

# City of Austin, Texas

Financial Statements as of and for the  
Year Ended September 30, 2017,  
Single Audit Report for the  
Year Ended September 30, 2017, and  
Independent Auditors' Reports

# CITY OF AUSTIN, TEXAS

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## **INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and  
Members of the City Council  
City of Austin, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas, (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City'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 audit. We did not audit the financial statements of discretely presented component units which represents 100% of the assets, net position, and revenues of the discretely presented component units. Those statements were audited by other auditors whose reports, one of which (Austin Bergstrom Landhost Enterprises, Inc.) contains an emphasis of matter paragraph related to a going concern issue, have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit 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. The financial statements of the Austin Bergstrom Landhost Enterprises, Inc. and the Austin Convention Enterprises, Inc., discretely presented component units, were not audited in accordance with *Government Auditing Standards*. 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 auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 opinions.

## **Opinions**

In our opinion, based on our audit and the reports of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas, as of September 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 General Fund—Schedule of Revenues, Expenditures, and Changes in Fund Balances—Budget and Actual—Budget Basis, the Retirement Plans—Trend Information, and the Other Postemployment Benefits—Trend Information, 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 and the other auditors 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.

### ***Report on Statement of Expenditure of Federal Awards and Statement of Expenditures of State Awards***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards (SEFA), as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the Schedule of Expenditures of State Awards (SESA), as required by the State of Texas Uniform Grant Management Standards (UGMS), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The SEFA and SESA 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 Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 1, 2018 on our consideration of the City's 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 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 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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The script is cursive and fluid, with the letters connected. The "D" is large and loops around, and the "T" in "Touche" is also large and loops. The "LLP" is written in a slightly more upright, but still cursive, style.

March 1, 2018, except for our report on the SEFA and SESA for which the date is April 24, 2018

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2017.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 74, No. 76 through No. 80, and No. 82.

## **FINANCIAL HIGHLIGHTS**

### **Government-wide financial statements**

The assets of the City exceeded its liabilities at the end of the fiscal year 2017, resulting in \$4.4 billion of net position. Net position associated with governmental activities is approximately \$0.5 billion, or 10.3% of total net position, while the net position associated with business-type activities is approximately \$4.0 billion, or 89.7% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is \$4.1 billion, or 91.8% of total net position.

The City's unrestricted net position is a deficit of \$478.3 million. Unrestricted net position for governmental activities is a deficit of \$1.4 billion, while unrestricted net position for business-type activities is approximately \$915.8 million, or 23.0% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of \$1.2 billion and other postemployment benefits payable of \$631.2 million.

During fiscal year 2017, total net position for the City of Austin increased \$121.0 million or 2.8%. Of this amount, governmental activities decreased \$177.6 million, or 28.1% from the previous year and business-type activities increased \$298.5 million, or 8.1%.

Total revenues for the City increased \$111.6 million; revenues for governmental activities increased \$25.2 million; revenues for business-type activities increased \$86.4 million. Total expenses for the City increased \$213.5 million; expenses for governmental activities increased \$92.5 million; expenses for business-type activities increased \$121.0 million.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, consisting of three components:

- government-wide financial statements,
- fund financial statements, and
- notes to the financial statements.

This report also contains required supplementary information in addition to the basic financial statements.

### **a -- Government-wide financial statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner comparable to a private-sector business. The two government-wide financial statements are, as follows:

- The **Statement of Net Position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Austin is improving or deteriorating.
- The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues for uncollected taxes and expenses for future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; transportation, planning and sustainability; public health; public recreation and culture; and urban growth management. The business-type activities include electric, water, wastewater, airport, convention, environmental and health services, public recreation, and urban growth management.



## **OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

The government-wide financial statements include the City as well as blended component units: the Austin Housing Finance Corporation (AHFC), the Austin Industrial Development Corporation (AIDC), Mueller Local Government Corporation (MLGC), Austin-Bergstrom International Airport (ABIA) Development Corporation, and the Urban Renewal Agency (URA). The operations of AHFC, AIDC, MLGC, ABIA, and URA are included within the governmental activities of the government-wide financial statements. AHFC is reported as the Housing Assistance Fund. Although legally separate from the City, these component units are blended with the City because of their governance or financial relationships to the City.

The government-wide financial statements also include three discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), and Waller Creek Local Government Corporation (WCLGC). These entities are legally separate entities that do not meet the GASB reporting requirements for inclusion as part of the City's operations; therefore, data from these units are shown separately from data of the City. More information on these entities can be found in Note 1, including how to get a copy of separately audited financial statements for ACE and ABLE. WCLGC activities are recorded in the City's financial system and City staff prepares the financial reports for this entity.

### **b -- Fund financial statements**

The fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental, proprietary, and fiduciary funds. Within the governmental and proprietary categories, the emphasis is on the major funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These funds focus on current sources and uses of liquid resources and on the balances of available resources at the end of the fiscal year. This information may be useful in determining what financial resources are available in the near term to finance the City's future obligations.

Because the focus of governmental fund level statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements. In addition to the governmental funds balance sheet and statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level financial statements.

The City's General Fund is reported as a major fund and information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. In addition, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects, and permanent funds). Data from these governmental funds are combined into a single column labeled nonmajor governmental funds. Individual fund data for the funds is provided in the form of combining statements in the supplementary section of this report.

**Proprietary funds.** Proprietary funds are generally used to account for services for which the City charges customers – either outside customers or internal units or departments of the City. Proprietary fund statements provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of three of the City's major funds, Austin Energy<sup>TM</sup>, Austin Water Utility, and Austin-Bergstrom International Airport (Airport), as well as the nonmajor enterprise funds.
- Internal Service funds are used to report activities that provide supplies and services for many City programs and activities. The City's internal service funds include: Capital Projects Management; Combined Transportation, Emergency and Communications Center (CTECC); Employee Benefits; Fleet Maintenance; Information Systems; Liability Reserve; Support Services; Wireless Communication; and Workers' Compensation. Because these services predominantly benefit governmental operations rather than business-type functions, they have been included in governmental activities in the government-wide financial statements.

**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

The nonmajor enterprise funds and the internal service funds are combined into separately aggregated presentations in the proprietary fund financial statements. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside City government. Since the resources of fiduciary funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting policies applied to fiduciary funds are much like those used for proprietary funds.

**Comparison of government-wide and fund financial components.** The following chart compares how the City's funds are included in the government-wide and fund financial statements:

<b>Fund Types/Other</b>	<b>Government-wide</b>	<b>Fund Financials</b>
General Fund	Governmental	Governmental - Major
Special revenue funds	Governmental	Governmental - Nonmajor
Debt service funds	Governmental	Governmental - Nonmajor
Capital projects funds	Governmental	Governmental - Nonmajor
Permanent funds	Governmental	Governmental - Nonmajor
Internal service funds	Governmental	Proprietary
Governmental capital assets, including infrastructure assets	Governmental	Excluded
Governmental liabilities not expected to be liquidated with available expendable financial resources	Governmental	Excluded
Austin Energy	Business-type	Proprietary - Major
Austin Water Utility	Business-type	Proprietary - Major
Airport	Business-type	Proprietary - Major
Convention	Business-type	Proprietary – Nonmajor
Environmental and health services	Business-type	Proprietary – Nonmajor
Public recreation	Business-type	Proprietary – Nonmajor
Urban growth management	Business-type	Proprietary – Nonmajor
Fiduciary funds	Excluded	Fiduciary
Discrete component units	Discrete component units	Excluded

**Basis of reporting --** The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

**c -- Notes to the financial statements**

The notes to the financial statements provide additional information that is essential to fully understanding the data provided in the government-wide and fund financial statements.

**d -- Other information**

The Required Supplementary Information (RSI) section immediately follows the basic financial statements and related notes section of this report. The City adopts an annual appropriated budget for the General Fund plus nine separately budgeted activities, all of which comprise the General Fund for GAAP reporting. RSI provides a comparison of revenues, expenditures and other financing sources and uses to budget and demonstrates budgetary compliance. In addition, trend information related to the City's retirement and other postemployment benefits plans is presented in RSI. Following the RSI are other statements and schedules, including the combining statements for nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS**

**a -- Net position**

The following table reflects a summary statement of net position compared to prior year:

Condensed Statement of Net Position as of September 30 (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current assets	\$ 658,456	620,994	1,662,516	1,451,381	2,320,972	2,072,375
Capital assets	2,949,094	2,898,442	7,909,044	7,692,806	10,858,138	10,591,248
Other noncurrent assets	161,139	138,151	2,139,577	1,797,435	2,300,716	1,935,586
Total assets	3,768,689	3,657,587	11,711,137	10,941,622	15,479,826	14,599,209
Deferred outflows of resources	359,842	393,054	342,671	413,338	702,513	806,392
Current liabilities	361,031	333,146	532,870	532,423	893,901	865,569
Noncurrent liabilities	3,305,919	3,077,582	6,328,919	6,002,049	9,634,838	9,079,631
Total liabilities	3,666,950	3,410,728	6,861,789	6,534,472	10,528,739	9,945,200
Deferred inflows of resources	6,228	7,009	1,215,205	1,142,181	1,221,433	1,149,190
Net position:						
Net investment in capital assets	1,709,146	1,719,704	2,358,240	2,250,698	4,067,386	3,970,402
Restricted	140,299	124,695	702,749	690,459	843,048	815,154
Unrestricted (deficit)	(1,394,092)	(1,211,495)	915,825	737,150	(478,267)	(474,345)
Total net position	\$ 455,353	632,904	3,976,814	3,678,307	4,432,167	4,311,211

In the current fiscal year, total assets increased \$880.6 million and deferred outflows of the City decreased by \$103.9 million. Total liabilities increased \$583.5 million and deferred inflows increased by \$72.2 million. Governmental-type total assets increased by \$111.1 million and business-type increased by \$769.5 million, while governmental-type liabilities increased by \$256.2 million and business-type increased by \$327.3 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of \$50.7 million as the City continues to build out projects from the 2012 bond program. Factors in the increase of governmental-type liabilities include increases in bonds payable of \$60.3 million, related primarily to the 2012 and 2016 bond programs along with increases in the net pension liability of \$78.1 million and other postemployment benefits payable of \$93.3 million.

The most significant factor in the increase of business-type total assets is related to growth in capital assets of \$216.2 million or 28.1% of the increase in business-type total assets. The primary factors in the increase in business-type total liabilities of \$327.3 million include an increase in long term debt of \$298.8 million and an increase in other postemployment benefits of \$54.4 million.

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.4 billion at the end of the current fiscal year. However, the largest portion of the City's net position is represented in the net investment in capital assets (e.g. land, buildings, and equipment offset by related debt), which is \$4.1 billion, or 91.8% of the total amount of the City's net position. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, \$843.0 million of the City's net position, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance is a deficit of \$478.3 million of unrestricted net position. Unrestricted net position decreased \$3.9 million in the current fiscal year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for business-type activities. However, governmental activities as well as the government as a whole report a deficit of \$1.4 billion and \$478.3 million for unrestricted net position, respectively.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued**

**b -- Changes in net position**

Condensed Statement of Changes in Net Position September 30 (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program revenues:						
Charges for services	\$ 176,640	182,045	2,500,259	2,411,212	2,676,899	2,593,257
Operating grants and contributions	45,162	47,430	861	739	46,023	48,169
Capital grants and contributions	90,256	95,486	137,464	144,139	227,720	239,625
General revenues:						
Property tax	554,631	507,485	--	--	554,631	507,485
Sales tax	218,790	212,634	--	--	218,790	212,634
Franchise fees and gross receipts tax	151,670	147,773	--	--	151,670	147,773
Interest and other	26,950	41,708	14,801	10,936	41,751	52,644
Special item - land sale	--	4,309	--	--	--	4,309
Total revenues	<u>1,264,099</u>	<u>1,238,870</u>	<u>2,653,385</u>	<u>2,567,026</u>	<u>3,917,484</u>	<u>3,805,896</u>
Program expenses:						
General government	192,231	177,302	--	--	192,231	177,302
Public safety	719,032	657,846	--	--	719,032	657,846
Transportation, planning, and sustainability	72,517	66,739	--	--	72,517	66,739
Public health	119,278	100,195	--	--	119,278	100,195
Public recreation and culture	161,226	147,191	--	--	161,226	147,191
Urban growth management	156,180	179,081	--	--	156,180	179,081
Interest on debt	61,879	61,500	--	--	61,879	61,500
Electric	--	--	1,277,623	1,226,585	1,277,623	1,226,585
Water	--	--	281,787	244,907	281,787	244,907
Wastewater	--	--	219,609	237,450	219,609	237,450
Airport	--	--	158,863	135,860	158,863	135,860
Convention	--	--	75,377	63,796	75,377	63,796
Environmental and health services	--	--	108,658	102,994	108,658	102,994
Public recreation	--	--	8,736	8,266	8,736	8,266
Urban growth management	--	--	183,532	173,360	183,532	173,360
Total expenses	<u>1,482,343</u>	<u>1,389,854</u>	<u>2,314,185</u>	<u>2,193,218</u>	<u>3,796,528</u>	<u>3,583,072</u>
Excess (deficiency) before transfers	(218,244)	(150,984)	339,200	373,808	120,956	222,824
Transfers	40,693	121,838	(40,693)	(121,838)	--	--
Increase (decrease) in net position	<u>(177,551)</u>	<u>(29,146)</u>	<u>298,507</u>	<u>251,970</u>	<u>120,956</u>	<u>222,824</u>
Beginning net position, as previously reported	632,904	662,050	3,678,307	3,426,337	4,311,211	4,088,387
Ending net position	<u>\$ 455,353</u>	<u>632,904</u>	<u>3,976,814</u>	<u>3,678,307</u>	<u>4,432,167</u>	<u>4,311,211</u>

Total net position of the City increased by \$121.0 million in the current fiscal year. Governmental net position decreased by \$177.6 million. The decrease is attributable to expenses exceeding revenues by \$218.2 million before transfers from other funds of \$40.7 million. Business-type net position increased by \$298.5 million due to revenues exceeding expenses by \$339.2 million before transfers to other funds of \$40.7 million.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued**

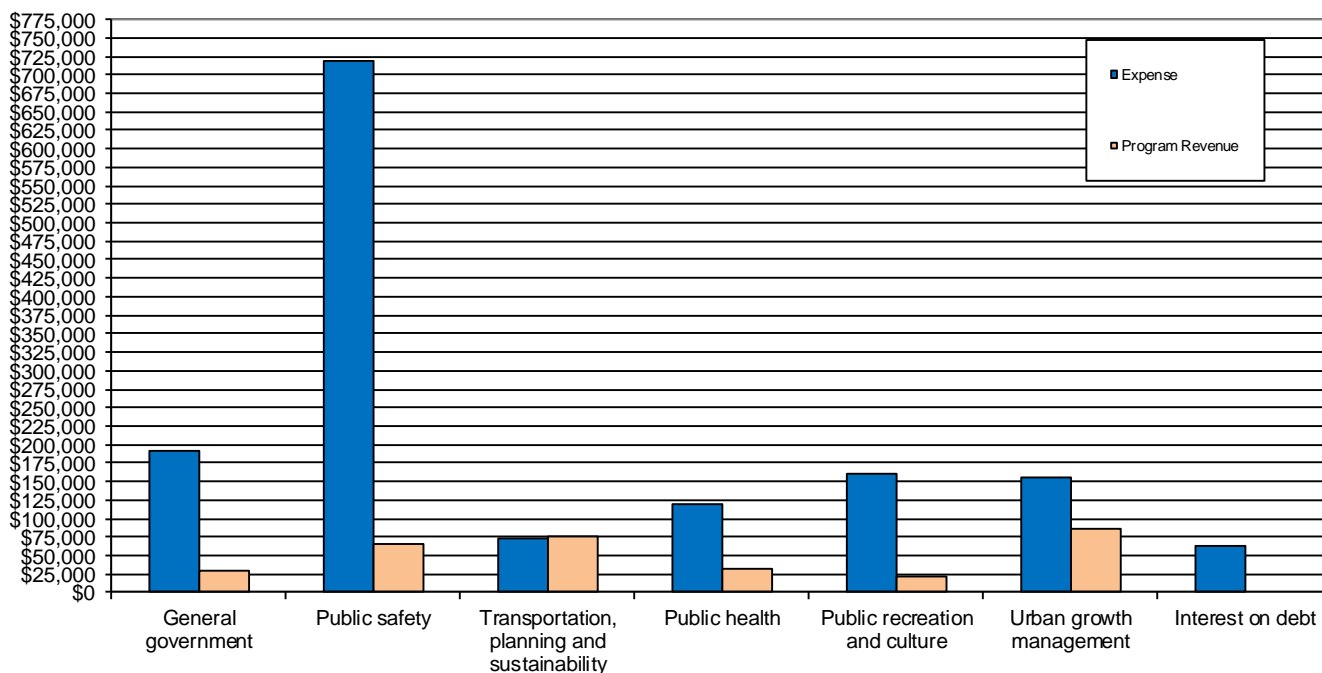
**c -- Program revenues and expenses -- governmental activities**

Governmental activities decreased the City's net position by \$177.6 million in fiscal year 2017, a 28.1% decrease of governmental net position from the previous year. Key factors for the change from fiscal year 2016 to 2017 are as follows:

- The City's property tax revenue increased by \$47.1 million from the previous year due to an increase in assessed property values of \$15 billion, while the property tax rate per \$100 of valuation decreased from 0.4589 to 0.4418.
- Sales tax collections and franchise fees for the year were \$6.2 million and \$3.9 million, respectively, more than the prior year as result of the continued improvement in the Austin economy.
- Increases in pension expense and other postemployment benefit expense are the primary drivers for increased expenses in public safety (\$61.2 million) and public health (\$19.1 million). Public safety expenses included an additional \$32 million in pension expense and \$19 million in other postemployment benefit expenses with the remainder primarily due to salary and fringe benefit increases as a result of the addition of 141 full time equivalents (FTE). Public health expenses included an additional \$6 million in pension expenses and \$5 million in other postemployment benefits expenses with the remainder primarily due to increases in social service contracts.
- Indian Hills Public Improvement District and Whisper Valley Public Improvement District paid off special assessment subordinate bonds in 2016 in the amount of \$14.9 million and \$1.3 million respectively, which is the primary reason for the decrease in expense in urban growth management of \$22.9 million in 2017.

The chart below illustrates the City's governmental expense and revenues by function: general government; public safety; transportation, planning and sustainability; public health; public recreation and culture; urban growth management; and interest on debt.

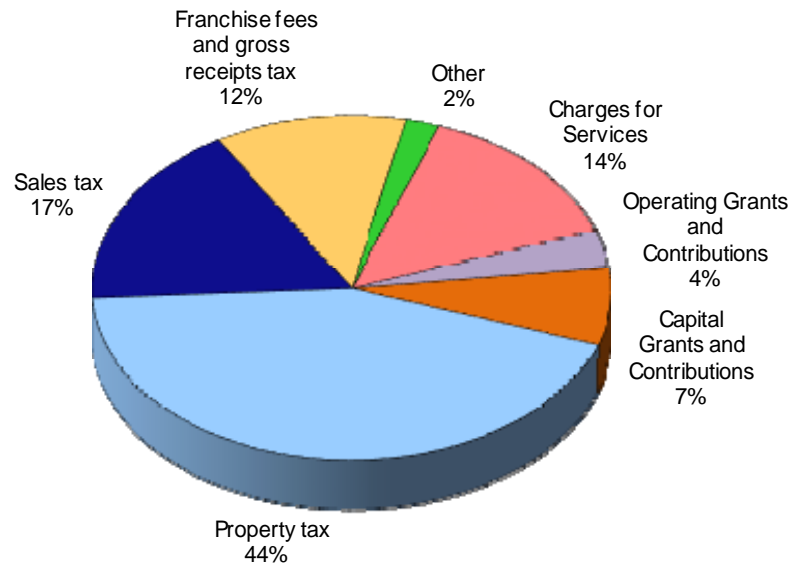
**Government-wide Program Expenses and Revenues – Governmental Activities**  
(in thousands)



**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued**

General revenues such as property taxes, sales taxes, and franchise fees are not shown by program, but are used to support all governmental activities. Property taxes are the largest source of governmental revenues, followed by sales taxes and charges for goods and services.

**Government-wide Revenues by Source -- Governmental Activities**



**d -- Program revenues and expenses -- business-type activities**

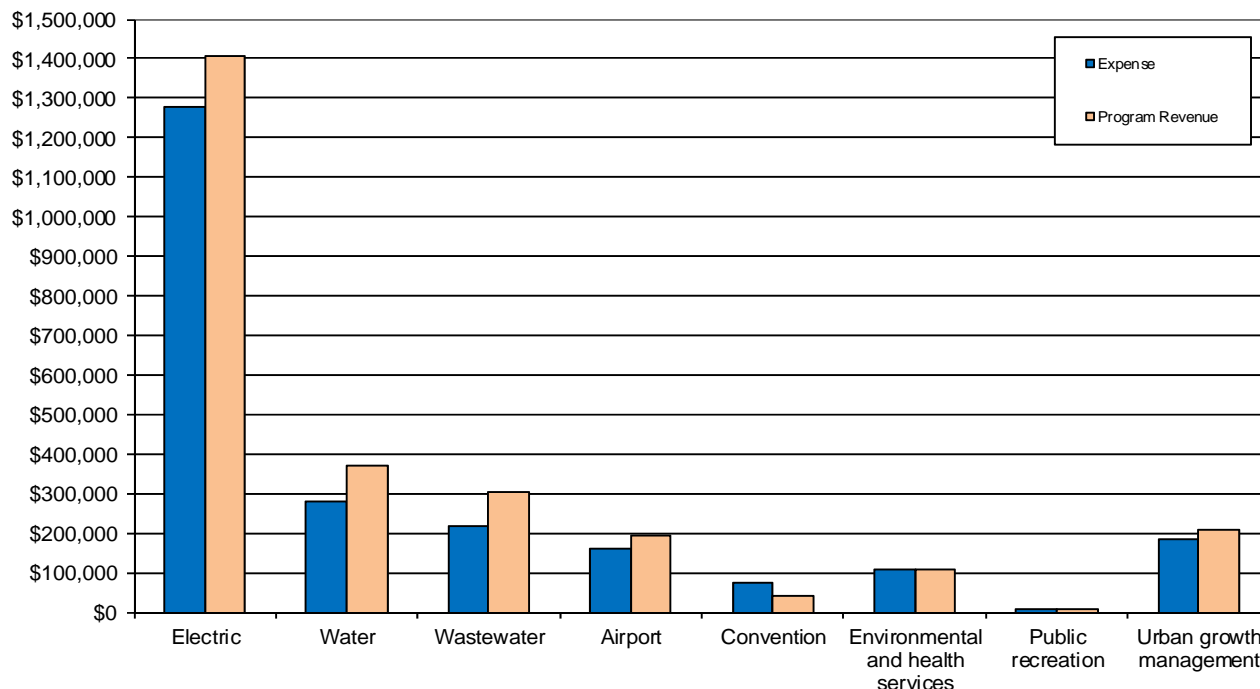
Business-type activities increased the City's net position by approximately \$298.5 million, accounting for a 6.9% increase in the City's total net position. Key factors include:

- Austin Energy net position increased approximately \$21.7 million. Operating revenues decreased primarily due to the base rate reduction offset by increased power supply and regulatory revenue. Operating expenses increased primarily due to transmission and power supply costs.
- Austin Water Utility net position increased approximately \$123.3 million. Revenues increased 5.3% largely due to a combined utility rate increase of 3.0% for fiscal year 2017. Expenses increased by 3.9% due to an increase in operating and maintenance costs.
- Airport net position increased approximately \$38.8 million. Revenues increased 18.6% due to an increase in passenger traffic and higher rental and landing fees. Passenger traffic increased 8.0% over the previous year. Expenses increased 16.9% due to an increase in operating and maintenance costs and interest expense on debt service.
- Convention Center net position increased approximately \$41.4 million. Revenues and transfers from the Hotel Occupancy and Vehicle Rental Tax Funds increased 9.7% due to additional hotels put in service causing an increase in total room nights as well as growth of large events. Expenses increased 18.1% due to an increase in operating costs, pension expense, and other postemployment benefits.
- Environmental and health services activities is comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position increased approximately \$11.0 million. Revenues increased by 5.8% due mainly to an increase in the Clean Community Fee of \$0.40 per residential account and \$1.75 per commercial customer account and an increase to the base customer charge of \$1.00. Expenses increased by 5.5% due mainly to an increase in operations and support services costs.
- Urban growth management activities are comprised of the Drainage and Transportation nonmajor enterprise funds. Net position increased by approximately \$63.6 million. Drainage revenues and transfers increased 36.3% primarily due to a \$50 million transfer for home buyouts. Drainage expenses remained relatively flat. Transportation revenues increased approximately 23.2% primarily due to an increase in the Transportation User Fee of \$1.75 per single-family home as well as an increase in the number of hours charged for parking in the downtown area. Transportation expenses increased 15.3% due to an increase in operations and support services costs.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued**

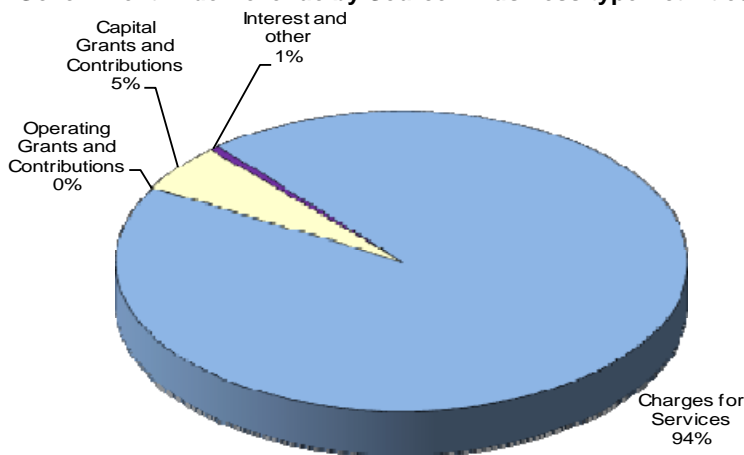
As shown in the following chart, Austin Energy (electric), with expenses of \$1.3 billion is the City's largest business-type activity, followed by water with \$281.8 million, wastewater with \$219.6 million, urban growth management with \$183.5 million, airport with \$158.9 million, environmental and health services with \$108.7 million, convention with \$75.4 million, and public recreation with \$8.7 million. For the fiscal year, operating revenues exceeded operating expenses for all business-type activities except convention and public recreation.

**Government-wide Expenses and Program Revenues -- Business-type Activities**  
(Excludes General Revenues and Transfers)  
(in thousands)



For all business-type activities, charges for services provide the largest percentage of revenues (94.23%), followed by capital grants and contributions (5.18%), interest and other revenues (0.56%), and operating grants and contributions (0.03%).

**Government-wide Revenue by Source -- Business-type Activities**



## **FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS**

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **a -- Governmental funds**

The City reports the following types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and available resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the fiscal year, the City of Austin's governmental funds reported combined ending fund balances of \$512.4 million, an increase of \$28.5 million from the previous year. Approximately \$1.8 million is nonspendable, \$214.6 million is restricted, \$40.7 million is committed, \$139.3 million is assigned, and \$116.1 million is unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported nonspendable fund balance of \$0.7 million, assigned fund balance of \$29.6 million, and unassigned fund balance of \$141.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 14.5% of total General Fund expenditures of \$976.0 million, and total fund balance represents 17.6% of expenditures. The City's financial policies provide that surplus fund balance be identified for budget stabilization. This amount is a component of unassigned fund balance. The fund balance identified for budget stabilization was \$76.0 million. The balance identified for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, but such appropriation will not normally exceed one-third of the total identified amount, with the other two-thirds identified for budget stabilization in future years.

The fund balance of the General Fund increased \$10.8 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased \$33.0 million due to an increase in assessed property values.
- Licenses, permits, and inspections increased \$13.6 million, and sales tax revenues increased by \$6.2 million.

General Fund expenditures increased \$43.8 million, due primarily to increases in the following areas: public safety (\$16.2 million), general government (\$9.5 million), public health (\$8.1 million), public recreation and culture (\$6.9 million), and urban growth management (\$3.4 million). These increases are primarily due to a 2.5% general wage increase for non-sworn employees and a 2% general wage increase for sworn Police, Fire, and EMS employees, the addition of 195 FTE's, and increases in contractual expenditures.

### **b -- Proprietary funds**

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net position of the City's enterprise funds increased by \$286.4 million before consolidation of the internal service funds activities.

Factors that contributed to the increase in net position are discussed in the business-type activities section of the government-wide section.

## **OTHER INFORMATION**

### **a -- General Fund budgetary highlights**

The original revenue budget of the General Fund was not amended during fiscal year 2017. The original expenditure budget of the General Fund was amended during fiscal year 2017 to increase expenditures for the addition of one full time position to the Fire department for assignment at the Airport. Airport will reimburse the Fire department for the cost of this position, budgeted at \$83,000. The net impact to the General Fund was \$0 with the addition of the one FTE. The expenditure budget was also increased by \$3.5 million for overtime in the Fire department due to staffing shortages. This amount was appropriated from the Budget Stabilization Reserve.

During the year, actual budget basis revenues were \$4.5 million more than budgeted. Licenses, permits and inspections were \$10.3 million more than budgeted due to higher fees, and larger than anticipated inspection volume. This was offset partly by \$5.4 million in lower than budgeted sales tax collections.



**OTHER INFORMATION, continued**

Actual budget-basis expenditures were \$13.0 million less than budgeted. All departments were under budget. Police and EMS were under budget by \$3.5 million and \$1.8 million, respectively, due primarily to salary savings from regular position vacancies. Fire was under budget by \$1.5 million largely due to lower than expected equipment replacement and maintenance costs. Library was under budget by \$1.9 million largely due to salary and contractual expense savings caused by the delayed opening of the new central library. Other urban growth management was \$2.1 million under budget due primarily to lower contractual expenses as a result of agreements not realized. The total budget-basis fund balance at year-end was \$174.9 million.

**b -- Capital assets**

The City's capital assets for governmental and business-type activities as of September 30, 2017, total \$10.9 billion (net of accumulated depreciation and amortization). Capital assets include buildings and improvements, equipment, vehicles, electric plant, non-electric plant, nuclear fuel, water rights, infrastructure, land, construction in progress, and plant held for future use. The total increase in the City's capital assets for the current fiscal year was \$266.9 million, with an increase of 1.8% for governmental activities and an increase of 2.8% for business-type activities. Additional information on capital assets can be found in Note 5. Capital asset balances are as follows:

	Capital Assets, Net of Accumulated Depreciation and Amortization (in millions)					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Building and improvements	\$ 651	551	1,916	1,776	2,567	2,327
Plant and equipment	65	74	2,348	2,321	2,413	2,395
Vehicles	52	50	76	81	128	131
Electric plant	--	--	2,198	2,222	2,198	2,222
Non-electric plant	--	--	141	144	141	144
Nuclear fuel	--	--	43	47	43	47
Water rights	--	--	82	83	82	83
Infrastructure	1,658	1,581	--	--	1,658	1,581
Land and improvements	379	374	676	651	1,055	1,025
Construction in progress	116	241	402	341	518	582
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	28	27	4	4	32	31
Total net capital assets	<u>\$ 2,949</u>	<u>2,898</u>	<u>7,909</u>	<u>7,693</u>	<u>10,858</u>	<u>10,591</u>

Major capital asset events during the current fiscal year include the following:

- Governmental capital assets increased \$50.7 million primarily due to additions of new facilities and improvements to existing facilities. Significant additions and improvements were also made including acquisitions of parkland, upgrades to information technology equipment, pedestrian facility improvements, and street reconstructions across the City. The construction on the new Central Library was completed during the fiscal year.
- Business-type activities purchased, constructed or received capital asset contributions of \$216.2 million. Asset additions included continued work on the airport terminal and apron expansion projects. Additionally, the Drainage Fund continued to acquire properties at risk of flooding in Onion Creek.

