

AUSTIN UTILITIES

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2018

**AUSTIN UTILITIES
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DECEMBER 31, 2018**

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INTRODUCTION SECTION

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**AUSTIN UTILITIES
ORGANIZATION SCHEDULE
DECEMBER 31, 2018**

Board of Commissioners

Term Expires

Tyler Hulsebus	President	December 31, 2020
Jeanne Sheehan	Member	December 31, 2018
Tom Baudler	Member	December 31, 2020
Geoff Baker	Member	December 31, 2018
Steve Greenman	Member	December 31, 2018

Officers

Mark Nibaur	General Manager
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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Austin Utilities
Austin, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of Austin Utilities, an enterprise fund of the City of Austin, state of Minnesota, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Austin Utilities, an enterprise fund of the City of Austin, state of Minnesota, as of December 31, 2018, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During year ended December 31, 2018, the Utilities adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result of the implementation of this standard, the Utilities reported a restatement for the change in accounting principle (see Note 12). Our auditors' opinion was not modified with respect to the restatement.

As discussed in Note 1, the financial statements present only the Austin Utilities fund and do not purport to, and do not, present fairly the net positions of the City of Austin, Minnesota, as of December 31, 2018 and the changes in its net position, and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Changes in the Utilities' Total OPEB Liability and Related Ratios, the Schedule of the Utilities' Proportionate Share of the Net Pension Liability, and the Schedule of Utilities' Contributions, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Board of Commissioners
Austin Utilities

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



CliftonLarsonAllen LLP

Austin, Minnesota
March 5, 2019

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REQUIRED SUPPLEMENTARY INFORMATION

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**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

FINANCIAL STATEMENTS OVERVIEW

This discussion and analysis of Austin Utilities' performance provides an overview of the Utilities' activities for the year ended December 31, 2018. 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 2018 was \$50,316,854. This is an increase of \$2,931,864 over the restated net position balance of 2017, a result of Austin Utilities implementing GASB 75.
- By far the largest portion of Austin Utilities net position (88%) reflects its investment in capital assets (e.g., buildings, structures and improvements, generating plant equipment, station equipment, distribution lines and distribution mains, meters, furniture and equipment, transportation equipment, power operated equipment, and communication equipment), less the related debt used to acquire those assets that is still outstanding. Austin Utilities uses the capital assets to provide services to our customers: consequently, these assets are not available for future spending.
- Cash flows from operations covered plant needs as capital outlay for 2018 were \$3,217,628. The electric department had capital outlay of \$1,331,490 which included outlays for substation improvements, line transformers, meters, load management devices, new services, developments, line extensions, and conversions. The water department had capital outlay of \$1,339,313 which included \$888,820 for main extensions, replacements, and hydrants and \$450,493 for a water fill station, well house emergency generator and meters. The water department installed over 12,545 feet of new water main during 2018. The gas department had capital outlay of \$331,398, which included \$136,059 for mains and services, \$116,168 for meters and \$79,171 for the rehabilitation of the propane air plant. The gas department installed over 5,066 feet of new gas main in 2018. General Plant capital outlay was \$215,427 in 2018 which included outlays for vehicles and power operated equipment, communications equipment, tools, shop and garage equipment and office equipment.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Condensed Balance Sheets

	2018	2017
Capital Assets, Net	\$ 64,665,455	\$ 64,166,751
Current Assets	14,072,268	16,439,632
Noncurrent Assets	20,024,697	17,604,323
Other Assets	541,093	710,047
Total Assets	99,303,513	98,920,753
Deferred Outflows of Resources	1,711,851	1,457,305
Total Assets and Deferred Outflows of Resources	\$ 101,015,364	\$ 100,378,058
Current Liabilities	\$ 7,216,250	\$ 8,267,660
Long-Term Liabilities		
Accrued Sick Leave	1,804,814	1,764,819
Long-Term Debt	19,122,643	20,200,698
Net Pension Liability	4,981,736	5,981,746
OPEB Liability	15,989,512	2,641,252
Total Liabilities	49,114,955	38,856,175
Deferred Inflows of Resources	1,583,555	1,412,200
Net Position		
Net Investment in Capital Assets	44,487,812	42,931,053
Unrestricted	5,829,042	17,178,630
Total Net Position	50,316,854	60,109,683
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ 101,015,364	\$ 100,378,058

Condensed statement of net position highlights are as follows for the year ended December 31, 2018:

