STATE OF MINNESOTA
Office of the State Auditor

Rebecca Otto
State Auditor

CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

YEARS ENDED DECEMBER 31, 2012 AND 2011

Description of the Office of the State Auditor

The mission of the Office of the State Auditor is to oversee local government finances for Minnesota taxpayers by helping to ensure financial integrity and accountability in local governmental financial activities.

Through financial, compliance, and special audits, the State Auditor oversees and ensures that local government funds are used for the purposes intended by law and that local governments hold themselves to the highest standards of financial accountability.

The State Auditor performs approximately 160 financial and compliance audits per year and has oversight responsibilities for over 3,300 local units of government throughout the state. The office currently maintains five divisions:

Audit Practice - conducts financial and legal compliance audits of local governments;

Government Information - collects and analyzes financial information for cities, towns, counties, and special districts;

Legal/Special Investigations - provides legal analysis and counsel to the Office and responds to outside inquiries about Minnesota local government law; as well as investigates allegations of misfeasance, malfeasance, and nonfeasance in local government;

Pension - monitors investment, financial, and actuarial reporting for approximately 730 public pension funds; and

Tax Increment Financing - promotes compliance and accountability in local governments' use of tax increment financing through financial and compliance audits.

The State Auditor serves on the State Executive Council, State Board of Investment, Land Exchange Board, Public Employees Retirement Association Board, Minnesota Housing Finance Agency, and the Rural Finance Authority Board.

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CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

Years Ended December 31, 2012 and 2011

Audit Practice Division
Office of the State Auditor
State of Minnesota

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CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

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Introductory Section

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CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

ORGANIZATION

City Council

Ward 1	Kevin Reich
Ward 2	Cam Gordon
Ward 3	Diane Hofstede
Ward 4	Barbara Johnson
Ward 5	Don Samuels
Ward 6	Robert Lilligren
Ward 7	Lisa Goodman
Ward 8	Elizabeth Glidden
Ward 9	Gary Schiff
Ward 10	Margaret Tuthill
Ward 11	John Quincy
Ward 12	Sandy Colvin Roy
Ward 13	Betsy Hodges

City Council terms all expire December 31, 2013.

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Financial Section

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STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT

The Honorable R.T. Rybak, Mayor
and Members of the City Council
City of Minneapolis, Minnesota

We have audited the accompanying financial statements of the General Agency Reserve Fund System of the City of Minneapolis as of and for the years ended December 31, 2012 and 2011, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audits. 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Minneapolis' preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the General Agency Reserve Fund System of the City of Minneapolis as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

As discussed in Note 2, the financial statements present only the General Agency Reserve Fund System and do not purport to, and do not, present fairly the financial position of the City of Minneapolis as of December 31, 2012 and 2011, and the changes in their financial position and cash flows of their proprietary funds for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/Rebecca Otto	*/s/Greg Hierlinger*
REBECCA OTTO STATE AUDITOR	GREG HIERLINGER, CPA DEPUTY STATE AUDITOR

April 26, 2013

BASIC FINANCIAL STATEMENTS

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CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

EXHIBIT 1

COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
Assets		
Current assets		
Cash and cash equivalents		
Common reserve account	$ 4,469,686	$ 4,599,793
Industrial development account	26,758,719	28,832,237
Debt service account	1,547,276	1,718,956
Construction funds	971,863	1,494,215
Other	167,910	245,023
Total cash and cash equivalents	**$ 33,915,454**	**$ 36,890,224**
Investments		
Industrial development account	$ 5,458,007	$ 4,568,828
General agency reserve fund	1,157,820	1,208,570
Total investments	**$ 6,615,827**	**$ 5,777,398**
Receivables		
Accrued interest	$ 41,120	$ 40,535
Capitalized leases receivable from developers	3,630,000	3,800,000
Total receivables	**$ 3,671,120**	**$ 3,840,535**
Total current assets	**$ 44,202,401**	**$ 46,508,157**
Noncurrent assets		
Receivables		
Capitalized leases	**$ 80,653,137**	**$ 86,690,785**
Total Assets	**$ 124,855,538**	**$ 133,198,942**

The notes to the financial statements are an integral part of this statement.

CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

EXHIBIT 1
(Continued)

COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31, 2012 AND 2011

	2012	2011
Liabilities		
Current liabilities		
Bonds payable	$ 3,630,000	$ 3,800,000
Accounts payable	27,113	17,331
Accrued interest payable	402,846	433,472
Developer reserve deposits	4,469,686	4,599,793
Unearned revenue	1,084,300	1,196,743
Total current liabilities	**$ 9,613,945**	**$ 10,047,339**
Noncurrent liabilities		
Bonds payable	81,625,000	88,185,000
Total Liabilities	**$ 91,238,945**	**$ 98,232,339**
Net Position		
Restricted for debt service	**$ 33,616,593**	**$ 34,966,603**

The notes to the financial statements are an integral part of this statement.

CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

EXHIBIT 2

COMPARATIVE STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

	2012	2011
Operating Revenues		
Interest on capitalized leases and developer fees	$ 5,154,241	$ 5,242,887
Interest income	123,968	75,006
Increase (decrease) in fair value of investments	(30,558)	219,458
Administrative fees	313,077	431,808
Other revenues	-	30
Total Operating Revenues	**$ 5,560,728**	**$ 5,969,189**
Operating Expenses		
Interest	$ 5,099,015	$ 5,252,457
Professional services and other expenses	430,312	424,361
Total Operating Expenses	**$ 5,529,327**	**$ 5,676,818**
Operating Income (Loss)	**$ 31,401**	**$ 292,371**
Transfers out to other City funds	(1,381,411)	-
Change in Net Position	**$ (1,350,010)**	**$ 292,371**
Net Position - January 1	**34,966,603**	**34,674,232**
Net Position - December 31	**$ 33,616,593**	**$ 34,966,603**

The notes to the financial statements are an integral part of this statement.

CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

EXHIBIT 3

COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

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	2012	2011
Cash Flows from Operating Activities		
Receipts from customers and users	$ 11,954,768	$ 8,882,601
Interest received from investments	123,383	84,609
Capitalized leases issued	(522,352)	(11,293,022)
Payments to suppliers	(420,530)	(416,939)
Net cash provided by (used in) operating activities	**$ 11,135,269**	**$ (2,742,751)**
Cash Flows from Noncapital Financing Activities		
Transfers to other funds of the City	$ (1,381,411)	$ -
Principal paid on bonds and notes	(6,730,000)	(3,940,000)
Interest paid on bonds and notes	(5,129,641)	(5,258,200)
Net cash provided by (used in) noncapital financing activities	**$ (13,241,052)**	**$ (9,198,200)**
Cash Flows from Investing Activities		
Purchase of investments	$ (3,489,452)	$ (1,169,400)
Sale of investments	2,620,465	2,597,630
Net cash provided by (used in) investing activities	**$ (868,987)**	**$ 1,428,230**
Net Increase (Decrease) in Cash and Cash Equivalents	**$ (2,974,770)**	**$ (10,512,721)**
Cash and Cash Equivalents - January 1	**36,890,224**	**47,402,945**
Cash and Cash Equivalents - December 31	**$ 33,915,454**	**$ 36,890,224**
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities		
Operating Income (Loss)	**$ 31,401**	**$ 292,371**
Adjustments to reconcile operating income (loss) before operating transfers to net cash provided by (used in) operating activities		
Interest expense	5,099,015	5,252,457
(Increase) decrease in fair value of investments	30,558	(219,458)
(Increase) decrease in accrued interest receivable	(585)	9,603
(Increase) decrease in notes receivable	-	405,000
(Increase) decrease in capital leases receivable	6,207,648	(7,758,022)
Increase (decrease) in accounts payable	9,782	7,422
Increase (decrease) in developer reserve deposits	(130,107)	(1,068,372)
Increase (decrease) in unearned revenue	(112,443)	336,248
Net Cash Provided by (Used in) Operating Activities	**$ 11,135,269**	**$ (2,742,751)**

The notes to the financial statements are an integral part of this statement.