**OTHER INFORMATION, continued**

**c -- Debt administration**

At the end of the current fiscal year, the City reported \$6.6 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 6.

<b>Outstanding Debt General Obligation and Revenue Debt (in millions)</b>						
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
General obligation bonds and other tax supported debt, net	\$ 1,436	1,376	116	136	1,552	1,512
Commercial paper notes, net	--	--	146	130	146	130
Revenue bonds, net	--	--	4,881	4,579	4,881	4,579
Capital lease obligations	--	--	1	1	1	1
<b>Total</b>	<b>\$ 1,436</b>	<b>1,376</b>	<b>5,144</b>	<b>4,846</b>	<b>6,580</b>	<b>6,222</b>

During fiscal year 2017, the City's total outstanding debt increased by \$358.6 million. The City issued new debt, used cash to defease debt and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Bond debt for governmental activities increased by \$60.3 million. The resulting net increase is a combination of the issuance of \$185.6 million in new debt to be used primarily for facility improvements, streets and mobility, drainage improvements, watershed home buyouts, central library, parks and recreation, capital equipment, transportation projects, affordable housing and the Seaholm garage, offset by the refunding portion of the issuance of \$63.6 million and debt payments during the year.
- Outstanding debt for business-type functions increased by \$298.3 million. The City issued \$101.6 of Electric Utility System separate lien revenue refunding bonds to refund separate lien debt, \$20.4 million in Water and Wastewater System revenue bonds, \$311.1 million in Water and Wastewater System separate lien revenue refunding bonds to refund separate lien debt and tax-exempt commercial paper, \$315.0 million in Airport System revenue bonds, \$29.1 million of Convention Center revenue refunding bonds to refund prior lien debt, all of which was offset by debt payments during the year and the cash defeasance of \$19.7 million in Water and Wastewater separate lien revenue bonds.

**OTHER INFORMATION, continued**

During the year, Austin Energy separate lien revenue bonds received favorable bond rating upgrades from Moody's Investors Service and Standard & Poor's from A1 to Aa3 and AA- to AA, respectively. In addition, Convention Center revenue bonds and subordinate revenue bonds received positive bond rating upgrades from Standard & Poor's from AA- to AA and A to A+, respectively. The City's commercial paper ratings are related to the ratings of the liquidity providers associated with those obligations; commercial paper ratings were unchanged in the current fiscal year. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2017 and 2016 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch, Inc.	
	2017	2016	2017	2016	2017	2016
General obligation bonds and other tax supported debt	Aaa	Aaa	AAA	AAA	AAA	AAA
Commercial paper notes - tax exempt	P-1	P-1	A-1	A-1	F1	F1
Commercial paper notes - taxable	P-1	P-1	A-1	A-1	F1	F1
Utility revenue bonds - prior lien	Aa1	Aa1	AA+	AA+	AA	AA
Utility revenue bonds - subordinate lien	Aa2	Aa2	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	Aa3	A1	AA	AA-	AA-	AA-
Austin Water Utility	Aa2	Aa2	AA	AA	AA-	AA-
Airport system revenue bonds	A1	A1	A	A	NUR (1)	NUR (1)
Convention Center revenue bonds	Aa3	Aa3	AA	AA-	NUR (1)	NUR (1)
Convention Center revenue bonds - subordinate	A1	A1	A+	A	NUR (1)	NUR (1)

(1) No underlying rating

**d -- Economic factors and next year's budget and rates**

Austin's diverse economic base and national reputation as a great place to work and live continues to attract new employers and talented individuals to the area. The Austin metro area is the fastest growing metro in the US for its size. Over the past 10 years, Austin's population has increased by approximately 26.8% or nearly 200,000 residents, with projections of the City surpassing the 1 million mark by the year 2020. Both the Austin and the Texas economies continue to expand at rates above the national economy. Job growth in the Austin MSA was ranked sixth along with several other cities when comparing activity in the top 50 metro areas per the US Bureau of Labor statistics. Austin added more than 27,300 net new jobs in 2017. The unemployment rate for the Austin-Round Rock MSA reached a low of 2.7%, while the state unemployment rate fell to 3.9% in 2017; the national unemployment was 4.1%.

The City's primary economic drivers which in the past have included the technology industry, business startups and growth of entrepreneurial business, and tourism, continue to diversify with the opening of the Dell Seton Medical Center. The medical center includes a medical school, teaching hospital, and innovation zone that is expected to foster health care research and development. All of these factors are expected to continue to generate job growth. All sectors of the real estate market continue to perform well. The Austin residential market experienced an increase in sales of 2.5% in 2017 over 2016, with housing in the downtown area growing in popularity. In 2017, sales tax revenue increased 2.9% over the previous year, compared to a 4.2% increase in 2016 and 7.7% increase in 2015, an indicator that the economy is slowing to more normal and sustainable levels. For 2018, the rate of growth in sales tax collections is expected to be 3%. Overall, the Austin economy is expected to continue to grow at a steady pace barring any events at the national or international level that would have an adverse impact.

**OTHER INFORMATION, continued**

The City's fiscal year 2018 budget was developed in a manner true to City Management's unwavering commitment to openness, transparency, and public engagement; a process that has been refined over time and centered this year on heightened levels of collaboration between the community, city staff, management, and the City Council. The overriding goal of the 2018 budget process was to align department budgets to Council's priorities with particular focus on the Council's six strategic outcomes for the City: Mobility, Economic Opportunity and Affordability, Safety, Health, Cultural and Learning Opportunities, and Government that Works. Each year during the budget process, the Austin City Council adopts a comprehensive set of financial policies that provide the foundation for long-range financial sustainability. These financial policies are directly aligned with the Council's underlying goals of budget stability, maintaining affordability, investing in future economic development, infrastructure needs, and quality of life. These policies are also crucial in maintaining the City's favorable bond ratings; the City had ratings upgrades for three separate debt instruments in 2017. City management continues to monitor the economy and take corrective actions when necessary to help mitigate any unfavorable economic events.

The taxable property values within the City increased by 11.2% in 2017 for fiscal year 2018. The property tax rate for fiscal year 2018 is 44.48 cents per \$100 valuation, up from 44.18 cents per \$100 valuation in 2017. The tax rate consists of 33.93 cents for the General Fund and 10.55 cents for debt service. Each 1 cent of the 2017 (fiscal year 2018) property tax rate is equivalent to \$13,942,501 of tax levy, as compared to \$12,371,655 in the previous year. Austin Energy's 2018 base rates also remain unchanged from the prior fiscal year due to a cost of service study that was completed and approved by the City Council in August 2016. For the past several years, Austin Water has been working to strengthen its financial position and reduce the need for annual rate increases; subsequently, the utility submitted its Fiscal Year 2018 budget with a zero percent rate increase.

**e -- Requests for Information**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Controller's Office of the City of Austin, P.O. Box 2920, Austin, Texas 78768, or (512) 974-2600 or on the web at: <https://www.austintexas.gov>.



## **BASIC FINANCIAL STATEMENTS**





**Statement of Net Position**  
**September 30, 2017**  
(In thousands)

**City of Austin, Texas**  
**Exhibit A-1**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total (†)</b>	<b>Component Units</b>
<b>ASSETS</b>				
Current assets:				
Cash	\$ 64	62	126	4,225
Pooled investments and cash	507,854	934,013	1,441,867	--
Pooled investments and cash - restricted	--	121,347	121,347	--
Total pooled investments and cash	507,854	1,055,360	1,563,214	--
Investments - restricted	23,694	157,207	180,901	--
Cash held by trustee	--	668	668	--
Cash held by trustee - restricted	9,724	475	10,199	--
Working capital advances	--	3,659	3,659	--
Property taxes receivable, net of allowance \$4,980	11,595	--	11,595	--
Accounts receivable, net of allowance \$301,629	100,244	221,464	321,708	3,910
Receivables from other governments	15,705	697	16,402	--
Receivables from other governments - restricted	--	5,978	5,978	--
Notes receivable, net of allowance of \$14,968	24,117	--	24,117	--
Internal balances	(46,671)	46,671	--	--
Inventories, at cost	2,324	82,617	84,941	961
Real property held for resale	5,675	--	5,675	--
Regulatory assets, net of accumulated amortization	--	52,885	52,885	--
Prepaid expenses	1,025	17,518	18,543	628
Other receivables - restricted	--	3,754	3,754	--
Other assets	3,106	13,501	16,607	--
Total current assets	658,456	1,662,516	2,320,972	9,724
Noncurrent assets:				
Cash - restricted	--	4,951	4,951	3,000
Pooled investments and cash - restricted	156,174	808,580	964,754	--
Investments - restricted	--	311,624	311,624	63,717
Investments held by trustee - restricted	1,773	215,523	217,296	2,168
Cash held by trustee - restricted	1,823	--	1,823	353
Interest receivable - restricted	--	467	467	--
Depreciable capital assets, net	2,425,918	6,802,945	9,228,863	179,043
Nondepreciable capital assets	523,176	1,106,099	1,629,275	15,554
Derivative instruments - energy risk management	--	1,863	1,863	--
Regulatory assets, net of accumulated amortization	--	763,717	763,717	--
Other receivables - restricted	--	12,343	12,343	--
Other long-term assets	1,369	20,509	21,878	5,111
Total noncurrent assets	3,110,233	10,048,621	13,158,854	268,946
<b>Total assets</b>	<b>3,768,689</b>	<b>11,711,137</b>	<b>15,479,826</b>	<b>278,670</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
	\$ 359,842	342,671	702,513	16,669

(†) After internal receivables and payables have been eliminated.

(Continued)

The accompanying notes are an integral part of the financial statements.



**Statement of Net Position**  
**September 30, 2017**  
(In thousands)

**City of Austin, Texas**  
**Exhibit A-1**  
**(Continued)**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total (†)</b>	<b>Component Units</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 41,893	93,127	135,020	8,113
Accounts and retainage payable from restricted assets	21,996	54,413	76,409	--
Accrued payroll	32,321	18,068	50,389	267
Accrued compensated absences	61,301	26,060	87,361	--
Due to other governments	477	3,352	3,829	--
Claims payable	26,353	2,412	28,765	--
Accrued interest payable from restricted assets	10	118,713	118,723	7,712
Interest payable on other debt	8,688	872	9,560	--
Bonds payable	60,579	14,608	75,187	66,764
Bonds payable from restricted assets	23,765	132,272	156,037	--
Capital lease obligations payable	--	54	54	7
Customer and escrow deposits payable from restricted assets	71,479	52,634	124,113	--
Accrued landfill closure and postclosure costs	--	2,794	2,794	--
Decommissioning liability payable from restricted assets	--	6,662	6,662	--
Other liabilities	12,169	5,968	18,137	5,725
Other liabilities payable from restricted assets	--	861	861	--
Total current liabilities	361,031	532,870	893,901	88,588
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	78,364	287	78,651	--
Claims payable	22,743	221	22,964	--
Capital appreciation bond interest payable	--	26,661	26,661	--
Commercial paper notes payable, net of discount	--	146,097	146,097	--
Bonds payable, net of discount and inclusive of premium	1,351,684	4,849,878	6,201,562	229,955
Net pension liability	1,203,405	656,565	1,859,970	--
Other postemployment benefits payable	631,176	380,161	1,011,337	--
Capital lease obligations payable	--	935	935	--
Accrued landfill closure and postclosure costs	--	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	159,284	159,284	--
Derivative instruments - energy risk management	--	14,960	14,960	--
Derivative instruments - interest rate swaps	--	46,959	46,959	--
Other liabilities	18,547	33,714	52,261	--
Other liabilities payable from restricted assets	--	3,298	3,298	3,000
Total noncurrent liabilities	3,305,919	6,328,919	9,634,838	232,955
<b>Total liabilities</b>	<b>3,666,950</b>	<b>6,861,789</b>	<b>10,528,739</b>	<b>321,543</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
	6,228	1,215,205	1,221,433	--
<b>NET POSITION</b>				
Net investment in capital assets	1,709,146	2,358,240	4,067,386	(60,485)
Restricted for:				
Bond reserve	--	45,130	45,130	--
Capital projects	48,467	246,856	295,323	1,000
Debt service	15,077	53,601	68,678	28,795
Housing activities	27,354	--	27,354	--
Operating reserve	--	57,102	57,102	--
Passenger facility charges	--	90,044	90,044	--
Perpetual care:				
Expendable	1	--	1	--
Nonexpendable	1,070	--	1,070	--
Renewal and replacement	--	23,298	23,298	--
Strategic reserve	--	186,718	186,718	--
Tourism	19,676	--	19,676	--
Other purposes	28,654	--	28,654	--
Unrestricted (deficit)	(1,394,092)	915,825	(478,267)	4,486
<b>Total net position</b>	<b>\$ 455,353</b>	<b>3,976,814</b>	<b>4,432,167</b>	<b>(26,204)</b>

(†) After internal receivables and payables have been eliminated.

The accompanying notes are an integral part of the financial statements.

**Statement of Activities**  
**For the year ended September 30, 2017**  
(In thousands)

**City of Austin, Texas**  
**Exhibit A-2**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business-type Activities	Total	
Governmental activities								
General government	\$ 192,231	21,345	454	7,223	(163,209)	--	(163,209)	--
Public safety	719,032	57,728	7,209	--	(654,095)	--	(654,095)	--
Transportation, planning, and sustainability	72,517	1,698	659	72,808	2,648	--	2,648	--
Public health	119,278	12,374	20,490	170	(86,244)	--	(86,244)	--
Public recreation and culture	161,226	11,251	1,805	9,994	(138,176)	--	(138,176)	--
Urban growth management	156,180	72,244	14,545	61	(69,330)	--	(69,330)	--
Interest on debt	61,879	--	--	--	(61,879)	--	(61,879)	--
Total governmental activities	1,482,343	176,640	45,162	90,256	(1,170,285)	--	(1,170,285)	--
Business-type activities								
Electric	1,277,623	1,362,132	34	43,981	--	128,524	128,524	--
Water	281,787	324,562	--	44,944	--	87,719	87,719	--
Wastewater	219,609	274,518	--	29,742	--	84,651	84,651	--
Airport	158,863	178,433	585	14,751	--	34,906	34,906	--
Convention	75,377	40,196	--	--	--	(35,181)	(35,181)	--
Environmental and health services	108,658	109,274	242	30	--	888	888	--
Public recreation	8,736	6,705	--	290	--	(1,741)	(1,741)	--
Urban growth management	183,532	204,439	--	3,726	--	24,633	24,633	--
Total business-type activities	2,314,185	2,500,259	861	137,464	--	324,399	324,399	--
Total primary government	\$ 3,796,528	2,676,899	46,023	227,720	(1,170,285)	324,399	(845,886)	--
Component Units	89,609	95,753	--	--	--	--	--	6,144
General revenues:								
Property tax					554,631	--	554,631	--
Sales tax					218,790	--	218,790	--
Franchise fees and gross receipts tax					151,670	--	151,670	--
Interest and other					26,950	14,801	41,751	22
Transfers-internal activities					40,693	(40,693)	--	--
Total general revenues and transfers					992,734	(25,892)	966,842	22
Change in net position					(177,551)	298,507	120,956	6,166
Beginning net position, as previously reported					632,904	3,678,307	4,311,211	(32,370)
Ending net position					\$ 455,353	3,976,814	4,432,167	(26,204)

The accompanying notes are an integral part of the financial statements.



**Governmental Funds  
Balance Sheet  
September 30, 2017  
(In thousands)**

**City of Austin, Texas  
Exhibit B-1**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 53	--	53
Pooled investments and cash	170,879	335,784	506,663
Investments	--	23,694	23,694
Cash held by trustee - restricted	--	9,582	9,582
Investments held by trustee - restricted	--	1,773	1,773
Property taxes receivable, net of allowance	7,959	3,636	11,595
Accounts receivable, net of allowance	61,541	28,503	90,044
Receivables from other governments	1,589	12,029	13,618
Notes receivable, net of allowance	175	23,942	24,117
Due from other funds	--	11,443	11,443
Advances to other funds	--	19,096	19,096
Inventories, at cost	28	--	28
Real property held for resale	--	5,675	5,675
Prepaid items	699	--	699
Other assets	58	3,048	3,106
<b>Total assets</b>	<b>242,981</b>	<b>478,205</b>	<b>721,186</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	21,458	24,184	45,642
Accrued payroll	26,126	123	26,249
Accrued compensated absences	462	--	462
Due to other funds	241	11,412	11,653
Due to other governments	465	9	474
Unearned revenue	--	2,973	2,973
Advances from other funds	654	18,266	18,920
Deposits and other liabilities	5,687	73,788	79,475
<b>Total liabilities</b>	<b>55,093</b>	<b>130,755</b>	<b>185,848</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	<b>16,074</b>	<b>6,823</b>	<b>22,897</b>
<b>FUND BALANCES</b>			
Nonspendable:			
Inventories and prepaid items	727	--	727
Permanent funds	--	1,070	1,070
Restricted	--	214,582	214,582
Committed	--	40,652	40,652
Assigned	29,618	109,692	139,310
Unassigned	141,469	(25,369)	116,100
<b>Total fund balances</b>	<b>171,814</b>	<b>340,627</b>	<b>512,441</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 242,981</b>	<b>478,205</b>	<b>721,186</b>

The accompanying notes are an integral part of the financial statements.

**Governmental Funds**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2017**  
**(In thousands)**

**City of Austin, Texas**  
**Exhibit B-1.1**

Total fund balances - Governmental funds \$ 512,441

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

Governmental capital assets	4,632,260	
Less: accumulated depreciation	<u>(1,742,047)</u>	2,890,213

Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.

Other assets	<u>1,369</u>	1,369
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Deferred outflows represent the consumption of net position that are applicable to a future reporting period.

Pensions	337,178	
Loss on debt refundings	<u>22,557</u>	359,735

Long-term liabilities are not payable in the current period and are not reported in the funds.

Compensated absences	(130,035)	
Interest payable	(8,688)	
Bonds and other tax supported debt payable, net	(1,432,879)	
Net pension liability	(1,203,405)	
Other postemployment benefits payable	(631,176)	
Other liabilities	<u>(15,317)</u>	(3,421,500)

Deferred inflows represent an acquisition of net position that is applicable to a future reporting period.

Unavailable revenue		
Property taxes and interest	11,777	
Accounts and other taxes receivable	11,121	
Deferred gain on service concession agreement	(1,173)	
Pensions	<u>(5,055)</u>	16,670

Internal service funds are used by management to charge the costs of capital project management, combined emergency communication center, employee benefits, fleet maintenance, information systems, liability reserve, support services, wireless communication, and workers' compensation to individual funds.

Certain assets, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.

96,425

Total net position - Governmental activities	<u>\$ 455,353</u>
--	-------------------

The accompanying notes are an integral part of the financial statements.

**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended September 30, 2017**  
**(In thousands)**

**City of Austin, Texas**  
**Exhibit B-2**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>			
Property taxes	\$ 416,540	137,871	554,411
Sales taxes	218,790	--	218,790
Franchise fees and other taxes	47,645	104,025	151,670
Fines, forfeitures and penalties	13,117	4,511	17,628
Licenses, permits and inspections	61,076	374	61,450
Charges for services/goods	59,362	22,006	81,368
Intergovernmental	--	59,572	59,572
Property owners' participation and contributions	--	14,659	14,659
Interest and other	15,754	11,296	27,050
<b>Total revenues</b>	<b>832,284</b>	<b>354,314</b>	<b>1,186,598</b>
<b>EXPENDITURES</b>			
Current:			
General government	126,645	2,063	128,708
Public safety	585,250	8,156	593,406
Transportation, planning and sustainability	421	4,704	5,125
Public health	80,487	20,538	101,025
Public recreation and culture	112,728	13,871	126,599
Urban growth management	70,491	57,491	127,982
Debt service:			
Principal	--	87,367	87,367
Interest	--	61,862	61,862
Fees and commissions	--	13	13
Capital outlay-capital project funds	--	130,783	130,783
<b>Total expenditures</b>	<b>976,022</b>	<b>386,848</b>	<b>1,362,870</b>
Deficiency of revenues over expenditures	(143,738)	(32,534)	(176,272)
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of tax supported debt	--	130,665	130,665
Issuance of refunding bonds	--	54,970	54,970
Bond premiums	--	35,430	35,430
Payment to refunding bond escrow agent	--	(68,744)	(68,744)
Transfers in	166,688	55,852	222,540
Transfers out	(12,125)	(157,942)	(170,067)
<b>Total other financing sources (uses)</b>	<b>154,563</b>	<b>50,231</b>	<b>204,794</b>
Net change in fund balances	10,825	17,697	28,522
Fund balances at beginning of year	160,989	322,930	483,919
<b>Fund balances at end of year</b>	<b>\$ 171,814</b>	<b>340,627</b>	<b>512,441</b>

The accompanying notes are an integral part of the financial statements.

**Governmental Funds**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the year ended September 30, 2017**  
**(In thousands)**

**City of Austin, Texas**  
**Exhibit B-2.1**

Net change in fund balances - Governmental funds \$ 28,522

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	108,801	
Depreciation expense	(124,393)	
Loss on disposal of capital assets	<u>(3,104)</u>	(18,696)

Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.

Property taxes	220	
Charges for services	(1,524)	
Interest and other	179	
Capital asset contributions	<u>66,755</u>	65,630

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	(130,665)	
Principal repayment on long-term debt	87,367	
Issuance of refunding bonds	(54,970)	
Refunding bond premiums	(35,430)	
Payment to refunding bond escrow agent	<u>68,744</u>	(64,954)

Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Compensated absences	(2,708)	
Pensions	(111,858)	
Other postemployment benefits	(93,336)	
Interest and other	<u>12,820</u>	(195,082)

A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.

7,029

Change in net position - Governmental activities	<u><u>\$ (177,551)</u></u>
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The accompanying notes are an integral part of the financial statements.

**Proprietary Funds**  
**Statement of Net Position**  
**September 30, 2017**  
**(In thousands)**

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
<b>ASSETS</b>			
Current assets:			
Cash	\$ 22	5	3
Pooled investments and cash	398,583	187,932	7,514
Pooled investments and cash - restricted	36,904	52,101	19,172
Total pooled investments and cash	435,487	240,033	26,686
Investments - restricted	45,568	67,982	32,494
Cash held by trustee	--	668	--
Cash held by trustee - restricted	--	475	--
Working capital advances	3,659	--	--
Accounts receivable, net of allowance	125,605	70,370	5,462
Receivables from other governments	--	68	1
Receivables from other governments - restricted	5,022	--	867
Due from other funds	3,473	301	--
Inventories, at cost	76,326	1,937	1,835
Regulatory assets, net of accumulated amortization	4,821	48,064	--
Prepaid expenses	17,222	42	86
Other receivables - restricted	4	--	3,722
Other assets	12,377	--	1,124
Total current assets	729,586	429,945	72,280
Noncurrent assets:			
Cash - restricted	4,951	--	--
Pooled investments and cash - restricted	60,961	93,020	637,597
Advances to other funds	15,341	2,104	--
Advances to other funds - restricted	--	--	52
Investments - restricted	200,308	58,421	39,590
Investments held by trustee - restricted	213,923	1,600	--
Interest receivable - restricted	467	--	--
Depreciable capital assets, net	2,388,829	3,172,595	875,820
Nondepreciable capital assets	211,985	448,944	132,896
Derivative instruments - energy risk management	1,863	--	--
Regulatory assets, net of accumulated amortization	516,001	247,716	--
Other receivables - restricted	8,459	483	3,401
Other long-term assets	1,380	--	19,129
Total noncurrent assets	3,624,468	4,024,883	1,708,485
<b>Total assets</b>	<b>4,354,054</b>	<b>4,454,828</b>	<b>1,780,765</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	\$ 114,289	118,244	40,621

The accompanying notes are an integral part of the financial statements.



	<b>Business-Type Activities</b>		<b>Governmental</b>
	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Activities- Internal Service Funds</b>
<b>ASSETS</b>			
Current assets:			
Cash	32	62	11
Pooled investments and cash	339,984	934,013	152,918
Pooled investments and cash - restricted	13,170	121,347	--
Total pooled investments and cash	353,154	1,055,360	152,918
Investments - restricted	11,163	157,207	--
Cash held by trustee	--	668	--
Cash held by trustee - restricted	--	475	1,965
Working capital advances	--	3,659	--
Accounts receivable, net of allowance	20,027	221,464	10,200
Receivables from other governments	628	697	2,087
Receivables from other governments - restricted	89	5,978	--
Due from other funds	1,700	5,474	--
Inventories, at cost	2,519	82,617	2,296
Regulatory assets, net of accumulated amortization	--	52,885	--
Prepaid expenses	168	17,518	326
Other receivables - restricted	28	3,754	--
Other assets	--	13,501	--
Total current assets	389,508	1,621,319	169,803
Noncurrent assets:			
Cash - restricted	--	4,951	--
Pooled investments and cash - restricted	17,002	808,580	4,447
Advances to other funds	--	17,445	7
Advances to other funds - restricted	311	363	--
Investments - restricted	13,305	311,624	--
Investments held by trustee - restricted	--	215,523	--
Interest receivable - restricted	--	467	--
Depreciable capital assets, net	365,701	6,802,945	58,239
Nondepreciable capital assets	312,274	1,106,099	642
Derivative instruments - energy risk management	--	1,863	--
Regulatory assets, net of accumulated amortization	--	763,717	--
Other receivables - restricted	--	12,343	--
Other long-term assets	--	20,509	--
Total noncurrent assets	708,593	10,066,429	63,335
<b>Total assets</b>	<b>1,098,101</b>	<b>11,687,748</b>	<b>233,138</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
	69,517	342,671	107

The accompanying notes are an integral part of the financial statements.

(Continued)

**Proprietary Funds**  
**Statement of Net Position**  
**September 30, 2017**  
**(In thousands)**

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 82,662	3,680	2,097
Accounts and retainage payable from restricted assets	10,839	18,831	19,759
Accrued payroll	7,323	3,810	1,361
Accrued compensated absences	10,570	5,632	2,194
Claims payable	2,060	351	1
Due to other funds	--	--	162
Due to other funds payable from restricted assets	--	3,101	--
Due to other governments	3,347	--	5
Accrued interest payable from restricted assets	23,275	82,842	11,697
Interest payable on other debt	211	106	--
Bonds payable	--	--	21
Bonds payable from restricted assets	35,086	60,487	23,744
Capital lease obligations payable	54	--	--
Customer and escrow deposits payable from restricted assets	30,241	14,483	1,351
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	6,662	--	--
Other liabilities	921	2,630	1,822
Other liabilities payable from restricted assets	473	--	--
Total current liabilities	213,724	195,953	64,214
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	--	2	--
Claims payable	10	211	--
Advances from other funds	--	680	506
Advances from other funds payable from restricted assets	--	13,926	--
Capital appreciation bond interest payable	691	25,970	--
Commercial paper notes payable, net of discount	146,097	--	--
Bonds payable, net of discount and inclusive of premium	1,261,092	2,507,406	857,654
Net pension liability	273,451	146,090	46,242
Other postemployment benefits payable	148,262	95,976	26,194
Capital lease obligations payable	935	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	159,284	--	--
Derivative instruments - energy risk management	14,960	--	--
Derivative instruments - interest rate swaps	--	15,509	21,535
Other liabilities	32,647	1,067	--
Other liabilities payable from restricted assets	3,298	--	--
Total noncurrent liabilities	2,040,727	2,806,837	952,131
<b>Total liabilities</b>	<b>2,254,451</b>	<b>3,002,790</b>	<b>1,016,345</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	\$ 366,324	659,475	189,161

The accompanying notes are an integral part of the financial statements.

(Continued)

	<b>Business-Type Activities</b>		<b>Governmental</b>
	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Activities- Internal Service Funds</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	4,688	93,127	18,249
Accounts and retainage payable from restricted assets	4,984	54,413	--
Accrued payroll	5,574	18,068	6,072
Accrued compensated absences	7,664	26,060	9,003
Claims payable	--	2,412	26,353
Due to other funds	2,001	2,163	--
Due to other funds payable from restricted assets	--	3,101	--
Due to other governments	--	3,352	3
Accrued interest payable from restricted assets	899	118,713	10
Interest payable on other debt	555	872	--
Bonds payable	14,587	14,608	374
Bonds payable from restricted assets	12,955	132,272	--
Capital lease obligations payable	--	54	--
Customer and escrow deposits payable from restricted assets	6,559	52,634	1,758
Accrued landfill closure and postclosure costs	2,794	2,794	--
Decommissioning liability payable from restricted assets	--	6,662	--
Other liabilities	595	5,968	2,670
Other liabilities payable from restricted assets	388	861	--
Total current liabilities	64,243	538,134	64,492
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	285	287	165
Claims payable	--	221	22,743
Advances from other funds	2,879	4,065	--
Advances from other funds payable from restricted assets	--	13,926	--
Capital appreciation bond interest payable	--	26,661	--
Commercial paper notes payable, net of discount	--	146,097	--
Bonds payable, net of discount and inclusive of premium	223,726	4,849,878	2,775
Net pension liability	190,782	656,565	--
Other postemployment benefits payable	109,729	380,161	--
Capital lease obligations payable	--	935	--
Accrued landfill closure and postclosure costs	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	159,284	--
Derivative instruments - energy risk management	--	14,960	--
Derivative instruments - interest rate swaps	9,915	46,959	--
Other liabilities	--	33,714	--
Other liabilities payable from restricted assets	--	3,298	--
Total noncurrent liabilities	547,215	6,346,910	25,683
<b>Total liabilities</b>	<b>611,458</b>	<b>6,885,044</b>	<b>90,175</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
	245	1,215,205	1

The accompanying notes are an integral part of the financial statements.

(Continued)

**Proprietary Funds**  
**Statement of Net Position**  
**September 30, 2017**  
**(In thousands)**

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	<b>Business-Type Activities</b>		
	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 987,437	562,673	359,464
Restricted for:			
Bond reserve	10,268	21,832	2,719
Capital projects	26,558	37,269	171,176
Debt service	22,292	--	20,849
Operating reserve	--	37,651	14,874
Passenger facility charges	--	--	90,044
Renewal and replacement	12,386	--	10,000
Strategic reserve	186,718	--	--
Unrestricted	601,909	251,382	(53,246)
<b>Total net position</b>	<b>\$ 1,847,568</b>	<b>910,807</b>	<b>615,880</b>
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	20,138	11,557	4,055
Total net position - Business-type activities	<b>\$ 1,867,706</b>	<b>922,364</b>	<b>619,935</b>

The accompanying notes are an integral part of the financial statements.

(Continued)

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
<b>NET POSITION</b>			
Net investment in capital assets	448,666	2,358,240	55,732
Restricted for:			
Bond reserve	10,311	45,130	--
Capital projects	11,853	246,856	4,447
Debt service	10,460	53,601	--
Operating reserve	4,577	57,102	--
Passenger facility charges	--	90,044	--
Renewal and replacement	912	23,298	--
Strategic reserve	--	186,718	--
Unrestricted	69,136	869,181	82,890
<b>Total net position</b>	<b>555,915</b>	<b>3,930,170</b>	<b>143,069</b>
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	10,894	46,644	
Total net position - Business-type activities	<b>566,809</b>	<b>3,976,814</b>	

The accompanying notes are an integral part of the financial statements.

