AUSTIN UTILITIES

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED DECEMBER 31, 2022

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YEAR ENDED DECEMBER 31, 2022

INTRODUCTION SECTION

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AUSTIN UTILITIES
ORGANIZATION SCHEDULE
DECEMBER 31, 2022

Board of Commissioners		**Term Expires**
Jeanne Sheehan	President	December 31, 2026
Steve Greenman	Member	December 31, 2026
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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CliftonLarsonAllen LLP
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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, Minnesota, as of and for the year ended December 31, 2022, 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, 2022, 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.

Emphasis of Matter – Change in Accounting Principal.

As discussed in Note 1 to the financial statements, effective January 1, 2022, the Utilities adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

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.

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 GAAS, 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.

Board of Commissioners
Austin Utilities

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 Information

Management is responsible for the other information included in the financial statements. The other information comprises the introductory section and the Utilities’ annual report but does not include the basic financial statements and our auditors’ report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to described it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 12, 2023, 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

CliftonLarsonAllen LLP

Austin, Minnesota
April 12, 2023

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REQUIRED SUPPLEMENTARY INFORMATION

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FINANCIAL STATEMENTS OVERVIEW

This discussion and analysis of Austin Utilities' (the Utilities) performance provides an overview of the Utilities' activities for the year ended December 31, 2022. 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 2022 was $58,862,163. This is a decrease of $2,424,124 over net position balance at the close of 2021.

- By far the largest portion of Austin Utilities net position (92%) 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 2022 were $3,087,206. The electric department had capital outlay of $1,224,897 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 $688,483 which included $395,939 for main extensions, replacements and hydrants and $292,544 for meters. The water department installed over 6,053 feet of new water main during 2022. The gas department had capital outlay of $686,905 which included $351,488 for mains and services, $242,686 for meters and $92,731 for regulating station upgrades. The gas department installed over 9,587 feet of new gas main in 2022. General Plant capital outlay was $486,921 in 2022 which included outlays for vehicles and power operated equipment, office furniture and equipment and communications equipment for the AMI system.

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Condensed Statement of Net Position

	2022	2021
Capital Assets, Net	$ 69,905,500	$ 69,777,658
Current Assets	14,394,668	14,662,571
Noncurrent Assets	22,788,952	22,371,372
Other Assets	250,933	127,727
Total Assets	107,340,053	106,939,328
Deferred Outflows of Resources	5,509,393	5,339,151
Total Assets and Deferred Outflows of Resources	$ 112,849,446	$ 112,278,479
Current Liabilities	$ 10,872,067	$ 9,542,975
Long-Term Liabilities:		
Accrued Sick Leave	2,007,543	1,856,430
Long-Term Debt - Right-of-Use Lease Payable	18,378	34,871
Long-Term Debt - Bonds Payable	14,491,290	15,733,478
Net Pension Liability	7,539,871	3,975,787
OPEB Liability	18,633,805	16,117,573
Total Liabilities	53,562,954	47,261,114
Deferred Inflows of Resources	424,329	3,731,078
Net Position:		
Net Investment in Capital Assets	54,229,307	52,863,131
Unrestricted	4,632,856	8,423,156
Total Net Position	58,862,163	61,286,287
Total Liabilities, Deferred Inflows of Resources, and Net Position	$ 112,849,446	$ 112,278,479

Condensed statement of net position highlights are as follows for the year ended December 31, 2022:

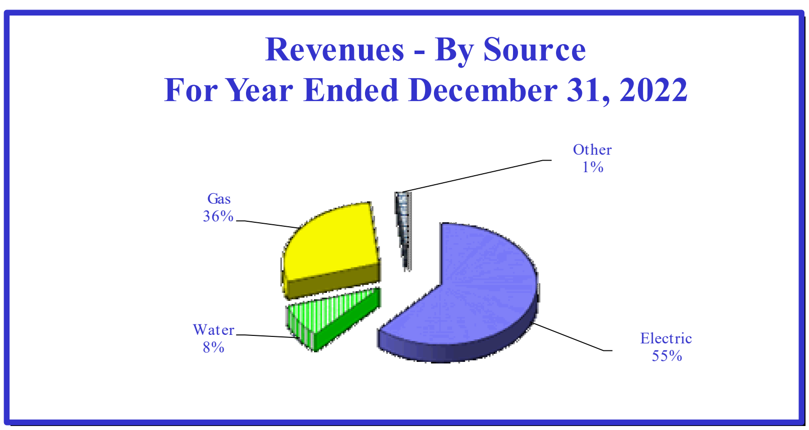
- Current assets decreased $267,903. Current assets consist of cash and working funds, temporary investments (maturities of one year or less), accounts receivable, inventories, and prepayments.

- Noncurrent assets increased during 2022 in the amount of $417,580. There was a decrease of $134,645 in Special Funds, which are investments designated for Employee Sick Leave Benefits Fund, Capital Improvements Fund and the Flexible Spending Account. Other Investments increased $552,225.