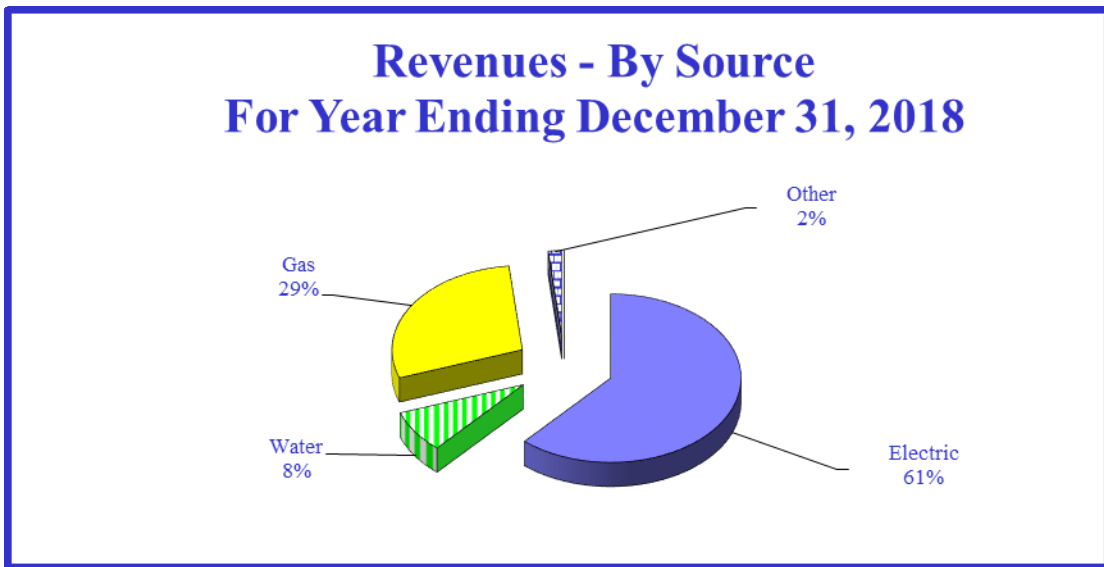
- Current assets decreased \$2,367,364. Current assets consist of cash and working funds, temporary investments (maturities of one year or less), accounts receivable, inventories, and prepayments.
- Noncurrent assets increased during 2018 in the amount of \$2,420,374. The increase was due to the increase in Other Investments.
- Other Assets decreased \$168,954. Prepaid expenses within this classification include unavailable water assessments and expenses for water tower maintenance. Water tower maintenance expenses decreased \$167,689 and unavailable assessments decreased \$1,265.
- Deferred outflows of resources increased \$254,546. Deferred Outflows of Resources - Pension Related decreased \$624,613 and Deferred Outflows of Resource - OPEB Related increased \$879,159 in 2018 as Austin Utilities implemented GASB 75.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

FINANCIAL HIGHLIGHTS (CONTINUED)

- Current liabilities decreased \$1,051,410 at the end of 2018. The decrease was due to the decrease in accounts payable. This also includes the current portion of GO Water Revenue Bonds, Series 2012A of \$365,000 and the current portion of the GO Capital Improvement Plan Bonds, Series 2015A of \$690,000.
- Long-Term Debt decreased \$1,078,055.
- Net Pension Liability decreased \$1,000,010 in 2018.
- Other Postemployment Benefits Liability increased \$13,348,260 due to GASB 75 implementation in 2018.
- Accrued sick leave increased \$39,995 in 2018.
- Deferred Inflows of Resources increased \$171,355 in 2018.
- Net position increased \$2,931,864 in 2018 over the restated balance.

The following chart summarizes operating revenue and source by utility:



**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

FINANCIAL HIGHLIGHTS (CONTINUED)

The following table summarizes revenues, expenses, and changes in net position of Austin Utilities for the years ended December 31, 2018 and 2017:

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

	2018	2017
Electric		
Operating Revenues, Electric Sales	\$ 36,477,798	\$ 35,895,162
Other Electric Operating Revenues	848,282	829,036
Total Electric Operating Revenues	37,326,080	36,724,198
Operating Expenses	38,627,164	35,832,890
Total Electric Operating Income	(1,301,084)	891,308
Other & Misc Electric Income (Expense)	2,213,617	(287,787)
Interest Expense	(240,848)	(222,829)
Capital Contributions in Aid of Construction	189,582	25,746
Transfer Out	(47,242)	-
Change in Net Position, Electric	814,025	406,438
Water		
Operating Revenues, Water Sales	4,794,717	4,738,228
Other Water Operating Revenues	55,801	63,064
Total Water Operating Revenues	4,850,518	4,801,292
Operating Expenses	4,019,839	4,188,708
Total Water Operating Income	830,679	612,584
Other & Misc Water Income (Expense)	58,508	(103,030)
Interest Expense	(164,545)	(157,817)
Capital Contributions in Aid of Construction	55,646	32,726
Transfer Out	(17,459)	-
Change in Net Position, Water	762,829	384,463
Gas		
Operating Revenues, Gas Sales	17,071,775	16,409,720
Other Gas Operating Revenues	75,285	70,112
Total Gas Operating Revenues	17,147,060	16,479,832
Operating Expenses	15,717,765	16,324,658
Total Gas Operating Income	1,429,295	155,174
Other & Misc Gas Income (Expense)	127,342	(229,153)
Interest Expense	(194,515)	(179,644)
Capital Contributions in Aid of Construction	30,887	15,750
Transfer Out	(37,999)	-
Change in Net Position, Gas	1,355,010	(237,873)
Total Change in Net Position	\$ 2,931,864	\$ 553,028
Beginning Net Position	\$ 60,109,683	\$ 59,556,655
Restatement	(12,724,693)	-
Change in Net Position	2,931,864	553,028
Ending Net Position	\$ 50,316,854	\$ 60,109,683

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

FINANCIAL HIGHLIGHTS (CONTINUED)

