

AUSTIN UTILITIES
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019

**AUSTIN UTILITIES
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YEAR ENDED DECEMBER 31, 2019**

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INTRODUCTION SECTION

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**AUSTIN UTILITIES
ORGANIZATION SCHEDULE
DECEMBER 31, 2019**

Board of Commissioners

Term Expires

Geoff Baker	President	December 31, 2020
Jeanne Sheehan	Member	December 31, 2022
Thomas Baudler	Member	December 31, 2020
Tyler Hulsebus	Member	December 31, 2020
Steve Greenman	Member	December 31, 2022

Officers

Mark Nibaur	General Manager
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Austin Utilities
Austin, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Austin Utilities (the Utilities), an enterprise fund of the City of Austin, state of Minnesota, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Utilities' 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 fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions 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 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 from 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 auditors' 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 Utilities' 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 Utilities' 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 respective financial position of Austin Utilities, an enterprise fund of the City of Austin, state of Minnesota, as of December 31, 2019, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis-of-Matter Regarding a Correction of an Error

As discussed in Note 12 to the financial statements, an error resulting in understatement of net position as of January 1, 2019, was discovered by management of the Utilities during the current year. Accordingly, amounts reported for net position have been restated as of January 1, 2019, to correct the error. Our opinion is not modified with respect to that matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the Utilities' Total OPEB Liability and Related Ratios, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability, and the Schedule of Utilities' Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the 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 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Utilities' basic financial statements as a whole. The Supplementary Combining Schedule of Revenues, and Expenses and Supplementary Schedule of Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Board of Commissioners
Austin Utilities

The Supplementary Combining Schedule of Revenues, and Expenses, and Supplementary Schedule of Operating Expenses are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Combining Schedule of Revenues, and Expenses and Supplementary Schedule of Operating Expenses are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Austin, Minnesota
April 14, 2020

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REQUIRED SUPPLEMENTARY INFORMATION

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**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

FINANCIAL STATEMENTS OVERVIEW

This discussion and analysis of Austin Utilities' performance provides an overview of the Utilities' activities for the year ended December 31, 2019. The information presented should be read in conjunction with the financial statements and the accompanying notes to the financial statements.

Austin Utilities follows the Uniform System of Accounts prescribed by the Federal Energy Regulatory Commission. The financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

The statement of net position provides information about the nature of assets, deferred outflows of resources, obligations (liabilities), deferred inflows of resources, and net position of Austin Utilities as of the end of the year. The statement of revenues, expenses, and changes in net position reports revenues and expenses for the current year. The statement of cash flows reports cash receipts, cash payments, and net changes in cash resulting from operating, noncapital related, capital, and related financing activities, and investing activities.

FINANCIAL HIGHLIGHTS

- The net position of Austin Utilities at the close of 2019 was \$57,079,869. This is an increase of \$5,008,901 over net position balance at the close of 2018.
- By far the largest portion of Austin Utilities net position (82%) reflects its investment in capital assets (e.g., buildings, structures and improvements, generating plant equipment, station equipment, distribution lines and distribution mains, meters, furniture and equipment, transportation equipment, power operated equipment, and communication equipment), less the related debt used to acquire those assets that is still outstanding. Austin Utilities uses the capital assets to provide services to our customers: consequently, these assets are not available for future spending.
- Cash flows from operations covered plant needs as capital outlay for 2019 were \$3,982,805. The electric department had capital outlay of \$1,436,634 which included outlays for substation improvements, line transformers, meters, load management devices, new services, developments, line extensions, and conversions. The water department had capital outlay of \$1,446,928 which included \$503,828 for main extensions, replacements, and hydrants and \$943,100 for well house #6 rehabilitation, well house emergency generator and meters. The water department installed over 7,834 feet of new water main during 2019. The gas department had capital outlay of \$523,860, which included \$200,474 for mains and services, \$237,023 for the relocation of the west town border station, \$55,656 for the district regulating station upgrades and \$30,707 for meters. The gas department installed over 8,767 feet of new gas main in 2019. General Plant capital outlay was \$575,383 in 2019 which included outlays for vehicles and power operated equipment, communications equipment and office equipment.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS (CONTINUED)

The following table summarizes the financial position of Austin Utilities as of December 31:

Condensed Statement of Net Position

	2019	2018
Capital Assets, Net	\$ 65,868,524	\$ 64,665,455
Current Assets	18,862,845	14,072,268
Noncurrent Assets	19,305,576	20,024,697
Other Assets	371,504	541,093
Total Assets	104,408,449	99,303,513
Deferred Outflows of Resources	1,264,737	1,711,851
Total Assets and Deferred Outflows of Resources	\$ 105,673,186	\$ 101,015,364
Current Liabilities	\$ 8,092,916	\$ 8,110,151
Long-Term Liabilities:		
Accrued Sick Leave	1,906,108	1,804,814
Long-Term Debt	18,019,589	19,122,643
Net Pension Liability	4,793,449	4,981,736
OPEB Liability	14,014,415	15,095,611
Total Liabilities	46,826,477	49,114,955
Deferred Inflows of Resources	1,766,840	1,583,555
Net Position:		
Net Investment in Capital Assets	46,768,935	44,487,812
Unrestricted	10,310,934	5,829,042
Total Net Position	57,079,869	50,316,854
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 105,673,186	\$ 101,015,364

Condensed statement of net position highlights are as follows for the year ended December 31, 2019:

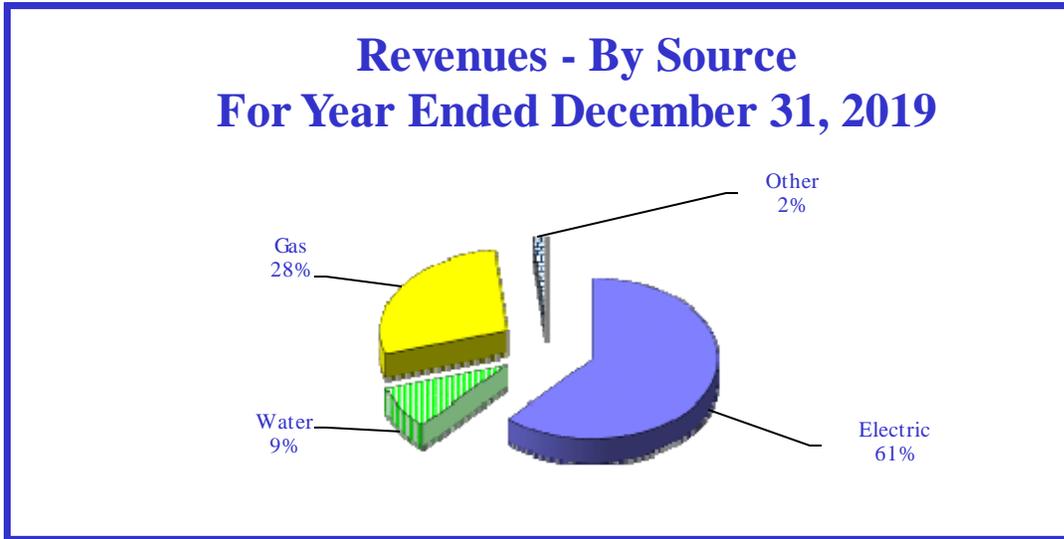
- Current assets increased \$3,036,463 (excluding the receivable for unbilled revenues). Current assets consist of cash and working funds, temporary investments (maturities of one year or less), accounts receivable, inventories, and prepayments.
- Noncurrent assets decreased during 2019 in the amount of \$719,121. There was a decrease of \$1,841,028 in Special Funds; which are restricted investments for Employee Sick Leave Benefits Fund, General Liability Insurance Fund, Flexible Spending Account and Capital Improvements Fund. Other Investments increased \$1,121,907.
- Other Assets decreased \$169,589. Prepaid expenses within this classification include unavailable water assessments and expenses for water tower maintenance. Water tower maintenance expenses decreased \$167,690 and unavailable assessments decreased \$1,899.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Deferred outflows of resources decreased \$447,114. Deferred Outflows of Resources - Pension Related decreased \$457,945 and Deferred Outflows of Resource - OPEB Related increased \$10,831 in 2019.
- Current liabilities decreased \$30,324 at the end of 2019. The decrease was due to the decrease in accounts payable. This also includes the current portion of GO Water Revenue Bonds, Series 2012A of \$370,000 and the current portion of the GO Capital Improvement Plan Bonds, Series 2015A of \$710,000.
- Bonds Payable decreased \$1,103,054.
- Net Pension Liability decreased \$188,287.
- Other Postemployment Benefits Liability decreased \$1,068,107.
- Accrued sick leave increased \$101,294.
- Deferred Inflows of Resources increased \$183,285.
- Net position increased \$5,008,901 at the end of 2019.