**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the year ended September 30, 2017**  
**(In thousands)**

	<b>Business-Type Activities</b>		
	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>
<b>OPERATING REVENUES</b>			
Utility services	\$ 1,362,132	599,080	--
User fees and rentals	--	--	149,333
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
<b>Total operating revenues</b>	<b>1,362,132</b>	<b>599,080</b>	<b>149,333</b>
<b>OPERATING EXPENSES</b>			
Operating expenses before depreciation	1,063,029	259,730	102,885
Depreciation and amortization	162,930	121,521	26,667
<b>Total operating expenses</b>	<b>1,225,959</b>	<b>381,251</b>	<b>129,552</b>
<b>Operating income (loss)</b>	<b>136,173</b>	<b>217,829</b>	<b>19,781</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and other revenues	6,771	2,172	3,907
Interest on revenue bonds and other debt	(59,261)	(104,589)	(30,058)
Interest capitalized during construction	--	--	1,893
Passenger facility charges	--	--	29,100
Cost (recovered) to be recovered in future years	15,228	(19,897)	--
Other nonoperating revenue (expense)	(12,922)	1,482	(1,859)
<b>Total nonoperating revenues (expenses)</b>	<b>(50,184)</b>	<b>(120,832)</b>	<b>2,983</b>
<b>Income (loss) before contributions and transfers</b>	<b>85,989</b>	<b>96,997</b>	<b>22,764</b>
Capital contributions	43,981	74,686	14,751
Transfers in	2,122	13	--
Transfers out	(115,582)	(51,215)	(33)
<b>Change in net position</b>	<b>16,510</b>	<b>120,481</b>	<b>37,482</b>
<b>Total net position, beginning</b>	<b>1,831,058</b>	<b>790,326</b>	<b>578,398</b>
<b>Total net position, ending</b>	<b>\$ 1,847,568</b>	<b>910,807</b>	<b>615,880</b>
Reconciliation to government-wide Statement of Activities			
Change in net position	16,510	120,481	37,482
Adjustment to consolidate internal service activities	5,164	2,773	1,298
<b>Change in net position - Business-type activities</b>	<b>\$ 21,674</b>	<b>123,254</b>	<b>38,780</b>

The accompanying notes are an integral part of the financial statements.

	<b>Business-Type Activities</b>		<b>Governmental</b>
	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Activities- Internal Service Funds</b>
<b>OPERATING REVENUES</b>			
Utility services	--	1,961,212	--
User fees and rentals	360,614	509,947	--
Billings to departments	--	--	435,349
Employee contributions	--	--	44,224
Operating revenues from other governments	--	--	4,410
Other operating revenues	--	--	13,307
<b>Total operating revenues</b>	<u>360,614</u>	<u>2,471,159</u>	<u>497,290</u>
<b>OPERATING EXPENSES</b>			
Operating expenses before depreciation	340,354	1,765,998	447,796
Depreciation and amortization	28,774	339,892	11,599
<b>Total operating expenses</b>	<u>369,128</u>	<u>2,105,890</u>	<u>459,395</u>
<b>Operating income (loss)</b>	<u>(8,514)</u>	<u>365,269</u>	<u>37,895</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and other revenues	1,951	14,801	19
Interest on revenue bonds and other debt	(9,288)	(203,196)	(136)
Interest capitalized during construction	1,003	2,896	--
Passenger facility charges	--	29,100	--
Cost (recovered) to be recovered in future years	--	(4,669)	--
Other nonoperating revenue (expense)	(6,464)	(19,763)	(6,483)
<b>Total nonoperating revenues (expenses)</b>	<u>(12,798)</u>	<u>(180,831)</u>	<u>(6,600)</u>
<b>Income (loss) before contributions and transfers</b>	<u>(21,312)</u>	<u>184,438</u>	<u>31,295</u>
Capital contributions	4,046	137,464	4,812
Transfers in	139,200	141,335	2,929
Transfers out	(10,053)	(176,883)	(19,854)
<b>Change in net position</b>	<u>111,881</u>	<u>286,354</u>	<u>19,182</u>
<b>Total net position, beginning</b>	<u>444,034</u>	<u>3,643,816</u>	<u>123,887</u>
<b>Total net position, ending</b>	<u>555,915</u>	<u>3,930,170</u>	<u>143,069</u>
Reconciliation to government-wide Statement of Activities			
Change in net position	111,881	286,354	
Adjustment to consolidate internal service activities	2,918	12,153	
Change in net position - Business-type activities	<u>114,799</u>	<u>298,507</u>	

The accompanying notes are an integral part of the financial statements.

**Proprietary Funds**  
**Statement of Cash Flows**  
**For the year ended September 30, 2017**  
**(In thousands)**

	<b>Business-Type Activities</b>		
	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 1,393,118	587,403	141,806
Cash received from other funds	30,641	8,671	--
Cash payments to suppliers for goods and services	(789,476)	(51,546)	(28,931)
Cash payments to other funds	(51,509)	(69,979)	(26,603)
Cash payments to employees for services	(204,609)	(108,576)	(39,106)
Cash payments to claimants/beneficiaries	(144)	(283)	--
Taxes collected and remitted to other governments	(41,880)	--	--
<b>Net cash provided by operating activities</b>	<b>336,141</b>	<b>365,690</b>	<b>47,166</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	1,036	--	--
Transfers out	(115,495)	(46,905)	--
Collections from other sources	--	668	--
Loans to other funds	(459)	--	(1)
Loans from other funds	--	--	--
Loan repayments to other funds	--	(297)	(178)
Loan repayments from other funds	339	301	--
Collections from other governments	2,880	1,673	940
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(111,699)</b>	<b>(44,560)</b>	<b>761</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from the sale of commercial paper notes	58,351	82,830	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	--	--
Proceeds from the sale of revenue bonds	--	20,430	314,965
Principal paid on long-term debt	(44,625)	(103,299)	(21,964)
Proceeds from the sale of capital assets	1,527	--	--
Interest paid on revenue bonds and other debt	(60,613)	(141,519)	(26,027)
Passenger facility charges	--	--	25,378
Acquisition and construction of capital assets	(159,586)	(148,355)	(116,503)
Contributions from state and federal governments	--	116	14,350
Contributions in aid of construction	43,981	29,948	401
Bond issuance costs	(983)	(2,246)	(2,545)
Bond premiums	12,320	62,394	44,459
Cash paid for bond defeasance	--	(21,317)	--
Bonds issued for advanced refundings of debt	101,570	311,100	--
Cash paid for bond refunding escrow	(114,060)	(249,582)	--
Cash paid to payoff commercial paper	--	(125,000)	--
Cash paid for nuclear fuel inventory	(13,671)	--	--
<b>Net cash provided (used) by capital and related financing activities</b>	<b>\$ (175,789)</b>	<b>(284,500)</b>	<b>232,514</b>

The accompanying notes are an integral part of the financial statements.



	<b>Business-Type Activities</b>		<b>Governmental</b>
	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Activities- Internal Service Funds</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	356,747	2,479,074	58,265
Cash received from other funds	3,646	42,958	435,349
Cash payments to suppliers for goods and services	(76,545)	(946,498)	(75,708)
Cash payments to other funds	(66,086)	(214,177)	(24,052)
Cash payments to employees for services	(159,349)	(511,640)	(171,679)
Cash payments to claimants/beneficiaries	--	(427)	(171,635)
Taxes collected and remitted to other governments	--	(41,880)	--
<b>Net cash provided by operating activities</b>	<b>58,413</b>	<b>807,410</b>	<b>50,540</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	128,310	129,346	2,370
Transfers out	(3,298)	(165,698)	(18,670)
Collections from other sources	--	668	--
Loans to other funds	(3)	(463)	--
Loans from other funds	118	118	--
Loan repayments to other funds	(333)	(808)	--
Loan repayments from other funds	94	734	--
Collections from other governments	810	6,303	--
<b>Net cash provided (used) by noncapital financing activities</b>	<b>125,698</b>	<b>(29,800)</b>	<b>(16,300)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from the sale of commercial paper notes	--	141,181	--
Proceeds from the sale of general obligation bonds and other tax supported debt	(119)	(119)	--
Proceeds from the sale of revenue bonds	--	335,395	--
Principal paid on long-term debt	(26,871)	(196,759)	(485)
Proceeds from the sale of capital assets	--	1,527	--
Interest paid on revenue bonds and other debt	(9,856)	(238,015)	(154)
Passenger facility charges	--	25,378	--
Acquisition and construction of capital assets	(55,540)	(479,984)	(8,425)
Contributions from state and federal governments	30	14,496	--
Contributions in aid of construction	3,094	77,424	--
Bond issuance costs	(130)	(5,904)	--
Bond premiums	--	119,173	--
Cash paid for bond defeasance	--	(21,317)	--
Bonds issued for advanced refundings of debt	29,080	441,750	--
Cash paid for bond refunding escrow	(28,924)	(392,566)	--
Cash paid to payoff commercial paper	--	(125,000)	--
Cash paid for nuclear fuel inventory	--	(13,671)	--
<b>Net cash provided (used) by capital and related financing activities</b>	<b>(89,236)</b>	<b>(317,011)</b>	<b>(9,064)</b>

The accompanying notes are an integral part of the financial statements.

(Continued)

**Proprietary Funds**  
**Statement of Cash Flows**  
**For the year ended September 30, 2017**  
**(In thousands)**

	<b>Business-Type Activities</b>		
	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investment securities	\$ (208,793)	(209,973)	(81,184)
Proceeds from sale and maturities of investment securities	213,719	248,753	49,301
Interest on investments	4,891	2,172	3,671
<b>Net cash provided (used) by investing activities</b>	<b>9,817</b>	<b>40,952</b>	<b>(28,212)</b>
Net increase (decrease) in cash and cash equivalents	58,470	77,582	252,229
Cash and cash equivalents, beginning	442,951	256,619	412,057
<b>Cash and cash equivalents, ending</b>	<b>501,421</b>	<b>334,201</b>	<b>664,286</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	136,173	217,829	19,781
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	162,930	121,521	26,667
Change in assets and liabilities:			
Increase in working capital advances	(1,677)	--	--
(Increase) decrease in accounts receivable	19,264	(3,585)	(3,215)
Increase (decrease) in allowance for doubtful accounts	213	(824)	191
Increase in receivables from other governments	--	--	--
Decrease in due from other funds	--	--	--
(Increase) decrease in inventory	3,183	404	(20)
(Increase) decrease in prepaid expenses and other assets	6,948	(20)	(57)
Increase in deferred outflows related to operations	17,485	9,479	2,513
Decrease in advances to other funds	--	--	--
Decrease in other long-term assets	18,450	--	--
Increase (decrease) in accounts payable	10,472	(734)	(387)
Increase in accrued payroll and compensated absences	1,063	429	424
Increase (decrease) in claims payable	2,070	562	--
Decrease in due to other governments	--	--	--
Decrease in due to other funds	--	--	--
Increase in net pension liability	7,093	3,933	1,974
Increase in other postemployment benefits payable	19,847	12,726	4,259
Increase (decrease) in other liabilities	(26,518)	2,567	(461)
Increase in customer deposits	727	1,403	591
Decrease in deferred inflows related to operations	(41,582)	--	(5,094)
<b>Total adjustments</b>	<b>199,968</b>	<b>147,861</b>	<b>27,385</b>
<b>Net cash provided by operating activities</b>	<b>\$ 336,141</b>	<b>365,690</b>	<b>47,166</b>

The accompanying notes are an integral part of the financial statements.

(Continued)

	<b>Business-Type Activities</b>		<b>Governmental Activities-</b>
	<b>Nonmajor Enterprise Funds</b>	<b>Total</b>	<b>Internal Service Funds</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investment securities	(18,747)	(518,697)	--
Proceeds from sale and maturities of investment securities	18,262	530,035	--
Interest on investments	1,951	12,685	20
<b>Net cash provided (used) by investing activities</b>	<b>1,466</b>	<b>24,023</b>	<b>20</b>
Net increase (decrease) in cash and cash equivalents	96,341	484,622	25,196
Cash and cash equivalents, beginning	273,847	1,385,474	134,145
<b>Cash and cash equivalents, ending</b>	<b>370,188</b>	<b>1,870,096</b>	<b>159,341</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	(8,514)	365,269	37,895
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	28,774	339,892	11,599
Change in assets and liabilities:			
Increase in working capital advances	--	(1,677)	--
(Increase) decrease in accounts receivable	(539)	11,925	(958)
Increase (decrease) in allowance for doubtful accounts	(328)	(748)	--
Increase in receivables from other governments	--	--	(1,747)
Decrease in due from other funds	--	--	1,005
(Increase) decrease in inventory	526	4,093	(459)
(Increase) decrease in prepaid expenses and other assets	(48)	6,823	216
Increase in deferred outflows related to operations	10,541	40,018	24
Decrease in advances to other funds	--	--	35
Decrease in other long-term assets	--	18,450	--
Increase (decrease) in accounts payable	(907)	8,444	1,823
Increase in accrued payroll and compensated absences	1,298	3,214	666
Increase (decrease) in claims payable	--	2,632	(242)
Decrease in due to other governments	--	--	(1)
Decrease in due to other funds	--	--	(1,005)
Increase in net pension liability	8,720	21,720	--
Increase in other postemployment benefits payable	17,585	54,417	--
Increase (decrease) in other liabilities	657	(23,755)	214
Increase in customer deposits	648	3,369	1,475
Decrease in deferred inflows related to operations	--	(46,676)	--
<b>Total adjustments</b>	<b>66,927</b>	<b>442,141</b>	<b>12,645</b>
<b>Net cash provided by operating activities</b>	<b>58,413</b>	<b>807,410</b>	<b>50,540</b>

The accompanying notes are an integral part of the financial statements.

(Continued)

**Proprietary Funds**  
**Statement of Cash Flows**  
**For the year ended September 30, 2017**  
**(In thousands)**

	<b>Business-Type Activities</b>		
	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Capital appreciation bonds interest accreted	\$ (260)	(7,644)	--
Capital assets contributed from other funds	--	104	--
Capital assets contributed to other funds	(160)	--	--
Capital assets acquired through service concession arrangements	--	--	27,490
Contributed facilities	--	44,518	--
Increase in the fair value of investments	(3,006)	--	--
Amortization of bond (discounts) premiums	6,783	15,255	2,617
Amortization of deferred gain (loss) on refundings	(5,332)	(5,575)	(890)
Gain (loss) on disposal of assets	(8,051)	(14)	(33)
Costs (recovered) to be recovered	15,228	(19,897)	--
Transfers from other funds	1,086	13	--
Transfers to other funds	(87)	(4,310)	(33)
Capitalized interest	--	--	1,893

The accompanying notes are an integral part of the financial statements.

(Continued)

	Business-Type Activities		Governmental
	Nonmajor		Activities-
	Enterprise		Internal Service
	Funds	Total	Funds
NONCASH INVESTING, CAPITAL AND FINANCING			
ACTIVITIES:			
Capital appreciation bonds interest accreted	--	(7,904)	--
Capital assets contributed from other funds	922	1,026	11,587
Capital assets contributed to other funds	(6,011)	(6,171)	(399)
Capital assets acquired through service concession arrangements	--	27,490	--
Contributed facilities	--	44,518	--
Increase in the fair value of investments	--	(3,006)	--
Amortization of bond (discounts) premiums	1,823	26,478	41
Amortization of deferred gain (loss) on refundings	(1,849)	(13,646)	(24)
Gain (loss) on disposal of assets	(828)	(8,926)	(22)
Costs (recovered) to be recovered	--	(4,669)	--
Transfers from other funds	10,890	11,989	559
Transfers to other funds	(6,755)	(11,185)	(1,184)
Capitalized interest	1,003	2,896	--

The accompanying notes are an integral part of the financial statements.

**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**September 30, 2017**  
(In thousands)

**City of Austin, Texas**  
**Exhibit D-1**

	<b>Private-purpose Trust</b>	<b>Agency</b>
<b>ASSETS</b>		
Pooled investments and cash	\$ 2,085	2,098
Investments held by trustee	--	3,863
Other assets	200	--
<b>Total assets</b>	<b>2,285</b>	<b>5,961</b>
<b>LIABILITIES</b>		
Accounts payable	--	55
Due to other governments	--	1,469
Deposits and other liabilities	1,469	4,437
<b>Total liabilities</b>	<b>1,469</b>	<b>5,961</b>
<b>NET POSITION</b>		
Held in trust	816	
<b>Total net position</b>	<b>\$ 816</b>	

The accompanying notes are an integral part of the financial statements.

**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the year ended September 30, 2017**  
**(In thousands)**

**City of Austin, Texas**  
**Exhibit D-2**

	<u>Private-Purpose Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 1,744
Interest and other	15
<b>Total additions</b>	<u>1,759</u>
 <b>DEDUCTIONS</b>	
Benefit payments	<u>1,655</u>
<b>Total deductions</b>	<u>1,655</u>
<b>Net additions (deductions)</b>	104
 <b>Total net position, beginning</b>	<u>712</u>
<b>Total net position, ending</b>	<u><u>\$ 816</u></u>

The accompanying notes are an integral part of the financial statements.

## 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Austin, Texas (the City) is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government. The City Council is composed of a Mayor who is elected at large and ten Councilmembers who are elected by geographic district, all of whom serve four-year staggered terms subject to a maximum of two consecutive terms. A petition signed by 5% of the registered voters waives the term limit for a member of the City Council.

The City's major activities or programs include general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; and urban growth management. In addition, the City owns and operates certain major enterprise activities including an electric utility, water and wastewater utility, airport, and non-major enterprise activities including convention, environmental and health services, public recreation, and urban growth management activities. These activities are included in the accompanying financial statements.

The City of Austin's charter requires an annual audit by an independent certified public accountant. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 74, No. 76 through No. 80, and No. 82. In fiscal year 2017, the City implemented the following GASB Statements:

<b>GASB Statement</b>	<b>Impact</b>
74 – <i>“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”</i>	This statement is directed at administrators of stand-alone postemployment benefit plans and as such does not apply to the City. The companion statement, GASB Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other than Pensions</i> , is effective for the City in fiscal year 2018. The City is assessing the impact of GASB Statement No. 75 on its financial report.
77 – <i>“Tax Abatement Disclosures”</i>	This statement establishes financial reporting standards for tax abatement agreements entered into by state and local governments that result in a reduction of revenue. This statement requires additional information be disclosed in the notes to the financial statements. See Note 13.
78 – <i>“Pensions Provided through Certain Multiple-Employer Defined Benefit Plans”</i>	This statement does not apply to the City as this statement is directed at multiple-employer plans. The City's pension plans are single-employer plans.
80 – <i>“Blending Requirements for Certain Component Units”</i>	This statement amends the blending requirements of component units by adding an additional criterion requiring blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The implementation of this standard had no impact on amounts reported in the financial statements.

The more significant accounting and reporting policies and practices used by the City are described below.

As a local government, the City is not subject to federal income taxes, under the Internal Revenue Code Section 115. Furthermore, it is not subject to state sales tax.

### a -- Reporting Entity

These financial statements present the City's primary government, its component units, and other entities for which the City is considered financially accountable. Blended component units, although legally separate entities, are in substance, part of the City's operations; therefore, data from these units are combined with data of the City. Discrete component units are legally separate entities that are not considered part of the City's operations; therefore, data from these units are shown separately from data of the City.



**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**a -- Reporting Entity, continued**

**Blended Component Units** – Following are the City's blended component units.

Blended Component Units  
The Austin Housing Finance Corporation (AHFC)

Brief Description of Activities, Relationship to City, and Key Inclusion Criteria  
AHFC was created in 1979 as a public, nonprofit corporation and instrumentality of the City under the provisions of the Texas Housing Finance Corporation Act, Chapter 394, and Local Government Code. The mission of the AHFC is to generate and implement strategic housing solutions for the benefit of low- and moderate- income residents of the City. AHFC is governed by a board composed of the City Council. In addition, City management has operational responsibilities for this component unit.

Reporting Fund: Housing Assistance Fund, a nonmajor special revenue fund

Urban Renewal Agency (URA)

URA was created by the City under Chapter 374 of the Texas Local Government Code. The Mayor, with consent of the City Council, appoints the board of commissioners for this agency, whose primary responsibility is to oversee the implementation and compliance of urban renewal plans adopted by the City Council. An urban renewal plan's primary purpose is to eliminate slum and blighting influence within a designated area of the city. City Council maintains the ability to impose its will on the organization. URA exclusively receives financial support/benefits from its relationship with the City.

Reporting Fund: Urban Renewal Agency fund, a nonmajor special revenue fund

Austin Industrial Development Corporation (AIDC)

AIDC was created under the Texas Development Corporation Act of 1979 to provide a means of extending tax-exempt financing to projects that are deemed to have substantial social benefit through the creation of commercial, industrial, and manufacturing enterprises, in order to promote and encourage employment in the City. City Council acts as the board of directors of the corporation. In addition, City management has operational responsibilities for this component unit.

Reporting Fund: Austin Industrial Development Corporation Fund, a nonmajor special revenue fund

Mueller Local Government Corporation (MLGC)

MLGC is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. MLGC was created for the purpose of financing infrastructure projects required for the development of the former site of Mueller Airport. City Council acts as the board of directors of the corporation. Members of the City staff serve as officers of the corporation and have operational responsibilities for this component unit.

Reporting Fund: Mueller Local Government Corporation, a nonmajor special revenue fund

Austin-Bergstrom International Airport (ABIA) Development Corporation

ABIA Development Corporation is governed by a board composed of the City Council. The entity has no day-to-day operations. Its existence relates only to the authorization for issuance of industrial revenue bonds or to other similar financing arrangements in accordance with the Texas Development Corporation Act of 1979. To date, none of the bonds issued constitute a liability of ABIA Development Corporation or the City. In addition, City management has operational responsibilities for this component unit.

There is no financial activity to report related to this component unit.

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**a -- Reporting Entity, continued**

**Discretely Presented Component Units** – Following are the City's discretely presented component units. Financial statements for these entities can be requested from the addresses located below.

Discretely Presented Component Units  
Austin-Bergstrom Landhost Enterprises,  
Inc. (ABLE)  
2716 Spirit of Texas Drive  
Austin, TX 78719

Description of Activities, Relationship to City, and Key Inclusion Criteria  
ABLE is a legally separate entity that issues revenue bonds for the purpose of financing the cost of acquiring, improving, and equipping a full-service hotel on airport property. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ABLE does not constitute a debt or pledge of the faith and credit of the City.

Austin Convention Enterprises, Inc.  
(ACE)  
500 East 4th Street  
Austin, TX 78701

ACE is a legally separate entity that owns, operates, and finances the Austin Convention Center Hotel. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ACE does not constitute a debt or pledge of the faith and credit of the City.

Waller Creek Local Government  
Corporation (WCLGC)  
124 W. 8<sup>th</sup> Street  
Austin, TX 78701

WCLGC is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of WCLGC is implementing the financing, design, construction, maintenance and operation of certain public improvements located within or around the Waller Creek Redevelopment Project district. City Council appoints a voting majority of the board of directors of the WCLGC and maintains a contractual ability to remove board members at will.

There is no financial activity to report related to this component unit.

**Related Organizations** -- The City Council appoints the voting majority of the board members, but the City has no significant financial accountability for the Austin Housing Authority. The Mayor appoints the persons to serve as commissioners of this organization; however, this entity is separate from the operating activities of the City.

The City of Austin retirement plans (described in Note 7) and the City of Austin Deferred Compensation Plan are not included in the City's reporting entity since the City does not exercise substantial control over these plans.

Related organizations are not included in the City's reporting entity.

**b -- Government-wide and Fund Financial Statements**

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all governmental and business-type activities of the primary government and its component units. Fiduciary activities are not included in the government-wide statements. Internal service fund asset, deferred outflow of resources, liability, and deferred inflow of resources balances that are not eliminated in the statement of net position are primarily reported in the governmental activities column on the government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

The accounts of the City are organized on the basis of funds. The fund level statements focus on the governmental, proprietary, and fiduciary funds. Each fund was established to account for specific activities in accordance with applicable regulations, restrictions, or limitations. Major funds are determined by criteria specified by GAAP. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are aggregated into nonmajor governmental, nonmajor enterprise, or internal service fund groupings. A reconciliation of the fund financial statements to the government-wide statements is provided in the financial statements to explain the differences between the two different reporting approaches.

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**b -- Government-wide and Fund Financial Statements, continued**

The City's fiduciary funds are presented in the fund financial statements by type (private-purpose and agency). By definition, fiduciary fund assets are held for the benefit of a third party and cannot be used to address activities or obligations of the primary government; therefore, they are not included in the government-wide statements.

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

**c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e. both measurable and available). Revenues, other than grants, are considered available when they are collectible within the current period or soon enough thereafter to liquidate liabilities of the current period (defined by the City as collected within 60 days of the end of the fiscal year). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed or when all eligibility requirements of the provider have been met, and they are considered to be available if expected to be collected within one year. Expenditures generally are recorded when incurred. However, expenditures related to compensated absences and arbitrage are recorded when payment is due. Debt service expenditures are recognized when payment is due. The reported fund balance of governmental funds is considered a measure of available spendable resources.

Property taxes, sales taxes, franchise taxes, hotel occupancy taxes, vehicle rental taxes, municipal court fines, development permits and inspections, building safety permits and inspections, public health charges, emergency medical service charges, and interest associated with the current fiscal period are all considered to be susceptible to accrual and, to the extent they are considered available, have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available in the fiscal period the City receives cash.

Governmental Funds: Consist of the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

The City reports the following major governmental fund:

General Fund: The primary operating fund of the City. It is used to account for all financial resources that are not required to be accounted for in another fund. It includes the following activities: general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; and urban growth management.

In addition, the City reports the following nonmajor governmental funds:

Special Revenue Funds: Account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds: Account for and report financial resources, and the accumulation of those financial resources, that are restricted, committed, or assigned to expenditure for principal and interest of general long-term debt and HUD Section 108 loans.

Capital Projects Funds: Account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those reported within proprietary funds). It is primarily funded by general obligation debt, other tax supported debt, interest income, and other intergovernmental revenues. A 1981 ordinance requires the establishment of a separate fund for each bond proposition approved in each bond election.

Permanent Funds: Account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**

**c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued**

Proprietary Funds: Consist of enterprise funds and internal service funds. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing electric or water-wastewater services. Other revenues or expenses are nonoperating items.

Enterprise Funds: Account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges.

The City reports the following major enterprise funds:

Austin Energy™: Accounts for the activities of the City-owned electric utility.

Austin Water Utility: Accounts for the activities of the City-owned water and wastewater utility.

Airport: Accounts for the operations of the Austin-Bergstrom International Airport.

The City reports the following nonmajor business-type activities in Exhibit A-2:

Convention: Accounts for convention center and public events activities.

Environmental and health services: Accounts for solid waste services activities.

Public recreation: Accounts for golf activities.

Urban growth management: Accounts for drainage and transportation activities.

Internal Service Funds: Account for the financing of goods or services provided by one City department or agency to other City departments or to other governmental units on a cost-reimbursement basis. These activities include, but are not limited to, capital projects management, combined emergency center operations, employee health benefits, fleet services, information services, liability reserve (City-wide self-insurance) services, support services, wireless communication services, and workers' compensation coverage.

Fiduciary Funds: Account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governments:

Private-purpose Trust Funds: Account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. Private-purpose trust funds account for various purposes: general government; transportation, planning, and sustainability; public recreation and culture; and urban growth management.

Agency Funds: Account for resources held by the City in a custodial capacity for permit fees; campaign financing donations and fees; Municipal Court service fees; debt service payments for special assessment debt; and escrow deposits and payments to loan recipients.

**d -- Budget**

The City Manager is required by the City Charter to present a proposed operating and capital budget to the City Council no later than thirty days before the beginning of the new fiscal year. The final budget shall be adopted no later than the twenty-seventh day of the last month of the preceding fiscal year. During the final adoption process, the City Council passes an appropriation ordinance and a tax-levying ordinance.

Annual budgets are legally adopted for the General Fund, certain special revenue funds, and debt service funds. Annual budgets are also adopted for enterprise and internal service funds, although they are not legally required. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the projects, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment. Certain employee training and other fund-level expenditures are budgeted as general city responsibilities.

Formal budgetary control is employed during the year at the fund and department level as a management control device for annual budgeted funds.

Budgets are modified throughout the year. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council approves amendments to the budget and transfers of appropriations from one fund and department to another. The original and final budgets for the General Fund are reported in the required supplementary information. Unencumbered appropriations for annual budgets lapse at fiscal year end.

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**e -- Financial Statement Elements**

**Pooled Investments and Cash** -- Cash balances of all City funds (except for certain funds shown in Note 3 as having non-pooled investments) are pooled and invested. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that carry a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

**Investments** -- Certain investments are required to be reported at fair value. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments in U.S. government and agency debt securities at fair value and money market mutual funds at amortized cost. Investments in local government investment pools are carried at either net asset value (NAV) or at amortized cost.

**Accounts Receivable** -- Balances of accounts receivable, reported on the government-wide statement of net position, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of September 30, 2017 (in thousands):

	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
<b>Governmental activities</b>				
Charges for Services	\$ 282,504	658	10,200	293,362
Fines	18,510	81	--	18,591
Taxes	46,584	22,332	--	68,916
Other Governments	--	3,988	--	3,988
Other	--	2,708	--	2,708
Allowance for doubtful accounts	(286,057)	(1,264)	--	(287,321)
Total	<u>\$ 61,541</u>	<u>28,503</u>	<u>10,200</u>	<u>100,244</u>

Receivables reported in business-type activities are primarily comprised of charges for services.

	Austin Energy	Austin Water	Airport	Nonmajor enterprise	Total
Accounts Receivable	\$ 134,068	72,808	7,260	21,636	235,772
Allowance for doubtful accounts	(8,463)	(2,438)	(1,798)	(1,609)	(14,308)
Total	<u>\$ 125,605</u>	<u>70,370</u>	<u>5,462</u>	<u>20,027</u>	<u>221,464</u>

**Elimination of Internal Activities** -- The elimination of internal service fund activity is needed in order to eliminate duplicate activity in making the transition from the fund level financial statements to the government-wide financial statements. In addition, the elimination of internal service fund activity requires the City to "look back" and adjust the internal service funds' internal charges. A positive change in net position derived from internal service fund activity results in a pro-rata reduction in the charges made to the participatory funds. A deficit change in net position of internal service funds requires a pro-rata increase in the amounts charged to the participatory funds.

**Internal Balances** -- In the government-wide statement of net position, internal balances are the receivables and payables between the governmental and business-type activities.

**Interfund Receivables and Payables** -- During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund-level statements when they are expected to be liquidated within one year. If receivables or payables are not expected to be liquidated within one year, they are classified as "advances to other funds" or "advances from other funds."

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**e -- Financial Statement Elements, continued**

**Inventories** -- Inventories are valued at cost, which is determined as follows:

<b>Fund</b>	<b>Inventory Valuation Method</b>
General Fund	Average cost; postage first-in, first-out
Austin Energy	
Fuel oil	Last-in, first-out
Other inventories	Average cost
All others	Average cost

Inventories for all funds are accounted for using the consumption method and expenditures are recorded when issued. Inventories reported in the General Fund are offset by an equal amount in nonspendable fund balance, which indicates that they do not represent “available spendable resources.”