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

Electric

2018 Compared to 2017

- Revenue from electric sales increased in the amount of \$582,636. Other electric operating revenue increased \$19,246. Total revenue per unit increased 1.03% from a unit price of \$0.1069 in 2017 to \$0.1080 a result of the 1.50% rate increase approved by the Board of Commissioners in November 2017. The increase in other electric revenues was a result of an increase in rebate reimbursements received by our wholesale provider SMMPA for energy conservation measures taken by our customers.
- Operating expenses increased \$2,794,274 in 2018. Steam power generation expenses decreased \$162,616 due to decreased operating costs of the electric plant as the Northeast Power Plant is in the process of being decommissioned. Power supply expenses increased \$355,017 a result of increased demand from customers. Distribution expenditures decreased \$214,143 due to the decrease in maintenance of station equipment and underground lines. Other operating expenses increased \$2,816,016 a result of the demolition of the downtown power plant, garages and site preparation for the new community recreation center. Total cost of the demolitions and site preparation was \$3,628,615.
- Other & Misc. Electric Income increased \$2,501,404 a result of receiving \$2,005,000 from Austin Community Growth Ventures for assisting in the demolition and site preparation of the community recreation center. In 2017 there was a loss on disposal of property as the Wi-Fi infrastructure was retired.
- Interest expense increased \$18,019.
- Capital contributions in aid of construction increased \$163,836 in 2018.
- Transfer out increased \$47,242 as result of transferring the downtown plant property to the City of Austin in 2018.

Water

2018 Compared to 2017

- Revenue from the sale of water increased \$56,489. Other water revenue decreased in the amount of \$7,263. Total revenue per unit increased from \$1.8557 in 2017 to \$2.0208 in 2018 as a result of the rate increase approved at the November 2017 board meeting. The volume of water sold was down 7.1% in 2018. The decrease in other water revenues was due to refund received in 2017 from the Minnesota Department of Revenue for state sales taxes paid.
- Operating expenses decreased \$168,869. Water production expenses had an increase in maintenance of equipment but a decrease in power purchased for pumping and chemicals as 7.1% less water was sold in 2018. Distribution expenses decreased due to fewer water services that needed to be in 2018. In 2018, 70 customer-owned water service lines were repaired or replaced compared to 88 in 2017. Other operating expenses decreased as a result of decreased employee pensions and benefits expenses.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

FINANCIAL HIGHLIGHTS (CONTINUED)

Water (Continued)

2018 Compared to 2017 (Continued)

- Other & Misc. Water Income increased \$161,538 in 2018.
- Interest expense increased \$6,728.
- Capital contributions in aid of construction increased \$22,920 in 2018.
- Transfer out increased \$17,459 in 2018.

Gas

2018 Compared to 2017

- Revenue from the sale of natural gas increased \$662,055 in 2018. There was not a rate increase in the gas department in 2018 but the volume of gas sold increased 4.9% in 2018 as we had a more typical winter. Total revenue per unit decreased 0.8% from a unit price of \$7.0647 in 2017 to \$7.0066 in 2018.
- Operating expenses decreased \$606,893 in 2018. The price of natural gas purchased in 2018 was 7.8% less than 2017, this accounted for \$350,936 of decreased expenses. Local storage expenses increased \$25,641. Distribution expenses decreased \$57,633. Other operating expenses decreased \$223,966 as a result of decreased employee pensions and benefits.
- Other & Misc. Gas Income increased \$356,495 in 2018.
- Interest expense increased \$14,871.
- Capital contributions in aid of construction increased \$15,137 in 2018.
- Transfer out increased \$37,999 in 2018.

Combined Utilities

2018 Compared to 2017

- The total change in net position in 2018 was an increase in the amount of \$2,931,864 as compared to an increase of \$553,028 in 2017. The 2018 increase is the result of combined operating income in the amount of \$958,890, other & miscellaneous income (expenses) of \$2,399,467 and capital contributions in aid of construction in the amount of \$276,115 and reduced by interest expense in the amount of \$599,908 and a transfer out of \$102,700.

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets:

- The Utilities investment in capital assets as of December 31, 2018 amounts to \$64,665,455 (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, station equipment, and load management switches. 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 infrastructure installation of mains, services, and meters. The general plant increases occurred in vehicles and power-operated equipment and communication equipment.

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

	2018	2017	Dollar Change
Land and Land Rights	\$ 735,175	\$ 837,874	\$ (102,699)
Electric Plant in Service	16,628,897	16,280,801	348,096
Water Plant in Service	19,975,930	19,140,315	835,615
Gas Plant in Service	7,757,705	7,751,177	6,528
General Plant in Service	19,567,748	20,156,584	(588,836)
Total	\$ 64,665,455	\$ 64,166,751	\$ 498,704

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

**AUSTIN UTILITIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2018**

ECONOMIC FACTORS AND NEXT YEAR'S RATES

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

Austin Utilities implemented new rates in the water departments in January 2019. A cost-of-service and unbundled rate study was completed for the three utilities in 2016. On November 13, 2018 the Austin Utilities Board of Commissioners approved the 2019 budget.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

**AUSTIN UTILITIES
STATEMENT OF NET POSITION
DECEMBER 31, 2018**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

Utility Plant

Plant in Service	\$ 117,517,308
Less: Accumulated Depreciation	<u>(52,851,853)</u>
Net Utility Plant	64,665,455

Other Property and Investments

Special Funds	8,328,884
Other Investments	<u>11,695,813</u>
Total Other Property and Investments	20,024,697

Current Assets

Cash and Cash Equivalents	8,169,991
Accounts Receivable (Less Allowance for Uncollectible Accounts of \$200,000)	4,012,466
Partnering in Energy Loan Receivable (Less Allowance for Uncollectible Accounts of \$0)	3,643
Other Accounts Receivable (Less Allowance for Uncollectible Accounts of \$2,000)	120,054
Inventories	1,616,019
Prepaid Expenses	<u>150,095</u>
Total Current Assets	14,072,268