1. Organization and Purpose

Establishment of the Department - In 1981, the Housing and Redevelopment Authority in and for the City of Minneapolis, Minnesota, was renamed the Minneapolis Community Development Agency (the MCDA) by an ordinance of the Minneapolis City Council under authority granted by Minnesota Laws 1980, Chapter 595. In 1986, the MCDA was reorganized by Minneapolis City Ordinance 86-Or-035 under the above authority. By such ordinance, the MCDA was reorganized to encourage, among other things, commercial and industrial growth and redevelopment and to process applications for industrial revenue bond financing. In addition, the public housing activities formerly carried on were organized separately. In 2003, the Minneapolis City Council adopted resolutions transferring MCDA activities to the City. These activities are organized under the City of Minneapolis.

Creation of Common Bond Fund Program - The City has adopted a Basic Resolution, a General Agency Reserve Resolution, and a Supplemental General Agency Reserve Resolution, which enabled the City to issue and sell obligations to finance the construction, reconstruction, acquisition, improvement, betterment, and extension of authorized facilities. This is generally known as the Common Bond Fund program and consists of two separate common bond funds (A and B) for governmental and nongovernmental issuers. The bonds are payable from and secured by the following: discretionary contributions from the City, lease and note payments, deficiency accounts, administrative fee account, common reserve account, Industrial Development Bond (IDB) account, general agency reserve fund, and a pledge of up to one-half percent of tax capacity of the City of Minneapolis. The City has also pledged to maintain certain reserve ratios as defined in the Basic Resolution. In addition, certain developers have issued letters of credit for the benefit of the General Agency Reserve Fund System (GARFS) to back the common reserve requirement in lieu of cash deposits.

Appropriation of GARFS Funds - The Basic and Supplemental Resolutions noted above direct GARFS to obtain lease agreements to meet the debt service requirements of the financing. Substantially all receipts of GARFS are pledged and appropriated for debt services on outstanding bonds. GARFS funds are maintained in separate accounts by an independent trustee and by the City.

1. Organization and Purpose (Continued)

Initial Funding - In order to provide initial funding for GARFS, an advance of $5,000,000 was made from the MCDA's development account in 1984. The advance of $5,000,000, along with the accrued interest thereon of $2,698,116, was permanently transferred from the MCDA's development account to GARFS during 1988.

2. Summary of Significant Accounting Policies

Financial Statements - The financial statements of GARFS are combined into a single enterprise fund and are intended to present only the financial activity of the General Agency Reserve Fund System. The statements do not include various other funds of the City of Minneapolis, Minnesota.

Basis of Accounting - The GARFS' enterprise fund is accounted for using the accrual basis of accounting. Revenues are recognized when they are earned, and expenses are recognized when they are incurred.

Lease Agreements - The City of Minneapolis has entered into lease agreements with developers. The annual lease payments approximate the principal and interest requirements on the outstanding bonds. The leases are capitalized in an amount equal to the principal of the related bonds, net of any unexpended construction fund proceeds (see Note 8). Each lease agreement includes a bargain purchase option exercisable at the end of the lease term. In addition, the leased property may be purchased at various anniversaries during the lease terms at amounts at least equal to the outstanding principal amount of the underlying bonds.

Developer Reserve Deposits - Certain developers have made reserve deposits upon commencement of the lease agreement as security for payments due under the agreement. Reserve deposits will be applied against the final lease payments due or outstanding balance in the event of default by the developer. In addition, letters of credit have been issued by corporations and financial institutions for the benefit of GARFS to back the common reserve requirement of certain developers in lieu of cash deposits (see Note 4).

2. Summary of Significant Accounting Policies (Continued)

Unearned Revenue - Unearned revenue represents interest payments received from developers prior to the due date. Amounts are reflected in revenue during the period earned.

Equity Classifications - Equity is classified as net position. The unrestricted component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position. When both restricted and unrestricted resources are available for use, it is GARFS' policy to use restricted resources first and then unrestricted resources as needed.