**Restricted Assets** -- Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Since Austin Energy and Austin Water Utility report in accordance with accounting for regulated operations, enabling legislation also includes restrictions on asset use established by its governing board which is the City Council. Restricted assets used to repay maturing debt and other current liabilities are classified as current.

The balances of restricted assets in the enterprise funds are as follows (in thousands):

	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>	<b>Nonmajor Enterprise</b>	<b>Total Restricted Assets</b>
Capital projects	\$ 45,517	93,853	512,644	16,921	668,935
Customer and escrow deposits	30,241	14,926	1,351	6,257	52,775
Debt service	45,568	67,982	67,601	11,474	192,625
Environmental and landfill	--	--	--	81	81
Federal grants	11,431	--	868	89	12,388
Operating reserve account	--	37,651	14,874	5,712	58,237
Passenger facility charge account	--	--	90,044	--	90,044
Plant decommissioning	220,391	--	--	--	220,391
Renewal and replacement account	12,386	--	10,000	1,229	23,615
Revenue bond reserve	24,315	59,670	39,513	13,305	136,803
Strategic reserve	186,718	--	--	--	186,718
	<u>\$ 576,567</u>	<u>274,082</u>	<u>736,895</u>	<u>55,068</u>	<u>1,642,612</u>

**Capital Assets** -- Capital assets, which primarily include land and improvements, buildings and improvements, plant and equipment, vehicles, water rights, and infrastructure assets, are reported in the proprietary funds and the applicable governmental or business-type activity columns of the government-wide statement of net position; related depreciation or amortization is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of \$5,000 or more and an estimated useful life of greater than one year. Assets purchased, internally generated, or constructed are capitalized at historical cost. Contributed or annexed capital assets are recorded at estimated fair value at the time received. Capital outlay is recorded as an expenditure in the General Fund and other governmental funds and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred. Improvements and betterments that extend the useful lives of capital assets or increase their value are capitalized in the government-wide and proprietary statement of net position and expended in governmental funds.

The City obtains public domain capital assets (infrastructure) through capital improvement projects (CIP) construction or through annexation or developer contribution. Infrastructure assets include streets and roads, bridges, pedestrian facilities, drainage systems, and traffic signal systems acquired after September 30, 1980.

Interest is not capitalized on governmental capital assets. Enterprise funds, with the exception of Austin Energy and Austin Water Utility, capitalize interest paid on long-term debt when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by the bond proceeds issued to fund the project. Interest is not capitalized on Austin Energy and Austin Water Utility assets in accordance with accounting for regulated operations.

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**e -- Financial Statement Elements, continued**

Capital assets, except for nuclear fuel, are depreciated or amortized using the straight-line method over the following estimated useful lives (in years):

Assets	Governmental Activities (1)	Austin Energy	Business-type Activities		
			Austin Water Utility	Airport	Nonmajor Enterprise
Buildings and improvements	5-40	--	15-50	15-40	12-40
Plant and equipment	5-50	--	5-60	4-50	5-40
Vehicles	3-20	3-15	3-20	3-20	3-30
Electric plant	--	3-50	--	--	--
Non-electric plant	--	3-30	--	--	--
Communication equipment	7-15	--	7	7	7
Furniture and fixtures	12	--	12	12	12
Computers and EDP equipment	3-7	--	3-7	3-7	3-7
Nuclear fuel	--	(2)	--	--	--
Water rights	--	--	101	--	--
Infrastructure					
Streets and roads	30	--	--	--	--
Bridges	50	--	--	--	--
Drainage systems	50	--	--	--	--
Pedestrian facilities	20	--	--	--	--
Traffic signals	25	--	--	--	--

(1) Includes internal service funds

(2) Nuclear fuel is amortized over units of production

Depreciation of assets is classified by functional component. The City considers land, arts and treasures, and library collections to be inexhaustible; therefore, these assets are reported as nondepreciable. The true value of arts and treasures is expected to be maintained over time and, thus, is not depreciated. The initial investment of library collections for each library is capitalized. All subsequent expenditures related to the maintenance of the collection (replacement of individual items) are expensed, with the overall value of the collection being maintained, and therefore, not depreciated.

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Water rights represent the amortized cost of a \$100 million contract, net of accumulated amortization of \$17.8 million, between the City and the Lower Colorado River Authority (LCRA) for a fifty-one year assured water supply agreement, with an option to extend another fifty years. The City and the LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

**Regulatory Assets --** In accordance with accounting for regulated operations, certain utility expenses that do not currently require funding are recorded as assets and amortized over future periods if they are intended to be recovered through future rates. These expenses include unrealized gain/loss on investments, debt issuance costs, pension, other postemployment benefits, interest, decommissioning, and pass-through rates, such as the Power Supply Adjustment charge, Community Benefit charge, and Regulatory charge. Regulatory Assets will be recovered in these future periods by setting rates sufficient to provide funds for the requirements. If regulatory assets are not recoverable in future rates, the regulatory asset will be subject to write off. Retail deregulation of electric rates in the future may affect the City's current accounting treatment of its electric utility revenues and expenses.

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**e -- Financial Statement Elements, continued**

**Deferred Outflows (Inflows) of Resources --** Deferred outflows of resources represent the consumption of net position that are applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent the acquisition of net position that have a negative effect on net position, similar to liabilities.

The following chart reflects the activities included in deferred outflows and inflows (in thousands).

Activities	Category and explanation	Deferred Outflows		Deferred Inflows	
		Governmental Activities	Business-type Activities	Governmental Activities	Business-type Activities
Derivative instruments	<b>Deferred outflows or inflows.</b> Derivative instruments are reported in the statement of net position at fair value. Changes in fair value of hedging derivative instruments are recognized through the application of hedge accounting as either deferred outflows or inflows in the statement of net position, as an offset to the related hedging derivative instrument.	\$ --	61,919	--	1,863
Gain/loss on debt refundings	<b>Deferred outflows or inflows.</b> When debt is refunded, the associated gains (deferred inflows) or losses (deferred outflows) are recognized as deferred outflows or inflows of resources and amortized over future periods.	22,664	105,607	--	245
Regulated operations	<b>Deferred inflows.</b> In accordance with accounting for regulated operations, certain credits to income are held as deferred inflows of resources until the anticipated matched charge is incurred. These credits include unrealized gain/loss on investments, contributions, interest, decommissioning, and pass-through rates.	--	--	--	1,023,936
Service concession arrangements	<b>Deferred inflows.</b> The resources related to the service concession arrangements that will be recognized as revenue in future years over the terms of arrangements between the City and the operators are reported as deferred inflows of resources.	--	--	1,174	189,161
Pensions	<b>Deferred outflows or inflows.</b> Differences between estimated and actual investment earnings, changes in actuarial assumptions, and differences between projected and actual actuarial experience may be treated as either deferred outflows or inflows. Contributions made to the pension systems between the Plans' measurement date (December 31) and the City's fiscal year end (September 30) are recognized as deferred outflows.	337,178	175,145	5,054	--
	<b>Total</b>	\$ 359,842	342,671	6,228	1,215,205

The governmental funds' statements include amounts recognized as deferred inflows of resources as a result of property taxes, other taxes, and certain revenues (\$22.8 million) that are not available to liquidate current liabilities in the funds. These amounts will be recognized in the period these amounts become available.

**Compensated Absences --** The amounts owed to employees for unpaid vacation, exception vacation, and sick leave liabilities, including the City's share of employment-related taxes, are reported on the accrual basis of accounting in the applicable business-type activity columns of the government-wide statements and in the proprietary activities of the fund financial statements. The liabilities and expenditures are reported on the modified accrual basis in the governmental fund financial statements; the estimated liability in governmental funds is the amount of unused vacation, exception vacation, and sick leave eligible for payout upon termination for employees that terminated by the fiscal year end.



**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**e -- Financial Statement Elements, continued**

Accumulated leave payouts are limited to the lower of actual accumulated hours or the hours listed below:

	<b>Work-week</b>	<b>Non-Sworn Employees (1)</b>	<b>Sworn Police (2)</b>	<b>Sworn Fire (3)</b>	<b>Sworn EMS (4)</b>
Vacation	0-40	240	240	240	240
	42	N/A	N/A	N/A	270
	48	N/A	N/A	N/A	309
	53	N/A	N/A	360	N/A
Exception vacation (5)	0-40	160	160	176	206
	42	160	N/A	N/A	206
	48	160	N/A	N/A	206
	53	N/A	N/A	264	N/A
Sick leave	0-40	720	1,400	720	720
	42	N/A	N/A	N/A	756
	48	N/A	N/A	N/A	864
	53	N/A	N/A	1,080	N/A
Compensatory time (6)		120	120	120	120

- (1) Non-sworn employees are eligible for accumulated sick leave payout if hired before October 1, 1986.  
(2) Sworn police employees with 12 years of actual service are eligible for accumulated sick leave payout.  
As of January 1, 2011, officers may be eligible to receive up to 1,700 hours of sick leave if certain criteria are met.  
(3) Sworn fire employees are eligible for accumulated sick leave payout regardless of hire date.  
(4) Sworn EMS employees with 12 years of actual service are eligible for accumulated sick leave payout if certain criteria are met.  
(5) Exception vacation hours are hours accumulated by an employee when the employee works on a City holiday.  
(6) Employees may earn compensatory time in lieu of paid overtime; maximum payout is 120 hours for all employees.

**Other Postemployment Benefits (OPEB) --** The City provides certain health care benefits for its retired employees and their families as more fully described in Note 8. At September 30, 2017, the City's total actuarial accrued liability for these retiree benefits was approximately \$2.0 billion. The City funds the costs of these benefits on a pay-as-you-go basis.

**Long-Term Debt --** The debt service for general obligation bonds and other general obligation debt (including loans), issued to fund general government capital projects, is paid from tax revenues, interfund transfers, and intergovernmental revenues. Such general obligation debt is reported in the government-wide statements under governmental activities.

The debt service for general obligation bonds and other general obligation debt issued to finance proprietary fund capital projects is normally paid from net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principles and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds issued to finance capital projects of certain enterprise funds are to be repaid from select revenues of these funds. Note 6 contains more information about pledged revenues by fund. The corresponding debt is recorded in the applicable fund.

The City has certain contractual commitments with several municipal utility districts (MUDs) for the construction of additions and improvements to the City's water and wastewater system that serve the MUDs and surrounding areas. These additions and improvements are funded by other tax supported debt, whose principal and interest are payable primarily from the net revenues of Austin Water Utility.

For proprietary funds and for governmental activities in the government-wide financial statements, the City defers and amortizes gains and losses realized on refundings of debt and reports both the new debt as a liability and the related deferred loss (gain) amount as deferred outflows (or deferred inflows) of resources on the statement of net position. Austin Energy and Austin Water Utility recognize gains and losses on debt defeasance in accordance with accounting for regulated operations.

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**e -- Financial Statement Elements, continued**

**Other Long-Term Liabilities** -- Capital appreciation bonds are recorded at net accreted value. Annual accretion of the bonds is recorded as interest expense during the life of the bonds. The cumulative accretion of capital appreciation bonds, net of principal and interest payments on the bonds, is recorded as capital appreciation bond interest payable.

**Landfill Closure and Postclosure Care Costs** -- Municipal solid waste landfill costs and the liability for landfill closure and postclosure costs are reported in Austin Resource Recovery, a nonmajor enterprise fund.

**Operating Revenues** -- Revenues are recorded net of allowances, including bad debt, in the government-wide and proprietary fund-level statements. The funds listed below report revenues net of bad debt expense, as follows (in thousands):

	<u><b>Bad Debt Expense</b></u>
Austin Energy	\$ 4,862
Austin Water Utility	815
Airport	191
Nonmajor Enterprise	886

Electric, water, and wastewater revenue is recorded when earned. Customers' electric and water meters are read and bills rendered on a cycle basis by billing district. Electric rate schedules include a fuel cost adjustment clause that permits recovery of fuel costs in the month incurred or in future months. The City reports fuel costs on the same basis as it recognizes revenue. Unbilled revenue is recorded in Austin Energy by estimating the daily power generation and allocating by each billing district meter read dates as of September 30, 2017. The amount of unbilled revenue recorded, as of September 30, 2017, was \$27.8 million. Austin Water Utility records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2017. The amount of unbilled revenue reported in accounts receivable as of September 30, 2017 was \$17.1 million for water and \$14.4 million for wastewater.

Revenues are also recorded net of discounts in the government-wide and proprietary fund-level statements. Discounts are offered as incentives geared towards generating additional revenue in the form of new or expanded business, or to encourage events with a significant economic impact, as well as expedient event planning. The funds listed below report revenues net of discounts, as follows (in thousands):

	<u><b>Discounts</b></u>
Airport	\$ 1,035
Nonmajor Enterprise	2,574

**Interfund Revenues, Expenses, and Transfers** -- Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved, such as billing for utility services. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Transfers between funds are reported in the operations of governmental and proprietary funds. In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the chargeback of services, such as utilities or vehicle maintenance, and charges for central administrative costs. Elimination of these charges would distort the direct costs and program revenues of the various functions reported. The City recovers indirect costs that are incurred in the Support Services Fund, which is reported as an internal service fund. Indirect costs are calculated in a citywide cost allocation plan or through indirect cost rates, which are based on the cost allocation plan.

**Intergovernmental Revenues, Receivables, and Liabilities** -- Intergovernmental revenues and related receivables arise primarily through funding received from Federal and State grants. Revenues are earned through expenditure of money for grant purposes. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local governmental units.

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**e -- Financial Statement Elements, continued**

**Federal and State Grants, Entitlements, and Shared Revenues --** Grants, entitlements, and shared revenues may be accounted for within any City fund. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the appropriate fund statement and revenue category in which to report the related transactions. Grants, entitlements, and shared revenues received for activities normally recorded in a particular fund may be accounted for in that fund, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally accounted for within the nonmajor governmental fund groupings include: Federal grant funds, State grant funds, and other special revenue grant funds. Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary type funds, are accounted for in the applicable capital projects funds. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenses are recognized in the applicable proprietary fund.

**Fund Equity --** Fund balances for governmental funds are reported in classifications that demonstrate the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The governmental fund type classifications are as follows:

Nonspendable: The portion of fund balance that cannot be spent because it is either (a) not in spendable form, such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted: The portion of fund balance that is restricted to specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitution provisions or enabling legislation.

Committed: The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by an ordinance, the highest level action taken, adopted by the City Council. An equal action (ordinance) must be enacted to rescind the commitment. The City Council is the highest level of decision making authority.

Assigned: The portion of fund balance that is constrained by the City's intent to use for specific purposes, but are neither restricted nor committed. Under the City charter, the City Manager is authorized to assign individual amounts up to \$58,000 in fiscal year 2017 to a specific purpose. This amount is updated annually based on the most recently published federal government, Bureau of Labor Statistics Indicator, Consumer Price Index (CPI-W U.S. City Average) U.S. City Average.

Unassigned: The portion of fund balance that is not restricted, committed, or assigned to specific purposes; only the General Fund reports a positive unassigned fund balance.

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**e -- Financial Statement Elements, continued**

The constraints placed on the fund balances of the General Fund and the nonmajor governmental funds are presented below (in thousands):

	General Fund	Nonmajor Governmental				Total
		Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Nonspendable</b>						
Inventory	\$ 28	--	--	--	--	28
Prepaid items	699	--	--	--	--	699
Permanent funds	--	--	--	--	1,070	1,070
Total Nonspendable	<u>727</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>1,070</u>	<u>1,797</u>
<b>Restricted</b>						
Municipal court services	--	2,173	--	--	--	2,173
Police special purpose	--	7,714	--	--	--	7,714
Fire special purpose	--	49	--	--	--	49
Transportation, planning, and sustainability	--	218	--	--	--	218
Public health services	--	241	--	--	--	241
Parks services	--	2,111	--	--	--	2,111
Library services	--	1,930	--	--	1	1,931
Tourism programs	--	19,676	--	--	--	19,676
Affordable housing programs	--	32,321	--	--	--	32,321
Urban growth programs	--	9,251	--	--	--	9,251
Capital construction	--	--	--	114,310	--	114,310
Debt service	--	--	24,587	--	--	24,587
Total Restricted	<u>--</u>	<u>75,684</u>	<u>24,587</u>	<u>114,310</u>	<u>1</u>	<u>214,582</u>
<b>Committed</b>						
Parks services	--	5,673	--	--	--	5,673
Affordable housing programs	--	738	--	--	--	738
Urban growth programs	--	34,241	--	--	--	34,241
Total Committed	<u>--</u>	<u>40,652</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>40,652</u>
<b>Assigned</b>						
General government services	177	--	--	--	--	177
Municipal court services	391	--	--	--	--	391
Police special purpose	5,627	39	--	--	--	5,666
Fire special purpose	619	--	--	--	--	619
EMS special purpose	2,172	--	--	--	--	2,172
Transportation, planning, and sustainability	61	10	--	--	--	71
Public health services	5,699	32	--	--	--	5,731
Parks services	543	156	--	--	--	699
Library services	698	6	--	--	--	704
Tourism programs	--	98	--	--	--	98
Affordable housing programs	205	4,344	--	--	--	4,549
Urban growth programs	13,426	6,241	--	--	--	19,667
Capital construction	--	--	--	98,766	--	98,766
Total Assigned	<u>29,618</u>	<u>10,926</u>	<u>--</u>	<u>98,766</u>	<u>--</u>	<u>139,310</u>
<b>Unassigned</b>	<u>141,469</u>	<u>(2,542)</u>	<u>--</u>	<u>(22,827)</u>	<u>--</u>	<u>116,100</u>
<b>Total Fund Balance</b>	<u>\$ 171,814</u>	<u>124,720</u>	<u>24,587</u>	<u>190,249</u>	<u>1,071</u>	<u>512,441</u>

**Restricted resources** -- If both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and unrestricted resources as needed. In governmental funds, unrestricted resources would be utilized in order from committed to assigned and finally unassigned.

**Budget stabilization** -- By formal action of City Council, the General Fund maintains two reserve funds: an emergency reserve and a budget stabilization reserve. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2017, the emergency reserve maintains a balance of six percent of total General Fund requirements, or \$58.2 million, and the budget stabilization reserve reports a balance of \$76 million. The funds in the budget stabilization reserve may be appropriated to fund capital or other one-time costs, but such appropriation should not exceed one-third of the total amount in the reserve.

**1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued**  
**e -- Financial Statement Elements, continued**

**Cash and Cash Equivalents --** For purposes of the statement of cash flows, the City considers cash and cash equivalents to be currency on hand, cash held by trustee, demand deposits with banks, and all amounts included in pooled investments and cash accounts. The City considers the investment pool to be highly liquid, similar to a money market mutual fund.

**Pensions --** For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City's three pension plans and additions to/deductions from each plan's fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability, pension expenses, and long-term deferrals are allocated to funds based on actual contributions by fund during the corresponding measurement period with the exception of the internal service funds, which are presented in governmental activities in the government-wide statements (see Note 7).

**Risk Management --** The City is exposed to employee-related risks for health benefits and workers' compensation, as well as to various risks of loss related to torts; theft of, damage to, or destruction of assets; fraud; and natural disasters. The City is self-insured for legal liabilities, workers' compensation claims, and employee health benefits.

The City does not participate in a risk pool but purchases commercial insurance coverage for property loss or damage, commercial crime, fidelity bonds, airport operations, and contractors working at selected capital improvement project sites (see Note 14).

Austin Energy has established an energy risk management program. This program was authorized by City Council and led by the risk oversight committee. Under this program, Austin Energy enters into futures contracts, options, and swaps to reduce exposure to natural gas and energy price fluctuations. For additional details see Note 9.

**f -- Comparative Data**

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A). Comparative data has been utilized within the MD&A to help readers more fully understand the City's financial statements for the current period.

**g -- Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**2 – POOLED INVESTMENTS AND CASH**

The following summarizes the amounts of pooled investments and cash by fund at September 30, 2017 (in thousands):

	<b>Pooled Investments and Cash</b>	
	<b>Unrestricted</b>	<b>Restricted</b>
General Fund	\$ 170,879	--
Nonmajor governmental funds	335,784	--
Austin Energy	398,583	97,865
Austin Water Utility	187,932	145,121
Airport	7,514	656,769
Nonmajor enterprise funds	339,984	30,172
Internal service funds	152,918	4,447
Fiduciary funds	4,183	--
Subtotal pooled investments and cash	<u>1,597,777</u>	<u>934,374</u>
Total pooled investments and cash	<u>\$ 2,532,151</u>	

**3 – INVESTMENTS AND DEPOSITS**  
**a – Investments**

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the “Investment Policy”) that primarily emphasizes safety of principal and liquidity; addresses investment diversification, yield, and maturity; and addresses the quality and capability of investment personnel. The Investment Policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under Chapter 2256 of the Texas Government Code.

The City’s deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the City Council. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment, and the maximum average dollar weighted maturity allowed for pooled fund groups. In addition, it includes an “Investment Strategy Statement” that specifically addresses each fund’s investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification, and yield. Additionally, the soundness of financial institutions in which the City will deposit funds is addressed.

The City Treasurer submits an investment report each quarter to the investment committee. Members of the Investment Committee include the Chief Financial Officer (as chair), the City Treasurer (as vice chair), Assistant Treasurer over Investment Management, Assistant Treasurer over Debt Management, the City Controller, a public sector investment expert, a Financial Advisor’s representative, a representative from Austin Energy, a representative from the Austin Water Utility, and a representative from the Law Department. The report details the investment position of the City and the compliance of the investment portfolio as it relates to both the adopted investment strategy statements and Texas state law.

The City is authorized to invest in the following investment instruments if they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
4. Obligations of other states, cities, counties, or other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent;
5. Bankers’ acceptances, so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, are eligible collateral for borrowing from a Federal Reserve Bank, and are accepted by a domestic bank whose short-term obligations are rated at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated;
6. Commercial paper with a stated maturity of 270 days or less from the date of its issuance that is either rated not less than A-1, P-1, or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1, or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;
7. Collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy;
8. Certificates of deposit issued by depository institutions that have a main office or branch office in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or as further described in the Investment Policy;
9. Share certificates issued by a depository institution that has a main office or branch office in Texas;
10. Money market mutual funds;
11. Local government investment pools (LGIPs); and
12. Securities lending program.

The City did not participate in any reverse repurchase agreements or security lending arrangements during fiscal year 2017.

All City investments are insured, registered, or held by an agent in the City’s name; therefore, the City is not exposed to custodial credit risk.

The City participates in TexPool/TexPool Prime, TexasDAILY, TexStar, and Lone Star (collectively referred to as the LGIPs). The State Comptroller oversees TexPool/Texpool Prime, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexasDAILY, an advisory board consisting of participants or their designees maintains oversight responsibility for TexasDAILY. PFM Asset Management LLC manages the daily operations of TexasDAILY under a contract with the advisory board. JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar under an agreement with the TexStar board of directors. First Public, LLC serves as the administrator of Lone Star under an agreement with Lone Star’s board of directors.

**3 – INVESTMENTS AND DEPOSITS, continued**  
**a -- Investments, continued**

The City invests in LGIPs to provide its liquidity needs. The LGIPs were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. The LGIPs are structured like money market mutual funds and allow shareholders the ability to deposit or withdraw funds on a daily basis. In addition, interest rates are adjusted on a daily basis, and the funds seek to maintain a constant NAV of \$1.00, although this cannot be fully guaranteed. The LGIPs are rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2017, TexPool, Texpool Prime, TexasDAILY, TexStar, and Lone Star had a weighted average maturity of 37 days, 51 days, 35.6 days, 27 days, and 21 days, respectively. The City's LGIP investments are not subject to limitations, penalties, or restrictions on withdrawals outside emergency conditions that make the sale of assets or determination of fund NAV not reasonably practical, and therefore, the City considers holdings in these funds to have an effective weighted average maturity of one day.

Certain external investment pools and pool participants have an option to measure these investment pools at amortized cost rather than fair value if certain criteria are met. All City LGIPs are qualifying pools for these purposes. TexPool, Texpool Prime, TexasDAILY and Lone Star opted to report at amortized cost, while TexStar measures their investments at fair value.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are other observable inputs; Level 3 inputs are unobservable inputs.

The City has the following recurring fair value measurements as of September 30, 2017:

- U.S. Treasury securities of \$377 million are valued using other observable inputs, including but not limited to, model processes, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing (Level 2 inputs).
- U.S. Agency securities of \$1.5 billion are valued using other observable inputs, including but not limited to, model processes, benchmark curves, benchmarking of like securities, sector groupings, and matrix pricing (Level 2 inputs).

As of September 30, 2017, the City presented Money Market Funds of \$68.5 million, LGIPs of \$1,014 million valued using amortized cost, and LGIP's of \$251 million valued using NAV.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2017 (in thousands):

	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>
<b>Non-pooled investments:</b>				
Local Government Investment Pools	\$ 23,694	310,024	--	333,718
Money Market Funds	1,773	62,833	3,863	68,469
US Treasury Notes	--	17,984	--	17,984
US Agency Bonds	--	293,513	--	293,513
Total non-pooled investments	<u>25,467</u>	<u>684,354</u>	<u>3,863</u>	<u>713,684</u>
<b>Pooled investments:</b>				
Local Government Investment Pools	244,263	685,651	1,539	931,453
US Treasury Notes	94,171	264,341	593	359,105
US Agency Bonds	321,451	902,293	2,051	1,225,795
Total pooled investments	<u>659,885</u>	<u>1,852,285</u>	<u>4,183</u>	<u>2,516,353</u>
Total investments	<u>\$ 685,352</u>	<u>2,536,639</u>	<u>8,046</u>	<u>3,230,037</u>

**Concentration of Credit Risk**

At September 30, 2017, the City of Austin was exposed to concentration of credit risk since it held investments with more than five percent of the total investment portfolio balances of the City in securities of the following issuers (in millions): Federal Farm Credit Bank (\$433.7 or 13%), Federal Home Loan Bank (\$353.8 or 11%), Federal Home Loan Mortgage Corporation (\$378.7 or 12%), and Federal National Mortgage Association (\$353.1 or 11%).

**3 – INVESTMENTS AND DEPOSITS, continued**  
**a -- Investments, continued**

The risk exposures for governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, and fiduciary fund types of the City are not significantly greater than the deposit and investment risk of the primary government. The Investment Policy segregates the portfolios into strategic categories including:

1. Operating funds excluding special project funds,
2. Debt service funds,
3. Debt service reserve funds, and
4. Special project funds or special purpose funds.

The City's credit risk is controlled by complying with the Investment Policy, which includes qualification of the brokers and financial institutions with whom the City will transact, sufficient collateralization, portfolio diversification, and maturity limitations.

**b -- Investment Categories**

As of September 30, 2017, the City had the following investments in each of these strategic categories (in thousands):

<b>Investment Type by Category</b>	<b>Governmental Activities</b>	<b>Business- type Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>	<b>Weighted Average Maturity</b>
<b>Operating funds</b>					
Local Government Investment Pools	\$ 244,263	685,651	1,539	931,453	1
US Treasury Notes	94,171	264,341	593	359,105	259
US Agency Bonds	321,451	902,293	2,051	1,225,795	491
<b>Total Operating funds</b>	<b>659,885</b>	<b>1,852,285</b>	<b>4,183</b>	<b>2,516,353</b>	
<b>Debt service funds</b>					
General Obligation Debt Service					
Local Government Investment Pools	23,694	--	--	23,694	1
Utility (1)					
Local Government Investment Pools	--	113,549	--	113,549	1
Airport					
Local Government Investment Pools	--	32,494	--	32,494	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	11,163	--	11,163	1
<b>Total Debt service funds</b>	<b>23,694</b>	<b>157,206</b>	<b>--</b>	<b>180,900</b>	
<b>Debt service reserve funds</b>					
Utility (1)					
Local Government Investment Pools	--	41,394	--	41,394	1
Money Market Funds	--	1,214	--	1,214	1
Airport					
Local Government Investment Pools	--	39,513	--	39,513	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	13,305	--	13,305	1
<b>Total Debt service reserve funds</b>	<b>--</b>	<b>95,426</b>	<b>--</b>	<b>95,426</b>	
<b>Special projects/purpose funds</b>					
Austin Energy Strategic Reserve					
Local Government Investment Pools	--	31,233	--	31,233	1
US Treasury Notes	--	--	--	--	
US Agency Bonds	--	158,805	--	158,805	927
Total Austin Energy Strategic Reserve	--	190,038	--	190,038	
Austin Energy Nuclear Decommissioning Trust Funds (NDTF)					
Money Market Funds	--	61,232	--	61,232	1
US Treasury Notes	--	17,984	--	17,984	526
US Agency Bonds	--	134,708	--	134,708	598
Total Austin Energy NDTF	--	213,924	--	213,924	
Special Projects - Utility Reserve (1)					
Local Government Investment Pools	--	27,296	--	27,296	1
Special Projects - Airport Construction					
Local Government Investment Pools	--	77	--	77	1
Special Purpose Funds - Investments Held by Trustee					
Money Market Funds	1,773	387	3,863	6,023	1
<b>Total Special projects/purpose funds</b>	<b>1,773</b>	<b>431,722</b>	<b>3,863</b>	<b>437,358</b>	
<b>Total funds</b>	<b>\$ 685,352</b>	<b>2,536,639</b>	<b>8,046</b>	<b>3,230,037</b>	

(1) Includes combined pledge debt service



**3 – INVESTMENTS AND DEPOSITS, continued**  
**b -- Investment Categories, continued**

**Credit Risk**

At September 30, 2017, City funds held investments in LGIPs and Money Market Funds rated AA+ by Standard & Poor's, short-to-medium term U.S. Agency bonds rated AA+ by Standard & Poor's, and the remaining investments in Treasury securities, which are direct obligations of the U.S. government.

**Concentration of Credit Risk**

**Operating Funds**

At September 30, 2017, the operating funds held investments with more than five percent of the total portfolio in securities of the following issuers (in millions): Federal Farm Credit Bank (\$418.8 or 17%), Federal Home Loan Bank (\$279.2 or 11%), Federal Home Loan Mortgage Corporation (\$298.9 or 12%), and Federal National Mortgage Association (\$228.8 or 9%).

**Special Projects or Special Purpose Funds**

At September 30, 2017, the Austin Energy Strategic Reserve Fund held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank (\$14.9 or 8%), Federal Home Loan Bank (\$34.8 or 18%), Federal Home Loan Mortgage Corporation (\$44.9 or 24%), and Federal National Mortgage Association (\$64.2 or 34%).

At September 30, 2017, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank (\$39.7 or 19%), Federal Home Loan Mortgage Corporation (\$34.9 or 16%), Federal National Mortgage Association (\$60.1 or 28%).

**Interest Rate Risk**

**Operating Funds**

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements. Three years is the maximum period before maturity.

At September 30, 2017, less than half of the Investment Pool was invested in AA+ rated LGIPs, with the remainder invested in short-to-medium term U.S. Agency and Treasury obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity of all securities was 277 days, which was less than the threshold of 365 days.

**Debt Service Funds**

Investment strategies for debt service funds have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. As a means of minimizing risk of loss due to interest rate fluctuations, securities purchased cannot have a stated final maturity date which exceeds the debt service payment date.

**Debt Service Reserve Funds**

Investment strategies for debt service reserve funds have as the primary objective the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Except as may be required by bond ordinance specific to an individual issue, securities should be of high quality, with short-term to intermediate-term securities.