Other Assets

	<u>541,093</u>
Total Assets	99,303,513

DEFERRED OUTFLOWS OF RESOURCES

Pension Related	832,692
OPEB Related	<u>879,159</u>
Total Deferred Outflows of Resources	<u>1,711,851</u>

Total Assets and Deferred Outflows of Resources	<u><u>\$ 101,015,364</u></u>
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**AUSTIN UTILITIES
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2018**

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

NET POSITION

Net Investment in Utility Plant	\$ 44,487,812
Unrestricted	<u>5,829,042</u>
Net Position	<u>50,316,854</u>

LIABILITIES

Long-Term Liabilities

Accrued Sick Leave	1,804,814
Bonds Payable	19,122,643
Net Pension Liability	4,981,736
Other Postemployment Benefits Payable	<u>15,989,512</u>
Total Long-Term Liabilities	<u>41,898,705</u>

Current Liabilities

Accounts Payable	4,355,875
Accrued Expenses	1,284,720
Current Portion of Bonds Payable	1,055,000
Other Current Liabilities	<u>520,655</u>
Total Current Liabilities	<u>7,216,250</u>

Total Liabilities	49,114,955
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DEFERRED INFLOWS OF RESOURCES

Community Solar Program Related	54,600
Pension Related	<u>1,528,955</u>
Total Deferred Inflows of Resources	<u>1,583,555</u>

Total Net Position, Liabilities, and Deferred Inflows of Resources	<u><u>\$ 101,015,364</u></u>
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See accompanying Notes to Basic Financial Statements.

AUSTIN UTILITIES
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2018

OPERATING REVENUES	
Sales	\$ 58,344,290
Forfeited Discounts	252,888
Other Operating Revenues	726,480
Total Operating Revenues	<u>59,323,658</u>
OPERATING EXPENSES	
Purchases	37,717,459
Production	1,101,470
Distribution	5,111,563
Other Operating Expenses	14,434,276
Total Operating Expenses	<u>58,364,768</u>
OPERATING INCOME	958,890
OTHER REVENUES (EXPENSES)	
Merchandising Contract Work	300
Capital Grant	50,000
Donation	2,005,000
Investment Income	377,719
Interest Expense	(599,908)
Loss on Disposal of Property	(33,552)
Total Other Revenues (Expenses)	<u>1,799,559</u>
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	2,758,449
Capital Contributions	276,115
Transfer Out	<u>(102,700)</u>
CHANGE IN NET POSITION	2,931,864
Net Position - Beginning of Year, As Previously Reported	60,109,683
Restatement	<u>(12,724,693)</u>
Net Position - Beginning of Year, As Restated	<u>47,384,990</u>
NET POSITION - END OF YEAR	<u><u>\$ 50,316,854</u></u>

See accompanying Notes to Basic Financial Statements.

**AUSTIN UTILITIES
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2018**

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received From Customers	\$ 58,042,408
Cash Received From Others	768,189
Cash Paid to Suppliers	(49,078,319)
Cash Paid to Employees	(6,667,288)
Payments in Lieu of Property Taxes	(1,688,705)
Net Cash Provided by Operating Activities	1,376,285

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

Interest Paid on Customer Deposits	(6,160)
Proceeds from Merchandising/Contract Work	300
Net Cash Used by Noncapital Financing Activities	(5,860)

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

Construction and Acquisition of Plant	(3,219,929)
Proceeds from Sale of Assets	40,999
Proceeds from Contributions in Aid of Construction	276,115
Donation	2,005,000
Capital Grant Proceeds	50,000
Interest Paid	(621,117)
Principal Payments on Bonds	(1,035,000)
Net Cash Used by Capital and Related Financing Activities	(2,503,932)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchases of Other Investments and Special Funds	(2,530,546)
Sales of Other Investments and Special Funds	20,045
Interest Income	449,783
Net Cash Used by Investing Activities	(2,060,718)

NET DECREASE IN CASH AND CASH EQUIVALENTS

(3,194,225)

Cash and Cash Equivalents - Beginning of Year

11,364,216

CASH AND CASH EQUIVALENTS - END OF YEAR

\$ 8,169,991

AUSTIN UTILITIES
STATEMENT OF CASH FLOWS (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 958,890
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Depreciation	2,543,974
Decrease (Increase) in Other Assets	168,954
Decrease (Increase) in Deferred Outflows of Resources - Pension	624,613
Decrease (Increase) in Deferred Outflows of Resources - OPEB	35,206
Increase (Decrease) in Accrued Sick Leave	39,995
Increase (Decrease) in Other Postemployment Benefits Payable	(290,798)
Increase (Decrease) in Net Pension Liability	(1,000,010)
Increase (Decrease) in Deferred Inflows of Resources - Pension	161,519
Increase (Decrease) in Deferred Inflows of Resources - Community Solar Program	9,836
(Increase) Decrease in:	
Customer Accounts Receivable	(569,085)
Partnering in Energy Solutions Receivable	6,747
Other Accounts Receivable	40,444
Materials and Supplies Inventory	(277,909)
Prepaid Expenses	(8,997)
Increase (Decrease) in:	
Accounts Payable	(1,081,316)
Accrued Expenses	33,312
Other Liabilities	(19,090)
Net Cash Provided by Operating Activities	<u>\$ 1,376,285</u>

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION

Noncash Transactions - Change in Fair Value of Investments	<u>\$ (90,127)</u>
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AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

B. Financial Reporting Entity

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

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

C. Basis of Accounting

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

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

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

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 costed on a moving weighted-average method. All inventories are stored by the Utilities.

