

AUSTIN UTILITIES
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2021 AND 2020



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INTRODUCTION SECTION

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**AUSTIN UTILITIES
ORGANIZATION SCHEDULE
DECEMBER 31, 2021**

Board of Commissioners

Term Expires

Steve Greenman	President	December 31, 2022
Jeanne Sheehan	Member	December 31, 2022
Thomas Baudler	Member	December 31, 2024
Kristin Johnson	Member	December 31, 2024
Jay Lutz	Member	December 31, 2024

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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the Austin Utilities (the Utilities), a component unit of the City of Austin, as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Utilities' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Utilities as of December 31, 2021 and 2020, and the changes in financial position, its cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)* issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Utilities and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibility of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utilities' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Utilities' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

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, Schedule of the Utilities' Proportionate Share of the Net Pension Liability, the Schedule of the Utilities' Contributions, and Note to Required Supplementary Information be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Utilities' basic financial statements. The Supplementary Combining Schedules of Revenues and Expenses, Supplementary Schedules of Operating Expenses are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 GAAS. In our opinion, the schedules of operating expenses and the schedules of operating revenues are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 15, 2022, on our consideration of the Utilities' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Utilities' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Utilities' internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
March 15, 2022

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REQUIRED SUPPLEMENTARY INFORMATION

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**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

FINANCIAL STATEMENTS OVERVIEW

This discussion and analysis of Austin Utilities' (the Utilities) performance provides an overview of the Utilities' activities for the years ended December 31, 2021 and 2020. 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 2021 was \$61,286,287. This is an increase of \$285,805 over net position balance at the close of 2020.
- By far the largest portion of Austin Utilities net position (86%) reflects its investment in capital assets (e.g., buildings, structures and improvements, 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 2021 were \$5,980,858. The electric department had capital outlay of \$3,044,711 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 \$1,129,973 which included \$624,614 for main extensions, replacements, and hydrants and \$505,359 for well house #6 standby generator and rehabilitation and meters. The water department installed over 11,136 feet of new water main during 2021. The gas department had capital outlay of \$979,396 which included \$388,086 for mains and services, \$232,833 for meters, \$182,766 for the replacement of the compressors at the propane air-plant, \$166,011 for the relocation of the west town border station, and \$9,700 for district regulating station upgrades. The gas department installed over 12,004 feet of new gas main in 2021. General Plant capital outlay was \$826,778 in 2021 which included outlays for vehicles and power operated equipment, tools, shop and garage equipment and communications equipment for the AMI system.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Condensed Statement of Net Position

	2021	2020	2019
Capital Assets, Net	\$ 69,777,658	\$ 67,021,247	\$ 65,868,524
Current Assets	14,662,571	17,172,184	18,862,845
Noncurrent Assets	22,371,372	22,425,222	19,305,576
Other Assets	127,727	215,141	371,504
Total Assets	106,939,328	106,833,794	104,408,449
Deferred Outflows of Resources	5,339,151	2,571,982	1,264,737
Total Assets and Deferred Outflows of Resources	\$ 112,278,479	\$ 109,405,776	\$ 105,673,186
Current Liabilities	\$ 9,542,975	\$ 8,176,269	\$ 8,075,916
Long-Term Liabilities:			
Accrued Sick Leave	1,856,430	2,004,689	1,906,108
Long-Term Debt - Capital Lease Payable	34,871	51,023	-
Long-Term Debt - Bonds Payable	15,733,478	16,886,534	18,019,589
Net Pension Liability	3,975,787	5,539,802	4,793,449
OPEB Liability	16,117,573	15,060,587	14,031,415
Total Liabilities	47,261,114	47,718,904	46,826,477
Deferred Inflows of Resources	3,731,078	686,390	1,766,840
Net Position:			
Net Investment in Capital Assets	52,863,131	48,957,850	46,768,935
Unrestricted	8,423,156	12,042,632	10,310,934
Total Net Position	61,286,287	61,000,482	57,079,869
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 112,278,479	\$ 109,405,776	\$ 105,673,186

Condensed statement of net position highlights are as follows for the year ended December 31, 2021:

- Current assets decreased \$2,509,613. Current assets consist of cash and working funds, temporary investments (maturities of one year or less), accounts receivable, inventories, and prepayments. Austin Utilities Board of Commissioners approved to use \$1,500,000 of cash to offset the customer impact of the high natural gas prices that occurred in February 2021.
- Noncurrent assets decreased during 2021 in the amount of \$53,850. There was a decrease of \$1,143,845 in Special Funds, which are investments designated for Employee Sick Leave Benefits Fund, Capital Improvements Fund and the Flexible Spending Account as the General Liability Insurance Fund was eliminated in 2021. Other Investments increased \$1,089,995.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Other Assets decreased \$87,414. Prepaid expenses within this classification include unavailable water assessments and expenses for water tower maintenance. Water tower maintenance expenses decreased \$72,073 and unavailable assessments decreased \$15,741.
- Deferred outflows of resources increased \$2,767,169. Deferred Outflows of Resources - Pension Related increased \$2,244,341 and Deferred Outflows of Resources - OPEB Related increased \$522,828 in 2021.
- Current liabilities increased \$1,366,706 at the end of 2021. The increase was due to the increases in miscellaneous current and accrued liabilities. This also includes the current portion of GO Water Revenue Bonds, Series 2012A of \$385,000 and the current portion of the GO Capital Improvement Plan Bonds, Series 2015A of \$745,000.
- Long-Term Debt Obligations under Capital Lease decreased \$16,152.
- Long-Term Debt Bonds Payable decreased \$1,153,056.
- Net Pension Liability decreased \$1,564,015.
- Other Postemployment Benefits Liability increased \$1,056,986.
- Accrued sick leave decreased \$148,259.
- Deferred Inflows of Resources increased \$3,044,688.
- Net position increased \$285,805 at the end of 2021.

Condensed statement of net position highlights are as follows for the year ended December 31, 2020:

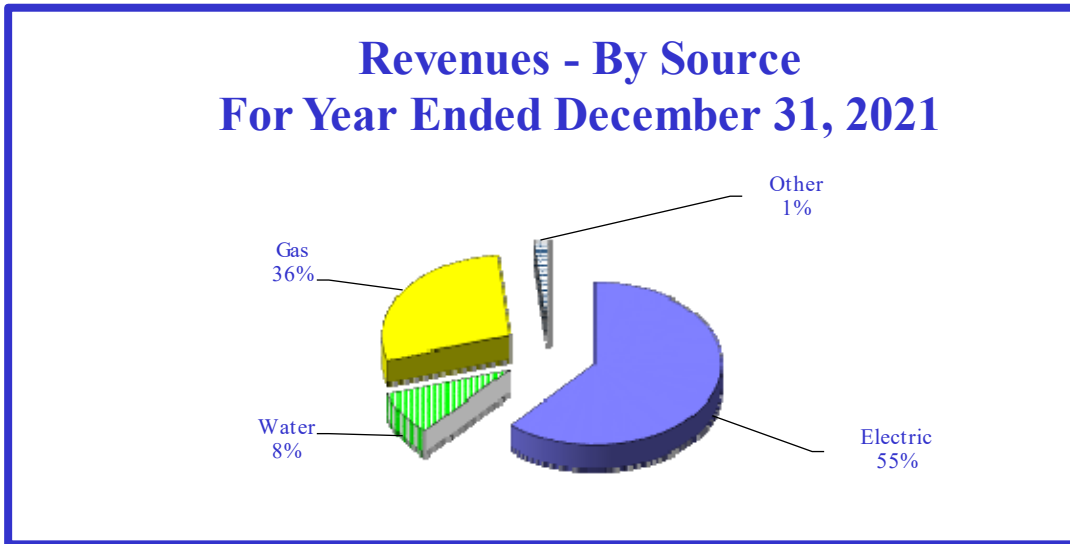
- Current assets decreased \$1,690,661. Current assets consist of cash and working funds, temporary investments (maturities of one year or less), accounts receivable, inventories, and prepayments.
- Noncurrent assets increased during 2020 in the amount of \$3,119,646. There was an increase of \$2,065,304 in Special Funds, which are investments designated for Employee Sick Leave Benefits Fund, General Liability Insurance Fund, Flexible Spending Account and Capital Improvements Fund. Other Investments increased \$1,054,342.
- Other Assets decreased \$156,363. Prepaid expenses within this classification include unavailable water assessments and expenses for water tower maintenance. Water tower maintenance expenses decreased \$151,686 and unavailable assessments decreased \$4,677.
- Deferred outflows of resources increased \$1,307,245. Deferred Outflows of Resources - Pension Related increased \$303,105 and Deferred Outflows of Resources - OPEB Related increased \$1,004,140 in 2020.
- Current liabilities increased \$100,353 at the end of 2020. The increase was due to the increases in miscellaneous current and accrued liabilities. This also includes the current portion of GO Water Revenue Bonds, Series 2012A of \$375,000 and the current portion of the GO Capital Improvement Plan Bonds, Series 2015A of \$735,000.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Long-Term Debt Obligations under Capital Lease increased \$51,023.
- Long-Term Debt Bonds Payable decreased \$1,133,055.
- Net Pension Liability increased \$746,353.
- Other Postemployment Benefits Liability increased \$1,090,993.
- Accrued sick leave increased \$98,581.
- Deferred Inflows of Resources decreased \$1,080,450.
- Net position increased \$3,920,613 at the end of 2020