**Special Projects or Special Purpose Funds**

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities in this category not exceed the anticipated cash flow requirements of the funds.

**Special Purpose Funds - Austin Energy Strategic Reserve Fund**

At September 30, 2017, the portfolios held investments in TexPool, U.S. Treasury, and U.S. Agency obligations with maturities that will meet anticipated cash flow requirements and an overall dollar weighted average maturity of 775 days.

**Special Purpose Funds - Austin Energy Nuclear Decommissioning Trust Funds (NDTF)**

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy for the NDTF portfolios requires that the dollar weighted average maturity, using final stated maturity dates, shall not exceed seven years, although the portfolio's weighted average maturity may be substantially shorter if market conditions so dictate. At September 30, 2017, the dollar weighted average maturity was 421 days.

**3 – INVESTMENTS AND DEPOSITS, continued**  
**b -- Investment Categories, continued**

**Special Purpose Funds - Investments Held by Trustee**

Investment objectives for these special purpose funds have as the primary objective the safety of principal and assurance of liquidity adequate to cover construction expense draws. As a means of minimizing risk of loss due to interest rate fluctuations, funds are being held in overnight money market funds.

**c -- Investment and Deposits**

Investments and deposits portfolio balances at September 30, 2017, are as follows (in thousands):

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Non-pooled investments and cash	\$ 37,078	690,510	3,863	731,451
Pooled investments and cash	661,206	1,855,994	4,183	2,521,383
Total investments and cash	<u>698,284</u>	<u>2,546,504</u>	<u>8,046</u>	<u>3,252,834</u>
Unrestricted cash	64	730	--	794
Restricted cash	11,547	5,426	--	16,973
Pooled investments and cash	661,206	1,855,994	4,183	2,521,383
Investments	25,467	684,354	3,863	713,684
Total	<u>\$ 698,284</u>	<u>2,546,504</u>	<u>8,046</u>	<u>3,252,834</u>

A difference of \$10.8 million exists between portfolio balance and book balance, primarily due to deposits in transit offset by outstanding checks.

**Deposits**

The September 30, 2017 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Cash			
Unrestricted	\$ 64	62	126
Restricted	--	4,951	4,951
Cash held by trustee			
Unrestricted	--	668	668
Restricted	11,547	475	12,022
Pooled cash	1,321	3,709	5,030
Total deposits	<u>\$ 12,932</u>	<u>9,865</u>	<u>22,797</u>

All bank accounts were either insured or collateralized with securities held by the City or its agents in the City's name at September 30, 2017.

#### 4 – PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 2016, upon which the 2017 levy was based, was \$125,371,654,656.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2017, 99.50% of the current tax levy (October 1, 2016) was collected. The statutory lien date is January 1.

The methods of property assessment and tax collection are determined by Texas statutes. The statutes provide for a property tax code, countywide appraisal districts, a State property tax board, and certain exemptions from taxation, such as intangible personal property, household goods, and family-owned automobiles.

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District, the Williamson Central Appraisal District, and the Hays Central Appraisal District. The appraisal districts are required under the Property Tax Code to assess all real and personal property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every two years; however, the City may require more frequent reviews of appraised values at its own expense. The Travis Central Appraisal District and the Hays Central Appraisal District have chosen to review the value of property in their respective districts every two years, while the Williamson Central Appraisal District has chosen to review the value of property on an annual basis. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The City is authorized to set tax rates on property within the city limits. However, if the effective tax rate, excluding tax rates for bonds, certificates of obligation, and other contractual obligations, as adjusted for new improvements and revaluation, exceeds the rate for the previous year by more than 8%, State statute allows qualified voters of the City to petition for an election to determine whether to limit the tax rate increase to no more than 8%.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Under the City charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at \$1.00 per \$100 assessed valuation. A practical limitation on taxes levied for debt service of \$1.50 per \$100 of assessed valuation is established by state statute and City charter limitations. Through contractual arrangements, Travis, Williamson, and Hays Counties bill and collect property taxes for the City.

The tax rate to finance general governmental functions, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2017, was \$0.3399 per \$100 assessed valuation. The tax rate for servicing the payment of principal and interest on general obligation long-term debt for the fiscal year ended September 30, 2017 was \$0.1019 per \$100 assessed valuation. The City has a tax margin for general governmental purposes of \$0.6601 per \$100 assessed valuation, and could levy approximately \$82,757,829,238 in additional taxes from the assessed valuation of \$125,371,654,656 before the legislative limit is reached.

The City has reserved a portion of the taxes collected for lawsuits filed by certain taxpayers against the appraisal districts challenging assessed values in the government-wide financial statements.

## 5 – CAPITAL ASSETS AND INFRASTRUCTURE

### Governmental Activities

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	<b>Beginning Balance</b>	<b>Increases (1)</b>	<b>Decreases (1)</b>	<b>Ending Balance</b>
<b>Depreciable capital assets</b>				
Building and improvements	\$ 887,946	125,941	(29)	1,013,858
Plant and equipment	259,566	11,993	(6,701)	264,858
Vehicles	135,121	13,432	(6,928)	141,625
Infrastructure	2,693,713	154,485	--	2,848,198
Total depreciable capital assets	<u>3,976,346</u>	<u>305,851</u>	<u>(13,658)</u>	<u>4,268,539</u>
Less accumulated depreciation for				
Building and improvements	(336,626)	(25,965)	11	(362,580)
Plant and equipment	(185,325)	(20,708)	6,010	(200,023)
Vehicles	(85,556)	(11,181)	6,771	(89,966)
Infrastructure	(1,111,913)	(78,139)	--	(1,190,052)
Total accumulated depreciation	<u>(1,719,420)</u>	<u>(135,993) (2)</u>	<u>12,792</u>	<u>(1,842,621)</u>
Depreciable capital assets, net	<u>2,256,926</u>	<u>169,858</u>	<u>(866)</u>	<u>2,425,918</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	373,974	8,256	(3,069)	379,161
Arts and treasures	9,357	845	--	10,202
Library collections	17,610	557	--	18,167
Construction in progress	240,575	113,383	(238,312)	115,646
Total nondepreciable assets	<u>641,516</u>	<u>123,041</u>	<u>(241,381)</u>	<u>523,176</u>
<b>Total capital assets</b>	<u>\$ 2,898,442</u>	<u>292,899</u>	<u>(242,247)</u>	<u>2,949,094</u>

(1) Increases and decreases do not include transfers (at net book value) between Governmental Activities

(2) Components of accumulated depreciation/amortization increases:

### Governmental Activities:

General government	\$ 6,238
Public safety	14,909
Transportation, planning and sustainability	60,520
Public health	1,570
Public recreation and culture	17,329
Urban growth management	23,828
Internal service funds	11,599
Total increases in accumulated depreciation/amortization	<u>\$ 135,993</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
<b>Depreciable capital assets</b>				
Building and improvements	\$ 2,502,842	197,421	--	2,700,263
Plant and equipment	3,792,162	130,848	(5,544)	3,917,466
Vehicles	213,653	13,350	(6,146)	220,857
Electric plant	4,804,559	130,936	(16,124)	4,919,371
Non-electric plant	215,306	6,110	(183)	221,233
Nuclear fuel	362,713	13,672	--	376,385
Water rights	100,000	--	--	100,000
Total depreciable capital assets	11,991,235	492,337	(27,997)	12,455,575
Less accumulated depreciation/amortization for				
Building and improvements	(726,981)	(57,839)	2	(784,818)
Plant and equipment	(1,471,191)	(102,618)	3,836	(1,569,973)
Vehicles	(132,617)	(17,400)	4,978	(145,039)
Electric plant	(2,582,528)	(151,942)	13,157	(2,721,313)
Non-electric plant	(71,087)	(9,106)	65	(80,128)
Nuclear fuel	(316,092)	(17,489)	--	(333,581)
Water rights	(16,791)	(987)	--	(17,778)
Total accumulated depreciation/amortization	(5,317,287)	(357,381) (2)	22,038	(5,652,630)
Depreciable capital assets, net	6,673,948	134,956	(5,959)	6,802,945
<b>Nondepreciable capital assets</b>				
Land and improvements	650,508	25,723	(74)	676,157
Arts and treasures	4,081	17	--	4,098
Construction in progress	341,154	501,410	(439,835)	402,729
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	1,018,858	527,150	(439,909)	1,106,099
<b>Total capital assets</b>	<b>\$ 7,692,806</b>	<b>662,106</b>	<b>(445,868)</b>	<b>7,909,044</b>

(1) Increases and decreases do not include transfers (at net book value) between Business-type Activities.

(2) Components of accumulated depreciation/amortization increases:

Business-type Activities:

Electric	\$ 180,419
Water	62,047
Wastewater	59,474
Airport	26,667
Convention	9,071
Environmental and health services	8,794
Public recreation	804
Urban growth management	10,105
Total increases in accumulated depreciation/amortization	<u>\$ 357,381</u>

**5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued**

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Depreciable capital assets</b>				
Vehicles	\$ 32,617	1,596	(1,061)	33,152
Electric plant	4,804,559	130,936	(16,124)	4,919,371
Non-electric plant	215,306	6,110	(183)	221,233
Nuclear fuel	362,713	13,672	--	376,385
Total depreciable capital assets	<u>5,415,195</u>	<u>152,314</u>	<u>(17,368)</u>	<u>5,550,141</u>
Less accumulated depreciation/amortization for				
Vehicles	(25,234)	(1,882)	826	(26,290)
Electric plant	(2,582,528)	(151,942)	13,157	(2,721,313)
Non-electric plant	(71,087)	(9,106)	65	(80,128)
Nuclear fuel	(316,092)	(17,489)	--	(333,581)
Total accumulated depreciation/amortization	<u>(2,994,941)</u>	<u>(180,419) (1)</u>	<u>14,048</u>	<u>(3,161,312)</u>
Depreciable capital assets, net	<u>2,420,254</u>	<u>(28,105)</u>	<u>(3,320)</u>	<u>2,388,829</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	64,511	229	--	64,740
Plant held for future use	23,115	--	--	23,115
Construction in progress	102,073	165,913	(143,856)	124,130
Total nondepreciable assets	<u>189,699</u>	<u>166,142</u>	<u>(143,856)</u>	<u>211,985</u>
<b>Total capital assets</b>	<u><u>\$ 2,609,953</u></u>	<u><u>138,037</u></u>	<u><u>(147,176)</u></u>	<u><u>2,600,814</u></u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	\$ 162,930
Current year amortization included in operating expense	17,489
Total increases in accumulated depreciation/amortization	<u><u>\$ 180,419</u></u>

**5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued**

Business-type Activities: Austin Water Utility

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Depreciable capital assets</b>				
Building and improvements	\$ 1,181,887	9,140	--	1,191,027
Plant and equipment	3,559,760	106,024	(1,335)	3,664,449
Vehicles	40,702	2,923	(1,042)	42,583
Water rights	100,000	--	--	100,000
Total depreciable capital assets	<u>4,882,349</u>	<u>118,087</u>	<u>(2,377)</u>	<u>4,998,059</u>
Less accumulated depreciation/amortization for				
Building and improvements	(279,515)	(25,552)	--	(305,067)
Plant and equipment	(1,377,313)	(92,590)	75	(1,469,828)
Vehicles	(31,348)	(2,392)	949	(32,791)
Water rights	(16,791)	(987)	--	(17,778)
Total accumulated depreciation/amortization	<u>(1,704,967)</u>	<u>(121,521) (1)</u>	<u>1,024</u>	<u>(1,825,464)</u>
Depreciable capital assets, net	<u>3,177,382</u>	<u>(3,434)</u>	<u>(1,353)</u>	<u>3,172,595</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	230,923	447	(10)	231,360
Arts and treasures	103	8	--	111
Construction in progress	140,415	149,953	(72,895)	217,473
Total nondepreciable assets	<u>371,441</u>	<u>150,408</u>	<u>(72,905)</u>	<u>448,944</u>
<b>Total capital assets</b>	<u>\$ 3,548,823</u>	<u>146,974</u>	<u>(74,258)</u>	<u>3,621,539</u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	\$ 61,060
Wastewater	59,474
Current year amortization	
Water	987
Total increases in accumulated depreciation/amortization	<u>\$ 121,521</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Depreciable capital assets</b>				
Building and improvements	\$ 984,905	181,652	--	1,166,557
Plant and equipment	29,256	7,114	(33)	36,337
Vehicles	14,385	1,391	(355)	15,421
Total depreciable capital assets	<u>1,028,546</u>	<u>190,157</u>	<u>(388)</u>	<u>1,218,315</u>
Less accumulated depreciation for				
Building and improvements	(293,086)	(23,407)	--	(316,493)
Plant and equipment	(15,770)	(1,742)	25	(17,487)
Vehicles	(7,295)	(1,518)	298	(8,515)
Total accumulated depreciation	<u>(316,151)</u>	<u>(26,667) (1)</u>	<u>323</u>	<u>(342,495)</u>
Depreciable capital assets, net	<u>712,395</u>	<u>163,490</u>	<u>(65)</u>	<u>875,820</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	96,381	--	--	96,381
Arts and treasures	3,366	9	--	3,375
Construction in progress	66,194	129,545	(162,599)	33,140
Total nondepreciable assets	<u>165,941</u>	<u>129,554</u>	<u>(162,599)</u>	<u>132,896</u>
<b>Total capital assets</b>	<u>\$ 878,336</u>	<u>293,044</u>	<u>(162,664)</u>	<u>1,008,716</u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation \$ 26,667



5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u> (1)	<u>Decreases</u> (1)	<u>Ending Balance</u>
<b>Depreciable capital assets</b>				
Building and improvements	\$ 336,050	6,629	--	342,679
Plant and equipment	203,146	17,710	(4,176)	216,680
Vehicles	125,949	7,440	(3,688)	129,701
Total depreciable capital assets	<u>665,145</u>	<u>31,779</u>	<u>(7,864)</u>	<u>689,060</u>
Less accumulated depreciation for				
Building and improvements	(154,380)	(8,880)	2	(163,258)
Plant and equipment	(78,108)	(8,286)	3,736	(82,658)
Vehicles	(68,740)	(11,608)	2,905	(77,443)
Total accumulated depreciation	<u>(301,228)</u>	<u>(28,774)</u> (2)	<u>6,643</u>	<u>(323,359)</u>
Depreciable capital assets, net	<u>363,917</u>	<u>3,005</u>	<u>(1,221)</u>	<u>365,701</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	258,693	25,047	(64)	283,676
Arts and treasures	612	--	--	612
Construction in progress	32,472	55,999	(60,485)	27,986
Total nondepreciable assets	<u>291,777</u>	<u>81,046</u>	<u>(60,549)</u>	<u>312,274</u>
<b>Total capital assets</b>	<u>\$ 655,694</u>	<u>84,051</u>	<u>(61,770)</u>	<u>677,975</u>

(1) Increases and decreases do not include transfers (at net book value) between nonmajor enterprise funds.

(2) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Convention	\$ 9,071
Environmental and health services	8,794
Public recreation	804
Urban growth management	10,105
Total increases in accumulated depreciation/amortization	<u>\$ 28,774</u>

## 5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

### Capitalized Interest

The City has recorded capitalized interest for fiscal year 2017 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

Enterprise Funds	
Major fund:	
Airport	\$ 1,893
Nonmajor enterprise funds:	
Convention Center	160
Drainage	843

Interest is not capitalized on governmental capital assets. In accordance with accounting for regulated operations, interest is also not capitalized for Austin Energy or Austin Water Utility capital assets.

### Service Concession Arrangements

The City has recorded net capital assets of \$172.8 million, other assets of \$21.1 and deferred inflows of \$169.2 million derived from four service concession arrangements (SCA) described below. An SCA is an arrangement in which the City conveys use of a capital asset to an operator in exchange for significant consideration; where the operator is compensated from third parties; where the City may determine what services are provided, to whom and for what price; where the City retains a significant residual interest in the asset after the SCA terminates.

The City has had an agreement with the Friends of Umlauf Garden, Inc. since 1991 to manage and operate the Umlauf Sculpture Garden and Museum. The agreement extends through 2021 and is for the purpose of displaying the artistic works of Charles Umlauf for the public enjoyment and education. Structures, which are dedicated to the City, have been built on City-owned land and display City-owned artwork.

The City entered into an agreement with the Young Men's Christian Association (YMCA) in 2010 to develop and operate a new joint-use recreational facility for public use. The facility is owned by the City and operated by the YMCA under a 20 year agreement extending through 2032.

The City entered into a Master Lease Agreement with Austin CONRAC LLC, a corporation established to operate Austin's consolidated rent-a-car facility ("CONRAC"). The master lease, with a 20 year initial term and a 10 year extension option, provides for construction, financing, and management of a joint use facility. CONRAC began operations October 1, 2015. The operator pays annual rent of \$900,000 to the Airport. The present value of the future rent payments was \$13 million at lease inception. As of September 30, 2017, the unamortized balance was \$12.1 million and is presented in other assets and deferred inflows of resources. The CONRAC was financed with \$143 million in City issued Rental Car Special Facility Bonds, conduit debt secured by customer facilities charges (CFC). CFC funds are remitted by rental car concessionaires directly to the bond trustee. See Note 16 for conduit debt information. Construction costs totaled \$152.4 million and the City has recorded the asset with a corresponding deferred inflow of resources to be amortized over the 30 year term of the master lease agreement.

The City entered into a Lease and Development Agreement with Scott Airport Parking, LLC (Scott) to develop and operate a 2,000-space covered parking facility and full service pet boarding facility (Bark and Zoom). The lease has a 40 year term which began on October 2016. Scott pays a monthly square footage rate, a monthly percentage rate, and a fixed monthly rate in exchange for the right to operate the facilities, as defined in the lease and development agreement. The fixed monthly rate for the first 5 years is \$5,000. The present value of the future payments was \$9.2 million at lease inception. As of September 30, 2017, the unamortized balance was \$8.9 million and is presented in other assets and deferred inflows of resources. Construction costs totaled \$26.5 million and the City has recorded the asset with a corresponding deferred inflow of resources to be amortized over the 40 year term of the master lease agreement.

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

As of September 30, 2017, the City reported the following SCA activities (in thousands):

Service Concession Arrangement	Beginning Asset Construction Cost	Current year Additions	Beginning Accumulated Depreciation	Current Year Depreciation	Ending Accumulated Depreciation	Net Book Value
<b>Governmental Activities:</b>						
Umlauf Sculpture Garden	\$ 2,337	--	1,457	58	1,515	822
YMCA Northeast Recreation Center	1,333	--	127	32	159	1,174
Total Governmental Activities	3,670	--	1,584	90	1,674	1,996
<b>Business-type Activities:</b>						
CONRAC facility	151,565	931	5,052	2,572	7,624	144,872
Bark and Zoom facility	--	26,558	--	664	664	25,894
Total Business-type Activities	151,565	27,489	5,052	3,236	8,288	170,766
	Beginning Deferred Inflows	Current year Additions	Beginning Accumulated Amortization	Current Year Amortization	Ending Accumulated Amortization	Ending Deferred Inflows
<b>Governmental Activities:</b>						
Umlauf Sculpture Garden	397	--	1,940	78	2,018	319
YMCA Northeast Recreation Center	921	--	412	66	478	855
Total Governmental Activities	1,318	--	2,352	144	2,496	1,174
<b>Business-type Activities:</b>						
CONRAC facility	146,513	931	5,052	5,083	10,135	142,361
CONRAC base rent agreement	12,605	--	436	435	871	12,170
Bark and Zoom facility	--	26,558	--	885	885	25,673
Bark and Zoom base rent agreement	--	9,264	--	307	307	8,957
Total Business-type Activities	\$ 159,118	36,753	5,488	6,710	12,198	189,161

**6 – DEBT AND NON-DEBT LIABILITIES**  
**a -- Long-Term Liabilities**

Payments on bonds for governmental activities will be made from the general obligation debt service funds. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, and internal service funds. Claims payable will be liquidated by internal service funds. Other liabilities that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, general governmental capital improvement projects funds, and internal service funds.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all limitations and restrictions.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included in governmental activities.

The following is a summary of changes in long-term obligations. Certain long-term obligations provide financing to both governmental and business-type activities. Balances at September 30, 2017, were as follows (in thousands):

Description	October 1, 2016	Increases	Decreases	September 30, 2017	Amounts Due Within One Year
<b>Governmental activities</b>					
General obligation bonds, net	\$ 1,108,558	133,078	(131,870)	1,109,766	60,206
Certificates of obligation, net	166,201	62,743	(14,550)	214,394	7,703
Contractual obligations, net	101,012	25,244	(14,388)	111,868	16,435
<b>Debt service requirements total</b>	<b>1,375,771</b>	<b>221,065</b>	<b>(160,808)</b>	<b>1,436,028</b>	<b>84,344</b>
<b>Other long-term obligations</b>					
Accrued compensated absences	136,682	3,239	(256)	139,665	61,301
Claims payable	49,338	26,076	(26,318)	49,096	26,353
Net pension liability	1,125,290	181,785	(103,670)	1,203,405	--
Other postemployment benefits	537,840	93,336	--	631,176	--
Other liabilities	93,682	12,953	(4,440)	102,195	83,648
<b>Governmental activities total</b>	<b>3,318,603</b>	<b>538,454</b>	<b>(295,492)</b>	<b>3,561,565</b>	<b>255,646</b>
<b>Total business-type activities</b>					
General obligation bonds, net	24,073	2,536	(6,306)	20,303	3,724
Certificates of obligation, net	58,814	7,043	(10,615)	55,242	2,177
Contractual obligations, net	45,537	--	(12,642)	32,895	11,051
Other tax supported debt, net	7,655	--	(539)	7,116	546
<b>General obligation bonds and other tax supported debt total</b>	<b>136,079</b>	<b>9,579</b>	<b>(30,102)</b>	<b>115,556</b>	<b>17,498</b>
Commercial paper notes, net	129,916	141,181	(125,000)	146,097	--
Revenue bonds, net	4,578,492	896,319	(593,609)	4,881,202	129,382
Capital lease obligations	1,040	--	(51)	989	54
<b>Debt service requirements total</b>	<b>4,845,527</b>	<b>1,047,079</b>	<b>(748,762)</b>	<b>5,143,844</b>	<b>146,934</b>
<b>Other long-term obligations</b>					
Accrued compensated absences	25,105	2,227	(985)	26,347	26,060
Claims payable	--	7,805	(5,172)	2,633	2,412
Net pension liability	634,844	74,485	(52,764)	656,565	--
Other postemployment benefits	325,744	54,417	--	380,161	--
Accrued landfill closure and postclosure costs	12,603	125	(35)	12,693	2,794
Decommissioning expense payable	186,350	--	(20,404)	165,946	6,662
Other liabilities	90,552	6,863	(940)	96,475	59,463
<b>Business-type activities total</b>	<b>6,120,725</b>	<b>1,193,001</b>	<b>(829,062)</b>	<b>6,484,664</b>	<b>244,325</b>
<b>Total liabilities (1)</b>	<b>\$ 9,439,328</b>	<b>1,731,455</b>	<b>(1,124,554)</b>	<b>10,046,229</b>	<b>499,971</b>

(1) This schedule excludes select short-term liabilities of \$105,385 for governmental activities. For business-type activities, it excludes select short-term liabilities of \$288,545, capital appreciation bond interest payable of \$26,661 and derivative instruments of \$61,919.

**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**a -- Long-Term Liabilities, continued**

Description	October 1, 2016	Increases	Decreases	September 30, 2017	Amounts Due Within One Year
<b>Business-type activities:</b>					
<b>Electric activities</b>					
General obligation bonds, net	\$ 406	--	(127)	279	115
<b>General obligation bonds and other tax supported debt total</b>	406	--	(127)	279	115
Commercial paper notes, net	87,746	58,351	--	146,097	--
Revenue bonds, net	1,339,190	113,890	(157,181)	1,295,899	34,971
Capital lease obligations	1,040	--	(51)	989	54
<b>Debt service requirements total</b>	1,428,382	172,241	(157,359)	1,443,264	35,140
<b>Other long-term obligations</b>					
Accrued compensated absences	10,271	585	(286)	10,570	10,570
Claims payable	--	3,822	(1,752)	2,070	2,060
Net pension liability	266,357	29,053	(21,959)	273,451	--
Other postemployment benefits	128,415	19,847	--	148,262	--
Decommissioning expense payable	186,350	--	(20,404)	165,946	6,662
Other liabilities	66,972	1,059	(451)	67,580	31,635
<b>Electric activities total</b>	2,086,747	226,607	(202,211)	2,111,143	86,067
<b>Water and Wastewater activities</b>					
General obligation bonds, net	1,753	1,270	(1,050)	1,973	731
Certificates of obligation bonds, net	--	1,781	(88)	1,693	86
Contractual obligations, net	7,440	--	(1,938)	5,502	1,608
Other tax supported debt, net	4,901	--	(345)	4,556	350
<b>General obligation bonds and other tax supported debt total</b>	14,094	3,051	(3,421)	13,724	2,775
Commercial paper notes, net	42,170	82,830	(125,000)	--	--
Revenue bonds, net	2,529,804	393,924	(369,559)	2,554,169	57,712
<b>Debt service requirements total</b>	2,586,068	479,805	(497,980)	2,567,893	60,487
<b>Other long-term obligations</b>					
Accrued compensated absences	5,531	507	(404)	5,634	5,632
Claims payable	--	3,974	(3,412)	562	351
Net pension liability	142,157	15,670	(11,737)	146,090	--
Other postemployment benefits	83,250	12,726	--	95,976	--
Other liabilities	14,210	3,970	--	18,180	17,113
<b>Water and Wastewater activities total</b>	2,831,216	516,652	(513,533)	2,834,335	83,583
<b>Airport activities</b>					
General obligation bonds, net	80	--	(24)	56	21
<b>General obligation bonds and other tax supported debt total</b>	80	--	(24)	56	21
Revenue bonds, net	546,495	359,425	(24,557)	881,363	23,744
<b>Debt service requirements total</b>	546,575	359,425	(24,581)	881,419	23,765
<b>Other long-term obligations</b>					
Accrued compensated absences	1,988	206	--	2,194	2,194
Claims payable	--	9	(8)	1	1
Net pension liability	44,268	5,690	(3,716)	46,242	--
Other postemployment benefits	21,935	4,259	--	26,194	--
Other liabilities	3,043	591	(461)	3,173	3,173
<b>Airport activities total</b>	617,809	370,180	(28,766)	959,223	29,133
<b>Nonmajor activities</b>					
General obligation bonds, net	21,834	1,266	(5,105)	17,995	2,857
Certificates of obligation, net	58,814	5,262	(10,527)	53,549	2,091
Contractual obligations	38,097	--	(10,704)	27,393	9,443
Other tax supported debt, net	2,754	--	(194)	2,560	196
<b>General obligation bonds and other tax supported debt total</b>	121,499	6,528	(26,530)	101,497	14,587
Revenue bonds, net	163,003	29,080	(42,312)	149,771	12,955
<b>Debt service requirements total</b>	284,502	35,608	(68,842)	251,268	27,542
<b>Other long-term obligations</b>					
Accrued compensated absences	7,315	929	(295)	7,949	7,664
Net pension liability	182,062	24,072	(15,352)	190,782	--
Other postemployment benefits	92,144	17,585	--	109,729	--
Accrued landfill closure and postclosure costs	12,603	125	(35)	12,693	2,794
Other liabilities	6,327	1,243	(28)	7,542	7,542
<b>Nonmajor activities total</b>	\$ 584,953	79,562	(84,552)	579,963	45,542

**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**b -- Governmental Activities Long-Term Liabilities**

**General Obligation Bonds** -- General obligation debt is collateralized by the full faith and credit of the City. The City intends to retire its general obligation debt, plus interest, from future ad valorem tax levies and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. General obligation debt issued to finance capital assets of enterprise funds is reported as an obligation of these enterprise funds, although the funds are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the enterprise funds to meet the debt service requirements from program revenues.

The following table summarizes significant facts about general obligation bonds, certificates of obligation, contractual obligations, and assumed municipal utility district (MUD) bonds outstanding at September 30, 2017, including those reported in certain proprietary funds (in thousands):

Series	Fiscal Year	Original Amount Issue	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
NW Austin MUD - 2004	2005	\$ 2,630	630	50 (1)(3)	4.15 - 4.30%	9/1/2018-2020
NW Austin MUD - 2006	2006	7,995	6,336	2,058 (1)(3)	4.10 - 4.25%	9/1/2018-2026
NW Austin MUD - 2009	2010	2,760	150	3 (1)(3)	4.25%	3/1/2018
Mueller Contractual Obligation - 2006	2006	12,000	7,180	1,714 (1)(4)	4.00 - 5.00%	9/1/2018-2026
Contractual Obligation - 2007	2008	9,755	245	4 (2)	3.66%	11/1/2017
Public Improvement Refunding - 2008	2008	172,505	37,525	3,878 (1)	5.00%	9/1/2018-2021
Public Improvement - 2008	2009	76,045	3,750	150 (1)	4.00%	9/1/2018
Certificates of Obligation - 2008	2009	10,700	495	25 (1)	5.00%	9/1/2018
Public Improvement - 2009B	2009	78,460	73,845	25,609 (1)	4.35 - 5.31%	9/1/2018-2029
Certificates of Obligation - 2009	2009	12,500	8,225	4,016 (1)	3.00 - 4.75%	9/1/2018-2039
Contractual Obligation - 2009	2009	13,800	1,460	69 (2)	3.00 - 3.25%	11/1/2017-2019
Mueller Contractual Obligation - 2009	2010	15,000	10,540	3,051 (1)(4)	4.00 - 4.25%	9/1/2018-2029
Public Improvement - 2010A	2011	79,528	66,030	21,024 (1)	2.13 - 4.00%	9/1/2018-2030
Public Improvement - 2010B	2011	26,400	24,570	8,845 (1)	3.45 - 4.65%	9/1/2018-2030
Certificates of Obligation - 2010	2011	22,300	16,805	4,171 (1)	2.00 - 3.50%	9/1/2018-2030
Contractual Obligation - 2010	2011	16,450	1,245	11 (2)	1.75%	11/1/2017
Public Improvement Refunding - 2010	2011	91,560	68,720	11,857 (1)	4.34 - 5.00%	9/1/2018-2023
Public Improvement - 2011A	2012	78,090	68,140	25,944 (1)	2.00 - 4.00%	9/1/2018-2031
Public Improvement - 2011B	2012	8,450	7,800	2,795 (1)	2.50 - 4.50%	9/1/2018-2031
Certificates of Obligation - 2011	2012	51,150	45,260	24,181 (1)	3.00 - 5.00%	9/1/2018-2041
Contractual Obligation - 2011	2012	26,725	6,360	128 (2)	2.00%	11/1/2017-2018
Public Improvement Refunding - 2011A	2012	68,285	18,100	3,283 (1)	4.00 - 5.00%	9/1/2018-2023
Public Improvement - 2012A	2013	74,280	70,945	25,069 (1)	3.00 - 5.00%	9/1/2023-2032
Public Improvement - 2012B	2013	6,640	5,030	1,389 (1)	2.00 - 3.50%	9/1/2018-2032
Certificates of Obligation - 2012	2013	24,645	20,485	6,220 (1)	3.00 - 4.00%	9/1/2018-2037
Contractual Obligation - 2012	2013	27,135	10,400	565 (2)	3.00 - 4.00%	11/1/2017-2019
Mueller Contractual Obligation - 2012	2013	16,735	14,210	4,487 (1)(4)	2.00 - 3.38%	9/1/2018-2032
Public Improvement - 2013	2014	104,665	93,380	44,457 (1)	4.00 - 5.00%	9/1/2019-2033
Certificates of Obligation - 2013	2014	25,355	23,765	12,302 (1)	3.25 - 5.00%	9/1/2018-2038
Contractual Obligation - 2013	2014	50,150	25,115	1,144 (2)	2.00 - 3.00%	11/1/2017-2020
Public Improvement Refunding - 2013A	2014	43,250	27,420	5,882 (1)	5.00%	9/1/2018-2024
Public Improvement Refunding - 2013B	2014	71,455	36,015	1,524 (1)	1.93 - 2.72%	9/1/2018-2020
Public Improvement - 2014	2015	89,915	89,205	56,882 (1)	3.00 - 5.00%	9/1/2020-2034
Public Improvement - 2014	2015	10,000	9,750	4,722 (1)	1.81 - 4.02%	9/1/2018-2034
Certificates of Obligation - 2014	2015	35,490	31,840	15,552 (1)	2.00 - 5.00%	9/1/2018-2034
Certificates of Obligation - 2014	2015	9,600	8,520	3,122 (1)	1.76 - 3.92%	9/1/2018-2034
Contractual Obligation - 2014	2015	14,100	12,245	1,372 (2)	4.00 - 5.00%	11/1/2017-2021
Mueller Contractual Obligation - 2014	2015	15,845	15,365	6,108 (1)(4)	3.00 - 5.00%	9/1/2018-2029
Public Improvement and Refunding - 2015	2016	236,905	229,105	79,137 (1)	2.95 - 5.00%	9/1/2018-2035
Public Improvement - 2015	2016	10,000	9,605	3,916 (1)	2.89 - 4.27%	9/1/2018-2035
Certificates of Obligation - 2015	2016	43,710	40,730	21,608 (1)	3.25 - 5.00%	9/1/2018-2035
Contractual Obligation - 2015	2016	14,450	11,700	1,789 (2)	3.00 - 5.00%	11/1/2017-2022
Public Improvement and Refunding - 2016	2017	98,365	91,210	39,115 (1)	3.00 - 5.00%	9/1/2018-2036
Certificates of Obligation - 2016	2017	44,015	42,460	23,306 (1)	3.00 - 5.00%	9/1/2018-2036
Contractual Obligation - 2016	2017	22,555	21,095	3,195 (2)	2.00 - 5.00%	11/1/2017-2023
Public Improvement - 2016	2017	12,000	11,530	3,577 (1)	1.81 - 4.00%	9/1/2018-2036
Certificates of Obligation - 2016	2017	8,700	8,360	2,592 (1)	1.81 - 4.00%	9/1/2018-2036
			<u>\$ 1,432,896</u>			

(1) Interest is paid semiannually on March 1 and September 1.