H. Deferred Outflows of Resources

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

I. Sick Leave

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

J. Postemployment Benefits Other than Pensions (OPEB)

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

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Pension

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

L. Deferred Inflows of Resources

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

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 \$1,691,915 in 2018.

O. Net Position

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

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 2 DETAIL OF UTILITY PLANT

Utility plant activity was as follows for the year ending December 31, 2018:

	Beginning Balance	Additions	Retirements	Ending Balance
Land and Land Rights	\$ 837,874	\$ -	\$ (102,700)	\$ 735,174
Utility Plant in Service	116,103,889	3,219,929	(2,541,684)	116,782,134
Less Accumulated Depreciation for Utility Plant in Service	(52,775,012)	(2,543,974)	2,467,133	(52,851,853)
Capital Assets, Net	<u>\$ 64,166,751</u>	<u>\$ 675,955</u>	<u>\$ (177,251)</u>	<u>\$ 64,665,455</u>

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

NOTE 3 SPECIAL FUNDS

These funds represent certificates of deposit, demand deposit accounts, and government agency securities that fund various liabilities and reserves of the Utilities. Special funds consisted of the following at December 31, 2018:

Employee Sick Pay Benefits Fund	\$ 1,780,781
General Liability Insurance Fund	1,106,709
Flexible Spending Account	16,549
Investments Capital Improvement Fund	3,459,820
Other Postemployment Benefits Fund	1,965,025
Total	<u>\$ 8,328,884</u>

NOTE 4 DEPOSITS AND INVESTMENTS

A. Deposits

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

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

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

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.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

A. Deposits (Continued)

The Utilities' deposits in banks at December 31, 2018 were entirely covered by federal depository insurance or by collateral in accordance with Minnesota statutes.

B. Investments

The Utilities may also invest idle funds as authorized by Minnesota Statutes as follows:

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

The Utilities had the following investments at December 31, 2018:

Investments Held at Fair Value

Federal Home Loan Mortgage Corporate Discount Notes	\$ 10,108,173
Federal National Mortgage Association Notes	4,443,538
Federal Home Loan Bank Notes	2,951,270
Federal Farm Credit Bureau Notes	1,444,085
Repurchase Agreement	3,832,535
Total	<u><u>\$ 22,779,601</u></u>

Repurchase Agreement

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

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 4 DEPOSITS AND INVESTMENTS (CONTINUED)

B. Investments (Continued)

Interest Rate Risk

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

Maturities for investments held by the Utilities at December 31, 2018 is as follows:

	Total	Investment Maturities in Years			
		Less Than 1	1-5 Years	6-10 Years	More than 10
Federal Home Loan Bank Notes	\$ 2,951,270	\$ -	\$ 1,972,430	\$ 978,840	\$ -
Federal National Mortgage Association Notes	4,443,538	-	1,979,430	2,464,108	-
Federal Home Loan Mortgage Corporate Discount Notes	10,108,173	-	8,653,673	485,680	968,820
Federal Farm Credit Bank Notes	1,444,085	-	500,005	-	944,080
Total	\$ 18,947,066	\$ -	\$ 13,105,538	\$ 3,928,628	\$ 1,912,900

Credit Risk

As of December 31, 2018, 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, 2018 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:

Federal Farm Credit Bank Notes	\$ 1,444,085
Federal Home Loan Bank Notes	2,951,270
Federal National Mortgage Association Notes	4,443,538
Federal Home Loan Mortgage Corporate Discount Notes	10,108,173
Repurchase Agreement - U.S. Bank	3,832,535
Total	\$ 22,779,601

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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, 2018, the Utilities did not have any such arrangements.

C. Balance Sheet Presentation

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

Deposits	\$ 4,354,004
Repurchase Agreement - U.S. Bank	3,832,535
Government Agencies	18,947,066
UBS Select Treasury Institutional Fund	1,061,083
Total	<u>\$ 28,194,688</u>

Statement of Net Position:

Cash and Cash Equivalents	\$ 8,169,991
Special Funds	8,328,884
Other Investments	11,695,813
Total	<u>\$ 28,194,688</u>

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 of 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.

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

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:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Federal Home Loan Mortgage				
Corporate Discount Notes	\$ -	\$ 10,108,173	\$ -	\$ 10,108,173
Federal National Mortgage				
Association Notes	-	4,443,538	-	4,443,538
Federal Home Loan Bank Notes	-	2,951,270	-	2,951,270
Federal Farm Credit Bureau Notes	-	1,444,085	-	1,444,085
Repurchase Agreement	-	3,832,535	-	3,832,535
Total	<u>\$ -</u>	<u>\$ 22,779,601</u>	<u>\$ -</u>	
Investments Measured at Net Asset Value (NAV)				<u>1,061,083</u>
				<u>\$ 23,840,684</u>

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

The UBS Select Treasury Institutional Fund has no redemption requirements.