The following chart summarizes operating revenue and source by utility:



**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS (CONTINUED)

The following table summarizes revenues, expenses, and changes in net position of Austin Utilities for the years ended December 31, 2019 and 2018:

Condensed Statement of Revenues, Expenses, and Changes in Net Position

	2019	2018
Electric		
Operating Revenues, Electric Sales	\$ 35,364,247	\$ 36,477,798
Other Electric Operating Revenues	745,654	848,282
Total Electric Operating Revenues	36,109,901	37,326,080
Operating Expenses	34,235,829	38,627,164
Total Electric Operating Income	1,874,072	(1,301,084)
Other & Misc. Electric Income (Expense)	623,661	2,213,617
Interest Expense	(235,748)	(240,848)
Capital Contributions in Aid of Construction	84,172	189,582
Transfer Out	-	(47,242)
Change in Net Position, Electric	2,346,157	814,025
Water		
Operating Revenues, Water Sales	4,983,147	4,794,717
Other Water Operating Revenues	76,091	55,801
Total Water Operating Revenues	5,059,238	4,850,518
Operating Expenses	4,016,874	4,019,839
Total Water Operating Income	1,042,364	830,679
Other & Misc. Water Income (Expense)	142,443	58,508
Interest Expense	(153,920)	(164,545)
Capital Contributions in Aid of Construction	32,745	55,646
Transfer Out	-	(17,459)
Change in Net Position, Water	1,063,632	762,829
Gas		
Operating Revenues, Gas Sales	16,253,117	17,071,775
Other Gas Operating Revenues	82,301	75,285
Total Gas Operating Revenues	16,335,418	17,147,060
Operating Expenses	15,120,305	15,717,765
Total Gas Operating Income	1,215,113	1,429,295
Other & Misc. Gas Income (Expense)	312,523	127,342
Interest Expense	(191,224)	(194,515)
Capital Contributions in Aid of Construction	262,700	30,887
Transfer Out	-	(37,999)
Change in Net Position, Gas	1,599,112	1,355,010
Total Change in Net Position	\$ 5,008,901	\$ 2,931,864
Beginning Net Position	\$ 50,316,854	60,109,683
Restatement	1,754,114	(12,724,693)
Change in Net Position	5,008,901	2,931,864
Ending Net Position	\$ 57,079,869	\$ 50,316,854

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS (CONTINUED)

Condensed Statements of revenues, expenses, and changes in net position highlights are as follows:

Electric

2019 Compared to 2018

- Revenue from electric sales decreased in the amount of \$1,113,551. Other electric operating revenue decreased \$102,628. Total revenue per unit decreased 2.31% from a unit price of \$0.1080 in 2018 to \$0.1055 in 2019, a result of the 1.90% rate decrease approved by the Board of Commissioners in November 2018. The decrease in other electric revenues was a result of a decrease in rebate reimbursements received by our wholesale provider SMMPA for energy conservation measures taken by our customers.
- Operating expenses decreased \$4,391,335 in 2019. Steam power generation expenses increased \$20,250 for preliminary work relating to the Northeast Power Plant decommission. Power supply expenses decreased \$1,091,935 a result of the 2.0% rate decrease from our wholesale provider SMMPA. Distribution expenditures increased \$388,626 due to the increase in maintenance of overhead and underground lines. Other operating expenses decreased \$3,708,276 a result of the 2018 demolition of the downtown power plant, garages and site preparation for the new community recreation center that opened in February 2020. Total cost of the demolitions and site preparation was \$3,628,615.
- Other & Misc. Electric Income decreased \$1,589,956. There was an increase in Interest Income of \$201,122, Disaster Payments & Grants of \$188,227 and Gain on Disposal of Property of \$25,995. There was a decrease in donations of \$2,005,000 and \$300 for Merchandising/Contract Work.
- Interest expense decreased \$5,100.
- Capital contributions in aid of construction decreased \$105,410 in 2019.
- There was no Transfer Out in 2019.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS (CONTINUED)

Water

2019 Compared to 2018

- Revenue from the sale of water increased \$188,430. Other water revenue increased in the amount of \$20,290. Total revenue per unit increased from \$2.0208 in 2018 to \$2.0518 in 2019 as a result of the 2.9% rate increase to residential and commercial customers and 4.9% rate increase to the industrial customer approved at the November 2018 board meeting. The volume of water sold was up 2.4% in 2019. The increase in other water revenues was due to refund received in 2019 from the Minnesota Department of Revenue for state sales taxes paid.
- Operating expenses decreased \$2,965. Water production expenses decreased \$45,709 a result of reduced maintenance of equipment. Distribution expenses increased \$70,268 as there was increase in Operation, Supervision and Engineering and Miscellaneous Expenses. Other operating expenses decreased \$27,524 as a result of decreased employee pensions and benefits expenses.
- Other and Misc. Water Income increased \$83,935 in 2019.
- Interest expense decreased \$10,625.
- Capital contributions in aid of construction decreased \$22,901 in 2019.
- There was no Transfer Out in 2019.