FINANCIAL HIGHLIGHTS (CONTINUED)

- Other Assets increased $123,206. Assets within this classification include unavailable water assessments and long term leases receivable. The Utility adopted new accounting guidance for leases effective January 1, 2022.
- Deferred outflows of resources increased $170,242. Deferred Outflows of Resources - Pension Related decreased $540,479 and Deferred Outflows of Resources - OPEB Related increased $710,721 in 2022.
- Current liabilities increased $1,329,092 at the end of 2022. The increase was due to the increase in accounts payable of $1,064,468 a result of higher natural gas prices in December 2022. Current portion of Other Postemployment Benefits increased $154,191 and accrued expenses increased $87,301. This also includes the current portion of GO Water Revenue Bonds, Series 2012A of $390,000 and the current portion of the GO Capital Improvement Plan Bonds, Series 2015A of $760,000.
- Accrued sick leave increased $151,113.
- Long-Term Debt- Right-of-Use Lease Payable decreased $16,147.
- Long-Term Debt Bonds Payable decreased $1,242,188.
- Net Pension Liability increased $3,564,084.
- Other Postemployment Benefits Liability increased $2,516,232.
- Deferred Inflows of Resources decreased $3,306,749.
- Net position decreased $2,424,124 at the end of 2022.

The following chart summarizes operating revenue and source by utility:



FINANCIAL HIGHLIGHTS (CONTINUED)

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

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

	2022	2021
Electric		
Operating Revenues, Electric Sales	$ 35,140,667	$ 35,166,827
Other Electric Operating Revenues	573,828	362,007
Total Electric Operating Revenues	35,714,495	35,528,834
Operating Expenses	35,325,789	34,207,303
Total Electric Operating Income	388,706	1,321,531
Other Electric Revenues	(827,880)	(111,223)
Interest Expense	(175,685)	(206,422)
Capital Contributions in Aid of Construction	154,511	40,927
Change in Net Position, Electric	(460,348)	1,044,813
Water		
Operating Revenues, Water Sales	5,642,037	5,381,220
Other Water Operating Revenues	73,772	60,190
Total Water Operating Revenues	5,715,809	5,441,410
Operating Expenses	5,789,808	4,623,048
Total Water Operating Income	(73,999)	818,362
Other Water Revenues	(408,126)	(61,104)
Interest Expense	(122,766)	(161,753)
Capital Contributions in Aid of Construction	6,988	62,301
Change in Net Position, Water	(597,903)	657,806
Gas		
Operating Revenues, Gas Sales	23,498,613	23,065,055
Other Gas Operating Revenues	96,187	32,554
Total Gas Operating Revenues	23,594,800	23,097,609
Operating Expenses	24,304,170	24,526,758
Total Gas Operating Income	(709,370)	(1,429,149)
Other Gas Revenues	(587,156)	(85,013)
Interest Expense	(125,044)	(146,855)
Capital Contributions in Aid of Construction	55,697	244,203
Change in Net Position, Gas	(1,365,873)	(1,416,814)
Total Change in Net Position	$ (2,424,124)	$ 285,805
Beginning Net Position	$ 61,286,287	$ 61,000,482
Change in Net Position	(2,424,124)	285,805
Ending Net Position	$ 58,862,163	$ 61,286,287

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Electric

2022 Compared to 2021

- Revenue from electric sales decreased in the amount of $26,160. Other electric operating revenue increased $211,821. Total revenue per unit increased 3.29% from a unit price of $0.1033 in 2021 to $0.1067 in 2022, a result of implementing the PCA adjustment in August 2022 due to the increase in natural gas prices that our wholesale electric provider SMMPA was encountering to produce electricity. The increase in other electric revenues was a result of an increase in forfeited discounts which are charges paid by the customers for late payment of utility bills. These charges were not collected in 2021 until August due to the Executive Order issued by the Minnesota governor during the pandemic.
- Operating expenses increased $1,118,486 in 2022. Production expenses decreased $10,594. Power supply expenses increased $85,160. Distribution expenditures increased $211,456 due to the increase in meter expenses. Other operating expenses increased $832,464 a result of the costs for employee pension and benefits.
- Other electric revenues decreased $716,657. There was a decrease in investment income of $702,944 a result of marking investments to market value at December 31, 2022. There was a decrease in gain on disposal of property of $13,713.
- Interest expense decreased $30,757.
- Capital contributions in aid of construction increased $113,584 in 2022.

Water

2022 Compared to 2021

- Revenue from the sale of water increased $260,817. Other water revenue increased in the amount of $13,582. Total revenue per unit increased from $2.1959 in 2021 to $2.2343 as a result of the 2.0% rate increase to residential and commercial customers and 9.0% increase to industrial customers that was approved at the December 2021 board meeting. The volume of water sold was up 2.8% in 2022. The increase in other water revenues was a result of the increase in forfeited discounts collected in 2022.
- Operating expenses increased $1,166,760. Water production expenses decreased $10,346 a result of decreased maintenance of pumping equipment. Distribution expenses increased $360,295 as there was an increase in meter expenses and maintenance of mains and services. Other operating expenses increased $816,811 as there was an increase in employee pensions and benefits.
- Other water revenues decreased $347,022 in 2022. Austin Utilities received an $11,740 grant from the State of MN for assistance in well sealing. There was a reduction in investment income of $359,282 and an increase of $520 in gain on disposition of property.
- Interest expense decreased $38,987.
- Capital contributions in aid of construction decreased $55,313 in 2022.