The following chart summarizes operating revenue and source by utility:



**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

FINANCIAL HIGHLIGHTS (CONTINUED)

The following table summarizes revenues, expenses, and changes in net position of Austin Utilities for the years ended December 31, 2021, 2020, and 2019:

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

	2021	2020	2019
Electric			
Operating Revenues, Electric Sales	\$ 35,166,827	\$ 35,353,345	\$ 35,364,247
Other Electric Operating Revenues	362,007	375,730	745,654
Total Electric Operating Revenues	<u>35,528,834</u>	<u>35,729,075</u>	<u>36,109,901</u>
Operating Expenses	<u>34,207,303</u>	<u>33,362,994</u>	<u>34,235,829</u>
Total Electric Operating Income	1,321,531	2,366,081	1,874,072
Other Electric Revenues	(111,223)	185,497	623,661
Interest Expense	(206,422)	(218,941)	(235,748)
Capital Contributions in Aid of Construction	40,927	30,805	84,172
Change in Net Position, Electric	1,044,813	2,363,442	2,346,157
Water			
Operating Revenues, Water Sales	5,381,220	5,317,107	4,983,147
Other Water Operating Revenues	60,190	42,309	76,091
Total Water Operating Revenues	<u>5,441,410</u>	<u>5,359,416</u>	<u>5,059,238</u>
Operating Expenses	<u>4,623,048</u>	<u>4,704,960</u>	<u>4,016,874</u>
Total Water Operating Income	818,362	654,456	1,042,364
Other Water Revenues	(61,104)	301,759	142,443
Interest Expense	(161,753)	(165,666)	(153,920)
Capital Contributions in Aid of Construction	62,301	2,952	32,745
Change in Net Position, Water	657,806	793,501	1,063,632
Gas			
Operating Revenues, Gas Sales	23,065,055	14,072,838	16,253,117
Other Gas Operating Revenues	32,554	48,119	82,301
Total Gas Operating Revenues	<u>23,097,609</u>	<u>14,120,957</u>	<u>16,335,418</u>
Operating Expenses	<u>24,526,758</u>	<u>13,620,305</u>	<u>15,120,305</u>
Total Gas Operating Income	(1,429,149)	500,652	1,215,113
Other Gas Revenues	(85,013)	137,601	312,523
Interest Expense	(146,855)	(162,179)	(191,224)
Capital Contributions in Aid of Construction	244,203	287,596	262,700
Change in Net Position, Gas	<u>(1,416,814)</u>	<u>763,670</u>	<u>1,599,112</u>
Total Change in Net Position	<u>\$ 285,805</u>	<u>\$ 3,920,613</u>	<u>\$ 5,008,901</u>
Beginning Net Position	\$ 61,000,482	\$ 57,079,869	\$ 50,316,854
Restatement	-	-	1,754,114
Change in Net Position	<u>285,805</u>	<u>3,920,613</u>	<u>5,008,901</u>
Ending Net Position	<u>\$ 61,286,287</u>	<u>\$ 61,000,482</u>	<u>\$ 57,079,869</u>

The restatement in 2019 was to record unbilled revenues.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Electric

2021 Compared to 2020

- Revenue from electric sales decreased in the amount of \$186,518. Other electric operating revenue decreased \$13,723. Total revenue per unit decreased 1.62% from a unit price of \$0.1050 in 2020 to \$0.1033 in 2021, a result of eliminating the PCA adjustment for the entire year. 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 increased \$844,309 in 2021. Steam power generation expenses increased \$1,301. Power supply expenses decreased \$148,255 a result of the cost adjustments from our wholesale provider SMMPA. Distribution expenditures increased \$229,676 due to the decrease in maintenance of overhead and underground lines. Other operating expenses increased \$761,587 a result of the costs incurred for the demolition of the Northeast Power Plant that started in 2021.
- Other electric revenues decreased \$296,720. There was a decrease in interest income of \$316,603 a result of marking investments to market value at December 31, 2021. There was an increase in gain on disposal of property of \$19,883.
- Interest expense decreased \$12,519.
- Capital contributions in aid of construction increased \$10,122 in 2021.

2020 Compared to 2019

- Revenue from electric sales decreased in the amount of \$10,902. Other electric operating revenue decreased \$369,924. Total revenue per unit decreased 0.50% from a unit price of \$0.1055 in 2019 to \$0.1050 in 2020, a result of eliminating the PCA adjustment in April, May, and June due to the onset of the pandemic. 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 as well as not assessing late fees or disconnect fees from April 2020 through December 2020 which was a result of the Executive Orders issued by Governor Tim Walz.
- Operating expenses decreased \$872,835 in 2020. Steam power generation expenses decreased \$28,894. Power supply expenses decreased \$1,023,497 a result of the distribution of contingency funds from our wholesale provider SMMPA. Distribution expenditures decreased \$208,369 due to the decrease in maintenance of overhead and underground lines. Other operating expenses increased \$387,925 a result of the increase in workers compensation insurance and employee pensions and benefits.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Other electric revenues decreased \$438,164. There were decreases in interest income of \$189,375, disaster payments and grants of \$238,227, and gain on disposal of property of \$10,562.
- Interest expense decreased \$16,807.
- Capital contributions in aid of construction decreased \$53,367 in 2020.

Water

2021 Compared to 2020

- Revenue from the sale of water increased \$64,113. Other water revenue increased in the amount of \$17,881. Total revenue per unit increased from \$2.1015 in 2020 to \$2.1959 as a result of the 1.9% rate increase to all customer classes approved at the November 2020 board meeting. The volume of water sold was down 3.1% in 2021. The increase in other water revenues was a result of assessing late fees as well as a refund received in 2021 from the Minnesota Department of Revenue for state sales taxes paid.
- Operating expenses decreased \$81,912. Water production expenses decreased \$65,084 a result of decreased maintenance of pumping equipment. Distribution expenses decreased \$198,753 as there was decrease in maintenance of distribution reservoirs and standpipes. Other operating expenses increased \$181,925 as there was an increase in employee pensions and benefits.
- Other water revenues decreased \$362,863 in 2021. There was a reduction in investment interest income of \$153,179 and reduction of \$209,684 in gain on disposition of property.
- Interest expense decreased \$3,913.
- Capital contributions in aid of construction increased \$59,349 in 2021.