Gas

2019 Compared to 2018

- Revenue from the sale of natural gas decreased \$818,658 in 2019. There was no rate increase in the gas department in 2019 but there was a negative purchased cost adjustment ten out of the twelve months. Total revenue per unit decreased 9.1% from a unit price of \$7.0066 per mcf in 2018 to \$6.3682 per mcf in 2019. Other operating revenues increased \$7,016.
- Operating expenses decreased \$597,460 in 2019. The price of natural gas purchased in 2019 was 10.2% less than 2018, this accounted for \$744,644 of decreased expenses. Distribution expenses increased \$224,317 a result of additional maintenance, operation, supervision and engineering expenses. Other operating expenses decreased \$77,113 as a result of a reduction in customer rebates under the Conserve& Save Program.
- Other & Misc. Gas Income increased \$185,181, a result of additional investment interest income during 2019.
- Interest expense decreased \$3,291.
- Capital contributions in aid of construction increased \$231,813 a result of the relocation of the West Town Border Station for Northern Natural Gas that was started in 2019.
- There was no Transfer Out in 2019.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

FINANCIAL HIGHLIGHTS (CONTINUED)

2019 Compared to 2018

- The total change in net position in 2019 was an increase in the amount of \$5,008,901 as compared to an increase of \$2,931,864 in 2018. The 2019 increase is the result of combined operating income in the amount of \$4,131,549, other & miscellaneous income (expenses) of \$1,078,627 and capital contributions in aid of construction in the amount of \$379,617 and reduced by interest expense in the amount of \$580,892.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

- The Utilities investment in capital assets as of December 31, 2019 amounts to \$65,868,524 (net of accumulated depreciation). This investment in capital assets includes land and land rights and utility plant in service. In the electric utility the most significant increases occurred in line extensions, developments and conversions, load management switches, AMI meters and gateway radios. In the water utility the most significant increases occurred in infrastructure installation of mains and the rehabilitation of Well House #6. In the gas utility the most significant increases occurred in the installation of mains, services, and relocation of the West Town Border Station. The general plant increases occurred in vehicles and power-operated equipment.

**AUSTIN UTILITIES CAPITAL ASSETS
(Net of Depreciation)**

	2019	2018	Dollar Change
Land and Land Rights	\$ 735,175	\$ 735,175	\$ -
Electric Plant in Service	16,979,070	16,628,897	350,173
Water Plant in Service	20,883,076	19,975,930	907,146
Gas Plant in Service	7,936,170	7,757,705	178,465
General Plant in Service	19,335,033	19,567,748	(232,715)
Total	<u>\$ 65,868,524</u>	<u>\$ 64,665,455</u>	<u>\$ 1,203,069</u>

See Note 2 to the financial statements for more details related to changes in utility plant.

Long-Term Debt:

- Long-term debt decreased in the amount of \$1,103,054 in 2019. The current portion of the General Obligation Water Bonds, Series 2012A due in 2020 is \$370,000 and the current portion of the General Obligation Capital Improvement Plan Bonds, Series 2015A due in 2020 is \$710,000. See Note 6 to the financial statements for more details related to changes in debt.
- Long-term debt decreased in the amount of \$1,078,055 in 2018. The current portion of the General Obligation Water Bonds, Series 2012A due in 2019 is \$365,000 and the current portion of the General Obligation Capital Improvement Plan Bonds, Series 2015A due in 2019 is \$690,000. See Note 6 to the financial statements for more details related to changes in debt.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2019**

ECONOMIC FACTORS AND NEXT YEAR'S RATES

Economic factors that Austin Utilities is currently facing and which could have an impact on our rates are the current Climate Change Legislation (Co2 legislation) and the Renewable Energy Standard.

Austin Utilities implemented new rates in the water departments in January 2020. A cost-of-service and unbundled rate study will be completed for the three utilities in 2020. On November 12, 2019, the Austin Utilities Board of Commissioners approved the 2020 budget.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Austin Utilities, City of Austin, Minnesota's finances for all those expressing an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Manager, 1908 14th Street NE, Austin, Minnesota 55912.

BASIC FINANCIAL STATEMENTS

**AUSTIN UTILITIES
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

Utility Plant

Plant in Service	\$ 120,986,460
Less: Accumulated Depreciation	<u>(55,117,936)</u>
Net Utility Plant	65,868,524

Other Property and Investments

Special Funds	6,487,856
Other Investments	<u>12,817,720</u>
Total Other Property and Investments	19,305,576

Current Assets

Cash and Cash Equivalents	11,380,343
Accounts Receivable (Less Allowance for Uncollectible Accounts of \$200,000)	5,186,956
Partnering in Energy Loan Receivable (Less Allowance for Uncollectible Accounts of \$0)	296
Other Accounts Receivable (Less Allowance for Uncollectible Accounts of \$2,000)	336,755
Inventories	1,773,452
Prepaid Expenses	<u>185,043</u>
Total Current Assets	18,862,845

Other Assets

Total Assets	<u>371,504</u>
	104,408,449

DEFERRED OUTFLOWS OF RESOURCES

Pension Related	374,747
OPEB Related	<u>889,990</u>
Total Deferred Outflows of Resources	<u>1,264,737</u>

Total Assets and Deferred Outflows of Resources	<u><u>\$ 105,673,186</u></u>
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**AUSTIN UTILITIES
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2019**

**NET POSITION, LIABILITIES, AND
DEFERRED INFLOWS OF RESOURCES**

NET POSITION

Net Investment in Utility Plant	\$ 46,768,935
Unrestricted	<u>10,310,934</u>
Net Position	57,079,869

LIABILITIES

Long-Term Liabilities

Accrued Sick Leave	1,906,108
Bonds Payable	18,019,589
Net Pension Liability	4,793,449
Other Postemployment Benefits Payable	<u>14,014,415</u>
Total Long-Term Liabilities	38,733,561

Current Liabilities

Accounts Payable	4,062,722
Accrued Expenses	1,394,189
Current Portion of Bonds Payable	1,080,000
Current Portion of Other Postemployment Benefits Payable	906,990
Other Current Liabilities	<u>649,015</u>
Total Current Liabilities	<u>8,092,916</u>

Total Liabilities	46,826,477
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DEFERRED INFLOWS OF RESOURCES

Community Solar Program Related	47,710
OPEB Related	528,866
Pension Related	<u>1,190,264</u>
Total Deferred Inflows of Resources	<u>1,766,840</u>

Total Net Position, Liabilities, and Deferred Inflows of Resources	<u><u>\$ 105,673,186</u></u>
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AUSTIN UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2019

OPERATING REVENUES	
Sales	\$ 56,600,511
Forfeited Discounts	252,136
Other Operating Revenues	651,910
Total Operating Revenues	<u>57,504,557</u>
OPERATING EXPENSES	
Purchases	35,880,860
Production	1,076,011
Distribution	5,794,774
Other Operating Expenses	10,621,363
Total Operating Expenses	<u>53,373,008</u>
OPERATING INCOME	4,131,549
OTHER REVENUES (EXPENSES)	
Merchandising Contract Work	-
Capital Grant	240,727
Donation	-
Investment Income	814,940
Interest Expense	(580,892)
Gain on Disposal of Property	22,960
Total Other Revenues	<u>497,735</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	4,629,284
Capital Contributions	379,617
Transfer Out	-
CHANGE IN NET POSITION	5,008,901
Net Position - Beginning of Year, As Previously Reported	50,316,854
Restatement	1,754,114
Net Position - Beginning of Year, As Restated	<u>52,070,968</u>
NET POSITION - END OF YEAR	<u><u>\$ 57,079,869</u></u>

See accompanying Notes to Basic Financial Statements.