FINANCIAL HIGHLIGHTS (CONTINUED)

Gas

2022 Compared to 2021

- Revenue from the sale of natural gas increased $433,558 in 2022. There was no rate increase in the gas department in 2022 but there were positive purchased cost adjustments in 11 of the 12 months for the year ending December 31, 2022. Total revenue per unit decreased 8.2% from a unit price of $9.6827 per mcf in 2021 to $8.8895 per mcf in 2022. Other operating revenues increased $63,633 a result of collecting forfeited discounts in 2022.
- Operating expenses decreased $222,588 in 2022. Purchases of natural gas decreased $1,413,225 in 2022. The average gas supply cost in 2022 was $6.7477 per mcf where as in 2021 it was $8.1479 per mcf. Distribution expenses increased $114,346 a result of an increase of mains and services expenses and customer installations expenses. Other operating expenses increased $1,076,291 as a result of an increase in employee pension and benefits.
- Other gas revenues decreased $502,143, a result of $499,871 of reduced investment income during 2022 and a decrease of $2,272 in gain on disposition of property.
- Interest expense decreased $21,811.
- Capital contributions in aid of construction decreased $188,506.
- The total change in net position in 2022 was a decrease in the amount of $2,424,124 as compared to an increase of $285,805 in 2021. The 2022 decrease is the result of combined operating losses in the amount of $394,663, capital contributions in aid of construction in the amount of $217,196 and reduced by other and miscellaneous income (expenses) of $1,823,162 and interest expense in the amount of $423,495.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

- The Utilities investment in capital assets as of December 31, 2022, amounts to $69,905,500 (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, line transformers, and meters. In the water utility the most significant increases occurred in infrastructure installation of mains and meters. In the gas utility the most significant increases occurred in the installation of mains and services, meters, district regulating station upgrades, and the relocation of the West Town Border Station. The general plant increases occurred in vehicles, power-operated equipment, office equipment, and communications equipment for the AMI meter deployment.

CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED

Capital Assets (Continued):

AUSTIN UTILITIES CAPITAL ASSETS
(Net of Depreciation)

	2022	2021	Dollar Change
Land and Land Rights	$ 735,175	$ 735,175	$ -
Electric Plant in Service	19,184,822	18,942,515	242,307
Water Plant in Service	22,106,921	22,100,419	6,502
Gas Plant in Service	9,140,323	8,891,435	248,888
General Plant in Service	18,689,548	19,056,768	(367,220)
Property Under Lease	35,132	51,346	(16,214)
Construction in Progress	13,579	-	13,579
Total	$ 69,905,500	$ 69,777,658	$ 127,842

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 $1,258,681 in 2022. The current portion of the General Obligation Water Bonds, Series 2012A due in 2023 is $390,000 and the current portion of the General Obligation Capital Improvement Plan Bonds, Series 2015A due in 2023 is $760,000. The current portion of the Capital Lease Payable due in 2023 is $18,378. See Note 7 to the financial statements for more details related to changes in debt.

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 electric and water departments in January 2023. On December 14, 2022, the Austin Utilities Board of Commissioners approved the 2023 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, 2022

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS	
Utility Plant:	
Plant in Service	$ 123,500,052
Construction In Progress	13,579
Less: Accumulated Depreciation and Amortization	(53,608,131)
Net Utility Plant	69,905,500
Other Property and Investments:	
Special Funds	7,274,670
Other Investments	15,514,282
Total Other Property and Investments	22,788,952
Current Assets:	
Cash and Cash Equivalents	4,598,766
Accounts Receivable (Less Allowance for Uncollectible Accounts of $400,000 for 2022 and $400,000 for 2021)	6,994,249
Leases Receivable - Current Portion	33,738
Other Accounts Receivable (Less Allowance for Uncollectible Accounts of $2,000)	145,580
Inventories	2,323,032
Prepaid Expenses	299,303
Total Current Assets	14,394,668
Other Assets:	
Other Assets	51,877
Long-Term Leases Receivable	199,056
Total Other Assets	250,933
Total Assets	107,340,053
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related	2,381,714
OPEB Related	3,127,679
Total Deferred Outflows of Resources	5,509,393
Total Assets and Deferred Outflows of Resources	$ 112,849,446

See accompanying Notes to Basic Financial Statements.

AUSTIN UTILITIES
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2022

NET POSITION, LIABILITIES, AND DEFERRED INFLOWS OF RESOURCES

NET POSITION	
Net Investment in Utility Plant	$ 54,229,307
Unrestricted	4,632,856
Net Position	58,862,163
LIABILITIES	
Long-Term Liabilities	
Accrued Sick Leave	2,007,543
Lease Payable	18,378
Bonds Payable	14,491,290
Net Pension Liability	7,539,871
Other Postemployment Benefits Payable	18,633,805
Total Long-Term Liabilities	42,690,887
Current Liabilities	
Accounts Payable	6,625,912
Accrued Expenses	1,443,484
Current Portion of Lease Payable	16,525
Current Portion of Bonds Payable	1,150,000
Current Portion of Other Postemployment Benefits Payable	1,128,157
Other Current Liabilities	507,989
Total Current Liabilities	10,872,067
Total Liabilities	53,562,954
DEFERRED INFLOWS OF RESOURCES	
Community Solar Program Related	19,717
OPEB Related	60,608
Pension Related	111,210
Lease Receivable Related	232,794
Total Deferred Inflows of Resources	424,329
Total Net Position, Liabilities, and Deferred Inflows of Resources	$ 112,849,446

See accompanying Notes to Basic Financial Statements.