2020 Compared to 2019

- Revenue from the sale of water increased \$333,960. Other water revenue decreased in the amount of \$33,782. Total revenue per unit increased from \$2.0518 in 2019 to \$2.1015 as a result of the 4.9% rate increase to all customer classes approved at the November 2019 board meeting. The volume of water sold was up 4.1% in 2020. The decrease in other water revenues was a result of not assessing late fees from April 2020 to December 2020 under the Governors Executive Orders as well as a refund received in 2019 from the Minnesota Department of Revenue for state sales taxes paid.
- Operating expenses increased \$688,086. Water production expenses increased \$105,670 a result of increased maintenance of equipment, power for pumping and chemicals. Distribution expenses increased \$192,351 as there was increase in maintenance of distribution reservoirs and standpipes as the downtown water tank was painted. Other operating expenses increased \$390,065 as a result of the Allocation of Administration Costs analysis completed by Utility Financial Solutions, LLC which increased the water department's percentage of administrative costs from 17% to 23%.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Other water revenues increased \$159,316 in 2020 due to the gain on disposition of property.
- Interest expense increased \$11,746.
- Capital contributions in aid of construction decreased \$29,793 in 2020.

Gas

2021 Compared to 2020

- Revenue from the sale of natural gas increased \$8,992,217 in 2021. There was no rate increase in the gas department in 2021 but there were positive purchased cost adjustments in 6 of the 12 months for the year ending December 31, 2021. Total revenue per unit increased 66.8% from a unit price of \$5.8066 per mcf in 2020 to \$9.6827 per mcf in 2021. Other operating revenues decreased \$15,565.
- Operating expenses increased \$10,906,453 in 2021. The price of natural gas purchased in 2021 was 130.65% more than 2020, this accounted for \$10,949,131 of increased expenses. The average gas supply cost in 2021 was \$8.1479 per mcf were as in 2020 it was 3.5326 per mcf. Distribution expenses decreased \$46,869 a result of reduced maintenance expenses. Other operating expenses increased \$4,191 as a result of an increase in employee pension and benefits.
- Other gas revenues decreased \$222,614, a result of \$230,832 of reduced investment interest income during 2021 and an increase of \$8,218 in gain on disposition of property.
- Interest expense decreased \$15,324.
- Capital contributions in aid of construction decreased \$43,393.

2020 Compared to 2019

- Revenue from the sale of natural gas decreased \$2,180,279 in 2020. There was no rate increase in the gas department in 2020 but there was a negative purchased cost adjustment in each of the 12 months for the year ending December 31, 2020. Total revenue per unit decreased 8.8% from a unit price of \$6.3682 per mcf in 2019 to \$5.8066 per mcf in 2020. Other operating revenues decreased \$34,182 as no late fees were assessed April 2020 to December 2020.
- Operating expenses decreased \$1,500,000 in 2020. The price of natural gas purchased in 2020 was 10.0% less than 2019, this accounted for \$1,587,045 of decreased expenses. Distribution expenses decreased \$742 a result of reduced maintenance expenses. Other operating expenses increased \$87,787 as a result of an increase in uncollectable accounts and an increase in customer rebates under the conserve and save program.
- Other gas revenues decreased \$174,922, a result of reduced investment interest income during 2020 and no gain on disposition of property in 2020.
- Interest expense decreased \$29,045.
- Capital contributions in aid of construction increased \$24,896.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

FINANCIAL HIGHLIGHTS (CONTINUED)

2021 Compared to 2020

- The total change in net position in 2021 was an increase in the amount of \$285,805 as compared to an increase of \$3,920,613 in 2020. The 2021 increase is the result of combined operating income in the amount of \$710,744, capital contributions in aid of construction in the amount of \$347,431 and reduced by other and miscellaneous income (expenses) of \$257,340 and interest expense in the amount of \$515,030.

2020 Compared to 2019

- The total change in net position in 2020 was an increase in the amount of \$3,920,613 as compared to an increase of \$5,008,901 in 2019. The 2020 increase is the result of combined operating income in the amount of \$3,521,189, other and miscellaneous income (expenses) of \$624,857, capital contributions in aid of construction in the amount of \$321,353, and reduced by interest expense in the amount of \$546,786.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

- The Utilities investment in capital assets as of December 31, 2021 amounts to \$69,777,658 (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, meters, 69kv transmission line upgrade, load management switches, substation improvements and relay modifications and line transformers. In the water utility the most significant increases occurred in infrastructure installation of mains, meters and the standby generator at Well House #6. In the gas utility the most significant increases occurred in the installation of mains and services, meters, relocation of the West Town Border Station and replacement of the compressors at the propane air-plant. The general plant increases occurred in vehicles, power-operated equipment, and communications equipment for the AMI meter deployment.
- The Utilities investment in capital assets as of December 31, 2020 amounts to \$67,021,247 (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, substation improvements and relay modifications and line transformers. 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, relocation of the West Town Border Station and replacement of the LP gas vaporizer at the propane air-plant. The general plant increases occurred in vehicles, power-operated equipment, and IT server upgrade.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

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

	2021	2020	Dollar Change
Land and Land Rights	\$ 735,175	\$ 735,175	\$ -
Electric Plant in Service	18,942,515	17,186,299	1,756,216
Water Plant in Service	22,100,419	21,579,977	520,442
Gas Plant in Service	8,891,435	8,339,403	552,032
General Plant in Service	19,056,768	19,112,832	(56,064)
Property Under Capital Leases	51,346	67,561	(16,215)
Total	\$ 69,777,658	\$ 67,021,247	\$ 2,756,411

	2020	2019	Dollar Change
Land and Land Rights	\$ 735,175	\$ 735,175	\$ -
Electric Plant in Service	17,186,299	16,979,070	207,229
Water Plant in Service	21,579,977	20,883,076	696,901
Gas Plant in Service	8,339,403	7,936,170	403,233
General Plant in Service	19,112,832	19,335,033	(222,201)
Property Under Capital Leases	67,561	-	67,561
Total	\$ 67,021,247	\$ 65,868,524	\$ 1,152,723

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 \$1,169,208 in 2021. The current portion of the General Obligation Water Bonds, Series 2012A due in 2022 is \$385,000 and the current portion of the General Obligation Capital Improvement Plan Bonds, Series 2015A due in 2022 is \$745,000. The current portion of the Capital Lease Payable due in 2022 is \$16,179. See Note 6 to the financial statements for more details related to changes in debt.
- Long-term debt decreased in the amount of \$1,082,032 in 2020. The current portion of the General Obligation Water Bonds, Series 2012A due in 2021 is \$375,000 and the current portion of the General Obligation Capital Improvement Plan Bonds, Series 2015A due in 2021 is \$735,000. The current portion of the Capital Lease Payable due in 2021 is \$15,840. See Note 6 to the financial statements for more details related to changes in debt.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2021 AND 2020**

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 2022. On December 14, 2021, the Austin Utilities Board of Commissioners approved the 2022 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.

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BASIC FINANCIAL STATEMENTS

**AUSTIN UTILITIES
STATEMENT OF NET POSITION
DECEMBER 31, 2021 AND 2020**

	2021	2020
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS		
Utility Plant		
Plant in Service	\$ 130,519,006	\$ 124,883,391
Less: Accumulated Depreciation	<u>(60,741,348)</u>	<u>(57,862,144)</u>
Net Utility Plant	69,777,658	67,021,247
Other Property and Investments		
Special Funds	7,409,315	8,553,160
Other Investments	14,962,057	13,872,062
Total Other Property and Investments	<u>22,371,372</u>	<u>22,425,222</u>
Current Assets		
Cash and Cash Equivalents	6,823,397	9,808,345
Accounts Receivable (Less Allowance for Uncollectible Accounts of \$400,000 for 2021 and \$400,000 for 2020)	5,756,398	5,094,650
Other Accounts Receivable (Less Allowance for Uncollectible Accounts of \$2,000)	128,426	303,666
Inventories	1,781,085	1,667,706
Prepaid Expenses	<u>173,265</u>	<u>297,817</u>
Total Current Assets	14,662,571	17,172,184
Other Assets	<u>127,727</u>	<u>215,141</u>
Total Assets	106,939,328	106,833,794
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	2,922,193	677,852
OPEB Related	<u>2,416,958</u>	<u>1,894,130</u>
Total Deferred Outflows of Resources	<u>5,339,151</u>	<u>2,571,982</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 112,278,479</u></u>	<u><u>\$ 109,405,776</u></u>

See accompanying Notes to Basic Financial Statements.