**AUSTIN UTILITIES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2019**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers	\$ 57,547,308
Cash Received from Others	417,806
Cash Paid to Suppliers	(42,664,040)
Cash Paid to Employees	(6,964,310)
Payments in Lieu of Property Taxes	(1,677,629)
Net Cash Provided by Operating Activities	<u>6,659,135</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interest Paid on Customer Deposits	(10,827)
Proceeds from Merchandising/Contract Work	-
Net Cash Used by Noncapital Financing Activities	<u>(10,827)</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Construction and Acquisition of Plant	(3,982,805)
Proceeds from Sale of Assets	22,960
Proceeds from Contributions in Aid of Construction	379,617
Donation	-
Capital Grant Proceeds	240,727
Interest Paid	(596,817)
Principal Payments on Bonds	(1,055,000)
Net Cash Used by Capital and Related Financing Activities	<u>(4,991,318)</u>

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Other Investments and Special Funds	(31,524,469)
Sales of Other Investments and Special Funds	32,519,888
Interest Income	557,943
Net Cash Provided by Investing Activities	<u>1,553,362</u>

NET INCREASE IN CASH AND CASH EQUIVALENTS

3,210,352

Cash and Cash Equivalents - Beginning of Year

8,169,991

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 11,380,343

See accompanying Notes to Basic Financial Statements.

AUSTIN UTILITIES
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

**RECONCILIATION OF OPERATING INCOME TO NET CASH
PROVIDED BY OPERATING ACTIVITIES**

Operating Income	\$ 4,131,549
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	2,779,736
Decrease in Other Assets	169,589
Decrease in Deferred Outflows of Resources - Pension	457,945
(Increase) Decrease in Deferred Outflows of Resources - OPEB	(10,831)
Increase in Accrued Sick Leave	101,294
Decrease in Other Postemployment Benefits Payable	(1,068,107)
Decrease in Net Pension Liability	(188,287)
Increase in Deferred Inflows of Resources - Pension	190,175
Increase (Decrease) in Deferred Inflows of Resources - Community Solar Program	(6,890)
(Increase) Decrease in:	
Customer Accounts Receivable	579,624
Partnering in Energy Solutions Receivable	3,347
Other Accounts Receivable	(236,003)
Materials and Supplies Inventory	(157,433)
Prepaid Expenses	(34,948)
Increase (Decrease) in:	
Accounts Payable	(293,153)
Accrued Expenses	113,168
Other Liabilities	128,360
Net Cash Provided by Operating Activities	<u>\$ 6,659,135</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Noncash Transactions - Change in Fair Value of Investments	<u>\$ 276,299</u>
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**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

The financial statements of Austin Utilities (the Utilities) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The GASB pronouncements are recognized as accounting principles generally accepted in the United States of America for state and local governments.

B. Financial Reporting Entity

Austin Utilities is an enterprise fund of the City of Austin, Minnesota, and is thus exempt from federal and state income tax. The purpose of the fund is to account for the generation and distribution of electrical, gas, and water services to the residents of the City. The Utilities is governed by a five-member Board of Commissioners. Board members are elected for four-year terms.

For financial reporting purposes, the Utilities has included all funds, organizations, agencies, boards, commissions, and authorities. The Utilities has also considered all potential units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the Utilities are such that exclusion would cause the Utilities' financial statements to be misleading or incomplete. The Government Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the organization to impose its will on that organization, or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the organization. The Utilities has no component units which meet the GASB criteria. The Utilities is considered a part of the reporting entity of the City of Austin, Minnesota and is included in the City's financial statements as an enterprise fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned. Expenses are recorded when the related liability is incurred. The principal operating revenues and expenses are sales and purchases, production, and distribution expenses.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Utility Plant and Depreciation

Capital assets are recorded on a cost basis, including cost of labor and materials used by the Utilities. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The utility plant is recorded and grouped into common or like-kind assets, and depreciated on a composite basis using straight-line depreciation, except for transportation equipment and power-operated equipment which are depreciated on an item basis. The Utilities accounts for depreciation on the remaining life method using straight-line depreciation. The Utilities has estimated the remaining lives of assets and has depreciated the assets over the following extended estimated lives:

Transportation Equipment	10 Years
Power Operated Equipment	10 to 20 Years

E. Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, demand deposit accounts, repurchase agreement and certificates of deposit with maturities of one year or less that are not specifically being reserved to be cash and cash equivalents.

F. Investments

The Utilities records its investments with a maturity greater than one year at the time of purchase at fair value.

G. Inventory

Stores and materials inventory and fuel oil inventory are recorded at the lower of cost or net realizable values using a moving weighted-average method. All inventories are stored by the Utilities.

H. Deferred Outflows of Resources

In addition to assets, the financial statements will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow (expense) until that time. The Utilities has two types of items that qualifies as this reporting element, pension related and OPEB related.

I. Sick Leave

Sick leave is accrued as earned by the employees and is funded by investments designated by the Utilities to fund this benefit.

J. Postemployment Benefits Other than Pensions (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the Austin Utilities Retiree Benefits Plan (AURBP) has been determined on the same basis as they are reported by AURBP. For this purpose, AURBP recognizes benefit payments when due and payable in accordance with the benefit terms.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Pension

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year-end is June 30. For this purpose, plan contributions are recognized as of employer payroll dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

L. Deferred Inflows of Resources

In addition to liabilities, the financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Utilities has three types of items that qualify as this reporting element, community solar program, pension related and other postemployment benefits related.

M. Revenue Recognition

Meter readings are taken throughout the month for residential and small commercial accounts, with billing statements being made on the 10th, 20th, and 30th of each month. Billings for some accounts are up to 15 days after the meter is read. Large commercial accounts are read at the end of the billing cycle and billed currently. Estimated billings are made for unread meters, which are adjusted the next month when read. The Utilities' estimated unbilled revenues totaled approximately \$1,754,000 at December 31, 2019.

N. Gross Earnings Tax

The Austin Utilities is municipally owned and is exempt from property and income taxes. In lieu of property taxes, a gross earnings tax is paid to the City of Austin. Taxes expensed totaled \$1,682,958 in 2019.

O. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the basic financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to build or acquire the capital assets. Net position is reported as restricted in the basic financial statement when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, laws, or regulations of other governments. It is the Utilities' policy to apply restricted resources and then unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

P. Reclassification

Current portion of Other Postemployment Benefits Payable was reclassified during 2019 to reflect the amount of benefits payments expected to be paid within one year.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DETAIL OF UTILITY PLANT

Utility plan activity was as follows for the year ended December 31:

2019	Beginning Balance	Additions	Retirements	Ending Balance
Land and Land Rights	\$ 735,174	\$ -	\$ -	\$ 735,174
Utility Plant in Service	116,782,134	3,982,805	(513,653)	120,251,286
Less Accumulated Depreciation for Utility Plant in Service	(52,851,853)	(2,779,736)	513,653	(55,117,936)
Capital Assets, Net	<u>\$ 64,665,455</u>	<u>\$ 1,203,069</u>	<u>\$ -</u>	<u>\$ 65,868,524</u>

Assets included in land and land rights are not being depreciated.