AUSTIN UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022

OPERATING REVENUES	
Sales	$ 64,281,317
Forfeited Discounts	316,722
Other Operating Revenues	427,065
Total Operating Revenues	65,025,104
OPERATING EXPENSES	
Purchases	42,743,129
Production	1,068,064
Distribution	6,448,165
Other Operating Expenses	15,160,409
Total Operating Expenses	65,419,767
OPERATING LOSS	(394,663)
NONOPERATING REVENUES (EXPENSES)	
Capital Grant	11,740
Investment Income	(1,853,444)
Interest Expense	(423,495)
Gain on Disposal of Property	18,542
Total Nonoperating Revenues (Expenses) - Net	(2,246,657)
NET LOSS BEFORE CAPITAL CONTRIBUTIONS	(2,641,320)
Capital Contributions	217,196
CHANGE IN NET POSITION	(2,424,124)
Net Position - Beginning of Year	61,286,287
NET POSITION - END OF YEAR	$ 58,862,163

See accompanying Notes to Basic Financial Statements.

AUSTIN UTILITIES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	$ 63,366,819
Cash Received from Others	452,242
Cash Paid to Suppliers	(53,003,473)
Cash Paid to Employees	(4,559,235)
Payments in Lieu of Property Taxes	(1,655,828)
Net Cash Provided by Operating Activities	4,600,525
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Interest Paid on Customer Deposits	(1,679)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Construction and Acquisition of Plant	(3,100,785)
Proceeds from Sale of Assets	18,542
Proceeds from Contributions in Aid of Construction	217,196
Capital Grant Proceeds	11,740
Interest Paid	(520,819)
Principal Payments on Bonds and Leases	(1,146,147)
Net Cash Used by Capital and Related Financing Activities	(4,520,273)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchases of Other Investments and Special Funds	(4,021,888)
Sales of Other Investments and Special Funds	1,502,112
Interest Income	216,572
Net Cash Used by Investing Activities	(2,303,204)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,224,631)
Cash and Cash Equivalents - Beginning of Year	6,823,397
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 4,598,766

See accompanying Notes to Basic Financial Statements.

AUSTIN UTILITIES
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2022

RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Loss	$	(394,663)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation		2,972,943
Decrease in Other Assets		75,850
(Increase) Decrease in Deferred Outflows of Resources - Pension		540,479
Increase in Deferred Outflows of Resources - OPEB		(710,721)
Increase (Decrease) in Accrued Sick Leave		151,113
Increase in Other Postemployment Benefits Payable		2,670,423
Increase (Decrease) in Net Pension Liability		3,564,084
Increase (Decrease) in Deferred Inflows of Resources - Pension		(3,589,833)
Increase (Decrease) in Deferred Inflows of Resources - OPEB		60,608
Decrease in Deferred Inflows of Resources - Community Solar Program		(10,318)
(Increase) Decrease in:		
Customer Accounts Receivable		(1,237,851)
Other Accounts Receivable		15,026
Materials and Supplies Inventory		(541,947)
Prepaid Expenses		(126,038)
Increase (Decrease) in:		
Accounts Payable		1,064,468
Accrued Expenses		94,116
Other Liabilities		2,786
Net Cash Provided by Operating Activities	$	4,600,525
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Noncash Transactions - Change in Fair Value of Investments	$	(2,102,196)
Noncash Transactions - Amortization of Bond Premium	$	92,188

See accompanying Notes to Basic Financial Statements.

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.

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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 four types of items that qualify as this reporting element, community solar program, pension related, right-of-use lease assets, 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 $2,288,844 at December 31, 2022.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 $1,654,906 in 2022.

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

P. Leases

The Utilities determines if an arrangement is a lease at inception. Leases are included in lease assets and lease liabilities in the statement of net position.

Lease assets represent the Utilities' control of the right to use an underlying asset for the lease term, as specified in the contract, in an exchange or exchange-like transaction.

Lease assets are recognized at the commencement date based on the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs. Lease assets are amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

Lease liabilities represent the Utilities' obligation to make lease payments arising from the lease.

Lease liabilities are recognized at the commencement date based on the present value of the expected lease payments over the lease term, less any lease incentives. Interest expense is recognized over the contract term.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Q. Adoption of New Accounting Standards

In June 2017, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 87, *Leases*. This standard requires the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and as inflows of resources or outflows of resources recognized based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this standard, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

The Utility adopted the requirements of the guidance effective January 1, 2022, and has applied the provisions of this standards to the beginning of the period of adoption.