**AUSTIN UTILITIES
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2021 AND 2020**

NET POSITION, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES	2021	2020
NET POSITION		
Net Investment in Utility Plant	\$ 52,863,131	\$ 48,957,850
Unrestricted	8,423,156	12,042,632
Net Position	61,286,287	61,000,482
LIABILITIES		
Long-Term Liabilities		
Accrued Sick Leave	1,856,430	2,004,689
Capital Lease Payable	34,871	51,023
Bonds Payable	15,733,478	16,886,534
Net Pension Liability	3,975,787	5,539,802
Other Postemployment Benefits Payable	16,117,573	15,060,587
Total Long-Term Liabilities	37,718,139	39,542,635
Current Liabilities		
Accounts Payable	5,561,444	4,153,703
Accrued Expenses	1,356,183	1,311,365
Current Portion of Capital Lease Payable	16,179	15,840
Current Portion of Bonds Payable	1,130,000	1,110,000
Current Portion of Other Postemployment Benefits Payable	973,966	951,811
Other Current Liabilities	505,203	633,550
Total Current Liabilities	9,542,975	8,176,269
 Total Liabilities	 47,261,114	 47,718,904
DEFERRED INFLOWS OF RESOURCES		
Community Solar Program Related	30,035	39,461
OPEB Related	-	264,433
Pension Related	3,701,043	382,496
Total Deferred Inflows of Resources	3,731,078	686,390
 Total Net Position, Liabilities, and Deferred Inflows of Resources	 \$ 112,278,479	 \$ 109,405,776

See accompanying Notes to Basic Financial Statements.

AUSTIN UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
OPERATING REVENUES		
Sales	\$ 63,613,102	\$ 54,743,290
Forfeited Discounts	111,141	66,335
Other Operating Revenues	343,610	399,823
Total Operating Revenues	<u>64,067,853</u>	<u>55,209,448</u>
OPERATING EXPENSES		
Purchases	44,071,194	33,270,318
Production	1,089,004	1,152,787
Distribution	5,762,068	5,778,014
Other Operating Expenses	12,434,843	11,487,140
Total Operating Expenses	<u>63,357,109</u>	<u>51,688,259</u>
OPERATING INCOME	710,744	3,521,189
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	(291,347)	409,267
Interest Expense	(515,030)	(546,786)
Gain on Disposal of Property	34,007	215,590
Total Non-Operating Revenues - Net	<u>(772,370)</u>	<u>78,071</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS	(61,626)	3,599,260
Capital Contributions	<u>347,431</u>	<u>321,353</u>
CHANGE IN NET POSITION	285,805	3,920,613
Net Position - Beginning of Year	<u>61,000,482</u>	<u>57,079,869</u>
NET POSITION - END OF YEAR	<u>\$ 61,286,287</u>	<u>\$ 61,000,482</u>

See accompanying Notes to Basic Financial Statements.

**AUSTIN UTILITIES
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers	\$ 62,933,655	\$ 54,868,853
Cash Received from Others	548,770	391,604
Cash Paid to Suppliers	(49,661,926)	(39,789,190)
Cash Paid to Employees	(7,624,992)	(7,485,121)
Payments in Lieu of Property Taxes	(1,653,311)	(1,681,289)
Net Cash Provided by Operating Activities	4,542,196	6,304,857
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Interest Paid on Customer Deposits	(7,115)	(14,426)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Construction and Acquisition of Plant	(5,980,858)	(4,074,482)
Proceeds from Sale of Assets	34,007	215,590
Proceeds from Contributions in Aid of Construction	347,431	321,353
Interest Paid	(543,120)	(568,519)
Principal Payments on Bonds and Capital Leases	(1,554,235)	(1,091,977)
Net Cash Used by Capital and Related Financing Activities	(7,696,775)	(5,198,035)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Other Investments and Special Funds	(15,515,628)	(56,234,091)
Sales of Other Investments and Special Funds	15,108,846	53,230,947
Interest Income	155,106	338,750
Net Cash Used by Investing Activities	(251,676)	(2,664,394)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,413,370)	(1,571,998)
Cash and Cash Equivalents - Beginning of Year	9,808,345	11,380,343
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,394,975	\$ 9,808,345

See accompanying Notes to Basic Financial Statements.

**AUSTIN UTILITIES
STATEMENT OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 710,744	\$ 3,521,189
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation	3,224,447	3,000,599
Decrease in Other Assets	87,414	156,363
Increase in Deferred Outflows of Resources - Pension	(2,244,341)	(303,105)
Increase in Deferred Outflows of Resources - OPEB	(522,828)	(1,004,140)
Increase (Decrease) in Accrued Sick Leave	(148,259)	98,581
Increase in Other Postemployment Benefits Payable	1,079,141	1,090,993
Increase (Decrease) in Net Pension Liability	(1,564,015)	746,353
Increase (Decrease) in Deferred Inflows of Resources - Pension	3,318,547	(807,768)
Decrease in Deferred Inflows of Resources - OPEB	(264,433)	(264,433)
Decrease in Deferred Inflows of Resources - Community Solar Program	(9,426)	(8,249)
(Increase) Decrease in:		
Customer Accounts Receivable	(661,748)	92,306
Partnering in Energy Solutions Receivable	-	296
Other Accounts Receivable	189,419	(12,896)
Materials and Supplies Inventory	(113,379)	105,746
Prepaid Expenses	124,552	(112,774)
Increase (Decrease) in:		
Accounts Payable	1,407,741	90,981
Accrued Expenses	56,967	(69,720)
Other Liabilities	(128,347)	(15,465)
Net Cash Provided by Operating Activities	\$ 4,542,196	\$ 6,304,857
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Noncash Transactions - Change in Fair Value of Investments	\$ (460,632)	\$ 116,502
Plant in Service Assets Acquired through Capital Lease	\$ -	\$ 78,840
Noncash Transactions - Amortization of Bond Premium	\$ 23,056	\$ 23,055

See accompanying Notes to Basic Financial Statements.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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 GAAP for state and local governments.

B. Financial Reporting Entity

Austin Utilities is an enterprise fund of the City of Austin, Minnesota (the City), 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 GAAP. 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, 2021 AND 2020

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, 2021 AND 2020

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 \$1,829,587 and \$1,854,172 at December 31, 2021 and 2020, respectively.

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 \$1,664,741 and \$1,660,773 in 2021 and 2020, respectively.

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.

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Reclassifications

Certain 2020 amounts have been reclassified to conform to 2021 presentation. The reclassifications did not affect the change in net position.

NOTE 2 DETAIL OF UTILITY PLANT

Utility plant activity was as follows for the years ended December 31:

2021	Beginning Balance	Additions	Retirements	Ending Balance
Land and Land Rights	\$ 735,174	\$ -	\$ -	\$ 735,174
Utility Plant in Service	124,148,217	5,980,858	(345,243)	129,783,832
Less: Accumulated Depreciation for Utility Plant in Service	(57,862,144)	(3,224,447)	345,243	(60,741,348)
Capital Assets, Net	<u>\$ 67,021,247</u>	<u>\$ 2,756,411</u>	<u>\$ -</u>	<u>\$ 69,777,658</u>
2020	Beginning Balance	Additions	Retirements	Ending Balance
Land and Land Rights	\$ 735,174	\$ -	\$ -	\$ 735,174
Utility Plant in Service	120,251,286	4,153,322	(256,391)	124,148,217
Less: Accumulated Depreciation for Utility Plant in Service	(55,117,936)	(3,000,599)	256,391	(57,862,144)
Capital Assets, Net	<u>\$ 65,868,524</u>	<u>\$ 1,152,723</u>	<u>\$ -</u>	<u>\$ 67,021,247</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:

	2021	2020
Employee Sick Pay Benefits Fund	\$ 1,999,011	\$ 1,907,850
General Liability Insurance Fund	-	1,125,201
Flexible Spending Account	22,134	19,914
Investments Capital Improvement Fund	5,388,170	5,500,195
Total	<u>\$ 7,409,315</u>	<u>\$ 8,553,160</u>

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

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.