NOTE 3 SPECIAL FUNDS

These funds represent certificates of deposit, demand deposit accounts, and government agency securities that fund various liabilities and reserves of the Utilities. Special funds consisted of the following at December 31:

	2019
Employee Sick Pay Benefits Fund	\$ 1,863,204
General Liability Insurance Fund	1,123,546
Flexible Spending Account	16,511
Investments Capital Improvement Fund	3,484,595
Total	<u>\$ 6,487,856</u>

NOTE 4 DEPOSITS AND INVESTMENTS

A. Deposits

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the Utilities’ deposits may not be returned to it in full. The Utilities has an investment policy which follows the Minnesota Statutes for deposits.

In accordance with Minnesota Statutes the Austin Utilities maintains deposits at financial institutions that are authorized by the Austin City Council.

Minnesota Statutes require that all deposits of the Utilities be protected by insurance, surety bond, or collateral. The market value of the collateral pledged must equal 110% of the deposits not covered by insurance or bonds.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

Authorized collateral includes certain U.S. government securities, state or local government obligations, and other securities authorized by Minn. Stat. 118A.03. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

The Utilities' deposits in banks at December 31, 2019 were entirely covered by federal depository insurance or by collateral in accordance with Minnesota Statutes.

B. Investments

The Utilities may also 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 the highest quality category by at least two nationally recognized rating agencies, and maturing in 270 days or less
- Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories
- Repurchase or reverse purchase agreements and securities lending agreements 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

The Utilities had the following investments at December 31:

Investments Held at Fair Value

	2019
Federal Home Loan Mortgage Corporate Discount Notes	\$ 9,722,845
Federal National Mortgage Association Notes	999,160
Federal Home Loan Bank Notes	4,493,225
Federal Farm Credit Bureau Notes	998,380
Repurchase Agreement	5,633,309
Total	\$ 21,846,919

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Repurchase Agreement

The Utilities entered into a repurchase sweep agreement with U.S. Bank. The sweep account invests in commercial paper issued by U.S. Bank NA with ratings of P-1, A-1+, and F1+ by Moody's Investor Services, Standard & Poor's and Fitch, respectively. The securities will be owned and held in safekeeping by U.S. Bank.

Interest Rate Risk

The Utilities has a formal investment policy that addresses permissible investments, portfolio diversification, and instrument maturities. Investment maturities are scheduled to coincide with projected cash flow needs. Within these parameters, it is the Utilities' policy to stagger portfolio maturities to avoid undue concentration of assets, provide for stability of income, and limit exposure to fair value losses related to rising interest rates.

Maturities for investments held by the Utilities at December 31, 2019 is as follows:

	Total	Investment Maturities in Years			
		Less Than 1	1-5 Years	6-10 Years	More than 10
Federal Home Loan Bank Notes	\$ 4,493,225	\$ -	\$ 4,493,225	\$ -	\$ -
Federal National Mortgage Association Notes	999,160	999,160	-	-	-
Federal Home Loan Mortgage Corporate Discount Notes	9,722,845	-	9,223,015	499,830	-
Federal Farm Credit Bank Notes	998,380	-	998,380	-	-
Total	\$ 16,213,610	\$ 999,160	\$ 14,714,620	\$ 499,830	\$ -

Credit Risk

As of December 31, 2019, the Utilities' investments in Federal Farm Credit Bank Notes were rated Aaa and AA+ by Moody's Investor Services and Standard & Poor's, respectively, Federal National Mortgage Association obligations were rated Aaa and AA+ by Moody's Investor Services and Standard & Poor's, respectively; Federal Home Loan Bank obligations were rated Aaa and AA+ by Moody's Investor Services and Standard & Poor's, respectively; and the investments in Federal Home Loan Mortgage Corporate Discount Notes were rated Aaa and AA+ by Moody's Investor Services and Standard & Poor's, respectively. As of December 31, 2019 the Utility's investment in the UBS Select Treasury Institutional Fund is rated AAAM by Standard & Poor's and Aaa-mf by Moody's Investor Services.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Concentration of Credit Risk

The Utilities does not place a limit on the amount of the total portfolio that may be invested in any one depository or issuer. The Finance Department is responsible for investment decisions and activities under the direction of the Austin Utilities Commission. The following is a list of investments which individually comprise more than 5% of the Utilities' total investments at December 31:

	2019
Federal Farm Credit Bank Notes	\$ 998,380
Federal Home Loan Bank Notes	4,493,225
Federal National Mortgage Association Notes	999,160
Federal Home Loan Mortgage Corporate Discount Notes	9,722,845
Repurchase Agreement - U.S. Bank	5,633,309
Total	<u>\$ 21,846,919</u>

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Utilities will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Utilities does not have a formal policy regarding the holding of securities by counterparties, however, as of December 31, 2019, the Utilities did not have any such arrangements.

C. Balance Sheet Presentation

The deposits and investments are presented in the financial statements as follows at December 31:

	2019
Deposits	\$ 7,753,298
Repurchase Agreement - U.S. Bank	5,633,309
Government Agencies	16,213,610
UBS Select Treasury Institutional Fund	1,085,702
Total	<u>\$ 30,685,919</u>
Statement of Net Position:	
Cash and Cash Equivalents	\$ 11,380,343
Special Funds	6,487,856
Other Investments	12,817,720
Total	<u>\$ 30,685,919</u>

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements

The Utilities uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The Utilities follows an accounting standard that defines fair value, establishes a framework for measuring fair value, establishes a fair value hierarchy based on the quality of inputs used to measure fair value, and requires expanded disclosures about fair value measurements.

In accordance with this standard, the Utilities has categorized its investments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument. Financial assets and liabilities recorded on the statements of financial position are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities are valued using inputs that are unadjusted quoted prices in active markets accessible at the measurement date of identical financial assets and liabilities.

Level 2 – Financial assets and liabilities are valued based on quoted prices for similar assets, or inputs that are observable, either directly or indirectly for substantially the full term through corroboration with observable market data.

Level 3 – Financial assets and liabilities are valued using pricing inputs which are unobservable for the asset, inputs that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset.

Assets of the Utilities measured at fair value on a recurring basis at December 31:

As of December 31, 2019	Level 1	Level 2	Level 3	Total
Federal Home Loan Mortgage				
Corporate Discount Notes	\$ -	\$ 9,722,845	\$ -	\$ 9,722,845
Federal National Mortgage				
Association Notes	-	999,160	-	999,160
Federal Home Loan Bank Notes	-	4,493,225	-	4,493,225
Federal Farm Credit Bureau Notes	-	998,380	-	998,380
Repurchase Agreement	-	5,633,309	-	5,633,309
Total	<u>\$ -</u>	<u>\$ 21,846,919</u>	<u>\$ -</u>	
Investments Measured at Net Asset Value (NAV)				1,085,702
Total				<u>\$ 22,932,621</u>

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurement (Continued)

The UBS Select Treasury Institutional Fund is an external investment pool (Pool) that is managed to maintain a dollar-weighted average portfolio maturity of not greater than 60 days and seeks to maintain a constant net asset value (NAV) per share of \$1.00.