NOTE 2 DETAIL OF UTILITY PLANT

Utility plant activity was as follows for the year ended December 31, 2022:

	Beginning Balance (as restated)	Additions	Retirements	Ending Balance
Land and Land Rights	$ 735,174	$ -	$ -	$ 735,174
Construction Work in Progress	-	13,579	-	13,579
Utility Plant in Service	129,732,485	3,087,206	(10,106,160)	122,713,531
Less: Accumulated Depreciation for Utility Plant in Service	(60,741,348)	(2,956,728)	10,106,160	(53,591,916)
Right-to-Use Asset - Equipment	51,347	-	-	51,347
Less: Accumulated Amortization for Right-to-Use Asset	-	(16,215)	-	(16,215)
Capital Assets, Net	$ 69,777,658	$ 127,842	$ -	$ 69,905,500

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, 2022:

Employee Sick Pay Benefits Fund	$ 1,851,968
Flexible Spending Account	18,542
Investments Capital Improvement Fund	5,404,160
Total	$ 7,274,670

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, 2022, 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.

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

- General obligations rated "A" or better; revenue obligations rated "AA" or better.
- General obligations of the Minnesota Housing Finance Agency rated "A" or better.
- Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- Commercial paper issued by United States corporations or their Canadian subsidiaries, of the highest quality category by at least two nationally recognized rating agencies and maturing in 270 days or less.
- Guaranteed Investment Contracts guaranteed by a United States commercial bank, domestic branch of a foreign bank, or a United States insurance company, and with a credit quality in one of the top two highest categories.
- Repurchase or reverse purchase agreements and securities lending agreements financial institutions qualified as a "depository" by the government entity, with banks that are members of the Federal Reserve System with capitalization exceeding $10,000,000, a primary reporting dealer in U.S. government securities to the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.

The Utilities had the following investments at December 31, 2022:

Federal Home Loan Mortgage Corporate Discount Notes	$ 7,318,333
Federal National Mortgage Association Notes	896,910
Federal Home Loan Bank Notes	10,395,605
Federal Farm Credit Bureau Notes	1,758,830
UBS Select Treasury Institutional Fund	509,373
Total	$ 20,879,051

<u>Interest Rate Risk</u>

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.

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Maturities for investments held by the Utilities at December 31, 2022, is as follows:

		Investment Maturities in Years			
	Total	Less Than 1	1-5 Years	6-10 Years	More than 10
Federal Home Loan Bank Notes	$ 10,395,605	$ -	$ 9,109,515	$ 1,286,090	$ -
Federal National Mortgage Association Notes	896,910	-	896,910	-	-
Federal Home Loan Mortgage Corporate Discount Notes	7,318,333	-	6,526,023	792,310	-
Federal Farm Credit Bank Notes	1,758,830	-	1,758,830	-	-
UBS Select Treasury Institutional Fund	509,373	509,373	-	-	-
Total	$ 20,879,051	$ 509,373	$ 18,291,278	$ 2,078,400	$ -

Credit Risk

As of December 31, 2022, 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, 2022, 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.

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, 2022:

Federal Farm Credit Bank Notes	$ 1,758,830
Federal Home Loan Bank Notes	10,395,605
Federal National Mortgage Association Notes	896,910
Federal Home Loan Mortgage Corporate Discount Notes	7,318,333
UBS Select Treasury Institutional Fund	509,373

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

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, 2022, 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, 2022:

Deposits	$ 6,508,667
Government Agencies	20,369,678
UBS Select Treasury Institutional Fund	509,373
Total	$ 27,387,718
Statement of Net Position:	
Cash and Cash Equivalents	$ 4,598,766
Special Funds	7,274,670
Other Investments	15,514,282
Total	$ 27,387,718

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.

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

D. Fair Value Measurements (Continued)

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, 2022:

	Level 1	Level 2	Level 3	Total
Federal Home Loan Mortgage Corporate Discount Notes	$ -	$ 7,318,333	$ -	$ 7,318,333
Federal National Mortgage Association Notes	-	896,910	-	896,910
Federal Home Loan Bank Notes	-	10,395,605	-	10,395,605
Federal Farm Credit Bureau Notes	-	1,758,830	-	1,758,830
UBS Select Treasury Institutional Fund	-	509,373	-	509,373
Total	$ -	$ 20,879,051	$ -	$ 20,879,051

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.

NOTE 5 OTHER ASSETS

Other assets consist of the following at December 31, 2022:

Unavailable Special Assessments	$ 51,877
Total	$ 51,877

Unavailable special assessments represent water improvements made to undeveloped land and the noncurrent portion of assessments made. These amounts will be written off as they are assessed to property owners and become collectible within one year.