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, 2021 and 2020 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 13 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

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

The Utilities had the following investments at December 31:

	2021	2020
Federal Home Loan Mortgage Corporate Discount Notes	\$ 8,064,630	\$ 9,484,040
Federal National Mortgage Association Notes	978,020	3,000,640
Federal Home Loan Bank Notes	8,348,645	1,000,130
Federal Farm Credit Bureau Notes	1,953,500	2,001,430
Repurchase Agreement	3,473,458	4,476,663
UBS Select Treasury Institutional Fund	5	3,106,443
Total	\$ 22,818,258	\$ 23,069,346

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, 2021 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	\$ 8,348,645	\$ -	\$ 3,938,800	\$ 4,409,845	\$ -
Federal National Mortgage Association Notes	978,020	-	978,020	-	-
Federal Home Loan Mortgage Corporate Discount Notes	8,064,630	-	4,168,540	3,896,090	-
Federal Farm Credit Bank Notes	1,953,500	-	974,240	979,260	-
Repurchase Agreement	3,473,458	3,473,458	-	-	-
UBS Select Treasury Institutional Fund	5	5	-	-	-
Total	\$ 22,818,258	\$ 3,473,463	\$ 10,059,600	\$ 9,285,195	\$ -

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk (Continued)

Maturities for investments held by the Utilities at December 31, 2020 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	\$ 1,000,130	\$ -	\$ 1,000,130	\$ -	\$ -
Federal National Mortgage Association Notes	3,000,640	-	3,000,640	-	-
Federal Home Loan Mortgage Corporate Discount Notes	9,484,040	-	7,498,540	1,985,500	-
Federal Farm Credit Bank Notes	2,001,430	-	1,000,550	1,000,880	-
Repurchase Agreement	4,476,663	4,476,663	-	-	-
UBS Select Treasury Institutional Fund	3,106,443	3,106,443	-	-	-
Total	<u>\$ 23,069,346</u>	<u>\$ 7,583,106</u>	<u>\$ 12,499,860</u>	<u>\$ 2,986,380</u>	<u>\$ -</u>

Credit Risk

As of December 31, 2021, 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, 2021, 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.

As of December 31, 2020, 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, 2020, 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, 2021 AND 2020

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:

	2021	2020
Federal Farm Credit Bank Notes	\$ 1,953,500	\$ 2,001,430
Federal Home Loan Bank Notes	8,348,645	1,000,130
Federal National Mortgage Association Notes	978,020	3,000,640
Federal Home Loan Mortgage Corporate Discount Notes	8,064,630	9,484,040
Repurchase Agreement - U.S. Bank	3,473,458	4,476,663

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, 2021 and 2020, 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:

	2021	2020
Deposits	\$ 6,376,511	\$ 9,164,221
Repurchase Agreement - U.S. Bank	3,473,458	4,476,663
Government Agencies	19,344,795	15,486,240
UBS Select Treasury Institutional Fund	5	3,106,443
Total	\$ 29,194,769	\$ 32,233,567
Statement of Net Position:		
Cash and Cash Equivalents	\$ 6,823,397	\$ 9,808,345
Special Funds	7,409,315	8,553,160
Other Investments	14,962,057	13,872,062
Total	\$ 29,194,769	\$ 32,233,567

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

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, 2021	Level 1	Level 2	Level 3	Total
Federal Home Loan Mortgage				
Corporate Discount Notes	\$ -	\$ 8,064,630	\$ -	\$ 8,064,630
Federal National Mortgage				
Association Notes	-	978,020	-	978,020
Federal Home Loan Bank Notes	-	8,348,645	-	8,348,645
Federal Farm Credit Bureau Notes	-	1,953,500	-	1,953,500
Repurchase Agreement	-	3,473,458	-	3,473,458
Total	<u>\$ -</u>	<u>\$ 22,818,253</u>	<u>\$ -</u>	
Investments Measured at Net Asset Value (NAV)				5
Total				<u>\$ 22,818,258</u>

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurement (Continued)

As of December 31, 2020	Level 1	Level 2	Level 3	Total
Federal Home Loan Mortgage				
Corporate Discount Notes	\$ -	\$ 9,484,040	\$ -	\$ 9,484,040
Federal National Mortgage				
Association Notes	-	3,000,640	-	3,000,640
Federal Home Loan Bank Notes	-	1,000,130	-	1,000,130
Federal Farm Credit Bureau Notes	-	2,001,430	-	2,001,430
Repurchase Agreement	-	4,476,663	-	4,476,663
Total	<u>\$ -</u>	<u>\$ 19,962,903</u>	<u>\$ -</u>	
Investments Measured at Net Asset Value (NAV)				3,106,443
Total				<u>\$ 23,069,346</u>

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:

	2021	2020
Water Tower Maintenance	\$ 65,699	\$ 137,372
Unavailable Special Assessments	62,028	77,769
Total	<u>\$ 127,727</u>	<u>\$ 215,141</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.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 6 LONG-TERM DEBT

A. Components of Long-Term Debt

The Utilities' long-term debt is as follows as of December 31, 2021:

	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	\$ 2,425,000	\$ 385,000
G.O. Capital Improvement Plan Bonds, Series 2015A	2.0% - 3.625%	06/01/15	02/01/36	\$ 17,635,000	<u>14,160,000</u>	<u>745,000</u>
Total General Obligation Bonds					16,585,000	1,130,000
Bond Premium					278,478	-
Capital Lease Payable					51,050	16,179
Accrued Sick Leave					<u>1,856,430</u>	-
Total					<u>\$ 18,770,958</u>	<u>\$ 1,146,179</u>

The Utilities' long-term debt is as follows as of December 31, 2020:

	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	\$ 2,800,000	\$ 375,000
G.O. Capital Improvement Plan Bonds, Series 2015A	2.0% - 3.625%	06/01/15	02/01/36	\$ 17,635,000	<u>14,895,000</u>	<u>735,000</u>
Total General Obligation Bonds					17,695,000	1,110,000
Bond Premium					301,534	-
Capital Lease Payable					66,863	15,840
Accrued Sick Leave					<u>2,004,689</u>	-
Total					<u>\$ 20,068,086</u>	<u>\$ 1,125,840</u>

B. Minimum Future Debt Payments

Minimum annual principal and interest payments required to retire long-term debt are as follows:

Year Ended December 31,	General Obligation Bonds Payable		Capital Lease Agreements Payable	
	Principal	Interest	Principal	Interest
2022	\$ 1,130,000	\$ 520,819	\$ 16,179	\$ 856
2023	1,150,000	494,269	15,293	535
2024	1,185,000	463,294	15,619	209
2025	1,220,000	422,769	3,959	3
2026	1,265,000	376,294	-	-
2027-2031	5,120,000	1,353,322	-	-
2032-2036	5,515,000	499,684	-	-
Total	<u>\$ 16,585,000</u>	<u>\$ 4,130,451</u>	<u>\$ 51,050</u>	<u>\$ 1,603</u>

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 6 LONG-TERM DEBT (CONTINUED)

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% to 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% to 3.625%. The proceeds of the issue were used to construct a central facility.

In February 2020, the Utilities entered into a capital lease agreement for excavator equipment. The lease terms call for monthly payments of \$1,319 through February of 2025. This capital asset is capitalized at a cost of \$81,074 with \$29,727 of accumulated depreciation at December 31, 2021. Amortization expense of the period is included in depreciation expense.

Accrued sick leave consisted of \$1,856,430 and \$2,004,689 at December 31, 2021 and 2020, respectively. 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, 2021 and 2020, the Utilities had specifically designated investments totaling \$1,999,011 and \$1,907,850, respectively, or 108% and 95% in 2021 and 2020 of the accumulated benefits.

