one issuer at the time of purchase to no more than 5 percent of the total portfolio at the time of the purchase, excluding securities of the U.S. Government/Federal and government-sponsored enterprise securities.

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

At December 31, 2010 and 2009, more than 5% of 876 Bond Fund's investments are in the following issuers:

Investment Issuer:	<u>Percent of Total Investments</u>	
	<u>2010</u>	<u>2009</u>
Federal Home Loan Mortgage Corp (Freddie Mac)	37.9%	14.4%
Federal National Mortgage Assoc. (Fannie Mae)	18.1%	20.9%
Federal Farm Credit Bank (FFCB)	n/a	15.9%
Federal Home Loan Bank (FHLB)	n/a	16.5%

NOTE 3 CAPITAL ASSETS

Capital asset additions, retirements and balances for the year ended December 31, 2010 and 2009 are as follows:

	Balance December 31, 2009	Additions	Deductions	Balance December 31, 2010
Land	\$ 1,869	\$ -	\$ -	\$ 1,869
Land Improvements	16,439	-	-	16,439
Building and Structure	15,487	-	(10,670)	4,817
	<u>33,795</u>	<u>-</u>	<u>(10,670)</u>	<u>23,125</u>
Less: Acc. Depreciation	(30,727)	(320)	10,196	(20,851)
Net Capital Assets	<u>\$ 3,068</u>	<u>\$ (320)</u>	<u>\$ (474)</u>	<u>\$ 2,274</u>

	Balance December 31, 2008	Additions	Deductions	Balance December 31, 2009
Land	\$ 1,869	\$ -	\$ -	\$ 1,869
Land Improvements	16,439	-	-	16,439
Building and Structure	16,373	-	(886)	15,487
	<u>34,681</u>	<u>-</u>	<u>(886)</u>	<u>33,795</u>
Less: Acc. Depreciation	(31,096)	(517)	886	(30,727)
Net Capital Assets	<u>\$ 3,585</u>	<u>\$ (517)</u>	<u>\$ -</u>	<u>\$ 3,068</u>

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 4 REVENUE BONDS AND NOTES PAYABLE

All revenue bonds issued under the 876 Bond Fund were issued for the purpose of acquiring or constructing capital assets, and are payable solely and exclusively from amounts to be received under leases or loan agreements, escrow account earnings from previously refunded bonds or notes, amounts held in various reserve funds established to secure payment of the revenue bonds, and revenue from the operations of nonbond facilities. These debt obligations are collateralized by all 876 Bond Fund assets and the related proceeds from operations of bond and nonbond facilities and the sale of 876 Properties. The bonds are collateralized equally and ratably, with all other sources of payment pledged to the 876 Bond Fund. These obligations are not secured by the credit of the Port Authority.

The total of the 876 Bond Fund revenue bonds and notes payables as of December 31, 2010 and 2009, are as follows.

	<u>2010</u>	<u>2009</u>
Revenue Bonds and Notes Payable, 4.0% to 13.5%, Interest Due Serially through 2016	\$ 51,670	\$ 51,670
Less:		
Unamortized Bond Discount	(75)	(145)
Current Maturities	(2,620)	(3,515)
Past-Due Portion	(45,281)	(41,766)
Total	<u>\$ 3,694</u>	<u>\$ 6,244</u>

The 876 Bond Fund has previously refunded certain outstanding revenue bond issues. Proceeds from the sale of the refunding issues, together with certain other restricted funds of the 876 Bond Fund, were placed in escrow in an amount sufficient to defease the principal and interest payments on the bond issues refunded. Because the refunded bonds are considered to be legally defeased, the unpaid balance of the defeased bonds of \$435 and \$1,375 at December 31, 2010 and 2009, respectively, are not included in the balance sheets.

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 4 REVENUE BONDS AND NOTES PAYABLE (CONTINUED)

A schedule of changes in the 876 Bond Fund's revenue bonds and notes payable for 2010 and 2009 are as follows:

	Balance December 31, 2009	Additions	Deductions	Balance, December 31, 2010
Revenue Bonds and Notes Payable	\$ 51,670	\$ -	\$ -	\$ 51,670
	Balance December 31, 2008	Additions	Deductions	Balance, December 31, 2009
Revenue Bonds and Notes Payable	\$ 51,670	\$ -	\$ -	\$ 51,670

Scheduled maturities of long-term obligations, excluding interest owed on past-due principal, for the years ending December 31 are as follows:

	Principal	Interest	Total
Past Due	\$ 45,281	\$ 7,701	\$ 52,982
2011	2,620	4,953	7,573
2012	2,635	361	2,996
2013	1,000	104	1,104
2014	30	11	41
2015	-	8	8
2016-2020	104	8	112
	\$ 51,670	\$ 13,146	\$ 64,816