The UBS Select Treasury Institutional Fund has no redemption requirements.

NOTE 5 OTHER ASSETS

Other assets consist of the following at December 31:

	2019
Water Tower Maintenance	\$ 289,058
Unavailable Special Assessments	82,446
Total	<u>\$ 371,504</u>

The Water Tower Maintenance charges are being amortized over a 10-year period. Unavailable special assessments represent water improvements made to undeveloped land and the noncurrent portion of assessments made. These amounts will be written off as they are assessed to property owners and become collectible within one year.

NOTE 6 LONG-TERM DEBT

A. Components of Long-Term Debt

	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding	Due Within One Year
G.O. Water Revenue Bonds, Series 2012A	2.0% - 2.5%	07/12/12	12/01/27	\$ 5,600,000	\$ 3,170,000	\$ 370,000
G.O. Capital Improvement Plan Bonds, Series 2015A	2.0% - 3.625%	06/01/15	02/01/36	\$ 17,635,000	<u>15,605,000</u>	<u>710,000</u>
Total General Obligation Bonds					18,775,000	1,080,000
Bond Premium					324,589	-
Total					<u>\$ 19,099,589</u>	<u>\$ 1,080,000</u>

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 6 LONG-TERM DEBT (CONTINUED)

B. Minimum Future Debt Payments

Minimum annual principal and interest payments required to retire general obligation bonds are as follows:

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2020	\$ 1,080,000	\$ 568,519
2021	1,110,000	543,119
2022	1,130,000	520,819
2023	1,150,000	494,269
2024	1,185,000	463,294
2025-2029	5,640,000	1,704,190
2030-2034	5,160,000	863,766
2035-2036	2,320,000	84,112
Total	<u>\$ 18,775,000</u>	<u>\$ 5,242,088</u>

C. Description of Long-Term Debt

On July 12, 2012, the Utilities issued \$5,600,000 of G.O. Water Revenue Bonds, Series 2012A. The interest rates range from 2.0 – 2.5%. The proceeds of the issue were used to finance improvements to the water system consisting of storage, pumping and main extension projects.

On June 1, 2015, the Utilities issued \$17,635,000 of G.O. Capital Improvement Plan Bonds, Series 2015A. The interest rates range from 2.0 – 3.625%. The proceeds of the issue were used to construct a central facility.

D. Changes in Long-Term Debt

The following is a summary of the changes in long-term debt for the years ended December 31:

<u>2019</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Payments</u>	<u>Ending Balance</u>
G.O. Water Revenue				
Bonds, Series 2012A	\$ 3,535,000	\$ -	\$ (365,000)	\$ 3,170,000
Bond Premium	48,854	-	(5,479)	43,375
G.O. Capital Improvement Plan				
Bonds, Series 2015A	16,295,000	-	(690,000)	15,605,000
Bond Premium	298,789	-	(17,575)	281,214
Total	<u>\$ 20,177,643</u>	<u>\$ -</u>	<u>\$ (1,078,054)</u>	<u>\$ 19,099,589</u>

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 ACCRUED SICK LEAVE

Accrued sick leave consisted of \$1,906,108 at December 31, 2019. Employees of the Utilities can earn sick pay at the rate of eight hours per month. Sick pay not taken in the current year is accumulated and is payable upon retirement or termination of employment. The Utilities is required to maintain investments or cash balances equal to at least 80% of the accumulated sick pay benefits. At December 31, 2019, the Utilities had specifically designated investments totaling \$1,863,204, or 98% in 2019 of the accumulated benefits.

NOTE 8 DEFINED BENEFIT PENSION PLAN

A. Plan Description

The Utilities participates in the following cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax-qualified plans under Section 401(a) of the Internal Revenue Code.

General Employees Retirement Plan

All full-time and certain part-time employees of the Utilities are covered by the General Employees Plan. General Employees Plan members belong to the Coordinated Plan. Coordinated Plan members are covered by Social Security.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested terminated employees who are entitled to benefits, but not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Benefits Provided (Continued)

Annuities, disability benefits, and survivor benefits increased effective every January 1. Beginning January 1, 2019, the post retirement increase will be equal to 50% of the cost-of-living adjustment (COLA) announced by the Social Security Administration, with a minimum increase of at least 1% and a maximum of 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989 or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2019. The Utilities was required to contribute 7.50% for Coordinated Plan members. The Utilities' contributions to the GEF for the year ended December 31, 2019 were \$460,156. The Utilities' contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2019, the Utilities reported a liability of \$4,793,449 for its proportionate share of the General Employees Fund's net pension liability. The Utilities' net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the Utilities totaled \$148,994 for 2019. The net pension liability was measured as of June 30, 2019 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on the Utilities' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the Utilities' proportion was 0.0867%, which is a decrease of 0.0031% from its proportionate share at June 30, 2018 of 0.0898%.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Pension Costs (Continued)

For the year ended December 31, 2019, the Utilities recognized pension expense of \$464,631 for its proportionate share of the General Employees Plan's pension expense. In addition, the Utilities recognized an additional \$11,158 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2019, the Utilities reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

As of December 31, 2019		
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 132,844	\$ -
Changes in Actuarial Assumptions	-	376,768
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	485,873
Changes in Proportion and Differences Between Utility		
Contributions and Proportionate Share of Contributions	-	327,623
Utility Contributions Subsequent to the		
Measurement Date	241,903	-
Total	\$ 374,747	\$ 1,190,264

\$241,903 reported as deferred outflows of resources related to pensions resulting from the Utilities' contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31,	Pension Expenses Amount
2020	\$ (427,184)
2021	(493,772)
2022	(144,189)
2023	7,725

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan.

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019.

The following changes in actuarial assumptions occurred in 2019:

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness on a regular basis of the long-term expected rate of return using a building-block method in which best-estimate ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5 %	5.10%
Private Markets	25.0	5.90%
Fixed Income	20.0	0.75%
International Equity	17.5	5.90%
Cash Equivalents	2.0	0.00%
Total	100.0 %	

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

F. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the Utilities' proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

As of December 31, 2019			
Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Fund Discount Rate	6.50 %	7.50 %	8.50 %
Utilities' Proportionate Share of the General Employees Fund Net Pension Liability	\$ 7,880,172	\$ 4,793,449	\$ 2,244,745

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

The Utilities defined benefit OPEB plan, Austin Utilities Retiree Benefits Plan (AURBP), provides OPEB for eligible employees and their spouses. AURBP is a single-employer defined benefit OPEB plan administered by the Utilities. Benefit and eligibility provisions are established through negotiations between the Utilities' and various unions representing the Utilities' employees and are renegotiated each bargaining period. AURBP does not issue a publicly available financial report.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

A. Plan Description (Continued)

Funding Policy

The Utilities has no assets accumulated in a trust that meets the criteria in GASB 75. Contribution requirements are negotiated between the Utilities and union representatives. The eligibility for, amount of, duration of, and Utilities' contribution to the cost of the benefits provided varies by contract and date of retirement. The Utilities is funding this liability on a pay-as-you-go basis. For plan years 2019, the Utilities did not contribute to the plan

Benefits Provided

AURBP provides healthcare benefits for retirees and their spouses. Benefits are provided through a third-party insurer. Employees hired before January 1, 1998 receive a benefit equal to the same amount the Utilities contributes for active employees toward single or family medical premiums for the lifetime of the retiree. Employees hired on or after January 1, 1998 and before January 1, 2005 receive a benefit equal to the same amount the Utilities contributes for active employees toward single or family medical premiums until Medicare eligibility. Employees hired on or after January 1, 2005 receive no benefit.