D. Changes in Long-Term Debt

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

2021	Beginning Balance	Additions	Payments	Ending Balance
G.O. Water Revenue				
Bonds, Series 2012A	\$ 2,800,000	\$ -	\$ (375,000)	\$ 2,425,000
Bond Premium	37,895	-	(5,480)	32,415
G.O. Capital Improvement Plan				
Bonds, Series 2015A	14,895,000	-	(735,000)	14,160,000
Bond Premium	263,639	-	(17,576)	246,063
Capital Lease Payable	66,863	-	(15,813)	51,050
Accrued Sick Leave	2,004,689	295,976	(444,235)	1,856,430
Total	<u>\$ 20,068,086</u>	<u>\$ 295,976</u>	<u>\$ (1,593,104)</u>	<u>\$ 18,770,958</u>
2020	Beginning Balance	Additions	Payments	Ending Balance
G.O. Water Revenue				
Bonds, Series 2012A	\$ 3,170,000	\$ -	\$ (370,000)	\$ 2,800,000
Bond Premium	43,375	-	(5,480)	37,895
G.O. Capital Improvement Plan				
Bonds, Series 2015A	15,605,000	-	(710,000)	14,895,000
Bond Premium	281,214	-	(17,575)	263,639
Capital Lease Payable	-	78,840	(11,977)	66,863
Accrued Sick Leave	1,906,108	290,472	(191,891)	2,004,689
Total	<u>\$ 21,005,697</u>	<u>\$ 369,312</u>	<u>\$ (1,306,923)</u>	<u>\$ 20,068,086</u>

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 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.

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 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% for each of the first 10 years of service and 1.7% for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% 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.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, 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. 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.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

C. Contributions

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

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal years 2021 and 2020. The Utilities was required to contribute 7.50% for Coordinated Plan members. The Utilities' contributions to the General Employees Fund for the years ended December 31, 2021 and 2020 were \$502,675 and \$494,280, respectively. The Utilities' contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2021 and 2020, the Utilities reported a liability of \$3,975,787 and \$5,539,802, respectively, 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 2021 and 2020. The state of Minnesota is considered a nonemployer 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 \$121,358 for 2021 and \$170,919 for 2020. The net pension liability was measured as of June 30, 2021 and 2020 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of those dates. 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, 2020 through June 30, 2021, relative to the total employer contributions received from all of PERA's participating employers. The Utilities' proportionate share was 0.0931% at the end of the measurement period and 0.0924% for the beginning of the period.

	2021	2020
Utilities' Proportionate Share of the PERA Net Pension Liability	\$ 3,975,787	\$ 5,539,802
State's Proportionate Share of the PERA Net Pension Liability Associated with the Utilities	121,358	170,919
Total	\$ 4,097,145	\$ 5,710,721

For the years ended December 31, 2021 and 2020, the Utilities recognized pension expense of \$11,012 and \$138,733, respectively, for its proportionate share of the General Employees Plan's pension expense. In addition, the Utilities recognized an additional \$9,792 and \$14,875, respectively, 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.

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Pension Costs (Continued)

At December 31, 2021, 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:

2021		
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 24,427	\$ 121,669
Changes in Actuarial Assumptions	2,427,533	87,947
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	3,443,200
Changes in Proportion and Differences Between Utility Contributions and Proportionate Share of Contributions	213,491	48,227
Utility Contributions Subsequent to the Measurement Date	256,742	-
Total	<u>\$ 2,922,193</u>	<u>\$ 3,701,043</u>
2020		
Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 50,509	\$ 20,960
Changes in Actuarial Assumptions	-	205,382
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	95,704	-
Changes in Proportion and Differences Between Utility Contributions and Proportionate Share of Contributions	272,340	156,154
Utility Contributions Subsequent to the Measurement Date	259,299	-
Total	<u>\$ 677,852</u>	<u>\$ 382,496</u>

The \$256,742 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, 2022. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended December 31,</u>	<u>Pension Expenses Amount</u>
2022	\$ (117,847)
2023	41,720
2024	(20,325)
2025	(939,140)

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Long-Term Expected Return on Investment

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 Equity	33.5 %	5.10%
International Equity	16.5	5.30%
Fixed Income	25.0	0.75%
Private Markets	25.0	5.90%
Total	<u>100.0 %</u>	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2021, actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5%. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5% was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25% for the General Employees Plan. Benefit increases after retirement are assumed to be 1.25% for the General Employees Plan.

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25% after one year of service to 3.0% after 29 years of service and 6.0% per year thereafter.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The most recent four-year experience study for the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and became effective with the July 1, 2020 actuarial valuation.

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

The following changes in actuarial assumptions and plan provisions occurred in 2021:

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2021 and 2020 was 6.50% and 7.50%, respectively. 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.

H. 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:

Measurement Date June 30, 2021	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
General Employees Fund Discount Rate	5.50 %	6.50 %	7.50 %
Utilities' Proportionate Share of the General Employees Fund Net Pension Liability	\$ 8,108,576	\$ 3,975,787	\$ 584,581
Measurement Date June 30, 2020	1% Decrease	Current Discount Rate	1% Increase in Discount Rate
General Employees Fund Discount Rate	6.50 %	7.50 %	8.50 %
Utilities' Proportionate Share of the GERF Net Pension Liability	\$ 8,878,382	\$ 5,539,802	\$ 2,785,743

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

I. 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 8 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.

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 2021 and 2020, 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.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

A. Plan Description (Continued)

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

	2021	2020
Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	88	88
Inactive Plan Members Entitled to But Not Yet Receiving Benefit Payments	-	-
Active Plan Members	75	75
Total	163	163

B. Total OPEB Liability

The Utilities' total OPEB liability for the year ended December 31, 2021, was determined by an actuarial valuation as of January 1, 2020, and rolled forward to a measurement date of January 1, 2021.

The Utilities' total OPEB liability for the year ended December 31, 2020, was measured as of January 1, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions

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

	2021	2020
Inflation	2.50%	2.90%
Salary Increases	2.50%	2.50%
Investment Rate of Return	2.90%	2.90%
Medical Trend Rate	6.25% in 2021 grading to 5.00% over 5 years	6.50% in 2020 grading to 5.00% over 6 years

Mortality rates for the January 1, 2020 actuarial valuation were based on the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2017 Generational Improvement Scale.

Discount Rate

The discount rate used to measure the total OPEB liability at 2021 and 2020 was 2.00% and 2.90%, respectively, which reflects the index rate for a 20-year high quality, tax-exempt general obligation municipal bonds as of the measurement date.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020**

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Changes in the Total OPEB Liability

	<u>2021</u>	<u>2020</u>
	Total OPEB Liability	Total OPEB Liability
Balances at January 1	\$ 16,012,398	\$ 14,921,405
Changes for the Year:		
Service Cost	119,093	91,618
Interest Cost	454,111	553,743
Changes of Benefit Terms	-	(77,857)
Differences between Expected and Actual Experience	-	857,955
Change in Assumptions	1,457,748	555,524
Benefit Payments	<u>(951,811)</u>	<u>(889,990)</u>
Balances at December 31	<u>\$ 17,091,539</u>	<u>\$ 16,012,398</u>

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:

	<u>December 31, 2021</u>		
	1% Decrease 1.00%	Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	\$ 19,031,951	\$ 17,091,539	\$ 15,456,804
	<u>December 31, 2020</u>		
	1% Decrease (1.90)%	Discount Rate (2.90)%	1% Increase (3.90)%
Total OPEB Liability	\$ 17,769,322	\$ 16,012,398	\$ 14,524,769

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Changes in the Total OPEB Liability (Continued)

Sensitivity of the Net OPEB Liability to Changes in the 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 healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	December 31, 2021		
	1% Decrease (5.25% Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.25% Decreasing to 5.00%)	1% Increase (7.25% Decreasing to 6.00%)
Total OPEB Liability	\$ 15,662,972	\$ 17,091,539	\$ 18,778,538
	December 31, 2020		
	1% Decrease (5.50% Decreasing to 4.00%)	Healthcare Cost Trend Rates (6.50% Decreasing to 5.00%)	1% Increase (7.50% Decreasing to 6.00%)
Total OPEB Liability	\$ 14,814,645	\$ 16,012,398	\$ 17,416,113

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

For the year ended December 31, 2021, the Utilities recognized OPEB expense of \$1,265,848. At December 31, 2021, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 1,157,007	\$ -
Differences between Expected and Actual Experience	285,985	-
Utilities' Payment of Benefits Subsequent to the Measurement Date	973,966	-
Total	\$ 2,416,958	\$ -

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 8 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	\$ 370,349	\$ 264,433
Differences between Expected and Actual Experience	571,970	-
Utilities' Payment of Benefits Subsequent to the Measurement Date	951,811	-
Total	\$ 1,894,130	\$ 264,433

\$973,966 reported as deferred outflows of resources related to OPEB resulting from the Utilities payment of benefits subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 2022.