Use of Estimates - 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 reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Commitments and Contingencies - The City is involved in litigation encountered in the normal course of business. In the opinion of management, the resolution of these matters will not have a material effect on the financial position or results of operations of GARFS.

3. Cash and Investments

Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with original maturities of less than 90 days from the date of acquisition.

Except for pooled investments in the custody of the City of Minneapolis Treasurer, all other cash and cash equivalents and investments of GARFS are held and invested by an independent trustee bank, which is a member of the Federal Reserve System. All such cash and investments, except those in the custody of the City Treasurer, are held by the bank's trust department in the name of GARFS or the City. All cash deposits not invested are federally insured.

3. Cash and Investments (Continued)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, GARFS' deposits may not be returned to it. There is no policy for GARFS' custodial credit risk. Deposits of GARFS are predominantly held in money market accounts, which do not require collateral. The remaining GARFS' deposits are held by the City of Minneapolis, where deposits have adequate collateral levels. At December 31, 2012 and 2011, GARFS' deposits were not exposed to custodial credit risk.

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. For investments of GARFS, exposure to interest rate risk is minimized by investing in both short-term and long-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the policy for GARFS to invest only in securities that meet the ratings requirements set by state statute.

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by investing in a single issuer. Investments in any one issuer at December 31, 2012 and 2011, that represent five percent or more of the GARFS' investments are as follows:

	Reported Amount	
Issuer	2012	2011
City of Minneapolis investment pool	$ 1,157,820	$ 1,208,570
Federal National Mortgage Association	478,698	-
Federal Home Loan Mortgage Corporation	503,172	-
U.S. Department of Treasury	4,476,137	4,482,517

3. Cash and Investments (Continued)

The following table presents the GARFS' investment balances at December 31, 2012 and 2011, and information relating to interest and credit quality investment risks:

2012

Investment Type	Standard & Poor's Credit Risk Rating: Low Credit Risk (a)	Standard & Poor's Credit Risk Rating: Medium or Higher Credit Risk (b)	Standard & Poor's Credit Risk Rating: Not Rated	Interest Rate Risk: Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. government agency securities					
Federal National Mortgage Association	100%	-	-	3.6	$ 478,698
Federal Home Loan Mortgage Corporation	100	-	-	3.9	503,172
U.S. Treasury securities	100	-	-	4.3	4,476,137
Investment pools/mutual funds					
City of Minneapolis	-	-	100%	N/A	1,157,820
Total investments					$ 6,615, 827
Cash and cash equivalents					33,915,454
Total Cash and Investments					$ 40,531,281

2011

Investment Type	Standard & Poor's Credit Risk Rating: Low Credit Risk (a)	Standard & Poor's Credit Risk Rating: Medium or Higher Credit Risk (b)	Standard & Poor's Credit Risk Rating: Not Rated	Interest Rate Risk: Weighted Average Maturity (Years)	Carrying (Fair) Value
U.S. government agency securities					
Federal National Mortgage Association	100%	-	-	3.2	$ 3,113
Federal Home Loan Mortgage Corporation	100	-	-	2.2	83,198
U.S. Treasury securities	100	-	-	4.4	4,482,517
Investment pools/mutual funds					
City of Minneapolis	-	-	100%	N/A	1,208,570
Total investments					$ 5,777,398
Cash and cash equivalents					36,890,224
Total Cash and Investments					$ 42,667,622

N/A Not Applicable
(a) Low credit risk is considered a rating of A or better for long-term securities.
(b) Medium or higher credit risk is any rating below low credit risk.