NOTE 5 OTHER ASSETS

Other assets consist of the following at December 31:

Water Tower Maintenance	\$ 456,748
Unavailable Special Assessments	84,345
Total	<u>\$ 541,093</u>

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

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 6 LONG-TERM DEBT

A. Components of Long-Term Debt

	Interest Rate	Issue Date	Final Maturity	Original Issue	Principal Outstanding	Due Within One Year
G.O. Water Revenue Bonds, Series 2012A	2.0% - 2.5%	07/12/12	12/01/27	\$ 5,600,000	\$ 3,535,000	\$ 365,000
G.O. Capital Improvement Plan Bonds, Series 2015A	2.0% - 3.625%	06/01/15	02/01/36	\$ 17,635,000	16,295,000	690,000
Total General Obligation Bonds					19,830,000	1,055,000
Bond Premium Total					347,643	-
					<u>\$ 20,177,643</u>	<u>\$ 1,055,000</u>

B. Minimum Future Debt Payments

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

<u>Year Ended December 31,</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,055,000	\$ 596,819
2020	1,080,000	568,519
2021	1,110,000	543,119
2022	1,130,000	520,819
2023	1,150,000	494,269
2024-2028	5,890,000	1,897,131
2029-2033	4,995,000	1,032,194
2034-2036	3,420,000	186,038
Total	<u>\$ 19,830,000</u>	<u>\$ 5,838,908</u>

C. Description of Long-Term Debt

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

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

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 6 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, 2018:

	Beginning Balance	Additions	Payments	Ending Balance
G.O. Water Revenue				
Bonds, Series 2012A	\$ 3,895,000	\$ -	\$ (360,000)	\$ 3,535,000
Bond Premium	54,334	-	(5,480)	48,854
G.O. Capital Improvement Plan				
Bonds, Series 2015A	16,970,000	-	(675,000)	16,295,000
Bond Premium	316,364	-	(17,575)	298,789
Total	<u>\$ 21,235,698</u>	<u>\$ -</u>	<u>\$ (1,058,055)</u>	<u>\$ 20,177,643</u>

NOTE 7 ACCRUED SICK LEAVE

Accrued sick leave consisted of \$1,804,814 at December 31, 2018. 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, 2018, the Utilities had specifically designated investments totaling \$1,780,781, or 97% of the accumulated benefits.

NOTE 8 DEFINED BENEFIT PENSION PLAN

A. Plan Description

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

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

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

B. Benefits Provided

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

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 annuity accrual rate for Coordinated members is 1.2% of average salary for each of the first ten years and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively for Basic members. Under Method 2, the annuity accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. 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.

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

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 2018. The Utilities was required to contribute 7.50% for Coordinated Plan members. The Utilities' contributions to the GERP for the year ended December 31, 2018 were \$448,995. The Utilities' contributions were equal to the required contributions as set by state statute.

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Pension Costs

At December 31, 2018, the Utilities reported a liability of \$4,981,736, for its proportionate share of the GERF'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 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the Utilities totaled \$163,329. The net pension liability was measured as of June 30, 2018 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Utilities' proportion of the net pension liability was based on the Utilities' contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the Utilities' proportion was 0.0898%, which is a decrease of 0.0039% from its proportionate share at June 30, 2017 of 0.0937%.

Post-retirement benefit increases were changed from 1.0% per year with a provision to increase to 2.5% upon attainment of a 90% funding ratio to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%, beginning January 1, 2019.

For the year ended December 31, 2018, the Utilities recognized pension expense of \$235,971 for its proportionate share of the GERF's pension expense. In addition, the Utilities recognized an additional \$38,088 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.

The Utilities reported its proportionate share of the GERF'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	\$ 131,859	\$ 145,296
Changes in Actuarial Assumptions	475,882	559,751
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	-	509,054
Changes in Proportion and Differences Between Utility Contributions and Proportionate Share of Contributions	-	314,854
Utility Contributions Subsequent to the Measurement Date	224,951	-
Total	<u>\$ 832,692</u>	<u>\$ 1,528,955</u>

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

D. Pension Costs (Continued)

\$224,951 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, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended December 31	Pension Expenses Amount
2020	\$ 39,374
2021	(392,685)
2022	(463,926)
2023	(103,977)

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per Year
Active Member Payroll Growth	3.25% after 26 years of service
Investment Rate of Return	7.50%

Total pension liability was determined by an actuarial valuation as of June 30, 2018, using the entry age normal actuarial cost method. Inflation is assumed to be 2.50%. Salary growth assumptions decrease in annual increments from 11.25% after one year of service to 3.25% after 26 years of service.

Mortality rates are based on RP-2014 tables. The tables are adjusted slightly to fit PERA's experience. Actuarial valuations are reviewed every six years. The most recent six-year experience study was completed in 2015. Economic assumptions were updated in 2014 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

- The mortality 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% percent per year.

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

E. Actuarial Assumptions (Continued)

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36 %	5.10 %
International Stocks	17	5.30
Bonds	20	0.75
Alternative Assets	25	5.90
Cash	2	-
Total	<u>100 %</u>	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at the rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the Utilities' proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the Utilities' proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or 1 percentage point higher than the current discount rate:

Description	1% Decrease in Discount Rate	Current Discount Rate	1% Increase in Discount Rate
GERF Discount Rate	6.50 %	7.50 %	8.50 %
Utilities' Proportionate Share of the GERF Net Pension Liability	\$ 8,095,959	\$ 4,981,736	\$ 2,411,034

**AUSTIN UTILITIES
 NOTES TO BASIC FINANCIAL STATEMENTS
 DECEMBER 31, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

G. Pension Liability Sensitivity (Continued)

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.