(2) Interest is paid semiannually on May 1 and November 1.

(3) Includes Austin Water Utility principal of \$4,556 and interest of \$1,351 and Drainage Fund principal of \$2,560 and interest of \$760.

(4) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.

**6 – DEBT AND NON-DEBT LIABILITIES, continued**

**b -- Governmental Activities Long-Term Liabilities, continued**

In October 2016, the City issued \$98,365,000 of Public Improvement and Refunding Bonds, Series 2016. The net proceeds of \$51,810,000 (after issue costs, discounts, and premiums) from the non-refunding portion of the issue will be used as follows: streets and mobility (\$22,380,000), parks and recreation (\$13,625,000), and facility improvements (\$15,805,000). The net proceeds of the refunding portion of \$68,557,045 were used to refund \$56,905,000 Public Improvement Bonds, Series 2008 and \$6,755,000 Certificates of Obligation, Series 2008. These bonds will be amortized serially on September 1 of each year from 2017 to 2036. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2017. Total interest requirements for these bonds, at rates ranging from 2.0% to 5.0%, are \$43,356,567. An economic gain of \$9,165,242 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$10,419,491. An accounting loss of \$4,355,130, which will be deferred and amortized, was recorded on this refunding.

In October 2016, the City issued \$44,015,000 of Certificates of Obligation, Series 2016. The net proceeds of \$53,550,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts (\$50,000,000), and the Central Library (\$3,550,000). These certificates of obligation will be amortized serially on September 1 of each year from 2017 to 2036. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2017. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are \$25,209,767.

In October 2016, the City issued \$22,555,000 of Public Property Finance Contractual Obligations, Series 2016. The net proceeds of \$25,070,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: capital equipment (\$16,470,000), and CTM network equipment (\$8,600,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2017 to 2023. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2017. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are \$3,734,764.

In October 2016, the City issued \$12,000,000 of Public Improvement Taxable Bonds, Series 2016. The net proceeds of \$12,176,103 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing (\$10,000,000) and for Austin Film Studios (\$2,000,000). Interest is payable March 1 and September 1 of each year from 2017 to 2036, commencing on March 1, 2017. Principal payments are due September 1 of each year from 2017 to 2036. Total interest requirements for this obligation, at rates ranging from 1.8% to 4.0% are \$3,889,491.

In October 2016, the City issued \$8,700,000 of Certificates of Obligation Bonds, Taxable Series 2016. The net proceeds of \$8,827,815 (after issue costs, discounts, and premiums) from the issuance were used for the Seaholm Garage. Interest is payable March 1 and September 1 of each year from 2017 to 2036, commencing on March 1, 2017. Principal payments are due September 1 of each year from 2017 to 2036. Total interest requirements for this obligation, at rates ranging from 1.8% to 4.0% are \$2,817,885.

General obligation bonds authorized and unissued amounted to \$866,420,000 at September 30, 2017. Bond ratings at September 30, 2017 were Aaa (Moody's Investors Service, Inc.), AAA (Standard & Poor's), and AAA (Fitch).

**c -- Business-Type Activities Long-Term Liabilities**

**Utility Debt** -- The City has previously issued combined debt for the Austin Energy and Austin Water Utility. The City began issuing separate debt for electric and water and wastewater activities in 2000. The following paragraphs describe both combined and separate debt.

**Combined Utility Systems Debt -- General** - Austin Energy and Austin Water Utility comprise the combined utility systems, which issue combined utility systems revenue bonds to finance capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility.

The total combined utility systems revenue bond obligations at September 30, 2017, exclusive of discounts, premiums, and loss on refundings consists of \$18,625,434 prior lien bonds and \$109,920,695 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are \$110,883,283 at September 30, 2017. Revenue bonds authorized and unissued amount to \$1,492,642,660 at that date. Bond ratings at September 30, 2017, for the prior lien and subordinate lien bonds were, respectively, Aa1 and Aa2 (Moody's Investors Service, Inc.), AA+ and AA (Standard & Poor's), and AA and AA- (Fitch).

**Combined Utility Systems Debt -- Revenue Bond Refunding Issues** - The combined utility systems have refunded various issues of revenue bonds, notes, and certificates of obligation through refunding revenue bonds. Principal and interest on these refunding bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility. The prior lien bonds are subordinate only to the prior lien revenue bonds outstanding at the time of issuance, while the subordinate lien bonds are subordinate to prior lien revenue bonds and to subordinate lien revenue bonds outstanding at the time of issuance.

**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**c -- Business-Type Activities Long-Term Liabilities, continued**

Some of these bonds are callable prior to maturity at the option of the City. The term bonds are subject to a mandatory redemption prior to the maturity dates as defined in the respective official statements.

The net proceeds of each of the refunding bond issuances were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the financial statements. The accounting gains and losses due to the advance refunding of debt have been deferred and are being amortized over the life of the refunding bonds by the straight-line method. However, a gain or loss on refunded bonds is recognized when funds from current operations are used.

**Combined Utility Systems Debt -- Bonds Issued and Outstanding** - The following schedule shows the refunding revenue bonds outstanding at September 30, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1990B Refunding	1990	\$ 236,009	819	5,216 (2)	7.35%	11/15/2017
1994 Refunding	1995	142,559	17,806	66,244 (2)	6.60%	5/15/2018-2019
1998 Refunding	1999	139,965	103,105	27,955 (1)	5.25%	5/15/2018-2025
1998A Refunding	1999	105,350	6,816	11,469 (2)	4.25%	5/15/2018-2020
			<u>\$ 128,546</u>			

(1) Interest is paid semiannually on May 15 and November 15.

(2) Interest requirements include accreted interest

**Combined Utility Systems Debt -- Tax Exempt Commercial Paper Notes** - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed \$400,000,000 outstanding at any one time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2017, were P-1 (Moody's Investors Service, Inc.), A-1 (Standard & Poor's), and F1 (Fitch). The notes are in denominations of \$100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

At September 30, 2017, Austin Energy had tax exempt commercial paper notes of \$114,905,000 outstanding with interest ranging from 0.84% to 0.96%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 12%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The associated letter of credit agreements have the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	Bank of Tokyo Mitsubishi	0.41%	Goldman Sachs	0.05%	<u>\$ 114,905</u>	10/15/2017 (1)

(1) In October 2017, the City extended the letter of credit agreement with the current parties. The new agreement expires October 9, 2020, thus the City has classified this debt as long-term at the end of the fiscal year.

These notes are payable at maturity to the holder at a price equal to principal plus accrued interest. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by the respective liquidity providers and become bank notes with principal to be paid in 12 equal, quarterly installments. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.



**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**c -- Business-Type Activities Long-Term Liabilities, continued**

**Combined Utility Systems Debt -- Taxable Commercial Paper Notes** - The City is authorized by ordinance to issue taxable commercial paper notes (the “taxable notes”) in an aggregate principal amount not to exceed \$50,000,000 outstanding at any time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City’s electric system and the City’s water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2017, were P-1 (Moody’s Investors Service, Inc.), A-1 (Standard & Poor’s), and F1 (Fitch).

The taxable notes are issued in denominations of \$100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the taxable notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

At September 30, 2017, Austin Energy had outstanding taxable commercial paper notes of \$31,192,000 with interest rates ranging from 1.20% to 1.23%. The City intends to refinance maturing commercial paper notes by issuing long-term debt. The associated letter of credit agreement has the following terms (in thousands):

<b>Note Series</b>	<b>Liquidity Provider</b>	<b>Commitment Fee Rate</b>	<b>Remarketing</b>	<b>Remarketing Fee Rate</b>	<b>Outstanding</b>	<b>Expiration</b>
Various	Citibank	0.28%	Goldman Sachs	0.05%	\$ 31,192	10/15/2017 (1)

(1) In October 2017, the City extended the letter of credit agreement with the current parties. The new agreement expires October 9, 2020, thus the City has classified this debt as long-term at the end of the fiscal year.

These taxable notes are payable at maturity to the holder at a price equal to the par value of the note. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by Citibank, NA and become bank notes with principal due immediately. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate.

The taxable notes are secured by a direct-pay Letter of Credit issued by Citibank, NA which permits draws for the payment of the Notes. Draws made under the Letter of Credit are immediately due and payable by the City from the resources more fully described in the ordinance. A 36-month term loan feature is provided by this agreement.

**Electric Utility System Revenue Debt -- General** - The City is authorized by ordinance to issue electric utility system revenue obligations. Proceeds from these obligations are used only to fund electric capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of Austin Energy. Bond ratings at September 30, 2017, were Aa3 (Moody’s Investors Service, Inc.), AA (Standard & Poor’s), and AA- (Fitch).

**Electric Utility System Revenue Debt -- Revenue Bond Refunding Issues** – In February 2017, the City issued \$101,570,000 of Electric Utility System Revenue Refunding Bonds, Series 2017. The net proceeds of \$113,890,104 (after issue costs, premium and discounts) from the issuance were used to refund \$105,460,000 in series 2008A Revenue Refunding Bonds. Interest is payable May 15 and November 15 of each year from 2017 to 2038, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2019 to 2038. Total interest requirements for this obligation, with rates ranging from 4.0% to 5.0% are \$79,171,457. An economic gain of \$10,934,470 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$11,439,372. An accounting loss of \$6,785,613, which will be deferred and amortized, was recorded on this refunding.

**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**c -- Business-Type Activities Long-Term Liabilities, continued**

**Electric Utility System Revenue Debt -- Bonds Issued and Outstanding** - The following table summarizes all electric system refunding revenue bonds outstanding at September 30, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2007 Refunding	2007	\$ 146,635	29,810	2,836 (1)	5.00%	11/15/2017-2020
2008 Refunding	2008	50,000	40,015	23,208 (1)	5.20 - 6.26%	11/15/2017-2032
2010A Refunding	2010	119,255	98,555	51,379 (1)	4.00 - 5.00%	11/15/2017-2040
2010B Refunding	2010	100,990	100,990	81,860 (1)	4.54 - 5.72%	11/15/2019-2040
2012A Refunding	2013	267,770	262,950	166,462 (1)	2.50 - 5.00%	11/15/2017-2040
2012B Refunding	2013	107,715	83,615	19,631 (1)	1.53 - 3.16%	11/15/2018-2027
2015A Refunding	2015	327,845	327,845	283,547 (1)	5.00%	11/15/2021-2045
2015B Refunding	2015	81,045	81,045	25,876 (1)	1.11 - 4.66%	11/15/2017-2037
2017 Refunding	2017	101,570	101,570	77,995 (1)	4.00 - 5.00%	11/15/2019-2038
			<u>\$ 1,126,395</u>			

(1) Interest is paid semiannually on May 15 and November 15.

**Electric Utility System Revenue Debt -- Pledged Revenues** - The net revenue of Austin Energy was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2017 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
\$ 1,373,020	1,018,604	354,416	104,970	3.38

(1) Gross revenue includes revenues from operations and interest income.

(2) Excludes depreciation, other postemployment benefits and net pension liability accruals.

**Water and Wastewater System Revenue Debt -- General** - The City is authorized by ordinance to issue Austin Water Utility revenue obligations. Proceeds from these obligations are used only to fund water and wastewater capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Austin Water Utility. Bond ratings at September 30, 2017, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

**Water and Wastewater System Revenue Debt -- Revenue Bond Issue** - In November 2016, the City issued \$20,430,000 of Water and Wastewater System Revenue Bonds, Series, 2016A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$19,119,376 will be used as follows: improving and extending the Water/Wastewater system. The debt service requirements on the bonds are \$24,155,813 with interest rates ranging from 0.5% to 2.1%. Interest payments are due May 15 and November 15 of each year from 2017 to 2036. Principal payments are due November 15 of each year from 2017 to 2036.

**Water and Wastewater System Revenue Debt -- Revenue Bond Cash Defeasance** - In March 2017, the City defeased \$8,330,000 of separate lien revenue refunding bonds, series 2004A, \$7,070,000 of separate lien revenue refunding bonds, series 2009, \$2,305,000 of separate lien revenue refunding bonds, series 2009A, and \$2,000,000 of separate lien revenue refunding bonds, series 2014, with a \$21,317,330 cash payment. The funds were deposited in an irrevocable escrow account to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt.

**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**c -- Business-Type Activities Long-Term Liabilities, continued**

**Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues** - In August 2017, the City issued \$311,100,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2017. The net proceeds of \$372,187,436 (after issue costs, discounts, and premiums) from the bond refunding were used to refund \$98,460,000 of the City's separate lien revenue refunding bonds, series 2009, \$130,340,000 of the City's separate lien revenue refunding bonds, series 2009A, and \$125,000,000 of tax-exempt commercial paper. The debt service requirements on the refunding bonds are \$219,556,958 with interest rates ranging from 2.5% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2017 to 2046. Principal payments are due November 15 of each year from 2020 to 2046. An economic gain of \$29,045,226 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$36,830,194. An accounting loss of \$11,572,025, which will be deferred and amortized, was recorded on this refunding.

**Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding** - The following table summarizes all water and wastewater system original and refunding revenue bonds outstanding at September 30, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2004A Refunding	2005	\$ 165,145	5,680	677 (1)	5.00%	11/15/2018-2019
2007 Refunding	2008	135,000	3,220	85 (1)	5.25%	11/15/2017
2008 Refunding	2008	170,605	109,820	34,560 (2)	0.54 - 0.94%	11/15/2017-2031 (3)
2009 Refunding	2009	175,000	17,115	1,021 (1)	4.00 - 5.00%	11/15/2017-2019
2009A Refunding	2010	166,575	6,830	377 (1)	4.50 - 5.00%	11/15/2017-2019
2010	2010	31,815	26,505	-- (4)	0.00%	11/15/2017-2041
2010A Refunding	2011	76,855	71,235	51,720 (1)	5.00 - 5.13%	11/15/2017-2040
2010B Refunding	2011	100,970	95,805	76,995 (1)	3.36 - 6.02%	11/15/2017-2040
2011 Refunding	2012	237,530	236,030	150,270 (1)	2.00 - 5.00%	11/15/2017-2041
2012 Refunding	2012	336,820	269,530	167,478 (1)	2.50 - 5.00%	11/15/2017-2042
2013A Refunding	2013	282,460	270,100	178,760 (1)	3.00 - 5.00%	11/15/2017-2043
2014 Refunding	2014	282,205	280,205	208,391 (1)	4.00 - 5.00%	5/15/2018-2043
2015A Refunding	2015	249,145	247,805	108,274 (1)	2.85 - 5.00%	11/15/2017-2036
2015B Refunding	2015	40,000	36,490	2,035 (1)	1.13 - 2.54%	11/15/2017-2021
2016 Refunding	2016	247,770	247,770	222,580 (1)	5.00%	11/15/2019-2045
2016A	2017	20,430	20,430	3,587 (1)	0.53 - 2.12%	11/15/2017-2036
2017 Refunding	2017	311,100	311,100	219,557 (1)	2.50 - 5.00%	11/15/2020-2046
			<u>\$ 2,255,670</u>			

(1) Interest is paid semiannually on May 15 and November 15.

(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 3.60% in effect at the end of the fiscal year.

(3) Series matures on May 15 of the final year.

(4) Zero interest bond placed with Texas Water Development Board.

Series 2008 refunding bonds are variable rate demand bonds. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008	Citibank	0.28%	Goldman Sachs	0.05%	<u>\$ 109,820</u>	10/15/2018

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by the respective liquidity providers and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid.

**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**c -- Business-Type Activities Long-Term Liabilities, continued**

**Water and Wastewater System Revenue Debt -- Pledged Revenues** - The net revenue of Austin Water Utility was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2017 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (3)
\$ 601,928	233,592	368,336	227,382	1.62

(1) Gross revenue includes revenues from operations and interest income.

(2) Excludes depreciation, other postemployment benefits, and net pension liability accruals.

(3) The coverage calculation presented considers all Water and Wastewater debt service obligations, regardless of type or designation. This methodology closely approximates but does not follow exactly the coverage calculation required by the master ordinance.

**Airport Revenue Bonds -- General** - The City's Airport Fund issues airport system revenue bonds to fund Airport Fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport Fund. At September 30, 2017, the total airport system obligation for prior lien bonds is \$812,933,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are \$621,373,096 at September 30, 2017. Revenue bonds authorized and unissued amount to \$735,795,000. Bond ratings at September 30, 2017, for the revenue bonds were A (Standard & Poor's) and A1 (Moody's Investors Service, Inc.).

**Airport System Revenue Debt -- Revenue Bond Issue** - In February 2017, the City issued \$185,300,000 of Airport System Revenue Bonds, Series 2017A. The net proceeds of \$213,319,508 (after issue costs, discounts, and premiums) from the issuance are being used for parking garage project construction. Interest is payable May 15 and November 15 of each year from 2017 to 2046, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2026 to 2046. Total interest requirements for these obligations, at a constant rate of 5.0%, are \$199,610,319.

In February 2017, the City issued \$129,665,000 of Airport System Revenue Bonds, Series 2017B (AMT). The bonds are subject to the alternative minimum tax (AMT). The net proceeds of \$146,104,969 (after issue costs, discounts, and premiums) from the issuance are being used for expansion and improvements to the terminal and apron. Interest is payable May 15 and November 15 of each year from 2017 to 2046, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2026 to 2046. Total interest requirements for these obligations, a constant rate of 5.00% are \$139,677,305.

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2005 Refunding	2008 (1)	\$ 281,300	179,075	34,734 (2)	0.60 - 0.97%	11/15/2017-2025
2013 Revenue	2013	60,000	56,410	7,897 (3)	2.25%	11/15/2017-2028 (4)
2013A Refunding	2014	35,620	17,988	162 (3)	1.56%	11/15/2017-2018
2014 Revenue	2015	244,495	244,495	243,798 (3)	5.00%	11/15/2026-2044
2017A Revenue	2017	185,300	185,300	196,960 (3)	5.00%	11/15/2026-2046
2017B Revenue	2017	129,665	129,665	137,822 (3)	5.00%	11/15/2026-2046
			<u>\$ 812,933</u>			

(1) Series was remarketed in 2008.

(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 4.05% in effect at the end of the fiscal year.

(3) Interest is paid semiannually on May 15 and November 15.

(4) Series matures on May 15 of the final year.

**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**c -- Business-Type Activities Long-Term Liabilities, continued**

The Series 2005 refunding bonds that were remarketed in 2008 are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of \$179,075,000. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2005-1	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	\$ 44,775	10/15/2018
2005-2	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,750	10/15/2018
2005-3	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,775	10/15/2018
2005-4	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,775	10/15/2018
					<u>\$ 179,075</u>	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in annual installments over the remaining life of the bond series beginning on the first business day of the month six months following the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2017. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid.

**Airport Revenue Debt -- Pledged Revenues** - The net revenue of the Airport Fund was pledged to service the outstanding principal and interest payments for revenue debt outstanding (including revenue bonds and revenue notes). The table below represents the pledged amounts at September 30, 2017 (in thousands):

Gross Revenue (1)	Other Available Funds (2)	Operating Expense (3)	Net Revenue and Other Available Funds	Debt Service Requirement (4)	Revenue Bond Coverage
\$ 154,570	4,830	94,139	65,261	19,319	3.38

(1) Gross revenue includes revenues from operations and interest income.

(2) Pursuant to the bond ordinance, in addition to gross revenue, the Airport is authorized to use "other available funds" in the calculation of revenue bond coverage not to exceed 25% of the debt service requirements.

(3) Excludes depreciation, other postemployment benefits, and net pension liability accruals.

(4) Excludes debt service amounts paid with passenger facility charge revenues and restricted bond proceeds applied to current interest payments.

**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**c -- Business-Type Activities Long-Term Liabilities, continued**

**Nonmajor Fund Debt:**

**Convention Center -- Prior and Subordinate Lien Revenue Refunding Bonds** - The City's Convention Center Fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. At September 30, 2017, the total convention center obligation for prior and subordinate lien bonds is \$148,010,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are \$29,469,204 at September 30, 2017. Revenue bonds authorized and unissued amount to \$760,000 at September 30, 2017.

Bond ratings at September 30, 2017, for the revenue bonds and subordinate lien bonds were, respectively, Aa3 and A1 (Moody's Investors Service, Inc.), and AA and A+ (Standard & Poor's).

**Convention Center -- Revenue Refunding Bond Issue** - In November 2016, the City issued 29,080,000 of Town Lake Park Community Events Center Venue Project Refunding Bonds, Series 2016. The bonds were issued via private placement bonds. Proceeds from the bonds were used to refund \$28,920,000 of the City's Series 2005 Venue Project Refunding bonds. Interest is payable May 15 and November 15 of each year from 2017 to 2029, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2017 to 2029. Total interest requirements at a rate of 1.875% are \$3,945,923. An economic gain of \$6,112,269 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$6,920,227. An accounting loss of \$785,846, which will be deferred and amortized, was recorded on this refunding.

The following table summarizes Convention Center refunding revenue bonds outstanding at September 30, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2008AB Refunding	2008	\$ 125,280	87,820	18,936 (2)	0.54 - 0.96%	11/15/2017-2029
2012 Refunding	2012	20,185	16,995	5,777 (1)	2.50 - 5.00%	11/15/2017-2029
2013 Refunding	2014	26,485	14,115	1,082 (1)	5.00%	11/15/2017-2019
2016 Refunding	2017	29,080	29,080	3,674 (1)	1.88%	11/15/2017-2029
			<u>\$ 148,010</u>			

(1) Interest is paid semiannually on May 15 and November 15.

(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 3.25% in effect at the end of the fiscal year.

The Series 2008 A and B refunding bonds are variable rate demand bonds. The associated letter of credit agreements have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008-A	JPMorgan Chase Bank, NA	0.42%	Raymond James	0.06%	\$ 43,910	12/15/2017 (1)
2008-B	JPMorgan Chase Bank, NA	0.42%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.05%	43,910	12/15/2017 (1)
					<u>\$ 87,820</u>	

(1) In October 2017, the City extended the letter of credit agreements with the current parties. The new agreements expire on October 9, 2020, thus the City has classified this debt as long-term at the end of the fiscal year.

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period beginning six months from the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2017. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid.

6 – DEBT AND NON-DEBT LIABILITIES, continued  
d -- Debt Service Requirements

Fiscal Year Ended September 30	Governmental Activities (in thousands)					
	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 60,206	44,419	7,703	8,184	16,435	3,986
2019	63,233	42,032	7,502	7,899	15,485	3,428
2020	66,161	39,375	7,729	7,621	13,824	2,879
2021	70,562	36,318	8,057	7,329	11,455	2,388
2022	70,876	32,943	8,402	7,022	8,953	1,935
2023-2027	352,950	116,862	47,907	29,718	24,562	5,545
2028-2032	263,350	48,163	57,090	18,694	14,395	1,376
2033-2037	75,130	5,779	41,643	6,879	--	--
2038-2042	--	--	9,835	974	--	--
	<u>1,022,468</u>	<u>365,891</u>	<u>195,868</u>	<u>94,320</u>	<u>105,109</u>	<u>21,537</u>
Less: Unamortized bond discounts	(45)	--	--	--	(7)	--
Add: Unamortized bond premiums	87,343	--	18,526	--	6,766	--
Net debt service requirements	<u>1,109,766</u>	<u>365,891</u>	<u>214,394</u>	<u>94,320</u>	<u>111,868</u>	<u>21,537</u>

Fiscal Year Ended September 30	Total Governmental Debt Service Requirements		
	Principal	Interest	Total
2018	84,344	56,589	140,933
2019	86,220	53,359	139,579
2020	87,714	49,875	137,589
2021	90,074	46,035	136,109
2022	88,231	41,900	130,131
2023-2027	425,419	152,125	577,544
2028-2032	334,835	68,233	403,068
2033-2037	116,773	12,658	129,431
2038-2042	9,835	974	10,809
	<u>1,323,445</u>	<u>481,748</u>	<u>1,805,193</u>
Less: Unamortized bond discounts	(52)	--	(52)
Add: Unamortized bond premiums	112,635	--	112,635
Net debt service requirements	<u>\$ 1,436,028</u>	<u>481,748</u>	<u>1,917,776</u>

6 – DEBT AND NON-DEBT LIABILITIES, continued  
d -- Debt Service Requirements, continued

Business-type Activities (in thousands)						
Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 3,724	869	2,177	2,157	11,051	922
2019	3,171	714	2,273	2,090	9,195	605
2020	3,119	587	2,371	2,016	6,851	339
2021	3,254	443	2,488	1,935	3,285	163
2022	2,574	297	2,602	1,849	1,256	63
2023-2027	3,365	253	15,048	7,617	413	10
2028-2032	--	--	15,920	4,105	--	--
2033-2037	--	--	7,453	952	--	--
2038-2042	--	--	745	53	--	--
2043-2047	--	--	--	--	--	--
	<u>19,207</u>	<u>3,163</u>	<u>51,077</u>	<u>22,774</u>	<u>32,051</u>	<u>2,102</u>
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	1,096	--	4,165	--	844	--
Net debt service requirements	<u>20,303</u>	<u>3,163</u>	<u>55,242</u>	<u>22,774</u>	<u>32,895</u>	<u>2,102</u>

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	546	467	146,097	136	129,382	251,990
2019	455	575	--	--	118,729	225,554
2020	775	258	--	--	162,048	198,454
2021	820	226	--	--	186,565	187,508
2022	845	191	--	--	195,216	179,476
2023-2027	3,675	394	--	--	1,005,955	761,991
2028-2032	--	--	--	--	886,182	538,454
2033-2037	--	--	--	--	715,825	358,408
2038-2042	--	--	--	--	674,355	179,119
2043-2047	--	--	--	--	397,297	39,933
	<u>7,116</u>	<u>2,111</u>	<u>146,097</u>	<u>136</u>	<u>4,471,554</u>	<u>2,920,887</u>
Less: Unamortized bond discounts	--	--	--	--	(1,123)	--
Add: Unamortized bond premiums	--	--	--	--	410,771	--
Net debt service requirements	<u>\$ 7,116</u>	<u>2,111</u>	<u>146,097</u>	<u>136</u>	<u>4,881,202</u>	<u>2,920,887</u>

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(Continued)

(2) A portion of these bonds are variable rate bonds with rates ranging from 0.54% to 0.97%.