NOTE 6 LEASES RECEIVABLE

The Utilities, acting as lessor, leases antenna space on its water towers, under long-term, noncancelable lease agreements. The leases expire at various dates through 2031 and provide for renewal options of five years. During the year ended December 31, 2022, the Utilities recognized $19,228 and $1,880 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending December 31,	Principal	Interest
2023	$ 33,738	$ 6,482
2024	35,923	5,504
2025	38,208	4,461
2026	29,506	3,431
2027	20,169	2,742
2028-2031	75,250	3,996
Total Minimum Lease Payments	$ 232,794	$ 26,616

NOTE 7 LONG-TERM DEBT

A. Components of Long-Term Debt

The Utilities' long-term debt is as follows as of December 31, 2022:

	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	$ 2,040,000	$ 390,000
G.O. Capital Improvement Plan Bonds, Series 2015A	2.0% - 3.625%	06/01/15	02/01/36	$ 17,635,000	13,415,000	760,000
Total General Obligation Bonds					15,455,000	1,150,000
Bond Premium					186,290	-
Lease Payable					34,903	18,378
Accrued Sick Leave					2,007,543	-
Total					$ 17,683,736	$ 1,168,378

NOTE 7 LONG-TERM DEBT (CONTINUED)

B. Minimum Future Debt Payments

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

	General Obligation Bonds Payable		Lease Payable	
Year Ending December 31,	Principal	Interest	Principal	Interest
2023	$ 1,150,000	$ 494,269	$ 15,293	$ 535
2024	1,185,000	463,294	15,619	209
2025	1,220,000	422,769	3,991	3
2026	1,265,000	376,294	-	-
2027	1,310,000	336,163	-	-
2028-2032	4,840,000	1,191,659	-	-
2033-2036	4,485,000	325,184	-	-
Total	$ 15,455,000	$ 3,609,632	$ 34,903	$ 747

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.

Leases

The Utilities entered into a lease for the use of equipment. Due to the implementation of GASB 87 in the fiscal year ended December 31, 2022, this asset was capitalized as an intangible right-to-use asset.

Accrued Sick Leave

Accrued sick leave consisted of $2,007,543 at December 31, 2022. 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, 2022, the Utilities had specifically designated investments totaling $1,851,968, or 92% in 2022 of the accumulated benefits.

NOTE 7 LONG-TERM DEBT (CONTINUED)

D. Changes in Long-Term Debt

The following is a summary of the changes in long-term debt for the year ended December 31, 2022:

	Beginning Balance	Additions	Payments	Ending Balance
G.O. Water Revenue				
Bonds, Series 2012A	$ 2,425,000	$ -	$ (385,000)	$ 2,040,000
Bond Premium	32,415	-	(20,818)	11,597
G.O. Capital Improvement Plan				
Bonds, Series 2015A	14,160,000	-	(745,000)	13,415,000
Bond Premium	246,063	-	(71,370)	174,693
Lease Payable	51,050	-	(16,147)	34,903
Accrued Sick Leave	1,856,430	313,044	(161,931)	2,007,543
Total	$ 18,770,958	$ 313,044	$ (1,400,266)	$ 17,683,736

NOTE 8 DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

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 are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Benefits Provided (Continued)

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.

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 year 2022. 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, 2022, was $534,793. The Utilities' contributions were equal to the required contributions as set by state statute.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Pension Costs

At December 31, 2022, the Utilities reported a liability of $7,539,871 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 2022. 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 $221,067 for 2022. The net pension liability was measured as of June 30, 2022, 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, 2021 through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The Utilities' proportionate share was 0.0952% at the end of the measurement period and 0.0931% for the beginning of the period.

Utilities' Proportionate Share of the PERA Net Pension Liability	$ 7,539,871
State's Proportionate Share of the PERA Net Pension Liability Associated with the Utilities	221,067
Total	$ 7,760,938

For the year ended December 31, 2022, the Utilities recognized pension expense of $1,075,189, for its proportionate share of the General Employees Plan's pension expense. In addition, the Utilities recognized an additional $32,952, as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of $16 million to the General Employees Fund.

At December 31, 2022, 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:

Description	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	$ 62,979	$ 80,543
Changes in Actuarial Assumptions	1,706,409	30,667
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	130,783	-
Changes in Proportion and Differences Between Utility Contributions and Proportionate Share of Contributions	199,642	-
Utility Contributions Subsequent to the Measurement Date	281,901	-
Total	$ 2,381,714	$ 111,210

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Pension Costs (Continued)

The $2281,901 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 ended December 31, 2023. Other amounts reported as deferred outflows and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expenses Amount
2023	$ 789,610
2024	728,213
2025	(211,087)
2026	681,867
Total	$ 1,988,603

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	100.0 %	

F. Actuarial Methods and Assumptions

The total pension liability in the June 30, 2022, 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.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

F. Actuarial Methods and Assumptions (Continued)

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 27 years of service.

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.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

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 2022 was 6.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees Fund was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

Measurement Date June 30, 2022	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	$ 11,909,622	$ 7,539,871	$ 3,956,002

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 9 OTHER POSTEMPLOYMENT BENEFIT PLAN

A. Plan Description

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

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 year 2022, the Utilities did not contribute to the plan.

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

A. Plan Description (Continued)

Benefits Provided

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

Employees Covered by Benefit Terms

The following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	90
Active Plan Members	74
Total	164

B. Total OPEB Liability

The Utilities' total OPEB liability for the year ended December 31, 2022, was measured as of January 1, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2022.

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:

Inflation	2.00%
Investment Rate of Return	2.90%
Medical Trend Rate	6.50% in 2022 grading to 4.00% over the 54 years

Mortality rates for the January 1, 2022 actuarial valuation were based on the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-20121 Generational Improvement Scale (MP-2019 Generational Improvement Scale at prior measurement date).