Benefits Provided

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

Employees Covered by Benefit Terms

At December 31, 2018, the following employees were covered by the benefit terms:

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

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

B. Total OPEB Liability

The Utilities' total OPEB liability was measured as of January 1, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

Actuarial assumptions

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	3.30%
Healthcare Cost Trend Rates	6.50% as of January 1, 2018 grading to 5.00% over 6 years

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

Discount Rate

The discount rate used to measure the total OPEB liability was 3.30%, which reflects the index rate for a 20-year tax-exempt general obligation municipal bond with a rating of AA as of the measurement date.

C. Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at December 31, 2017	\$ 16,280,310
Changes for the year:	
Service Cost	98,046
Interest	525,521
Benefit Payments	<u>(914,365)</u>
Balances at December 31, 2018	<u>\$ 15,989,512</u>

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

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 9 OTHER POSTEMPLOYMENT BENEFIT PLAN (CONTINUED)

C. Changes in the Total OPEB Liability (Continued)

The following presents the total OPEB liability of the Utilities, as well as what the Utilities' total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.30 percent) or 1-percentage-point higher (4.30 percent) than the current discount rate:

	1% Decrease (2.30)%	Discount Rate (3.30)%	1% Increase (4.30)%
Total OPEB Liability	\$ 17,909,957	\$ 15,989,512	\$ 14,379,419

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 (5.50 percent decreasing to 4.00 percent) or 1-percentage-point higher (7.50 percent decreasing to 6.00 percent) than the current healthcare cost trend rates:

	1% Decrease (5.5% decreasing to 4.00%)	Healthcare Cost Trend Rates (6.5% decreasing to 5.00%)	1% Increase (7.5% decreasing to 6.00%)
Total OPEB Liability	\$ 15,675,243	\$ 15,989,512	\$ 16,252,160

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

For the year ended December 31, 2018, the Utilities recognized OPEB expense of \$623,567. At December 31, 2018, 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
Contributions subsequent to the measurement date	\$ 879,159	\$ -

\$879,159 reported as deferred outflows of resources related to OPEB resulting from the Utilities contributions subsequent to the measurement date will be recognized as a reduction of the total pension liability in the year ended December 31, 2019.

AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018

NOTE 10 RISK MANAGEMENT

The Utilities is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; natural disasters and workers compensation. The Utilities has purchased commercial insurance for its personal property claims. Coverage is provided on building and contents up to \$54,326,106.

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, 2018.

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

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

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES

Power Sales Contract

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

Gas Purchase Commitment

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

**AUSTIN UTILITIES
NOTES TO BASIC FINANCIAL STATEMENTS
DECEMBER 31, 2018**

NOTE 11 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Gas Purchase Commitment (Continued)

It is possible that the market price before or at the specified time to purchase natural gas may be lower than the price at which the Utilities is committed to buy. This would reduce the value of the contract. The Utilities is committed to purchase 4,869,067 thousand cubic feet of natural gas through October 2026 for a total commitment of \$16,766,037 at December 31, 2018.

Economic Dependency

During the year ended December 31, 2018 net sales to Hormel Foods Corporation amounted to \$18,199,100. Sales to this customer accounted for 10% or more of the total revenue of the Utilities.

NOTE 12 RESTATEMENT

The Utilities restated beginning net position when it adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year ended December 31, 2018. The restatement is as follows:

Net Position - Beginning as Previously Reported	\$ 60,109,683
Restatement - Adoption of GASB 75	<u>(12,724,693)</u>
Net Position - Beginning, as Restated	<u><u>\$ 47,384,990</u></u>

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2018
Total OPEB Liability	
Service Cost	\$ 98,046
Interest	525,521
Benefit Payments	(914,365)
Net Change in Total OPEB Liability	(290,798)
Total OPEB Liability - Beginning	16,280,310
Total OPEB Liability - Ending	\$ 15,989,512
Covered Employee Payroll	\$ 5,611,150
Utilities' Net OPEB Liability as a Percentage of the Covered Employee Payroll	285%

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

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

Fiscal Year	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Date	6/30/18	6/30/17	6/30/16	6/30/15
Utilities' Proportion of the Net Pension Liability	0.0898 %	0.0937 %	0.0989 %	0.0989 %
Utilities' Proportionate Share of the Net Pension Liability	\$ 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	163,329	75,183	104,049	-
Total	<u>\$ 5,145,065</u>	<u>\$ 6,056,929</u>	<u>\$ 8,077,402</u>	<u>\$ 5,125,511</u>
Utilities' Covered Payroll	\$ 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	82.54 %	100.80 %	130.73 %	84.63 %
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79.50 %	75.90 %	68.91 %	78.20 %

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

AUSTIN UTILITIES
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF UTILITIES' CONTRIBUTIONS

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 448,995	\$ 456,619	\$ 456,720	\$ 442,817
Contributions in Relation to the Contractually Required Contribution	<u>(448,995)</u>	<u>(456,619)</u>	<u>(456,720)</u>	<u>(442,817)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Utilities' Covered Payroll	\$ 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 %	7.49 %

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.