3. Cash and Investments (Continued)

Investments as of December 31, 2012 and 2011, are as follows:

	2012		2011	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value
Pooled investments	$ 1,156,642	$ 1,157,820	$ 1,204,946	$ 1,208,570
Federal agency obligations	971,323	981,870	81,885	86,311
Other federal obligations	4,163,650	4,476,137	4,136,707	4,482,517
Total	$ 6,291,615	$ 6,615,827	$ 5,423,538	$ 5,777,398

4. Bonded Debt Security

In addition to funds maintained by GARFS, the bond obligations issued are secured by the following:

Letters of credit have been issued by corporations and financial institutions for the benefit of GARFS to back the common reserve requirements of certain developers in lieu of cash deposits as follows at December 31, 2012:

Discount Steel	$ 246,162
Hennepin Theatre Trust	1,600,000
Quality Resource Group	266,000
New French Bakery	810,456
Open Systems International	1,371,429
Total	$ 4,294,047

Tax Pledge and Reserve Ordinance - The Minneapolis City Council passed an ordinance, as amended, which pledges up to one-half percent of tax capacity to secure payment of bond principal and interest on all bonds issued after May 22, 1987, the effective date of the resolution.

5. Long-Term Debt Bond Issues (see pages 16 through 19)

A summary of long-term debt activity for the years ended December 31, 2012 and 2011, is as follows:

	2012	2011
Development Revenue Bonds		
Payable - January 1	$ 91,985,000	$ 95,925,000
Retired	(6,730,000)	(3,940,000)
Payable - December 31	$ 85,255,000	$ 91,985,000
Due Within One Year	$ 3,630,000	$ 3,800,000

6. Related-Party Transactions

GARFS contributed $1,381,411 in 2012 to the City of Minneapolis in support of industrial development activities. This amount is shown as transfers out in the Comparative Statement of Revenues, Expenses, and Changes in Net Position. During 2011, GARFS did not contribute any funds to the City of Minneapolis in support of these activities.

Laurel Village - In 1995, the MCDA entered into an agreement with the developer of Laurel Village in which the City committed to use $2,656,318 of tax increment revenues, or other available funds, through the year 2016 to stabilize funding for the John Alden Apartments. These funds were repledged to pay debt service on the Laurel Village Series 1997 Development Revenue Bonds. The total paid by the City pursuant to this commitment was $109,199 and $110,425 in 2012 and 2011, respectively.

7. Industrial Development Bond Account

Within GARFS, there is an IDB account. Funds are remitted to this account as specified in the Common Bond Fund Resolutions. The City has pledged not to reduce the IDB account to a balance less than $20,000,000. The balance in the IDB account was $32,216,726 and $33,401,065 as of December 31, 2012 and 2011, respectively.

8. Capitalized Leases and Notes Receivable

According to the Basic Resolution and Indenture, GARFS is to enter into a Revenue Agreement with developers receiving funds. Such agreements are in the form of capitalized leases (see also Note 2). The agreements outstanding are detailed on pages 20 through 23.

9. Bonds Called and Refunded

The City has discharged certain bond series by irrevocably depositing in escrow a sum of cash and securities bearing interest and maturing such that all principal or redemption price of and interest due on the bonds were paid or could be paid in full.

Bond Issue/Series	Escrow Date	Redemption Date
Stevens Square Refunding	September 22, 2004	June 1, 2011
Theatres Project	December 20, 2005	December 1, 2011
Elmer Enterprises Refunding	July 1, 2007	June 1, 2011

10. Other Commitments and Contingencies

In connection with the normal conduct of its affairs, the City is involved in various claims, litigation, and judgments. None of these cases directly involve GARFS. It is management's intent that GARFS' resources would not be used to settle any of these claims. Consequently, it is expected that the final settlement of these matters will not materially affect the financial statements of GARFS.

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CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
OUTSTANDING DEVELOPMENT REVENUE BONDS
DECEMBER 31, 2012