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Total OPEB Liability (Continued)

Discount Rate

The discount rate used to measure the total OPEB liability at January 1, 2022 was 2.00%, which reflects the index rate for a 20-year high quality, tax-exempt general obligation municipal bonds as of the measurement date.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance - January 1, 2022	$ 17,091,539
Changes for the Year:	
Service Cost	109,549
Interest Cost on the Total OPEB Liability	334,330
Changes of Benefit Terms	1,021,013
Differences between Projected and Actual Experience	2,270,409
Change in Assumptions	(90,912)
Benefit Payments	(973,966)
Net Changes	2,670,423
Balance - December 31, 2022	$ 19,761,962

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:

	1% Decrease 1.00%	Discount Rate 2.00%	1% Increase 3.00%
Total OPEB Liability	$ 22,005,351	$ 19,761,962	$ 17,868,829

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:

	1% Decrease (5.50% Decreasing to 3.00%)	Healthcare Cost Trend Rates (6.50% Decreasing to 4.00%)	1% Increase (7.50% Decreasing to 5.00%)
Total OPEB Liability	$ 19,197,188	$ 19,761,962	$ 20,398,467

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

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

For the year ended December 31, 2022, the Utilities recognized OPEB expense of $3,148,467. At December 31, 2022, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Actuarial Assumptions	$ 485,916	$ 60,608
Differences between Expected and Actual Experience	1,513,606	-
Utilities' Payment of Benefits Subsequent to the Measurement Date	1,128,157	-
Total	$ 3,127,679	$ 60,608

$1,128,157 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, 2023.

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

Year Ending December 31,	Future Recognition
2023	$ 1,212,415
2024	726,499
Total	$ 1,938,914

NOTE 10 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 $441,106 for the year ended December 31, 2022.

NOTE 11 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.

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 12 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 $66,234,007.

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, 2022.

NOTE 12 RISK MANAGEMENT (CONTINUED)

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

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

NOTE 13 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 1,285,444 thousand cubic feet of natural gas through October 2026 for a total commitment of $4,432,281 at December 31, 2022.

Economic Dependency

During the year ended December 31, 2022, net sales to Hormel Foods Corporation amounted to $22,917,102. Sales to this customer accounted for 36% of the total revenue of the Utilities in 2022.

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2022	2021	2020	2019	2018
Measurement Date	January 1, 2022	January 1, 2021	January 1, 2020	January 1, 2019	January 1, 2018
Total OPEB Liability					
Service Cost	$ 109,549	$ 119,093	$ 91,618	$ 88,177	$ 98,046
Interest	334,330	454,111	553,743	516,175	525,521
Changes of Benefit Terms	1,021,013	-	(77,857)	-	-
Difference Between Expected and Actual Experience	2,270,409	-	857,955	-	-
Changes of Assumptions	(90,912)	1,457,748	555,524	(793,300)	-
Benefit Payments	(973,966)	(951,811)	(889,990)	(879,159)	(914,365)
Net Change in Total OPEB Liability	2,670,423	1,079,141	1,090,993	(1,068,107)	(290,798)
Total OPEB Liability - Beginning	17,091,539	16,012,398	14,921,405	15,989,512	16,280,310
Total OPEB Liability - Ending	$ 19,761,962	$ 17,091,539	$ 16,012,398	$ 14,921,405	$ 15,989,512
Covered Employee Payroll	$ 6,642,709	$ 6,543,875	$ 6,337,893	$ 5,779,485	$ 5,611,150
Utilities' Net OPEB Liability as a Percentage of the Covered Employee Payroll	297%	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
LAST EIGHT MEASUREMENT PERIODS

Fiscal Year	2022	2021	2020	2019	2018	2017	2016	2015
Measurement Date	6/30/22	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	0.0952 %	0.0931 %	0.0924 %	0.0867 %	0.0898 %	0.0937 %	0.0989 %	0.0989 %
Utilities' Proportionate Share of the Net Pension Liability	$ 7,539,871	$ 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	221,067	121,358	170,919	148,994	163,329	75,183	104,049	-
Total	$ 7,760,938	$ 4,097,145	$ 5,710,721	$ 4,942,443	$ 5,145,065	$ 6,056,929	$ 8,077,402	$ 5,125,511
Utilities' Covered Payroll	$ 7,130,573	$ 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	105.74 %	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	76.67 %	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

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually Required Contribution	$ 534,793	$ 502,675	$ 494,480	$ 460,156	$ 448,995	$ 456,619	$ 456,720	$ 442,817
Contributions in Relation to the Contractually Required Contribution	(534,793)	(502,675)	(494,480)	(460,156)	(448,995)	(456,619)	(456,720)	(442,817)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Utilities' Covered Payroll	$ 7,130,573	$ 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 %	7.50 %	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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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 year ended June 30:

A. General Employees Fund

2022 Changes

Changes in Actuarial Assumptions

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions

- There have been no changes since the prior valuation.

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.

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.

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

A. General Employees Fund (Continued)

2020 Changes (Continued)

Changes in Actuarial Assumptions (Continued)

- 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.

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.

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

A. General Employees Fund (Continued)

2018 Changes (Continued)

Changes in Plan Provisions (Continued)

- Annual 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.

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 annual 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 annual 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.