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

Year Ending December 31,	Future Recognition
2022	\$ 957,076
2023	485,916
Total	\$ 1,442,992

NOTE 9 DEFINED CONTRIBUTION PLAN

The Utilities provides eligible employees future retirement benefits through the Utilities' 457 Plan (the Plan). Employees of the Utilities are eligible to participate in the Plan commencing on the date of their employment. Eligible employees may elect to have a percentage of their pay contributed to the Plan. Contributions are invested in tax-deferred annuities selected and owned by Plan participants. The employee contributions were \$474,985, \$405,804, and \$380,735, for the years ended December 31, 2021, 2020, and 2019, respectively.

NOTE 10 FLEXIBLE BENEFIT PLAN

The Utilities has a flexible benefit plan that is classified as a "cafeteria plan" under Section 125 of the Internal Revenue Code. All employee groups of the Utilities are eligible if and when the collective bargaining agreement or contract with their group allows eligibility. Eligible employees can elect to participate by contributing pre-tax dollars withheld from payroll checks to the plan for health care and dependent care benefits.

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 10 FLEXIBLE BENEFIT PLAN (CONTINUED)

Before the beginning of the plan year, which is from January 1 to December 31, each participant designates a total amount of pre-tax dollars to be contributed to the plan during the year. At June 30, the Utilities is contingently liable for claims against the total amount of participants' annual contributions for the health care portion of the plan, whether or not such contributions have been made.

Payments of health insurance premiums are made by the Utilities directly to the designated insurance companies. These payments are made on a monthly basis and are accounted for in the Utilities financial statements.

Payments for amounts withheld for medical reimbursement and dependent care are made to participating employees upon submitting a request for reimbursement of eligible expenses.

All plan property and income attributable to that property is solely the property of the Utilities, subject to the claims of the Utilities' general creditors. Participants' rights under the plan are equal to those of general creditors of the Utilities in an amount equal to eligible health care and dependent care expenses incurred by the participants. The Utilities believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

NOTE 11 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 \$55,144,203.

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, 2021.

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.

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2021 AND 2020

NOTE 11 RISK MANAGEMENT (CONTINUED)

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 12 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 1,999,151 thousand cubic feet of natural gas through October 2026 for a total commitment of \$6,625,136 at December 31, 2021.

Economic Dependency

During the year ended December 31, 2021, net sales to Hormel Foods Corporation amounted to \$22,409,045. Sales to this customer accounted for 35% of the total revenue of the Utilities in 2021.

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>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service Cost	\$ 119,093	\$ 91,618	\$ 88,177	\$ 98,046
Interest	454,111	553,743	516,175	525,521
Changes of Benefit Terms	-	(77,857)	-	-
Difference Between Expected and Actual Experience	-	857,955	-	-
Changes of Assumptions	1,457,748	555,524	(793,300)	-
Benefit Payments	<u>(951,811)</u>	<u>(889,990)</u>	<u>(879,159)</u>	<u>(914,365)</u>
Net Change in Total OPEB Liability	1,079,141	1,090,993	(1,068,107)	(290,798)
Total OPEB Liability - Beginning	<u>16,012,398</u>	<u>14,921,405</u>	<u>15,989,512</u>	<u>16,280,310</u>
Total OPEB Liability - Ending	<u>\$ 17,091,539</u>	<u>\$ 16,012,398</u>	<u>\$ 14,921,405</u>	<u>\$ 15,989,512</u>
Covered Employee Payroll	\$ 6,543,875	\$ 6,337,893	\$ 5,779,485	\$ 5,611,150
Utilities' Net OPEB Liability as a Percentage of the Covered Employee Payroll	261%	253%	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.

See accompanying Note to Required Supplementary Information.

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

Fiscal Year	2021	2020	2019	2018	2017	2016	2015
Measurement Date	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15
Utilities' Proportion of the Net Pension Liability	0.0931 %	0.0924 %	0.0867 %	0.0898 %	0.0937 %	0.0989 %	0.0989 %
Utilities' Proportionate Share of the Net Pension Liability	\$ 3,975,787	\$ 5,539,802	\$ 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	121,358	170,919	148,994	163,329	75,183	104,049	-
Total	\$ 4,097,145	\$ 5,710,721	\$ 4,942,443	\$ 5,145,065	\$ 6,056,929	\$ 8,077,402	\$ 5,125,511
Utilities' Covered Payroll	\$ 6,702,333	\$ 6,593,067	\$ 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	59.32 %	84.02 %	75.26 %	82.54 %	100.80 %	130.73 %	84.63 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.10 %	79.10 %	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.

See accompanying Note to Required Supplementary Information.

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

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 502,675	\$ 494,480	\$ 460,156	\$ 448,995	\$ 456,619	\$ 456,720	\$ 442,817
Contributions in Relation to the Contractually Required Contribution	<u>(502,675)</u>	<u>(494,480)</u>	<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>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utilities' Covered Payroll	\$ 6,702,333	\$ 6,593,067	\$ 6,135,413	\$ 5,986,595	\$ 6,089,520	\$ 6,090,354	\$ 5,915,410
Contributions as a Percentage of Covered Payroll	7.50 %	7.50 %	7.50 %	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.

See accompanying Note to Required Supplementary Information.

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AUSTIN UTILITIES
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021

NOTE 1 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 plan years ended June 30:

2021 Changes

Changes in Actuarial Assumptions

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

A. General Employees Fund

2020 Changes

Changes in Actuarial Assumptions

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years two through five and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100% joint and survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% joint and survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

AUSTIN UTILITIES
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

Changes in Plan Provisions

- Augmentation for current privatized members was reduced to 2.0% for the period July 1, 2020 through December 31, 2023 and 0.0% after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions

- The morality 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.

2018 Changes

Changes in Actuarial Assumptions

- The morality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

Changes in Plan Provisions

- The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024.
- Interest credited on member contributions decreased from 4.00% to 3.00%, beginning July 1, 2018.
- Deferred augmentation was changed to 0.00%, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply.
- Contribution stabilizer provisions were repealed.
- Postretirement benefit increases were changed from 1.00% per year with a provision to increase to 2.50% upon attainment of 90.00% funding ratio to 50.00% of the Social Security Cost of Living Adjustment, not less than 1.00% and not more than 1.50%, beginning January 1, 2019.
- For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors.
- Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

AUSTIN UTILITIES
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

2017 Changes

Changes in Actuarial Assumptions

- The combined service annuity (CSA) loads were changed from 0.80% for active members and 60.00% for vested and nonvested deferred members. The revised CSA load are now 0.00% for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed for 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

Changes in Plan Provisions

- The state's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter.
- The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study 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.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

2015 Changes

Changes in Actuarial Assumptions

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

Changes in Plan Provisions

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increase the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the state's contribution of \$6.0 million, which meets the special funding situation definition, was due September 2015.

AUSTIN UTILITIES
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2021

NOTE 1 CHANGES IN SIGNIFICANT PLAN PROVISIONS, ACTUARIAL METHODS, AND ASSUMPTIONS (CONTINUED)

The following changes were reflected in the valuation performed for the Utilities' OPEB Plan for the year ended December 31:

2021 Changes

Changes in Plan Provisions

- There were no changes in plan provisions.

Changes in Actuarial Assumptions

- The discount rate was changed from 2.9% to 2.00%.

2020

Changes in Plan Provisions

- The maximum monthly employer contribution for AFSCME and noncontract employees was changed from \$1,150 for either single or family coverage to \$800 for single coverage and \$1,200 for family coverage.
- The maximum monthly employer contribution for UAW and UFCW employees was changed from \$1,150 for either single or family coverage to \$800 (\$1,000 in 2021 and \$1,200 in 2022) for single coverage and will change to \$1,175 for family coverage in 2021 (\$1,200 in 2022).