SUPPLEMENTARY INFORMATION

AUSTIN UTILITIES
SUPPLEMENTARY COMBINING SCHEDULE OF REVENUES AND EXPENSES
YEAR ENDED DECEMBER 31, 2018

	Electric	Water
OPERATING REVENUES		
Sales		
Commercial and Residential	\$ 35,705,911	\$ 4,707,138
Public Street and Highway Lighting	213,894	-
Interdepartmental	516,857	4,131
Other Sales	41,136	83,448
Total Sales Revenue	36,477,798	4,794,717
Forfeited Discounts	150,768	30,169
Other Operating Revenues	697,514	25,632
Total Operating Revenues	37,326,080	4,850,518
OPERATING EXPENSES		
Purchases	27,015,819	-
Production	19,690	1,081,780
Distribution	2,148,243	1,195,172
Other Operating Expenses	9,443,412	1,742,887
Total Operating Expenses	38,627,164	4,019,839
OPERATING INCOME (LOSS)	(1,301,084)	830,679
OTHER REVENUES (EXPENSES)		
Merchandising/Contract Work	300	-
Capital Grant	50,000	-
Donation	2,005,000	-
Investment Income	173,751	64,212
Interest Expense	(240,848)	(164,545)
Loss on Disposal of Property	(15,434)	(5,704)
Total Other Revenues (Expenses)	1,972,769	(106,037)
NET INCOME BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	671,685	724,642
Capital Contributions	189,582	55,646
Transfer Out	(47,242)	(17,459)
CHANGE IN NET POSITION	\$ 814,025	\$ 762,829

AUSTIN UTILITIES
SUPPLEMENTARY COMBINING SCHEDULE OF REVENUES AND EXPENSES (CONTINUED)
YEAR ENDED DECEMBER 31, 2018

<u>Gas</u>	<u>Total</u>
\$ 17,013,917	\$ 57,426,966
-	213,894
57,858	578,846
-	124,584
<u>17,071,775</u>	<u>58,344,290</u>
71,951	252,888
3,334	726,480
<u>17,147,060</u>	<u>59,323,658</u>
10,701,640	37,717,459
-	1,101,470
1,768,148	5,111,563
<u>3,247,977</u>	<u>14,434,276</u>
<u>15,717,765</u>	<u>58,364,768</u>
1,429,295	958,890
-	300
-	50,000
-	2,005,000
139,756	377,719
(194,515)	(599,908)
<u>(12,414)</u>	<u>(33,552)</u>
<u>(67,173)</u>	<u>1,799,559</u>
1,362,122	2,758,449
30,887	276,115
<u>(37,999)</u>	<u>(102,700)</u>
<u>\$ 1,355,010</u>	<u>\$ 2,931,864</u>

**AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
ELECTRIC UTILITY
YEAR ENDED DECEMBER 31, 2018**

PURCHASES

Purchased Power	\$ 26,849,742
System Control and Load Dispatching	166,077
Total Purchases	27,015,819

PRODUCTION

Maintenance	2,312
Miscellaneous	17,378
Total Production	19,690

DISTRIBUTION

Operation, Supervision, and Engineering	200,982
Station Expenses	74,368
Overhead Lines	33,787
Underground Lines	19,759
Street Lighting and Signal System	11,963
Meters	146,635
Customer Installations	31,715
Maintenance	1,125,142
Miscellaneous	503,892
Total Distribution	2,148,243

OTHER OPERATING EXPENSES

Customer Accounts	1,160,887
Administrative and General	5,766,554
Depreciation	1,216,879
Taxes Other than Income Taxes	1,299,092
Total Other Operating Expenses	9,443,412

TOTAL OPERATING EXPENSES

\$ 38,627,164

**AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
WATER UTILITY
YEAR ENDED DECEMBER 31, 2018**

PRODUCTION

Operation, Supervision, and Engineering	\$ 10,497
Operating Labor and Expenses	270,753
Power Purchased for Pumping	393,182
Chemicals	215,853
Maintenance	142,037
Miscellaneous	49,458
Total Production	<u>1,081,780</u>

DISTRIBUTION

Operation, Supervision, and Engineering	146,522
Distribution Lines	38,673
Meters	105,323
Customer Installations	7,341
Maintenance	739,037
Miscellaneous	158,276
Total Distribution	<u>1,195,172</u>

OTHER OPERATING EXPENSES

Customer Accounts	167,068
Administrative and General	908,112
Depreciation	590,403
Taxes Other than Income Taxes	77,304
Total Other Operating Expenses	<u>1,742,887</u>

TOTAL OPERATING EXPENSES

\$ 4,019,839

**AUSTIN UTILITIES
SUPPLEMENTARY SCHEDULE OF OPERATING EXPENSES
GAS UTILITY
YEAR ENDED DECEMBER 31, 2018**

PURCHASES

Natural Gas	\$ 10,650,022
Other Gas	51,618
Total Purchases	10,701,640

DISTRIBUTION

Operation, Supervision, and Engineering	250,325
Cathodic Protection Expenses	3,170
Local Storage	33,110
Mains and Service	234,680
Measuring and Regulation Station Expenses	162,673
Meter and House Regulator Expense	75,458
Customer Installations	324,114
Maintenance	369,535
Miscellaneous	315,083
Total Distribution	1,768,148

OTHER OPERATING EXPENSES

Customer Accounts	687,497
Administrative and General	1,716,256
Depreciation	528,705
Taxes Other than Income Taxes	315,519
Total Other Operating Expenses	3,247,977

TOTAL OPERATING EXPENSES

\$ 15,717,765