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

A. General Employees Fund (Continued)

2015 Changes

Changes in Actuarial Assumptions

- The assumed annual 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.

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

2022 Changes

Changes in Plan Provisions

- The employer contribution towards medical premiums for AFSCME and non-contract employees was raised from $800 per month to $1,200 per month for single coverage beginning in 2022.

Changes in Actuarial Assumptions

- The mortality tables were updated from the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2019 Generational Improvement Scale to the Pub-2010 Public Retirement Plans General Headcount-Weighted Mortality Tables with MP-2021 Generational Improvement Scale.

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

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.

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

2020 Changes (Continued)

Changes in Plan Provisions (Continued)

- 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).

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

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

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%.

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SUPPLEMENTARY INFORMATION

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AUSTIN UTILITIES
SUPPLEMENTARY COMBINING SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2022

	Electric	Water	Gas	Total
OPERATING REVENUES				
Sales:				
Commercial and Residential	$ 34,437,512	$ 5,551,554	$ 23,439,116	$ 63,428,182
Public Street and Highway Lighting	144,864	-	-	144,864
Interdepartmental	528,734	5,451	59,497	593,682
Other Sales	29,557	85,032	-	114,589
Total Sales Revenue	35,140,667	5,642,037	23,498,613	64,281,317
Forfeited Discounts	194,506	30,583	91,633	316,722
Other Operating Revenues	379,322	43,189	4,554	427,065
Total Operating Revenues	35,714,495	5,715,809	23,594,800	65,025,104
OPERATING EXPENSES				
Purchases	24,837,292	-	17,905,837	42,743,129
Production	1,753	1,066,311	-	1,068,064
Distribution	2,769,632	1,619,333	2,059,200	6,448,165
Other Operating Expenses	7,717,112	3,104,164	4,339,133	15,160,409
Total Operating Expenses	35,325,789	5,789,808	24,304,170	65,419,767
OPERATING INCOME (LOSS)	388,706	(73,999)	(709,370)	(394,663)
OTHER REVENUES (EXPENSES)				
Capital Grant	-	11,740	-	11,740
Investment Income	(834,050)	(426,292)	(593,102)	(1,853,444)
Interest Expense	(175,685)	(122,766)	(125,044)	(423,495)
Gain on Disposal of Property	6,170	6,426	5,946	18,542
Total Other Expenses	(1,003,565)	(530,892)	(712,200)	(2,246,657)
NET LOSS BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	(614,859)	(604,891)	(1,421,570)	(2,641,320)
Capital Contributions	154,511	6,988	55,697	217,196
CHANGE IN NET POSITION	$ (460,348)	$ (597,903)	$ (1,365,873)	$ (2,424,124)

AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2022

PURCHASES	
Purchased Power	$ 24,687,141
System Control and Load Dispatching	150,151
Total Purchases	24,837,292
PRODUCTION	
Miscellaneous	1,753
Total Production	1,753
DISTRIBUTION	
Operation, Supervision, and Engineering	347,568
Station Expenses	81,161
Overhead Lines	14,918
Underground Lines	8,511
Street Lighting and Signal System	1,473
Meters	362,738
Customer Installations	33,508
Maintenance	1,323,347
Miscellaneous	596,408
Total Distribution	2,769,632
OTHER OPERATING EXPENSES	
Customer Accounts	755,992
Administrative and General	4,469,288
Depreciation	1,230,573
Taxes Other than Income Taxes	1,261,259
Total Other Operating Expenses	7,717,112
TOTAL OPERATING EXPENSES	$ 35,325,789

AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
WATER UTILITY
YEAR ENDED DECEMBER 31, 2022

PRODUCTION	
Operation, Supervision, and Engineering	$ 15,805
Operating Labor and Expenses	278,195
Power Purchased for Pumping	410,380
Chemicals	230,839
Maintenance	99,233
Miscellaneous	31,859
Total Production	1,066,311
DISTRIBUTION	
Operation, Supervision, and Engineering	241,947
Distribution Lines	40,830
Meters	288,552
Customer Installations	2,372
Maintenance	843,748
Miscellaneous	201,884
Total Distribution	1,619,333
OTHER OPERATING EXPENSES	
Customer Accounts	269,958
Administrative and General	1,957,127
Depreciation	794,850
Taxes Other than Income Taxes	82,229
Total Other Operating Expenses	3,104,164
TOTAL OPERATING EXPENSES	$ 5,789,808

AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
GAS UTILITY
YEAR ENDED DECEMBER 31, 2022

PURCHASES	
Natural Gas	$ 17,893,784
Other Gas	12,053
Total Purchases	17,905,837
DISTRIBUTION	
Operation, Supervision, and Engineering	367,033
Local Storage	14,899
Mains and Service	281,817
Measuring and Regulation Station Expenses	160,658
Meter and House Regulator Expense	85,433
Customer Installations	364,202
Maintenance	454,150
Miscellaneous	331,008
Total Distribution	2,059,200
OTHER OPERATING EXPENSES	
Customer Accounts	539,441
Administrative and General	2,868,603
Depreciation	619,671
Taxes Other than Income Taxes	311,418
Total Other Operating Expenses	4,339,133
TOTAL OPERATING EXPENSES	$ 24,304,170