6 – DEBT AND NON-DEBT LIABILITIES, continued  
d -- Debt Service Requirements, continued

Business-type Activities, continued  
(in thousands)

Fiscal Year Ended September 30	Capital Lease Obligations		Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2018	\$ 54	73	293,031	256,614	549,645
2019	57	70	133,880	229,608	363,488
2020	60	67	175,224	201,721	376,945
2021	63	64	196,475	190,339	386,814
2022	67	61	202,560	181,937	384,497
2023-2027	387	250	1,028,843	770,515	1,799,358
2028-2032	301	104	902,403	542,663	1,445,066
2033-2037	--	--	723,278	359,360	1,082,638
2038-2042	--	--	675,100	179,172	854,272
2043-2047	--	--	397,297	39,933	437,230
	<u>989</u>	<u>689</u>	<u>4,728,091</u>	<u>2,951,862</u>	<u>7,679,953</u>
Less: Unamortized bond discounts	--	--	(1,123)	--	(1,123)
Add: Unamortized bond premiums	--	--	416,876	--	416,876
Net debt service requirements	<u>\$ 989</u>	<u>689</u>	<u>5,143,844</u>	<u>2,951,862</u>	<u>8,095,706</u>

6 – DEBT AND NON-DEBT LIABILITIES, continued  
d -- Debt Service Requirements, continued

Business-type Activities: Austin Energy  
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Commercial Paper Notes (1)		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 115	7	146,097	136	34,971	58,656
2019	109	4	--	--	37,007	54,363
2020	50	2	--	--	46,993	52,724
2021	4	--	--	--	47,106	50,835
2022	--	--	--	--	54,593	48,794
2023-2027	--	--	--	--	272,027	205,366
2028-2032	--	--	--	--	244,980	141,113
2033-2037	--	--	--	--	198,520	90,294
2038-2042	--	--	--	--	162,165	43,403
2043-2047	--	--	--	--	105,015	10,880
	<u>278</u>	<u>13</u>	<u>146,097</u>	<u>136</u>	<u>1,203,377</u>	<u>756,428</u>
Less: Unamortized bond discounts	--	--	--	--	(180)	--
Add: Unamortized bond premiums	1	--	--	--	92,702	--
Net debt service requirements	<u>279</u>	<u>13</u>	<u>146,097</u>	<u>136</u>	<u>1,295,899</u>	<u>756,428</u>

Fiscal Year Ended September 30	Capital Lease Obligations		Total Austin Energy Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2018	54	73	181,237	58,872	240,109
2019	57	70	37,173	54,437	91,610
2020	60	67	47,103	52,793	99,896
2021	63	64	47,173	50,899	98,072
2022	67	61	54,660	48,855	103,515
2023-2027	387	250	272,414	205,616	478,030
2028-2032	301	104	245,281	141,217	386,498
2033-2037	--	--	198,520	90,294	288,814
2038-2042	--	--	162,165	43,403	205,568
2043-2047	--	--	105,015	10,880	115,895
	<u>989</u>	<u>689</u>	<u>1,350,741</u>	<u>757,266</u>	<u>2,108,007</u>
Less: Unamortized bond discounts	--	--	(180)	--	(180)
Add: Unamortized bond premiums	--	--	92,703	--	92,703
Net debt service requirements	<u>\$ 989</u>	<u>689</u>	<u>1,443,264</u>	<u>757,266</u>	<u>2,200,530</u>

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

6 – DEBT AND NON-DEBT LIABILITIES, continued  
d -- Debt Service Requirements, continued

Business-type Activities: Austin Water Utility  
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 731	84	86	62	1,608	174
2019	239	51	91	59	1,352	126
2020	207	43	92	56	1,052	83
2021	186	34	99	53	671	50
2022	187	27	102	50	419	24
2023-2027	343	26	590	190	175	4
2028-2032	--	--	591	60	--	--
2033-2037	--	--	3	--	--	--
2038-2042	--	--	--	--	--	--
2043-2047	--	--	--	--	--	--
	<u>1,893</u>	<u>265</u>	<u>1,654</u>	<u>530</u>	<u>5,277</u>	<u>461</u>
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	80	--	39	--	225	--
Net debt service requirements	<u>1,973</u>	<u>265</u>	<u>1,693</u>	<u>530</u>	<u>5,502</u>	<u>461</u>

Fiscal Year Ended September 30	Other Tax Supported Debt		Revenue Bonds (1)		Total Austin Water Utility Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	350	299	57,712	152,213	60,487	152,832	213,319
2019	291	368	44,033	131,419	46,006	132,023	178,029
2020	496	165	74,955	107,441	76,802	107,788	184,590
2021	525	145	103,999	99,779	105,480	100,061	205,541
2022	541	122	105,583	95,042	106,832	95,265	202,097
2023-2027	2,353	252	547,133	398,391	550,594	398,863	949,457
2028-2032	--	--	497,067	271,786	497,658	271,846	769,504
2033-2037	--	--	392,720	171,824	392,723	171,824	564,547
2038-2042	--	--	353,205	74,704	353,205	74,704	427,909
2043-2047	--	--	130,827	11,018	130,827	11,018	141,845
	<u>4,556</u>	<u>1,351</u>	<u>2,307,234</u>	<u>1,513,617</u>	<u>2,320,614</u>	<u>1,516,224</u>	<u>3,836,838</u>
Less: Unamortized bond discounts	--	--	(620)	--	(620)	--	(620)
Add: Unamortized bond premiums	--	--	247,555	--	247,899	--	247,899
Net debt service requirements	<u>\$ 4,556</u>	<u>1,351</u>	<u>2,554,169</u>	<u>1,513,617</u>	<u>2,567,893</u>	<u>1,516,224</u>	<u>4,084,117</u>

(1) Portions of these bonds are variable rate bonds with rates of 0.54% - 0.94%.

6 – DEBT AND NON-DEBT LIABILITIES, continued  
d -- Debt Service Requirements, continued

Business-type Activities: Airport  
(in thousands)

Fiscal Year Ended September 30	General Obligation		Revenue Bonds (1)	
	Bonds			
	Principal	Interest	Principal	Interest
2018	\$ 21	2	23,744	36,505
2019	20	1	24,249	35,646
2020	10	--	26,135	34,682
2021	2	--	26,150	33,702
2022	1	--	25,430	32,748
2023-2027	--	--	134,065	148,641
2028-2032	--	--	108,135	124,112
2033-2037	--	--	124,585	96,290
2038-2042	--	--	158,985	61,012
2043-2047	--	--	161,455	18,035
	<u>54</u>	<u>3</u>	<u>812,933</u>	<u>621,373</u>
Less: Unamortized bond discounts	--	--	(259)	--
Add: Unamortized bond premiums	2	--	68,689	--
Net debt service requirements	<u>56</u>	<u>3</u>	<u>881,363</u>	<u>621,373</u>

Fiscal Year Ended September 30	Total Airport		
	Debt Service Requirements		
	Principal	Interest	Total
2018	23,765	36,507	60,272
2019	24,269	35,647	59,916
2020	26,145	34,682	60,827
2021	26,152	33,702	59,854
2022	25,431	32,748	58,179
2023-2027	134,065	148,641	282,706
2028-2032	108,135	124,112	232,247
2033-2037	124,585	96,290	220,875
2038-2042	158,985	61,012	219,997
2043-2047	161,455	18,035	179,490
	<u>812,987</u>	<u>621,376</u>	<u>1,434,363</u>
Less: Unamortized bond discounts	(259)	--	(259)
Add: Unamortized bond premiums	68,691	--	68,691
Net debt service requirements	<u>\$ 881,419</u>	<u>621,376</u>	<u>1,502,795</u>

(1) Portions of these bonds are variable rate bonds with rates ranging from 0.60% - 0.97%.

6 – DEBT AND NON-DEBT LIABILITIES, continued  
d -- Debt Service Requirements, continued

Business-type Activities: Nonmajor Enterprise  
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	\$ 2,857	776	2,091	2,095	9,443	748
2019	2,803	658	2,182	2,031	7,843	479
2020	2,852	542	2,279	1,960	5,799	256
2021	3,062	409	2,389	1,882	2,614	113
2022	2,386	270	2,500	1,799	837	39
2023-2027	3,022	227	14,458	7,427	238	6
2028-2032	--	--	15,329	4,045	--	--
2033-2037	--	--	7,450	952	--	--
2038-2042	--	--	745	53	--	--
	<u>16,982</u>	<u>2,882</u>	<u>49,423</u>	<u>22,244</u>	<u>26,774</u>	<u>1,641</u>
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	1,013	--	4,126	--	619	--
Net debt service requirements	<u>17,995</u>	<u>2,882</u>	<u>53,549</u>	<u>22,244</u>	<u>27,393</u>	<u>1,641</u>

Fiscal Year Ended September 30	Other Tax Supported Debt		Revenue Bonds (1)		Total Nonmajor Enterprise Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2018	196	168	12,955	4,616	27,542	8,403	35,945
2019	164	207	13,440	4,126	26,432	7,501	33,933
2020	279	93	13,965	3,607	25,174	6,458	31,632
2021	295	81	9,310	3,192	17,670	5,677	23,347
2022	304	69	9,610	2,892	15,637	5,069	20,706
2023-2027	1,322	142	52,730	9,593	71,770	17,395	89,165
2028-2032	--	--	36,000	1,443	51,329	5,488	56,817
2033-2037	--	--	--	--	7,450	952	8,402
2038-2042	--	--	--	--	745	53	798
	<u>2,560</u>	<u>760</u>	<u>148,010</u>	<u>29,469</u>	<u>243,749</u>	<u>56,996</u>	<u>300,745</u>
Less: Unamortized bond discounts	--	--	(64)	--	(64)	--	(64)
Add: Unamortized bond premiums	--	--	1,825	--	7,583	--	7,583
Net debt service requirements	<u>\$ 2,560</u>	<u>760</u>	<u>149,771</u>	<u>29,469</u>	<u>251,268</u>	<u>56,996</u>	<u>308,264</u>

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.54% - 0.96%.

**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**e -- Defeased Bonds**

Over time, the City has issued refunding bonds to advance refund certain public improvement bonds, certificates of obligation, and enterprise revenue bonds. The proceeds of the sale of the refunding bonds were deposited with an escrow agent in an amount necessary to accomplish the discharge and final payment of the refunded obligations. These funds are held by the escrow agent in an escrow fund and used to purchase direct obligations of the United States of America to be held in the escrow fund. The escrow fund is irrevocably pledged to the payment of the principal and interest on the refunded obligations.

On September 30, 2017, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity Dates	Balance (1)
<b>General Obligation</b>		
Public Improvement Bonds, Series 2008	9/1/2018	\$ 56,905
Certificates of Obligation, Series 2008	9/1/2018	6,755
<b>Austin Water Utility</b>		
Series 2004A	11/15/2018 - 11/15/2019	8,330
Series 2007	11/15/2017	110,940
Series 2009	11/15/2018 - 11/15/2019	118,360
Series 2009A	11/15/2018 - 11/15/2019	137,210
Series 2014	5/15/2018 - 5/15/2019	2,000
<b>Austin Energy</b>		
Series 2008A	11/15/2017 - 11/15/2018	169,605
<b>Combined Utility System Revenue</b>		
Series 1994 Subordinate Lien	5/15/2019	3,700
		<u>\$ 613,805</u>

(1) The balances shown have been escrowed to their respective call dates.

## 7 – RETIREMENT PLANS

### a -- General Information

*Plan Description.* The City participates in funding three contributory, defined benefit retirement plans: the City of Austin Employees' Retirement and Pension Fund (City Employees), the City of Austin Police Officers' Retirement and Pension Fund (Police Officers), and the Fire Fighters' Relief and Retirement Fund of Austin, Texas (Fire Fighters). An Independent Board of Trustees administers each plan. These plans are City-wide single employer funded plans each with a fiscal year end of December 31.

All three plans were created by state law and can be found in Vernon's Texas Civil Statutes as follows:

City Employees' Fund	Article 6243n
Police Officers' Fund	Article 6243n-1
Fire Fighters' Fund	Article 6243e.1

State law governs benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas.

*Plan Financial Statements.* The most recently available financial statements of the pension funds are for the year ended December 31, 2016. Stand-alone financial reports that include financial statements and supplementary information for each plan are publicly available at the locations and internet addresses shown below.

Plan	Address	Telephone
City of Austin Employees' Retirement and Pension Fund	418 E. Highland Mall Blvd. Austin, Texas 78752-3720 <a href="http://www.coaers.org">www.coaers.org</a>	(512)458-2551
City of Austin Police Officers' Retirement and Pension Fund	2520 S. IH 35, Ste. 100 Austin, Texas 78704 <a href="http://www.ausprs.org">www.ausprs.org</a>	(512)416-7672
Fire Fighters' Relief and Retirement Fund of Austin, Texas	4101 Parkstone Heights Dr., Ste. 270 Austin, Texas 78746 <a href="http://www.afrs.org">www.afrs.org</a>	(512)454-9567

*Classes of Employees Covered.* The three pension plans cover substantially all full-time employees. The City Employees' fund covers all regular, full-time employees working 30 hours or more except for civil service police officers and fire fighters. Membership in this fund is comprised of two tiers. Group A includes all employees hired before January 1, 2012. Group B includes all employees hired on or after this date. The Police Officers' fund covers all commissioned law enforcement officers and cadets upon enrollment in the Austin Police Academy. The Fire Fighters' fund covers all commissioned civil service and Texas state-certified fire fighters with at least six months of service employed by the Austin Fire Department.

*Benefits Provided.* Each plan provides service retirement, death, and disability benefits as shown in the following chart. For the City Employees' fund, vesting occurs after 5 years of creditable service. For the other two systems, vesting occurs after 10 years of creditable service. For all three systems, creditable service includes employment at the City plus purchases of certain types of service where applicable. Withdrawals from the systems include actual contributions plus interest at varying rates depending on the system. This applies to both non-vested employees who leave the City as well as vested employees who leave the City and wish to withdraw their contributions. In addition, each plan offers various Deferred Retirement Option Programs (DROP). These are not included in the discussion of benefits provided.

7 – RETIREMENT PLANS, continued  
a -- General Information, continued

	City Employees	Police Officers	Fire Fighters
Eligibility	Group A members qualify for retirement benefits at age 62; age 55 with 20 years creditable service; or any age with 23 years creditable service. No reduced benefits are available. Group B members qualify for normal retirement benefits at age 65 with 5 years creditable service or at age 62 with 30 years creditable service. Reduced benefits are available at age 55 with 10 years of creditable service.	Members are eligible for retirement benefits at any age with 23 years creditable service (excluding pre-membership military service), age 55 and 20 years creditable service (excluding pre-membership military service), or age 62 and any number of creditable service years.	Members are eligible for normal retirement benefits upon the earlier of age 50 with 10 years of service or 25 years of service regardless of age. Members are eligible for early retirement at 45 with 10 years of service or with 20 years of service regardless of age.
Calculation	Average of 36 highest months of base pay multiplied by years and months of creditable service multiplied by 3.0% for Group A and 2.5% for Group B.	Average of 36 highest months of base salary plus longevity pay multiplied by years and months of service multiplied by 3.2%.	Average of 36 highest months of base salary plus longevity pay multiplied by years of service multiplied by 3.3% with a \$2,000 monthly minimum.
Death Benefits	Retiree or active member eligible for retirement, \$10,000 lump sum and continuation of benefits to beneficiary if this option was selected. If not eligible for retirement, refund of accumulated deposits plus death benefit from COAERS equal to those deposits excluding purchases of time.	For retirees and members eligible for retirement, \$10,000 lump sum and the member's accrued benefit as of the date of death based on annuity selected. Non-vested members receive the greater of \$10,000 or twice the amount of the member's accumulated contributions.	Surviving spouse receives 75% of retiree benefits based on the greater of 20 years or years of service at time of death. If surviving spouse exists, each dependent receives 15% of the payment paid to the surviving spouse. If no surviving spouse exists, dependents split equally the amount that would have been paid to surviving spouse.
Disability Benefits	After approved for disability benefits, active members may choose from several different disability retirement options. Must have 5 years of service if disability is not job related.	After approved for disability benefits, if disability is the result of employment duties, benefit is based on the greater of 20 years or normal retirement calculation. Must have 10 years of service if disability is not job related.	For the first 30 months, eligible for retiree benefits based on the greater of service at time of disability or 20 years. After 30 months, continuance of annuity may be reevaluated.
Cost of Living Adjustments (COLA)	The plan does not require COLAs. Such increases must be deemed sustainable by the actuary and approved by the City Council and Board of Trustees of the fund. The most recent COLA was put into effect in 2002.	The plan does not require COLAs. Such increases must be approved by the Board of Trustees and the actuary of the fund. The most recent COLA was put into effect in 2007.	The plan does not require COLAs. Such increases must be approved by the Board of Trustees and the actuary of the fund. The most recent COLA was put into effect for 2017.



**7 – RETIREMENT PLANS, continued**  
**a -- General Information, continued**

*Employees Covered by Benefit Terms:* Membership in the plans as of December 31, 2016, is as follows:

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Inactive employees or beneficiaries currently receiving benefits	5,934	849	750
Inactive employees entitled to but not yet receiving benefits	2,507	36	7
Active employees	9,364	1,837	990
Total	<u>17,805</u>	<u>2,722</u>	<u>1,747</u>

*Contributions.* For all three systems, minimum contributions are determined by the enabling legislation cited above. In certain cases the City may contribute at a level greater than that stated in the law. While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted.

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Employee contribution (percent of earnings)	8.00%	13.00%	18.70%
City contribution (percent of earnings)	18.00% (1)	21.313%	22.05%
City contributions year ended September 30, 2017 (in thousands)	\$108,929	34,717	19,104

(1) The City contributes two-thirds of the cost of prior service benefit payments. A rate of 18% was effective October 1, 2012.

The City's net pension liability was measured as of December 31, 2016 for all three systems. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for the City Employees' fund. For the other two systems, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 using the final 2016 assumptions and then was rolled forward to the plan's year ending December 31, 2016.

*Actuarial Assumptions.* Actuarial assumptions used in the most recent actuarial valuations include:

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Inflation rate	2.75%	3.00%	3.00%
Projected annual salary increases	4.00% to 6.25%	0.1% to 18.00% Service based (1)(2)	1.00% to 8.50% Service based (2)
Investment rate of return	7.50%	7.70%	7.70%
Ad hoc postemployment benefit changes including COLAs	None	None	None
Dates of experience studies	2011 - 2015	2012 - 2016	2004 - 2014
Source for mortality assumptions	RP-2014 Mortality Table with Blue Collar adjustment. Generational mortality improvements in accordance with Scale BB are projected from the year 2014.	RP-2000 Combined Healthy without projection - Sex Distinct.	RP2000 (Fully Generational using Scale AA) set back two years for males and females - Sex Distinct.

(1) This includes the classification status change upon graduation from the academy.

(2) This does not include assumed general wage increases of 3.25% and 3.00% for Police and Fire, respectively.

**7 – RETIREMENT PLANS, continued**

**b -- Net Pension Liability**

*Development of Long-Term Rate of Return on Investments.* Each pension plan utilizes different asset allocations and assumed rates of return in developing the long-term rate of return on investments. However all three use the same methodology as follows:

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following provides asset allocations and long-term expected real rate of return for each asset class for the three funds.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
<b>City Employees:</b>		
International equity	30.00%	5.90%
US equity	30.00%	4.57%
Fixed income	24.50%	1.25%
Alternative investments	10.00%	3.25% to 7.25%
Real estate	5.50%	4.00%
Total	100.00%	
<b>Police Officers:</b>		
Domestic equity	40.00%	7.50%
International equity	15.00%	8.50%
Other Equity	7.50%	7.50%
Core Fixed Income	5.00%	2.50%
Global fixed income	5.00%	3.50%
Other Fixed Income	5.00%	2.50%
Real estate	15.00%	4.50%
Timber	2.50%	2.50%
Hedge Funds	5.00%	5.00%
Total	100.00%	
<b>Fire Fighters:</b>		
Public domestic equity	20.00%	5.30%
Public foreign equity	22.00%	6.90%
Private equity fund of funds	15.00%	5.60%
Investment grade bonds	13.00%	1.10%
Treasury inflation protected securities	5.00%	0.80%
High yield/bank loans	5.00%	3.80%
Emerging market debt	7.00%	3.60%
Core real estate	5.00%	3.40%
Non-core real estate	5.00%	5.00%
Natural resources	3.00%	5.90%
Total	100.00%	

**7 – RETIREMENT PLANS, continued**  
**b -- Net Pension Liability, continued**

*Discount Rate.* The following provides information on the discount rate used to measure the City's total pension liability. Based on the assumptions presented below, the fiduciary net position for all three pension funds was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Single discount rate	7.50%	7.70%	7.70%
Change since last measurement date	None	(0.10%)	None
Long-term expected rate of return on pension plan investments	7.50%	7.70%	7.70%
Cash flow assumptions	Plan member contributions will be made at the current rate. City contributions will be made at the current rate for 32 years and then will decrease to 8%.	Plan member contributions will be made at current contribution rates. City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate.	Plan member contributions will be made at current contribution rates. City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate.* The following presents the net pension liability of each of the pension funds of the City calculated using the long-term expected rate of return on pension plan investments, as well as what the net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	<u>1% Decrease</u>		<u>Current Discount Rate</u>		<u>1% Increase</u>	
	<u>Rate</u>	<u>Net Pension Liability</u>	<u>Rate</u>	<u>Net Pension Liability</u>	<u>Rate</u>	<u>Net Pension Liability</u>
City Employees	6.50%	\$ 1,731,803	7.50%	\$ 1,291,688	8.50%	\$ 924,512
Police Officers	6.70%	543,431	7.70%	420,169	8.70%	315,661
Fire Fighters	6.70%	248,626	7.70%	148,113	8.70%	63,515

*Pension Plan Fiduciary Net Position.* Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report of each of the pension systems.

**7 – RETIREMENT PLANS, continued**  
**b -- Net Pension Liability, continued**

*Schedule of Changes in Net Pension Liability.* Changes in net pension liability for all three funds and the City for the measurement period ended December 31, 2016 are as follows (in thousands):

	<b>City Employees</b>	<b>Police Officers</b>	<b>Fire Fighters</b>	<b>Total</b>
<b>Total pension liability at December 31, 2015 (a)</b>	<u>\$ 3,391,796</u>	<u>1,028,909</u>	<u>913,618</u>	<u>5,334,323</u>
<b>Changes for the year:</b>				
Service cost	107,111	32,990	24,323	164,424
Interest	251,684	80,846	70,893	403,423
Benefit changes	--	--	5,491	5,491
Differences between expected and actual experience	19,914	7,455	8,893	36,262
Assumption changes	--	5,148	--	5,148
Contribution buy back	--	1,668	--	1,668
Benefit payments including refunds	<u>(179,129)</u>	<u>(50,827)</u>	<u>(45,495)</u>	<u>(275,451)</u>
<b>Net change in total total pension liability</b>	<u>199,580</u>	<u>77,280</u>	<u>64,105</u>	<u>340,965</u>
<b>Total pension liability at December 31, 2016 (b)</b>	<u><u>\$ 3,591,376</u></u>	<u><u>1,106,189</u></u>	<u><u>977,723</u></u>	<u><u>5,675,288</u></u>
<b>Total plan fiduciary net position at December 31, 2015 (c)</b>	<u>\$ 2,144,804</u>	<u>644,174</u>	<u>785,211</u>	<u>3,574,189</u>
<b>Changes for the year:</b>				
Employer contributions	104,273	33,814	19,104	157,191
Employee contributions	60,801	20,623	15,884	97,308
Contribution buy back	--	1,668	--	1,668
Pension plan net investment income (loss)	171,640	37,965	55,569	265,174
Benefits payments and refunds	<u>(179,129)</u>	<u>(50,827)</u>	<u>(45,496)</u>	<u>(275,452)</u>
Pension plan administrative expense	<u>(2,701)</u>	<u>(1,397)</u>	<u>(662)</u>	<u>(4,760)</u>
<b>Net change in total plan fiduciary net position</b>	<u>154,884</u>	<u>41,846</u>	<u>44,399</u>	<u>241,129</u>
<b>Total plan fiduciary net position at December 31, 2016 (d)</b>	<u><u>\$ 2,299,688</u></u>	<u><u>686,020</u></u>	<u><u>829,610</u></u>	<u><u>3,815,318</u></u>
<b>Net pension liability at December 31, 2015 (a-c)</b>	<u><u>\$ 1,246,992</u></u>	<u><u>384,735</u></u>	<u><u>128,407</u></u>	<u><u>1,760,134</u></u>
<b>Net pension liability at December 31, 2016 (b-d)</b>	<u><u>\$ 1,291,688</u></u>	<u><u>420,169</u></u>	<u><u>148,113</u></u>	<u><u>1,859,970</u></u>

**7 – RETIREMENT PLANS, continued**  
**b -- Net Pension Liability, continued**

The City Employees' fund had no changes of assumptions or benefit terms that affected the total pension liability for the measurement period.

The Police Officers' fund had no changes to benefit terms during the measurement period but did have several changes in assumptions that affected the measurement of the total pension liability.

Changes to assumptions included:

- The investment return assumption has been decreased from 7.80% to 7.70%,
- The core inflation rate assumption has been decreased from 3.25% to 3.00% per year,
- The general wage inflation rate assumption has been decreased from 3.50% to 3.25% per year,
- The assumed rates of salary increase have been amended at most service points,
- The payroll growth assumption has been increased from 3.50% to 4.00% per year.

The Fire Fighters' fund had no significant changes of assumptions during the measurement period but did have a change in benefit term that affected the total pension liability. Effective January 1, 2017 a cost-of-living adjustment increase of 1.50% went into effect.

**c -- Pension Expense**

Total pension expense recognized by the City for the fiscal year ended September 30, 2017, was comprised of the following (in thousands):

	<b>Pension Expense</b>
City Employees	\$ 232,097
Police Officers	61,389
Fire Fighters	42,862
<b>Total</b>	<b>\$ 336,348</b>

**d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At September 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources (in thousands):

<b>Source</b>	<b>City Employees</b>	<b>Police Officers</b>	<b>Fire Fighters</b>	<b>Total</b>
<b>Deferred Outflows of Resources</b>				
Contributions to the plans subsequent to the measurement date	\$ 80,263	25,486	13,993	119,742
Differences between expected and actual experience	37,943	6,710	13,176	57,829
Changes in assumptions	76,077	17,653	3,255	96,985
Net difference between projected and actual earnings on pension plan investments	150,241	45,226	42,300	237,767
<b>Total</b>	<b>344,524</b>	<b>95,075</b>	<b>72,724</b>	<b>512,323</b>
<b>Deferred Inflows of Resources</b>				
Differences between expected and actual experience	--	5,054	--	5,054
<b>Total</b>	<b>\$ --</b>	<b>5,054</b>	<b>--</b>	<b>5,054</b>

**7 – RETIREMENT PLANS, continued**

**d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued**

The portion of deferred outflows and inflows of resources that will be recognized in pension expense is as follows (in thousands):

<b>Fiscal Year Ended September 30</b>	<b>City Employees</b>	<b>Police Officers</b>	<b>Fire Fighters</b>	<b>Total</b>
2018	\$ 92,107	17,461	17,405	126,973
2019	91,888	17,461	17,406	126,755
2020	71,810	15,115	14,256	101,181
2021	6,876	4,919	3,446	15,241
2022	1,580	2,433	2,553	6,566
Thereafter	--	7,146	3,665	10,811
Total	<u>\$ 264,261</u>	<u>64,535</u>	<u>58,731</u>	<u>387,527</u>

**8 – OTHER POSTEMPLOYMENT BENEFITS**

**a -- Description**

In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits to its retirees. Other postemployment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and \$1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other postemployment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate. The City's other postemployment benefits plan is a single employer plan.

The City is under no obligation to pay any portion of the cost of other postemployment benefits for retirees or their dependents. Allocation of City funds to pay other postemployment benefits is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis.

The City recognizes the cost of providing these benefits to active employees as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree's life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium.

The pay-as-you-go cost of providing medical and life benefits was \$43.1 million for 4,834 retirees in 2017 and \$39.3 million for 4,644 retirees in 2016.

**b -- Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation**

The annual cost associated with the City's OPEB retiree benefits for the fiscal year ended September 30, 2017 is as follows (in thousands):

	<b>OPEB Obligation</b>
Annual required contribution	\$ 203,571
Interest on net OPEB obligation	36,358
Adjustment to annual required contribution	(49,125)
Annual OPEB cost	190,804
Contributions made	(43,051)
Change in net OPEB obligation	147,753
Beginning net OPEB obligation	863,584
Net OPEB obligation	<u>\$ 1,011,337</u>

**8 – OTHER POSTEMPLOYMENT BENEFITS, continued**

**b -- Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation, continued**

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year and the two preceding years are as follows (in thousands):

<b>Year Ended September 30</b>	<b>Annual OPEB Cost</b>	<b>Percentage of Annual OPEB Cost Contributed</b>	<b>Net OPEB Obligation</b>
2015	\$ 126,916	31%	777,699
2016	125,199	31%	863,584
2017	190,804	22%	1,011,337

**c -- Schedule of Funding Progress at September 30, 2017 (in thousands):**

<b>Actuarial Value of Assets</b>	<b>Actuarial Accrued Liability</b>	<b>UAAL (1)</b>	<b>Funded Ratio</b>	<b>Annual Covered Payroll</b>	<b>Percentage of UAAL to Covered Payroll</b>
\$ --	2,004,664	2,004,664	0%	850,259	235.8%

(1) UAAL - Unfunded Actuarial Accrued Liability

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as Required Supplementary Information, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

**d -- Actuarial Methods and Assumptions**

Projections of benefits are based on the plan in place at the time of the valuation and include the type of benefits provided at the valuation date and the cost sharing pattern between the employer and plan members at that time. The actuarial calculations of the OPEB plan reflect a long-term perspective and utilize actuarial methods and assumptions that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities.

**e -- Funding Policy**

The actuarial cost method and significant assumptions underlying the actuarial calculation are as follows:

	<b>OPEB</b>
Actuarial valuation date	October 1, 2016
Actuarial cost method	Projected Unit Credit
Amortization method	Level Percentage Open
Remaining amortization period	30 years
Asset valuation method	N/A
Investment rate of return	4.21%
Inflation rate	None
Salary increase	None
Payroll Increase	None
Health care cost trend rate	8.0% in 2017, decreasing 0.5% per year for six years to an ultimate trend of 5.0% in 2023

## 9 – DERIVATIVE INSTRUMENTS

The City has derivatives in two hedging programs: Energy Risk Management Program and Variable Rate Debt Management Program.

In accordance with GAAP, the City is required to report the fair value of all derivative instruments on the statement of net position. All derivatives must be categorized into two basis types – (1) hedging derivative instruments and (2) investment derivative instruments. Hedging derivative instruments significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of an associated hedgeable item. Investment derivative instruments are entered into primarily for income or profit purposes or they are derivative instruments that do not meet the criteria of an effective hedging derivative instrument. Changes in fair value of hedging derivative instruments are deferred on the statement of net position, and changes in fair value of investment derivative instruments are recognized as gains or losses on the statement of activities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, which is the City's fiscal year end date of September 30. This requires consideration of nonperformance risk when measuring the fair value of a liability and considers the effect of the government's own credit quality and any other factors that might affect the likelihood that the obligation will or will not be fulfilled.

### a -- Energy Risk Management Program

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, energy, and congestion price volatility, Austin Energy has established a Risk Management Program. This program was authorized by the Austin City Council and is led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, options, swaps and congestion revenue rights for the purpose of reducing exposure to natural gas, energy and congestion price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. Austin Energy typically settles these contracts in cash.

#### **Hedging Derivative Instruments**

##### Natural Gas Derivatives

Austin Energy purchases financial contracts on the New York Mercantile Exchange (NYMEX) to provide a hedge against the physical delivery price of natural gas from its various hubs. Austin Energy enters into basis swaps to protect delivery price differences between Henry Hub and its natural gas delivery points, Western Area Hub Association (WAHA), Katy, and the Houston Ship Channel (HSC).

The fair value of futures, swaps, and basis swap contracts is determined using the NYMEX closing settlement prices as of the last day of the reporting period, using a hierarchy level 2 market approach. The fair value is calculated by deriving the difference between the closing futures price on the last day of the reporting period and purchase price at the time the positions were established. The fair value of the options is categorized as hierarchy level 2, calculated using the Black/Scholes valuation method utilizing implied volatility based on the NYMEX closing settlement prices of the options as of the last day of the reporting period, including any necessary price analysis adjustments, risk free interest rate, time to maturity, and the NYMEX forward price of the underlier as of the last day of the reporting period.

Premiums paid for options are deferred until the contract is settled. As of September 30, 2017, \$195 thousand in premiums was deferred. As of September 30, 2017, the fair value of Austin Energy's futures, options, swaps and congestion revenue rights, was an unrealized loss of \$13.1 million, of which \$15.0 million is reported as derivative instruments in liabilities and \$1.9 million is reported as derivative instruments in assets. The fair values of these derivative instruments are deferred until future periods on the statement of net position using deferred outflows and deferred inflows.

##### Congestion Revenue Rights Derivatives

Preassigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow Austin Energy to hedge expected future congestion that may arise during a certain period. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. The instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments.

As of September 30, 2017, PCRRs had a fair value of \$81 thousand and CRRs had a fair value of \$1.4 million, and both are reported as derivative instruments. The market value for CRRs and PCRRs is calculated using the implied market value (the difference between future proxy sink price and source price) multiplied by the number of open positions, hierarchy level 2 market approach. The difference in the prices represents what the expected cost of congestion will be for that given point in time.

In fiscal year 2017, Austin Energy sold PCRRs and recorded a gain of \$205 thousand; however, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2017, \$205 thousand remained deferred.