Ramsey County District Court (Court), in an order dated October 22, 2004, confirmed the Port Authority's right to adjust the dates of all interest and principal payments beginning December 1, 2004. In accordance with the order, the Port Authority calculates the net cash available on May 15 and November 15 of each year for interest and principal payments due on June 1 and December 1. Payments on past-due principal will be made on a priority basis established by the order. The order also provided for the payment of the fund's third-party expenses relating to paying agent fees and other general and administrative expenses from the 876 Bond Fund. In an opinion dated September 10, 2009, the Minnesota Supreme Court held that the Ramsey County District Court was without jurisdiction to issue the October 22, 2004 order. As described in Note 8, in 2010 a group of 876 bondholders initiated litigation which is continuing.

The 876 Bond Fund did not have adequate cash to pay the full principal amount due on December 1, 2006, nor at any point since then. In addition, it has not made full interest payments since that time, and it is unlikely full principal and interest payments will be made in the future. The above table represents the scheduled payments due; actual payments will be dependent upon actual cash flow for the period.

COMMON REVENUE BOND FUND (RESOLUTION 876)
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2010 AND 2009
(IN THOUSANDS)

NOTE 4 REVENUE BONDS AND NOTES PAYABLE (CONTINUED)

Only cash receipts deposited to the Bond Fund are distributed to bond holders. As a result, proceeds from the sale of repossessed properties, prepaid net revenues and special funds on deposit were \$22,200 and \$22,066 at December 31, 2010 and 2009, respectively.

NOTE 5 RELATED-PARTY TRANSACTIONS

Fiscal and administration fees received by the Port Authority from 876 Bond Fund borrowers were \$66 and \$86 in 2010 and 2009, respectively. These fees are not pledged to the 876 Bond Fund.

NOTE 6 LEASING ARRANGEMENTS

At December 31, 2010, future minimum rentals to be received under noncancelable performing long-term land and facility leases (operating leases) were as follows:

<u>Year</u>	<u>Amount</u>
2011	\$ 1,881
2012	1,485
2013	1,389
2014	1,048
2015	796
Thereafter	3,984
Total	<u>\$ 10,583</u>

NOTE 7 COMMITMENTS AND CONTINGENCIES

Risk Management

The 876 Bond Fund is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors or omissions; and generally liability, for which the 876 Bond Fund requires lessees to carry commercial insurance. The 876 Bond Fund has not reduced insurance coverage requirements in the past year, and no claims have been paid by the 876 Bond Fund in any of the three preceding years.

Other Contingencies

In the normal course of business, the 876 Bond Fund is subject to contingencies relating to the performance and completion of contracts, environmental matters and claims of others. In the opinion of management and internal legal counsel, the ultimate settlement of known claims or disputes will not adversely affect the financial position or results of operations of the 876 Bond Fund.

COMMON REVENUE BOND FUND (RESOLUTION 876)
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NOTE 8 GOING CONCERN

The 876 Bond Fund has an accumulated deficit of \$35,461 at December 31, 2010 due to a significant number of loan and lease defaults, which have resulted in various property foreclosures by the 876 Bond Fund. Current cash flows from all sources pledged to the 876 Bond Fund, as described in Note 4, were not adequate to meet scheduled debt service requirements in 2010. The Port Authority has no obligation to fund these shortfalls from its own assets.

The 876 Bond Fund continues to experience a shortfall in available net revenues to pay ongoing annual debt service. It is unlikely the available net revenues will ever be sufficient to make full and timely payments of principal and interest due on the 876 Bond Fund bonds. The exact amount of the deficiency in payments is dependent upon a number of variables, the outcome of which cannot be predicted with certainty.

The Port Authority, as manager of 876 Bond Fund, petitioned and received preliminary approval from the Ramsey County District Court for a plan to liquidate the 876 Bond Fund and distribute revenues derived from that liquidation to bondholders in a final payment. As mentioned in note 4, the Minnesota Supreme Court ultimately held that the Ramsey County District Court was without jurisdiction to address the Port Authority's petition for instructions. On remand, the District Court held that its 2002 and 2004 orders instructing the Port Authority to hold a dutch auction tender, to reassign interest and principal payment day and to charge third party administrative expenses to the 876 were void. In June 2010, a group of 876 bondholders sued the Port Authority to recover the third party expenses paid out of the 876 Fund, plus certain other monies used to maintain the Port Authority's riverfront properties. In January 2011, the Ramsey County District Court heard arguments on the subject as to how to interpret and apply the 876 Basic Resolution as well as various procedural and jurisdictional matters, but no ruling has been issued as of the date of this report. Pursuant to an earlier Court order, the Port Authority will hold current and future prepaid net revenues and special funds for use in the proposed liquidation or as otherwise directed by further Court action.