2020

Changes in Actuarial Assumptions

- The discount rate was changed from 3.80% to 2.90%
- Medical trend rates were changed from RPH-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2017 Generational Improvement Scale.

2019

Changes in Plan Provisions

- There were no changes in plan provisions.

Changes in Actuarial Assumptions

- The discount rate was changed from 3.30% to 3.80%.

2018

Changes in Plan Provisions

- There were no changes in plan provisions.

Changes in Actuarial Assumptions

- Medical trend rates were changed from RPH-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to the RPH-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- The percentage of future spouses of retirees eligible for a subsidy who are assumed to continue on one of the Utilities' medical plans postemployment was reduced from 80% to 50%.
- The discount rate was changed from 3.50% to 3.30%.

SUPPLEMENTARY INFORMATION

AUSTIN UTILITIES
SUPPLEMENTARY COMBINING SCHEDULE OF REVENUES AND EXPENSES
YEARS ENDED DECEMBER 31, 2021 AND 2020

	Electric	
	2021	2020
OPERATING REVENUES		
Sales		
Commercial and Residential	\$ 34,437,615	\$ 34,626,286
Public Street and Highway Lighting	154,549	165,376
Interdepartmental	542,486	527,283
Other Sales	32,177	34,400
Total Sales Revenue	<u>35,166,827</u>	<u>35,353,345</u>
Forfeited Discounts	70,946	35,701
Other Operating Revenues	291,061	340,029
Total Operating Revenues	<u>35,528,834</u>	<u>35,729,075</u>
OPERATING EXPENSES		
Purchases	24,752,132	24,900,387
Production	12,347	11,046
Distribution	2,558,176	2,328,500
Other Operating Expenses	6,884,648	6,123,061
Total Operating Expenses	<u>34,207,303</u>	<u>33,362,994</u>
OPERATING INCOME	1,321,531	2,366,081
OTHER REVENUES (EXPENSES)		
Investment Income	(131,106)	185,497
Interest Expense	(206,422)	(218,941)
Gain on Disposal of Property	19,883	-
Total Other Revenues (Expenses)	<u>(317,645)</u>	<u>(33,444)</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,003,886	2,332,637
Capital Contributions	40,927	30,805
CHANGE IN NET POSITION	<u>\$ 1,044,813</u>	<u>\$ 2,363,442</u>

AUSTIN UTILITIES
SUPPLEMENTARY COMBINING SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
YEARS ENDED DECEMBER 31, 2021 AND 2020

Water		Gas		Total	
2021	2020	2021	2020	2021	2020
\$ 5,291,751	\$ 5,230,129	\$ 23,000,024	\$ 14,032,244	\$ 62,729,390	\$ 53,888,659
-	-	-	-	154,549	165,376
4,725	4,322	65,031	40,594	612,242	572,199
84,744	82,656	-	-	116,921	117,056
<u>5,381,220</u>	<u>5,317,107</u>	<u>23,065,055</u>	<u>14,072,838</u>	<u>63,613,102</u>	<u>54,743,290</u>
11,867	5,395	28,328	25,239	111,141	66,335
48,323	36,914	4,226	22,880	343,610	399,823
<u>5,441,410</u>	<u>5,359,416</u>	<u>23,097,609</u>	<u>14,120,957</u>	<u>64,067,853</u>	<u>55,209,448</u>
-	-	19,319,062	8,369,931	44,071,194	33,270,318
1,076,657	1,141,741	-	-	1,089,004	1,152,787
1,259,038	1,457,791	1,944,854	1,991,723	5,762,068	5,778,014
2,287,353	2,105,428	3,262,842	3,258,651	12,434,843	11,487,140
<u>4,623,048</u>	<u>4,704,960</u>	<u>24,526,758</u>	<u>13,620,305</u>	<u>63,357,109</u>	<u>51,688,259</u>
818,362	654,456	(1,429,149)	500,652	710,744	3,521,189
(67,010)	86,169	(93,231)	137,601	(291,347)	409,267
(161,753)	(165,666)	(146,855)	(162,179)	(515,030)	(546,786)
5,906	215,590	8,218	-	34,007	215,590
<u>(222,857)</u>	<u>136,093</u>	<u>(231,868)</u>	<u>(24,578)</u>	<u>(772,370)</u>	<u>78,071</u>
595,505	790,549	(1,661,017)	476,074	(61,626)	3,599,260
62,301	2,952	244,203	287,596	347,431	321,353
<u>\$ 657,806</u>	<u>\$ 793,501</u>	<u>\$ (1,416,814)</u>	<u>\$ 763,670</u>	<u>\$ 285,805</u>	<u>\$ 3,920,613</u>

**AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
ELECTRIC UTILITY
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
PURCHASES		
Purchased Power	\$ 24,604,934	\$ 24,716,648
System Control and Load Dispatching	147,198	183,739
Total Purchases	24,752,132	24,900,387
PRODUCTION		
Maintenance	1,380	2,453
Miscellaneous	10,967	8,593
Total Production	12,347	11,046
DISTRIBUTION		
Operation, Supervision, and Engineering	303,992	270,693
Station Expenses	83,408	77,336
Overhead Lines	12,847	12,128
Underground Lines	14,459	12,038
Street Lighting and Signal System	4,691	12,893
Meters	180,958	132,539
Customer Installations	30,928	21,670
Maintenance	1,360,799	1,315,047
Miscellaneous	566,094	474,156
Total Distribution	2,558,176	2,328,500
OTHER OPERATING EXPENSES		
Customer Accounts	795,844	939,899
Administrative and General	3,228,966	2,443,916
Depreciation	1,548,227	1,445,562
Taxes Other than Income Taxes	1,311,611	1,293,684
Total Other Operating Expenses	6,884,648	6,123,061
TOTAL OPERATING EXPENSES	\$ 34,207,303	\$ 33,362,994

**AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
WATER UTILITY
YEARS ENDED DECEMBER 31, 2021 AND 2020**

	2021	2020
PRODUCTION		
Operation, Supervision, and Engineering	\$ 14,840	\$ 14,334
Operating Labor and Expenses	277,065	306,460
Power Purchased for Pumping	425,366	413,504
Chemicals	232,688	221,430
Maintenance	88,737	151,318
Miscellaneous	37,961	34,695
Total Production	1,076,657	1,141,741
DISTRIBUTION		
Operation, Supervision, and Engineering	216,060	194,506
Storage Facilities	-	1,367
Distribution Lines	36,501	34,531
Meters	90,320	113,782
Customer Installations	6,766	11,424
Maintenance	706,664	857,939
Miscellaneous	202,727	244,242
Total Distribution	1,259,038	1,457,791
OTHER OPERATING EXPENSES		
Customer Accounts	257,439	261,142
Administrative and General	1,192,703	1,060,400
Depreciation	757,405	701,543
Taxes Other than Income Taxes	79,806	82,343
Total Other Operating Expenses	2,287,353	2,105,428
TOTAL OPERATING EXPENSES	\$ 4,623,048	\$ 4,704,960

AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
GAS UTILITY
YEARS ENDED DECEMBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
PURCHASES		
Natural Gas	\$ 19,197,144	\$ 8,359,649
Other Gas	121,918	10,282
Total Purchases	<u>19,319,062</u>	<u>8,369,931</u>
DISTRIBUTION		
Operation, Supervision, and Engineering	325,752	323,814
Cathodic Protection Expenses	-	1,044
Local Storage	55,219	31,324
Mains and Service	230,337	244,303
Measuring and Regulation Station Expenses	154,593	180,015
Meter and House Regulator Expense	73,356	74,866
Customer Installations	311,334	320,200
Maintenance	454,349	431,502
Miscellaneous	339,914	384,655
Total Distribution	<u>1,944,854</u>	<u>1,991,723</u>
OTHER OPERATING EXPENSES		
Customer Accounts	535,094	646,459
Administrative and General	1,825,276	1,750,469
Depreciation	629,148	576,977
Taxes Other than Income Taxes	273,324	284,746
Total Other Operating Expenses	<u>3,262,842</u>	<u>3,258,651</u>
TOTAL OPERATING EXPENSES	<u><u>\$ 24,526,758</u></u>	<u><u>\$ 13,620,305</u></u>