	Interest Rate	Issue Date	Final Maturity Date
General Agency Reserve Fund System			
Halper Box	5.10% to 6.15%	04-01-97	06-01-17
Baker Bearing	5.10% to 6.20%	05-01-97	12-01-16
Laurel Village Alden Limited Partnership II	4.30% to 5.75%	10-01-97	06-01-27
100 East 22nd Associates - A	4.00% to 5.50%	10-01-97	06-01-12
Cord Sets	4.10% to 5.50%	07-01-98	06-01-18
Discount Steel - A	5.00% to 5.25%	12-01-99	06-01-19
Pajor & Associates	4.75% to 6.75%	03-01-00	12-01-25
Bridgerail Properties	4.31% to 7.00%	09-01-02	06-01-22
Kristol Properties	2.45% to 5.12%	11-20-03	12-01-23
Infinite Graphics	2.25% to 5.50%	07-14-04	12-01-24
Hennepin Theatre Trust	5.23% to 6.30%	12-20-05	12-01-35
Ambassador Press	4.27% to 6.50%	06-26-06	12-01-26
Quality Resource Group	5.28% to 5.84%	03-04-07	12-01-27
New French Bakery	4.62% to 5.70%	07-26-07	06-01-28
Open Systems International	2.29% to 6.60%	06-16-10	06-01-40
Open Access Technology International, Inc.	1.25% to 6.25%	12-29-10	12-01-40
Total Outstanding Development Revenue Bonds			
2011 Amounts			

Bonds			Principal Due in 2013	Interest Due in 2013
Issued	Retired	Outstanding		
$ 2,400,000	$ 1,570,000	$ 830,000	$ 155,000	$ 46,279
2,900,000	2,195,000	705,000	190,000	37,820
2,515,000	735,000	1,780,000	75,000	101,090
2,820,000	2,820,000	-	-	-
1,500,000	910,000	590,000	90,000	29,975
1,900,000	530,000	1,370,000	175,000	66,650
1,505,000	1,505,000	-	-	-
2,750,000	2,750,000	-	-	-
3,300,000	1,730,000	1,570,000	160,000	78,075
2,475,000	950,000	1,525,000	140,000	82,450
21,055,000	2,255,000	18,800,000	395,000	1,167,194
8,400,000	2,550,000	5,850,000	565,000	321,369
3,100,000	500,000	2,600,000	115,000	147,715
9,990,000	1,290,000	8,700,000	365,000	438,594
18,000,000	275,000	17,725,000	285,000	1,086,429
25,000,000	1,790,000	23,210,000	920,000	1,230,506
$ 109,610,000	**$ 24,355,000**	**$ 85,255,000**	**$ 3,630,000**	**$ 4,834,146**
$ 117,980,000	**$ 25,995,000**	**$ 91,985,000**		

CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
CURRENT ANNUAL OBLIGATIONS ON OUTSTANDING PRINCIPAL BALANCES OF BOND ISSUES AND INTEREST PAYMENTS
DECEMBER 31, 2012

	2013	2014	2015	2016
Halper Box	$ 155,000	$ 165,000	$ 175,000	$ 185,000
Baker Bearing	190,000	200,000	210,000	105,000
Laurel Village Alden Limited Partnership II	75,000	80,000	85,000	90,000
100 East 22nd Associates - A	-	-	-	-
Cord Sets	90,000	95,000	100,000	105,000
Discount Steel - A	175,000	185,000	190,000	200,000
Pajor & Associates	-	-	-	-
Bridgerail Properties	-	-	-	-
Kristol Properties	160,000	170,000	110,000	115,000
Infinite Graphics	140,000	145,000	95,000	100,000
Hennepin Theatre Trust	395,000	420,000	440,000	465,000
Ambassador Press	565,000	600,000	630,000	660,000
Quality Resource Group	115,000	120,000	130,000	135,000
New French Bakery	365,000	385,000	405,000	425,000
Open Systems International	285,000	290,000	300,000	315,000
Open Access Technology International, Inc.	920,000	950,000	980,000	1,005,000
Total principal payments	**$ 3,630,000**	**$ 3,805,000**	**$ 3,850,000**	**$ 3,905,000**
Total interest payments	**4,834,146**	**4,665,987**	**4,487,097**	**4,309,025**
Total Current Annual Obligations of Principal and Interest to Maturity	**$ 8,464,146**	**$ 8,470,987**	**$ 8,337,097**	**$ 8,214,025**

NOTE 5
(Continued)