Employees Covered by Benefit Terms

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	85
Inactive Plan Members Entitled to But Not Yet Receiving Benefit Payments	-
Active Plan Members	74
Total	159

B. Total OPEB Liability

The Utilities' total OPEB liability was measured as of January 1, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

	2019
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	3.80%
Medical Trend Rate	6.25% in 2019 grading to 5.00% over 5 years

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Total OPEB Liability (Continued)

Actuarial Assumptions (Continued)

Mortality rates were based on the RPH-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.

Discount Rate

The discount rate used to measure the total OPEB liability at 2019 was 3.80%, which reflects the index rate for a 20-year high quality, tax-exempt general obligation municipal bonds as of the measurement date.

C. Changes in the Total OPEB Liability

	2019
	Total OPEB Liability
Balances at January 1	\$ 15,989,512
Changes for the Year:	
Service Cost	88,177
Interest Cost	516,175
Change in Assumptions	(793,300)
Benefit Payments	(879,159)
Balances at December 31	\$ 14,921,405

Sensitivity of the net OPEB liability to changes in the discount rate and healthcare cost trend rates.

The following presents the total OPEB liability of the Utilities, as well as what the Utilities' total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	December 31, 2019		
	1% Decrease (2.80)%	Discount Rate (3.80)%	1% Increase (4.80)%
Total OPEB Liability	\$ 16,607,500	\$ 14,921,405	\$ 13,497,910

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Changes in the Total OPEB Liability (Continued)

The following presents the total OPEB liability of the Utilities, as well as what the Utilities' total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	December 31, 2019		
	Healthcare Cost		
	1% Decrease (5.25% decreasing to 4.00%)	Trend Rates (6.25% decreasing to 5.00%)	1% Increase (7.25% decreasing to 6.00%)
Total OPEB Liability	\$ 14,610,574	\$ 14,921,405	\$ 15,178,879

D. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Utilities recognized OPEB expense of \$339,919. At December 31, 2019, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ -	\$ 528,866
Contributions Subsequent to the Measurement Date	889,990	-
	\$ 889,990	\$ 528,866

\$889,990 reported as deferred outflows of resources related to OPEB resulting from the Utilities contributions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 2020.

Amounts reported as deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	Future Recognition
Year Ending December 31:	
2020	\$ (264,433)
2021	(264,433)
Total	\$ (528,866)

NOTE 10 RISK MANAGEMENT

The Utilities is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The Utilities has purchased commercial insurance for its personal property claims. Coverage is provided on building and contents up to \$55,713,163.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 RISK MANAGEMENT (CONTINUED)

The Utilities participates in the League of Minnesota Cities Insurance Trust (LMCIT) for its workers compensation insurance. The plan is administered by Berkley Administrators. Each member of the association is required to pay a premium for coverage of claims and administrative expenses. This is a retrospectively rated policy with the premium being based primarily on the Utilities' loss experience. An aggregate excess reinsurance policy provides the group with additional funds for protection from losses not covered by the specific excess. In addition, per occurrence coverage for claims has been purchased. Each member is jointly and severally liable for additional assessments. As of the date of this report, it is not possible to determine if any additional liability exists for the year ended December 31, 2019.

The Utilities joined together with other governmental entities in the National Joint Powers Alliance, a public entity risk pool currently operating as common risk management and insurance program for member entities. The Utilities pays an annual premium to this plan for its health insurance coverage. These premiums are used to purchase reinsurance through commercial companies. The administrators of the plan believe assessment to participating entities for future losses sustained is extremely remote.

Insurance coverage decreased significantly from the previous year for the Utilities' property insurance due to decreasing coverage on the Northeast Plant to only cover the cost of demolition. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

Power Sales Contract

The Austin Utilities purchases power from Southern Minnesota Municipal Power Agency (SMMPA) under a power sales contract, which extends to April 1, 2030. Under the terms of this contract, the Utilities is obligated to buy all the electrical power and energy needed to operate the electric utility.

Gas Purchase Commitment

The Utilities has entered into forward contracts to purchase a portion of its natural gas at a specified time in the future at a guaranteed price. The Utilities enters into these contracts to help plan its natural gas costs for the year and to protect itself against an increase in the market price of the commodity.

It is possible that the market price before or at the specified time to purchase natural gas may be lower than the price at which the Utilities is committed to buy. This would reduce the value of the contract. The Utilities is committed to purchase 4,871,166 thousand cubic feet of natural gas through October 2026 for a total commitment of \$16,772,691 at December 31, 2019.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Economic Dependency

During the year ended December 31, 2019 net sales to Hormel Foods Corporation amounted to \$18,566,187. Sales to this customer accounted for 31% of the total revenue of the Utilities in 2019.

NOTE 12 PRIOR PERIOD ADJUSTMENT

During the year ended December 31, 2019, the Utilities determined that a receivable for unbilled revenues earned between billing periods had not been recorded as of December 31, 2018. The Utilities' net position has been restated to include a receivable for unbilled revenue earned between billing periods. As a result, net position of \$50,316,854, as previously reported, has been increased by the amount of unbilled revenue earned between billing periods as of January 1, 2019 of \$1,754,114. The Utilities' restated net position as of January 1, 2019 is \$52,070,968.

REQUIRED SUPPLEMENTARY INFORMATION

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AUSTIN UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE UTILITIES' TOTAL OPEB LIABILITY AND RELATED RATIOS

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service Cost	\$ 88,177	\$ 98,046
Interest	516,175	525,521
Changes of Assumptions	(793,300)	-
Benefit Payments	<u>(879,159)</u>	<u>(914,365)</u>
Net Change in Total OPEB Liability	(1,068,107)	(290,798)
Total OPEB Liability - Beginning	15,989,512	16,280,310
Total OPEB Liability - Ending	<u>\$ 14,921,405</u>	<u>\$ 15,989,512</u>
Covered Employee Payroll	\$ 5,779,485	\$ 5,611,150
Utilities' Net OPEB Liability as a Percentage of the Covered Employee Payroll	258%	285%

Note: Information is required to be presented for 10 years. However until a full 10-year trend is compiled, the Utilities will present information for only those years for which information is available.