2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2040	Total
$ 150,000	$ -	$ -	$ -	$ -	$ -	$ 830,000
-	-	-	-	-	-	705,000
95,000	575,000	780,000	-	-	-	1,780,000
-	-	-	-	-	-	-
110,000	90,000	-	-	-	-	590,000
215,000	405,000	-	-	-	-	1,370,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
120,000	725,000	170,000	-	-	-	1,570,000
105,000	635,000	305,000	-	-	-	1,525,000
495,000	2,980,000	4,010,000	5,440,000	4,155,000	-	18,800,000
695,000	1,635,000	1,065,000	-	-	-	5,850,000
140,000	845,000	1,115,000	-	-	-	2,600,000
445,000	2,590,000	3,320,000	765,000	-	-	8,700,000
325,000	1,895,000	2,515,000	3,445,000	4,720,000	3,635,000	17,725,000
1,045,000	4,230,000	2,540,000	3,440,000	4,615,000	3,485,000	23,210,000
$ 3,940,000	**$ 16,605,000**	**$ 15,820,000**	**$ 13,090,000**	**$ 13,490,000**	**$ 7,120,000**	**$ 85,255,000**
4,125,374	**17,773,259**	**13,311,449**	**8,806,647**	**4,429,239**	**790,787**	**67,533,010**
$ 8,065,374	**$ 34,378,259**	**$ 29,131,449**	**$ 21,896,647**	**$ 17,919,239**	**$ 7,910,787**	**$ 152,788,010**

CITY OF MINNEAPOLIS
GENERAL AGENCY RESERVE FUND SYSTEM
MINNEAPOLIS, MINNESOTA

NOTES TO THE FINANCIAL STATEMENTS
SCHEDULE OF CAPITALIZED LEASES
DECEMBER 31, 2012

	Total Lease Payments	Total Interest
Capitalized Leases		
Halper Box	$ 958,228	$ 128,228
Baker Bearing	784,825	79,825
Laurel Village Alden Limited Partnership II	2,705,040	925,040
100 East 22nd Associates - A	-	-
Cord Sets	688,725	98,725
Discount Steel - A	1,627,125	257,125
Pajor & Associates	-	-
Bridgerail Properties	-	-
Kristol Properties	2,060,003	490,003
Infinite Graphics	2,089,075	564,075
Hennepin Theatre Trust	35,953,467	17,153,467
Ambassador Press	7,923,578	2,073,578
Quality Resource Group	3,950,072	1,350,072
New French Bakery	12,873,251	4,173,251
Open Systems International	37,883,939	20,158,939
Open Access Technology International, Inc.	43,290,682	20,080,682
Total capitalized leases	**$ 152,788,010**	**$ 67,533,010**

2011 Amounts

Total Principal	Unexpended Construction Funds	Capitalized Leases Receivable	Current Portion	Noncurrent Portion
$ 830,000	$ 4,900	$ 825,100	$ 155,000	$ 670,100
705,000	-	705,000	190,000	515,000
1,780,000	-	1,780,000	75,000	1,705,000
-	-	-	-	-
590,000	-	590,000	90,000	500,000
1,370,000	-	1,370,000	175,000	1,195,000
-	-	-	-	-
-	-	-	-	-
1,570,000	-	1,570,000	160,000	1,410,000
1,525,000	-	1,525,000	140,000	1,385,000
18,800,000	-	18,800,000	395,000	18,405,000
5,850,000	-	5,850,000	565,000	5,285,000
2,600,000	-	2,600,000	115,000	2,485,000
8,700,000	-	8,700,000	365,000	8,335,000
17,725,000	-	17,725,000	285,000	17,440,000
23,210,000	966,963	22,243,037	920,000	21,323,037
$ 85,255,000	**$ 971,863**	**$ 84,283,137**	**$ 3,630,000**	**$ 80,653,137**
		$ 90,490,785	**$ 3,800,000**	**$ 86,690,785**

NOTES TO THE FINANCIAL STATEMENTS
CAPITALIZED LEASES RECEIVABLE MATURITIES, INCLUDING INTEREST
DECEMBER 31, 2012

	2013	2014	2015	2016
Capitalized Leases				
Halper Box	$ 201,279	$ 201,439	$ 200,984	$ 199,914
Baker Bearing	227,820	225,730	223,020	108,255
Laurel Village Alden Limited Partnership II	176,090	176,928	177,467	177,688
100 East 22nd Associates - A	-	-	-	-
Cord Sets	119,975	119,887	119,525	118,888
Discount Steel - A	241,650	242,650	238,038	237,800
Pajor & Associates	-	-	-	-
Bridgerail Properties	-	-	-	-
Kristol Properties	238,075	241,115	173,550	172,912
Infinite Graphics	222,450	220,450	163,200	162,975
Hennepin Theatre Trust	1,562,194	1,564,797	1,560,983	1,561,035
Ambassador Press	886,369	894,259	895,012	893,637
Quality Resource Group	262,715	261,482	264,978	262,932
New French Bakery	803,594	804,431	804,700	804,450
Open Systems International	1,371,429	1,366,863	1,365,559	1,367,858
Open Access Technology International, Inc.	2,150,506	2,150,956	2,150,081	2,145,681
Total capitalized lease maturities	**$ 8,464,146**	**$ 8,470,987**	**$ 8,337,097**	**$ 8,214,025**

2017	2018-2022	2023-2027	2028-2032	2033-2037	2038-2040	Total
$ 154,612	$ -	$ -	$ -	$ -	$ -	$ 958,228
-	-	-	-	-	-	784,825
177,602	899,615	919,650	-	-	-	2,705,040
-	-	-	-	-	-	-
117,975	92,475	-	-	-	-	688,725
241,906	425,081	-	-	-	-	1,627,125
-	-	-	-	-	-	-
-	-	-	-	-	-	-
172,019	883,619	178,713	-	-	-	2,060,003
162,475	827,225	330,300	-	-	-	2,089,075
1,562,438	7,820,575	7,813,640	7,818,565	4,689,240	-	35,953,467
895,488	2,215,388	1,243,425	-	-	-	7,923,578
260,616	1,319,701	1,317,648	-	-	-	3,950,072
804,794	4,022,532	4,025,500	803,250	-	-	12,873,251
1,363,686	6,810,203	6,781,010	6,751,445	6,706,399	3,999,487	37,883,939
2,151,763	9,061,845	6,521,563	6,523,387	6,523,600	3,911,300	43,290,682
$ 8,065,374	**$ 34,378,259**	**$ 29,131,449**	**$ 21,896,647**	**$ 17,919,239**	**$ 7,910,787**	**$ 152,788,010**

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Compliance Report

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REBECCA OTTO
STATE AUDITOR

STATE OF MINNESOTA
OFFICE OF THE STATE AUDITOR

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH ENABLING RESOLUTIONS

The Honorable R.T. Rybak, Mayor
and Members of the City Council
City of Minneapolis, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America, the accompanying financial statements of the General Agency Reserve Fund System of the City of Minneapolis, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the System's basic financial statements and have issued our report thereon dated April 26, 2013.

In connection with our audit, nothing came to our attention that caused us to believe that the City of Minneapolis failed to comply with the financial terms, financial covenants, financial provisions, or financial conditions of the Basic Resolution and Indenture (82-512) or the amendments relating to financial matters establishing the General Agency Reserve for Bonds (82-513), establishing an Industrial Development Bond (IDB) account (82-514), providing funding for the IDB account (83-665), clarifying permitted investments of funds relating to the Common Bond Fund (84-765), amending and restating the Basic Resolution of the City of Minneapolis (A and B) (04-256, 04-257), and supplementing the Basic Resolution (04-258), insofar as they relate to financial and accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City of Minneapolis' noncompliance with the above referenced provisions.

This communication is intended solely for the information and use of the Mayor, Members of the Minneapolis City Council, and the City of Minneapolis' management and is not intended to be, and should not be, used by anyone other than those specified parties.

/s/Rebecca Otto

REBECCA OTTO
STATE AUDITOR

/s/Greg Hierlinger

GREG HIERLINGER, CPA
DEPUTY STATE AUDITOR

April 26, 2013