**AUSTIN UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF UTILITIES' PROPORTIONATE SHARE OF THE NET PENSION LIABILITY**

Fiscal Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Date	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15
Utilities' Proportion of the Net Pension Liability	0.0867 %	0.0898 %	0.0937 %	0.0989 %	0.0989 %
Utilities' Proportionate Share of the Net Pension Liability	\$ 4,793,449	\$ 4,981,736	\$ 5,981,746	\$ 7,973,353	\$ 5,125,511
State's Proportionate Share of the Net Pension Liability Associated with the Utilities	<u>148,994</u>	<u>163,329</u>	<u>75,183</u>	<u>104,049</u>	<u>-</u>
Total	\$ 4,942,443	\$ 5,145,065	\$ 6,056,929	\$ 8,077,402	\$ 5,125,511
Utilities' Covered Payroll	\$ 6,368,951	\$ 6,035,606	\$ 5,934,560	\$ 6,099,106	\$ 6,056,621
Utilities' Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Its Covered Payroll	75.26 %	82.54 %	100.80 %	130.73 %	84.63 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	80.20 %	79.50 %	75.90 %	68.91 %	78.20 %

Note: Information is required to be presented for 10 years. However until a full 10-year trend is compiled, the Utilities will present information for only those years for which information is available.

**AUSTIN UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF UTILITIES' CONTRIBUTIONS**

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 460,156	\$ 448,995	\$ 456,619	\$ 456,720	\$ 442,817
Contributions in Relation to the Contractually Required Contribution	<u>(460,156)</u>	<u>(448,995)</u>	<u>(456,619)</u>	<u>(456,720)</u>	<u>(442,817)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
Utilities' Covered Payroll	\$ 6,368,951	\$ 5,986,595	\$ 6,089,520	\$ 6,090,354	\$ 5,915,410
Contributions as a Percentage of Covered Payroll	7.22 %	7.50 %	7.50 %	7.50 %	7.49 %

Note: Information is required to be presented for 10 years. However, until a full 10-year trend is complied, the Utilities will present information for only those years for which information is available.

**AUSTIN UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2019**

CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS

The following changes were reflected in the valuation performed on behalf of the Public Employees Retirement Association for the years ended June 30:

A. General Employees Fund
2018

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed postretirement benefit increase was changed from 1.0% per year through 2044 and 2.5% per year thereafter to 1.25% per year.

2017

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0% for active member liability, 15.0% for vested deferred member liability and 3.0% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.0% per year for all years to 1.0% per year through 2044 and 2.5 % per year thereafter.

2016

- The assumed postretirement benefit increase rate was changed from 1.0% per year through 2035 and 2.5% per year thereafter to 1.0% per year for all future years.
- The assumed investment return was changed from 7.9% to 7.5%. The single discount rate was changed from 7.9% to 7.5%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

SUPPLEMENTARY INFORMATION

AUSTIN UTILITIES
SUPPLEMENTARY COMBINING SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2019

	Electric	Water
OPERATING REVENUES		
Sales		
Commercial and Residential	\$ 34,638,758	\$ 4,897,130
Public Street and Highway Lighting	179,088	-
Interdepartmental	507,287	4,153
Other Sales	39,114	81,864
Total Sales Revenue	35,364,247	4,983,147
Forfeited Discounts	150,777	27,948
Other Operating Revenues	594,877	48,143
Total Operating Revenues	36,109,901	5,059,238
OPERATING EXPENSES		
Purchases	25,923,884	-
Production	39,940	1,036,071
Distribution	2,536,869	1,265,440
Other Operating Expenses	5,735,136	1,715,363
Total Operating Expenses	34,235,829	4,016,874
OPERATING INCOME	1,874,072	1,042,364
OTHER REVENUES (EXPENSES)		
Capital Grant	238,227	-
Investment Income	374,872	138,540
Interest Expense	(235,748)	(153,920)
Gain on Disposal of Property	10,562	3,903
Total Other Revenues (Expenses)	387,913	(11,477)
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,261,985	1,030,887
Capital Contributions	84,172	32,745
CHANGE IN NET POSITION	\$ 2,346,157	\$ 1,063,632

AUSTIN UTILITIES
SUPPLEMENTARY COMBINING SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2019

<u>Gas</u>	<u>Total</u>
\$ 16,204,266	\$ 55,740,154
-	179,088
48,851	560,291
-	120,978
16,253,117	56,600,511
73,411	252,136
8,890	651,910
16,335,418	57,504,557
9,956,976	35,880,860
-	1,076,011
1,992,465	5,794,774
3,170,864	10,621,363
15,120,305	53,373,008
1,215,113	4,131,549
2,500	240,727
301,528	814,940
(191,224)	(580,892)
8,495	22,960
121,299	497,735
1,336,412	4,629,284
262,700	379,617
\$ 1,599,112	\$ 5,008,901

**AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2019**

PURCHASES

Purchased Power	\$ 25,749,081
System Control and Load Dispatching	174,803
Total Purchases	25,923,884

PRODUCTION

Maintenance	4,108
Miscellaneous	35,832
Total Production	39,940

DISTRIBUTION

Operation, Supervision, and Engineering	242,400
Station Expenses	74,801
Overhead Lines	21,009
Underground Lines	14,211
Street Lighting and Signal System	9,549
Meters	137,105
Customer Installations	25,639
Maintenance	1,447,187
Miscellaneous	564,968
Total Distribution	2,536,869

OTHER OPERATING EXPENSES

Customer Accounts	1,001,190
Administrative and General	2,113,493
Depreciation	1,330,876
Taxes Other than Income Taxes	1,289,577
Total Other Operating Expenses	5,735,136

TOTAL OPERATING EXPENSES

\$ 34,235,829

**AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
WATER UTILITY
YEAR ENDED DECEMBER 31, 2019**

PRODUCTION

Operation, Supervision, and Engineering	\$ 12,259
Operating Labor and Expenses	298,377
Power Purchased for Pumping	389,993
Chemicals	209,539
Maintenance	87,204
Miscellaneous	38,699
Total Production	1,036,071

DISTRIBUTION

Operation, Supervision, and Engineering	187,420
Storage Facilities	3,205
Distribution Lines	37,533
Meters	109,116
Customer Installations	7,027
Maintenance	735,496
Miscellaneous	185,643
Total Distribution	1,265,440

OTHER OPERATING EXPENSES

Customer Accounts	170,451
Administrative and General	832,611
Depreciation	633,170
Taxes Other than Income Taxes	79,131
Total Other Operating Expenses	1,715,363

TOTAL OPERATING EXPENSES

\$ 4,016,874

**AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
GAS UTILITY
YEAR ENDED DECEMBER 31, 2019**

PURCHASES

Natural Gas	\$ 9,919,005
Other Gas	37,971
Total Purchases	<u>9,956,976</u>

DISTRIBUTION

Operation, Supervision, and Engineering	307,436
Cathodic Protection Expenses	-
Local Storage	15,043
Mains and Service	214,000
Measuring and Regulation Station Expenses	174,321
Meter and House Regulator Expense	72,360
Customer Installations	325,820
Maintenance	521,237
Miscellaneous	362,248
Total Distribution	<u>1,992,465</u>

OTHER OPERATING EXPENSES

Customer Accounts	569,093
Administrative and General	1,735,951
Depreciation	551,570
Taxes Other than Income Taxes	314,250
Total Other Operating Expenses	<u>3,170,864</u>

TOTAL OPERATING EXPENSES

\$ 15,120,305