**9 – DERIVATIVE INSTRUMENTS, continued**  
**a -- Energy Risk Management Program, continued**

On September 30, 2017, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction	Reference Index	Fair Value at September 30, 2017			Change in Fair Value	Premiums Deferred
		Maturity Dates	Notional Volumes	Fair Value		
Long OTC Call Options	Henry Hub	Oct 2017 - Sept 2021	12,040,000 (1)	\$ 389	(130)	2,868
Long OTC Basis Swaps	WAHA	Apr 2018 - Oct 2018	1,070,000 (1)	24	24	--
n/a Congestion Rights	ICE (2)	Oct 2017- Jun 2018	22,029,210 (3)	1,450	(1,728)	--
Derivative instruments (assets)				1,863	(1,834)	2,868
Short OTC Put Options	Henry Hub	Oct 2017 - Sep 2021	(12,040,000) (1)	(6,234)	1,242	(2,673)
Long OTC Swaps	Henry Hub	Oct 2017 - Sep 2020	8,437,500 (1)	(8,726)	783	--
Derivative instruments (liabilities)				(14,960)	2,025	(2,673)
Total				\$ (13,097)	191	195

- (1) Volume in MMBTUs  
(2) Intercontinental Exchange  
(3) Volume in MWHs

Austin Energy routinely purchases derivative instruments. The outstanding hedging derivative instruments were purchased at various dates.

The realized gains and losses related to the hedging activity derivative instruments are netted to Power Supply Adjustment expense in the period realized.

Risks

**Credit Risk.** Credit risk is the risk of loss due to a counterparty defaulting on its obligations. Austin Energy's fuel derivative contracts expose Austin Energy to custodial credit risk on Exchange Traded derivative positions. In the event of default or nonperformance by brokers or the exchange, Austin Energy's operations will not be materially affected. At September 30, 2017, the brokerages had credit ratings of A.

The over-the-counter agreements expose Austin Energy to credit risk; however, at September 30, 2017, none of the counterparties had outstanding obligations with Austin Energy. The contractual provisions applied to these contracts under the International Swaps and Derivatives Association (ISDA) agreement include collateral provisions. At September 30, 2017, no collateral was required under these provisions.

The congestion revenue rights expose Austin Energy to custodial credit risk in the event of default or nonperformance by ERCOT, a regulatory entity of the State of Texas. In the event of default or nonperformance, Austin Energy's operations will not be materially affected.

**Termination Risk.** Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. Termination risk for exchange-traded instruments is greatly reduced by the strict rules and guidelines set up by the exchange, which is governed by the Commodity Futures Trade Commission. Austin Energy's exposure to termination risk for over-the counter agreements is minimal due to the high credit rating of the counterparties and the contractual provisions under the ISDA agreement applied to these contracts. Termination risk is associated with all of Austin Energy's derivatives up to the fair value of the instrument.

**Netting Arrangements.** Austin Energy enters into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on its obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by or owed to the non-defaulting party.

**9 – DERIVATIVE INSTRUMENTS, continued**  
**a -- Energy Risk Management Program, continued**

*Basis Risk.* Austin Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub). As of September 30, 2017, the NYMEX price was \$2.97 per MMBTU (one million British thermal unit, a measurement of heating value), the WAHA Hub price was \$2.44 per MMBTU, Katy was \$2.92 per MMBTU, and the HSC Hub price was \$2.88 per MMBTU.

Risks

As of September 30, 2017, Austin Energy was not exposed to credit, interest, or foreign currency risk on its investment derivative instruments.

**b -- Variable Rate Debt Management Program**

**Hedging Derivative Instruments**

The intention of each of the City's swaps is to provide a cash flow hedge for its variable interest rate bonds by providing synthetic fixed rate bonds. As a means to lower its borrowing costs when compared against fixed rate bonds at the time of issuance, the City executed pay-fixed, receive-variable swaps in connection with its issuance of variable rate bonds.

As of September 30, 2017, the City has three outstanding swap transactions with initial and outstanding notional amounts totaling \$602.1 million and \$376.7 million, respectively. The fair values of the interest rate derivative transactions were estimated based on an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The expected transaction cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing benchmark interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the benchmark yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the transactions, where future amounts (the expected transaction cash flows) are converted to a single current amount, discounted using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows. Where applicable under the income approach an option pricing model is applied such as the Black-Scholes-Merton model, the Black-Derman-Toy model, one of the short-rate models, or other market standard models consistent with accepted practices in the market for interest rate option products. The option models consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. This valuation technique is applied consistently across all the transactions. Given the observability of inputs significant to the measurements, the fair values of the transactions are categorized as Level 2.

On September 30, 2017, the City had the following outstanding interest rate swap hedging derivative instruments (in thousands):

Item	Related Variable Rate Bonds	Terms	Effective Date	Maturity Date	Notional Amount	Fair Value
<b>Business-Type Activities - Hedging derivatives:</b>						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Pay 3.600%, receive SIFMA swap index	5/15/2008	5/15/2031	\$ 109,820	(15,509)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025	179,075	(21,535)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Pay 3.251%, receive 67% of LIBOR	8/14/2008	11/15/2029	87,820	(9,915)
					<u>\$ 376,715</u>	<u>(46,959)</u>

All swaps are pay-fixed interest rate swaps. All were entered into with the objective of hedging changes in the cash flows on the related variable rate debt.

**9 – DERIVATIVE INSTRUMENTS, continued**  
**b -- Variable Rate Debt Management Program, continued**

The fair value of the City's interest rate swap hedging derivative instruments is reported as derivative instruments in liabilities with an offsetting adjustment to deferred outflow of resources. The table below provides for the fair value and changes in fair value of the City's interest rate swap agreements as of September 30, 2017 (in thousands):

	Outstanding			Change in fair value	
	Notional	Fair Value and Classification		Deferred	Deferred
Item	Amount	Amount	Classification	Outflows	Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	\$ 109,820	(15,509)	Non-current liability	7,917	--
AIR1	179,075	(21,535)	Non-current liability	10,492	--
HOT1	87,820	(9,915)	Non-current liability	5,156	--
	<u>\$ 376,715</u>	<u>(46,959)</u>		<u>23,565</u>	<u>--</u>

Due to the continued low interest rate levels during fiscal year 2017, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2017. The fair value takes into consideration nonperformance risk, the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that may have been received.

**Risks**

*Credit risk.* As of September 30, 2017, the City was not exposed to credit risk on any of its outstanding swap agreements because each swap had a negative fair value. However, should interest rates change and the fair value of a swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value.

The counterparty credit ratings for the City's interest rate swap hedging derivative instruments at September 30, 2017, are included in the table below:

Item	Related Variable Rate Bonds	Counterparty	Counterparty Ratings		
			Moody's Investors Service, Inc	Standard & Poor's	Fitch, Inc
Business-Type Activities:					
WW2	Water & Wastewater Revenue	Goldman Sachs Bank USA	A1	A+	A
	Refunding Bonds, Series 2008				
AIR1	Airport System Subordinate	Morgan Stanley Capital Services, LLC	A3	BBB+	A
	Lien Revenue Refunding Bonds, Series 2005				
HOT1	Hotel Occupancy Tax	Morgan Keegan Financial Products (MKFP)	Baa2	A-	BBB+
	Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008				

Swap agreements for all three swaps contain collateral agreements with the counterparties. These swap agreements require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds in the agreements. For Swap AIR1, the City purchased swap insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/S&P. For Swap HOT1, the credit support provider of MKFP is Deutsche Bank AG, New York Branch (DBAG). This swap requires collateralization of the fair value of the swap should DBAG's credit rating fall below the applicable thresholds in the agreement.

**9 – DERIVATIVE INSTRUMENTS, continued**  
**b -- Variable Rate Debt Management Program, continued**

*Swap payments and associated debt.* The net cash flows for the City's interest rate swap hedging derivative instruments for the year ended September 30, 2017, are included in the table below (in thousands):

	Related Variable Rate	Counterparty Swap Interest			Interest to	Net Interest
Item	Bonds	Pay	Receive	Net	Bondholders	Payments
Business-Type Activities:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	\$ (3,978)	821	(3,157)	(826)	(3,983)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	(7,278)	1,076	(6,202)	(1,385)	(7,587)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(2,883)	527	(2,356)	(674)	(3,030)
		\$ (14,139)	2,424	(11,715)	(2,885)	(14,600)

*Basis and interest rate risk.* Basis risk is the risk that the interest rate paid by the City on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The City does not bear basis risk on Swap WW2. At September 30, 2017, the City bears basis risk on the two remaining swaps. These swaps have basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bonds. The City is exposed to basis risk should the floating rate that it receives on a swap drop below the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

*Tax risk.* Tax risk is a specific type of basis risk. Tax risk is the risk of a permanent mismatch occurring between the interest rate paid on the City's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds. For example, a grandfathering of the elimination of federal tax-exemption on existing tax-exempt bonds, or a tax cut, would result in the yields required by investors on the City's bonds coming close to or being equal to taxable yields. This would result in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 71% of LIBOR on AIR1, and 67% of LIBOR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

*Nonperformance/Termination risk.* The City or the counterparties may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City. Additionally, the City purchased swap insurance on the Swap AIR1 to further reduce the possibility of termination risk.

*Rollover risk.* The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the City will be re-exposed to the risks being hedged by the hedging derivative instrument. The City is currently not exposed to rollover risk on its hedging derivative instruments.

**Investment Derivative Instruments**

At September 30, 2017, the City did not have any investment derivative instruments related to interest rate swaps.

**9 – DERIVATIVE INSTRUMENTS, continued**  
**c -- Swap Payments and Associated Debt**

As of September 30, 2017, debt service requirement of the City's variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (as rates vary, variable rate bond interest payments and net swap payments will vary):

Fiscal Year Ended September 30	Variable Rate Bonds (in thousands)		Interest Rate Swaps, Net	Total Interest
	Principal	Interest (1)		
2018	\$ 12,600	43	13,652	13,695
2019	28,525	38	12,697	12,735
2020	31,935	28	11,507	11,535
2021	31,010	18	10,318	10,336
2022	27,710	9	9,235	9,244
2023-2027	168,090	(88)	25,629	25,541
2028-2031	76,845	(36)	5,181	5,145
Total	<u>\$ 376,715</u>	<u>12</u>	<u>88,219</u>	<u>88,231</u>

(1) The net effect of the reference rate projected to be paid to the City versus the variable rate projected to be paid to bondholders utilizing rates in effect at 9/30/2017.

**10 – DEFICITS IN FUND BALANCES AND NET POSITION**

At September 30, 2017, the following funds reported deficits in fund balances/net position (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issues.

<u>Nonmajor Governmental</u>	<u>Deficit</u>
<b>Special Revenue Funds:</b>	
Auto Theft Interdiction	\$ 29
Fiscal Surety - Land Development	279
Neighborhood Housing & Conservation	1,948
City Hall	169
Mueller Tax Increment Financing	89
Tourism and Promotion	10
Waller Creek Tax Increment Finance	18
<b>Capital Projects Funds:</b>	
<b>2012 fund</b>	
Health	545
<b>2016 fund</b>	
Mobility	13,211
<b>Other funds</b>	
Health Projects	1,118
Build Austin	264
Public Works	439
Watershed Protection	718
City Hall, plaza, parking garage	6,532
<b>Internal Service Funds</b>	
Capital Projects Management	347
<b>Nonmajor Enterprise</b>	
Austin Resource Recovery	39,957
Transportation	27,413

**11 – INTERFUND BALANCES AND TRANSFERS**

**a -- Interfund receivables, payables, and advances**

Interfund receivables, payables, and advances at September 30, 2017, are as follows (in thousands):

Due To	Due From				
	Nonmajor Governmental	Austin Energy	Austin Water Utility	Nonmajor Enterprise	Total
General	\$ 31	210	--	--	241
Nonmajor governmental	11,412	--	--	--	11,412
Austin Water Utility	--	3,101	--	--	3,101
Airport	--	162	--	--	162
Nonmajor enterprise	--	--	301	1,700	2,001
Total	\$ 11,443	3,473	301	1,700	16,917

Interfund receivables (due from) and payables (due to) reflect short term loans between funds, mainly the result of short term deficits in pooled investments and cash (\$13.1 million). Deficits in grant funds awaiting reimbursement from grantors (\$9.9 million) was borrowed from the Fiscal Surety fund.

Advance From	Advance To						
	Nonmajor Governmental	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Internal Service	Total
General	\$ --	654	--	--	--	--	654
Nonmajor governmental	17,641	255	--	52	311	7	18,266
Austin Water Utility	680	13,926	--	--	--	--	14,606
Airport	--	506	--	--	--	--	506
Nonmajor enterprise	775	--	2,104	--	--	--	2,879
Total	\$ 19,096	15,341	2,104	52	311	7	36,911

Advances to and advances from reflect borrowing that will not be liquidated within one year. Of the above amounts, \$6.6 million is an interfund loan between capital project funds, the CTM and City Hall funds. \$8.9 million is an interfund loan between the Transportation and Mobility funds, both capital project funds, to cover deficit pooled cash. \$43 million in bond proceeds, including \$15 million for corridor mobility improvements and \$10 million for sidewalks, will be transferred to the Mobility fund in 2018. The advance to Austin Water Utility from Austin Energy funded the Combined Utility System Revenue Bond Retirement Reserve Account. Austin Energy funded the entire reserve on behalf of both enterprise funds.

**b -- Transfers**

Transfers at September 30, 2017, are as follows (in thousands):

Transfers Out	Transfers In						
	General Fund	Nonmajor Governmental	Austin Energy	Austin Water	Nonmajor Enterprise	Internal Service	Total
General Fund	\$ --	8,393	9	--	1,353	2,370	12,125
Nonmajor governmental	4,918	26,116	3	--	126,905	--	157,942
Austin Energy	115,493	--	--	--	54	35	115,582
Austin Water Utility	45,805	76	2,110	--	3,050	174	51,215
Airport	--	--	--	--	--	33	33
Nonmajor enterprise	472	2,826	--	13	6,647	95	10,053
Internal service	--	18,441	--	--	1,191	222	19,854
Total	\$ 166,688	55,852	2,122	13	139,200	2,929	366,804

Interfund transfers are authorized through City council approval. Significant transfers include: Austin Energy and Austin Water Utility transfers to the General fund (\$161.3 million), which are comparable to a return on investment to owners. The transfer of tax collections from the Hotel-Motel Occupancy Tax (\$67.3 million) and the Vehicle Rental Tax (\$9.3 million) special revenue funds to the Convention Center, and a (\$50 million) transfer from non-major governmental fund to Drainage for Watershed home buyout program.

## 12 – SELECTED REVENUES

### a -- Major Enterprise Funds

#### Austin Energy and Austin Water Utility

The Texas Public Utility Commission (PUC) has jurisdiction over electric utility wholesale transmission rates. On June 3, 2014, the PUC approved the City's most recent wholesale transmission rate of \$1.160111/KW. Transmission revenues totaled approximately \$78 million in FY17. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council determines electric utility and water and wastewater utility rates based on the cost of operations.

Under a bill passed by the Texas Legislature in 1999, municipally-owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. As of September 30, 2017, the City has elected not to enter the retail market, as allowed by state law.

Electric rates include a fixed-rate component and cost-adjustment factors that allow for recovery of power supply, regulatory, and community benefit costs. If actual power supply costs differ from amounts billed to customers, then regulatory assets or deferred inflows are recorded by Austin Energy. The power supply factor is reviewed annually or when over- or under-recovery is more than 10% of expected power supply costs. Any over- or under-collections of the power supply, regulatory, or community benefit costs are applied to the respective cost-adjustment factor.

#### Airport

The City has entered into certain lease agreements as the lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In the fiscal year 2017, the Airport fund revenues included minimum concession guarantees of \$20,253,878.

The following is a schedule by year of minimum future rentals on non-cancelable operating leases with remaining terms of up to 80 years for the Airport Fund as of September 30, 2017 (in thousands):

<b>Fiscal Year Ended September 30</b>	<b>Airport Lease Receipts</b>
2018	\$ 26,576
2019	25,268
2020	24,156
2021	24,143
2022	22,535
2023-2027	101,204
2028-2032	16,430
2033-2037	14,858
2038-2042	10,344
Thereafter	4,863
Totals	<u><u>\$ 270,377</u></u>

**12 – SELECTED REVENUES, continued**  
**b -- Operating Lease Revenue**

The City has entered into various lease agreements as the lessor of office space, antenna space and ground leases. Minimum guaranteed income on these non-cancelable operating leases is as follows (in thousands):

<b>Fiscal Year Ended September 30</b>	<b>Future Lease Receivables</b>
2018	\$ 2,635
2019	2,322
2020	2,118
2021	1,775
2022	1,583
2023-2027	7,272
Totals	<u>\$ 17,705</u>

**13 – TAX ABATEMENTS**

The City grants tax abatements as defined in GASB Statement No. 77 under one of two programs, the Chapter 380 Performance Based Economic Development Incentive Program under which sales and property taxes may be rebated if the entity meets performance criteria, and the Media Production Development Zone program under which sales, excise, and use taxes may be abated.

**Performance Based Rebate Program**

To promote local economic development and stimulate business and commercial activity in the municipality, the City has granted tax rebate agreements under the authority of Chapter 380 of the Texas Local Government Code through the City's Chapter 380 Performance Based Economic Development Incentive Program. All or a portion of property taxes, sales taxes, or a combination of the two were abated as a part of these agreements. To be eligible to participate in the program an entity must make a commitment to move or expand its business in the City through investments in real and/or personal property or leasehold improvements as well as commitments about the number of new jobs it will create. Some agreements also require the participants in this program to meet other City requirements such as salary levels of employees and local business participation. Each agreement is negotiated individually and the terms vary depending on the type of development and the economic benefits to the City.

Sales taxes abated may either be all or a portion of those generated by the entity or its actions. The amount of property taxes abated may be all or a portion of property taxes on the entity's real and personal property or leasehold investment. Agreements generally run for a certain number of years and also may be subject to a not-to-exceed maximum of taxes to be abated. All taxes are collected and then rebated if the entity meets commitments made under the agreement. If the criteria are not met, no taxes are refunded.

During fiscal year 2017, the City had four agreements under this program which resulted in rebates that meet the definition of tax abatements of approximately \$13.3 million. The City had no commitments related to these agreements other than the timeframe during which a compliance review will occur and a deadline for the refund of the taxes.

The City is not subject to any tax abatement agreements entered into by other governmental entities.



## 14 – COMMITMENTS AND CONTINGENCIES

### a -- Fayette Power Project

Austin Energy's coal-fired electric generating units are located at the Fayette Power Project (FPP) and operate pursuant to a participation agreement with LCRA. Austin Energy has an undivided 50 percent interest in Units 1 and 2, and LCRA wholly owns Unit 3. A management committee of four members governs FPP; each participant administratively appoints two members. As managing partner, LCRA is responsible for the operation of the project and appoints project management.

Austin Energy's investment is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6), and its pro-rata share of operations is recorded as if wholly owned. Austin Energy's pro-rata interest in FPP was \$28.0 million as of September 30, 2017. The decrease in the pro-rata interest from 2016 is primarily due to a decrease in coal inventory. The pro-rata interest in the FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within the City's financial statements. The original cost of Austin Energy's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of the City in accordance with its accounting policies.

### b -- South Texas Project

Austin Energy is one of three participants in the South Texas Project (STP), which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are NRG South Texas LP and City Public Service of San Antonio. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 400 megawatts of plant capacity. At September 30, 2017, Austin Energy's investment in the STP was approximately \$380.1 million, net of accumulated depreciation.

Effective November 17, 1997, the participation agreement among the owners of STP was amended and restated, and the STP Nuclear Operating Company (STPNOC), a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. Each participant is responsible for its STP funding. The City's portion is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6). In addition, each participant has the obligation to finance any deficits that may occur.

Each participant appoints one member to the board of directors of STPNOC, as well as one other member to the management committee. A member of the management committee may serve on the board of directors in the absence of a board member. The City's portion of STP is classified as plant in service, construction in progress, and nuclear fuel inventory. Nuclear fuel includes fuel in the reactor as well as nuclear fuel in process.

STP requested a 20-year license extension for units 1 & 2 with the Nuclear Regulatory Commission (NRC). The 20 year license renewal was issued by the NRC in September 2017. Unit 1 and 2 are currently licensed through 2047 and 2048, respectively.

### c -- South Texas Project Decommissioning

Austin Energy began collecting in rates and accumulating funds for decommissioning STP in 1989 in an external trust. The Decommissioning Trust assets are reported as restricted investments held by trustee. The related liability is reported as a decommissioning liability payable. Excess or unfunded liabilities related to decommissioning STP will be adjusted in future rates so that there are sufficient funds in place to pay for decommissioning. The increase to nuclear deferred inflow of resources from prior fiscal year is attributable to the NRC issued license extension in FY17. At September 30, 2017, the trust's assets were in excess of the estimated liability by \$55.0 million which is reported as part of deferred inflows of resources (in thousands).

Decommissioning trust assets	\$ 214,322
Pro rata decommissioning liability	(159,284)
	<u>\$ 55,038</u>

STP is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant-operating license submit a certificate of financial assurance to the NRC for plant decommissioning every two years or upon transfer of ownership. The certificate provides reasonable assurance that sufficient funds are being accumulated to provide the minimum requirement for decommissioning mandated by the NRC. The most recent annual calculation of financial assurance filed on December 31, 2016, showed that the trust assets exceeded the minimum required assurance by \$49.0 million.

### d -- Purchased Power

Austin Energy has commitments totaling \$6.4 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041, landfill power through 2018, biomass through 2032, and solar through 2049.

**14 – COMMITMENTS AND CONTINGENCIES, continued**

**e -- Decommissioning and Environmental/Pollution Remediation Contingencies**

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly, Fayette, and Decker Power Plants. At September 30, 2017, the financial statements includes a \$6.7 million short-term decommissioning liability related to Holly and a \$430 thousand short-term environmental liability related to Fayette and Decker, classified as other liabilities. The amount is based on 2017 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**f -- Arbitrage Rebate Payable**

The City's arbitrage consultant has determined that the City has not earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. Therefore, the City will not be required to rebate any amounts to the federal government. There are no estimated payables at September 30, 2017.

**g -- Federal and State Financial Assistance Programs**

The City participates in a number of federally assisted and state grant programs, financed primarily by the U.S. Housing and Urban Development Department, U.S. Health and Human Services Department, and U.S. Department of Transportation. The City's programs are subject to program compliance audits by the grantor agencies. Management believes that no material liability will arise from any such audits.

**h -- Capital Improvement Plan**

As required by charter, the City has a *Capital Improvements Program* plan (capital budget) covering a five-year period which details anticipated spending for projects in the upcoming and future years. The City's 2017 Capital Budget has substantial contractual commitments relating to its capital improvement plan.

The key projects in progress include improvements to and development of the electric system, water and wastewater systems, airport, transportation infrastructure, public recreation and culture activities, and urban growth management activities. Remaining commitments represent current unspent budget and future costs required to complete projects.

<b>Project</b>	<b>Remaining Commitment (in thousands)</b>
Governmental activities:	
General government	\$ 175,819
Public safety	27,935
Transportation	113,821
Public health	5,916
Public recreation and culture	64,551
Urban growth management	22,240
Business-type activities:	
Electric	181,445
Water	120,408
Wastewater	170,867
Airport	417,956
Convention	55,601
Environmental and health services	1,835
Urban growth management	127,762
<b>Total</b>	<b>\$ 1,486,156</b>

**14 – COMMITMENTS AND CONTINGENCIES, continued**

**i -- Encumbrances**

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2017, is as follows (in thousands):

	<u>Encumbrances</u>
General Fund	\$ 19,487
Nonmajor governmental	
Special Revenue	28,273
Capital Projects	114,915
	<u>\$ 162,675</u>

Significant encumbrances include reservations for the 2012 bond program (\$30,632), Communications and Technology Management (\$19,408), General Government Projects (\$15,421), and 2016 Bond Program (\$16,549).

**j -- Landfill Closure and Postclosure Liability**

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Austin Resource Recovery Fund, a nonmajor enterprise fund. Substantial closure occurred in fiscal year 2011. Flooding in fiscal year 2015 has delayed final closure, which is expected in fiscal year 2019. While the landfill only reached 99.04% capacity, the City is no longer accepting waste. The amount of costs reported, based on landfill capacity of 100% as of September 30, 2017, is as follows (in thousands):

	<u>Closure</u>	<u>Postclosure</u>	<u>Total</u>
Total estimated costs	\$ 22,500	9,899	32,399
% capacity used	100%	100%	100%
Cumulative liability accrued	22,500	9,899	32,399
Costs incurred	(19,706)	--	(19,706)
Closure and postclosure liability	<u>\$ 2,794</u>	<u>9,899</u>	<u>12,693</u>

These amounts are based on the 2017 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

**k -- Risk-Related Contingencies**

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

<u>Fund Name</u>	<u>Description</u>
Employee Benefits	City employees and retirees may choose a self-insured PPO, HMO, or CDHP with HSA for health coverage. Approximately 20% of City employees and 27% of retirees use the HMO option; approximately 72% of City employees and 72% of retirees use the PPO option; and approximately 8% of City employees and 1% of retirees use the CDHP with HSA option. Costs are charged to City funds through a charge per employee per pay period.
Liability Reserve	This self-insured program includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Premiums are charged to other City funds each year based on historical costs. Beginning in 2017, third-party claims activities are being reported directly in the Austin Energy, Austin Water Utility, and Aviation enterprise funds.
Workers' Compensation	Premium charges for this self-insured program are assessed to other funds each year based on the number of full-time equivalent (FTE) employees per fund.

**14 – COMMITMENTS AND CONTINGENCIES, continued**  
**k -- Risk-Related Contingencies, continued**

The City purchases stop-loss insurance for the City's PPO, HMO, and CDHP plans. This stop-loss insurance covers individual claims that exceed \$500,000 per calendar year, up to a maximum of \$5 million. In calendar year 2017 (through September 30), four claims exceeded the stop-loss limit of \$500,000; during calendar years 2016 and 2015, fifteen claims and ten claims, respectively, exceeded the stop-loss limit of \$500,000. City coverage is unlimited for lifetime benefits. The City does not purchase stop-loss insurance for workers' compensation claims.

The City is self-insured for much of its risk exposure; however, the City purchases commercial insurance coverage for loss or damage to real property, theft and other criminal acts committed by employees, and third party liability associated with the airport, owned aircraft, and electric utility operations. There have been no claims settlements in excess of the purchased insurance coverage for the last three years. The City also purchases insurance coverage through a program that provides workers' compensation, employer's liability, and third party liability coverage to contractors working on designated capital improvement project sites.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The City utilizes actuarial information and historical claim settlement trends to determine the claim liabilities for the Employee Benefits Fund and Workers' Compensation Fund. Claims liabilities for the Austin Energy, Austin Water Utility, Airport and Liability Reserve funds are calculated based on an estimate of outstanding claims, which may differ from the actual amounts paid. Possible losses are estimated to range from \$51.7 to \$55.7 million. In accordance with GAAP, \$51.7 million is recognized as claims payable in the financial statements with \$28.8 million recognized as a current liability and \$22.9 million recognized as long term. For Employee Benefits and Workers Compensation, city funds contribute amounts to these internal service funds based on an estimate of anticipated costs for claims each year. Beginning in fiscal year 2017, the Austin Energy, Austin Water utility, and Airport funds report their respective claims activities for third-party claims. All other funds contribute amounts to the Liability Reserve Fund based on an estimate of anticipated costs for claims each year.

Changes in the balances of claims liability are as follows (in thousands):

	<b>Austin Energy</b>		<b>Austin Water Utility</b>		<b>Aviation</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Liability balances, beginning of year	\$ --	--	--	--	--	--
Claims and changes in estimates	2,221	--	1,839	--	9	--
Claim payments	(151)	--	(1,277)	--	(8)	--
Liability balances, end of year	2,070	--	562	--	1	--
	<b>Employee Benefits (1)</b>		<b>Liability Reserve</b>		<b>Workers' Compensation</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Liability balances, beginning of year	14,310	13,286	9,364	9,337	25,664	24,841
Claims and changes in estimates	18,568	17,904	3,984	3,929	3,524	4,651
Claim payments	(14,056)	(16,880)	(8,373)	(3,902)	(3,889)	(3,828)
Liability balances, end of year	\$ 18,822	14,310	4,975	9,364	25,299	25,664

- (1) For the Employee Benefits Fund, claim payments as reported above, represent amounts paid against claims outstanding at the beginning of the year. Claims initiated after the beginning of the year, but not yet settled, are reported in claims and changes in estimates. Cash paid for claims was \$161,004 and \$160,180 for the years ended September 30, 2016 and 2017, respectively.

The Austin Water Utility Fund claims liability balance at fiscal year-end included liabilities of \$216 thousand discounted at 3.75%. The Liability Reserve Fund claims liability balance at fiscal year-end included liabilities of \$3.1 million discounted at 3.75% and \$3.1 million discounted at 3.19% in 2016.

**I -- Redevelopment of Robert Mueller Municipal Airport**

In December 2004, City Council approved a master development agreement with Catellus Development Group (Catellus) to develop approximately 700 acres at the former site of the City's municipal airport into a mixed-use urban village near downtown Austin. Catellus is currently developing and marketing the property. The Mueller Local Government Corporation (MLGC), created by the City for this development, issues debt to fund infrastructure such as streets, drainage facilities, public parks, and greenways, which are supported by taxes generated from this development.

# 14 – COMMITMENTS AND CONTINGENCIES, continued

## I -- Redevelopment of Robert Mueller Municipal Airport, continued

In September 2006, the MLGC issued debt in the amount of \$12 million. Proceeds of the debt have been used to reimburse the developer for eligible infrastructure such as streets, drainage, and parks. Debt service payments are funded through an economic development grant from the City of Austin, and supported by sales tax proceeds from the development.

The MLGC has three additional debt issuances: October 2009 (\$15,000,000), October 2012 (\$16,735,000), and October 2014 (\$15,845,000). Proceeds from the debt have been used to reimburse the developer for additional eligible infrastructure. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

The development contains over 1.6 million square feet of civic, institutional, hotel and Class A office space and approximately 602,000 square feet of retail space that is either complete or under construction. Over 80 employers provide approximately 5,000 jobs at Mueller. From the start of home sales in 2007, the community has been well received. As of September 30, 2017, approximately 1,736 single-family homes and 1,981 multi-family units were either complete or under construction. Catellus has also started the infrastructure for an additional 350 single-family homes.

## m -- No-Commitment Special Assessment Debt

In November 2011, the City issued \$15,500,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Whisper Valley Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$1,740,561 in total assessments were levied in the year ended September 30, 2017. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2017 are \$14,365,000 and \$109,580, respectively.

In November 2011, the City issued \$2,860,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Indian Hills Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$344,396 in total assessments were levied in the year ended September 30, 2017. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2017 are \$2,650,000 and \$360, respectively.

In July 2013, the City issued \$12,590,000 of Special Assessment Revenue Bonds, Series 2013 related to the Estancia Hill Country Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. \$1,745,255 in total assessments were levied during the fiscal year with \$18,410 in delinquent receivables at September 30, 2017. The aggregate principal outstanding at September 30, 2017 is \$11,300,000.

## n -- Capital Leases

The City has entered into a lease agreement to finance equipment for business-type activities. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments at their inception date. The lease agreement ends in 2031. See Note 6 for the debt service requirements on this lease.

The following summarizes capital assets recorded at September 30, 2017, under capital lease obligations (in thousands):

	Austin Energy
Capital Assets	
Building and improvements	\$ 1,405
Accumulated depreciation	(527)
Net capital assets	<u>\$ 878</u>

#### 14 – COMMITMENTS AND CONTINGENCIES, continued

##### o -- Operating Leases

The City is committed under various leases for building and office space, tracts of land and rights-of-way, and certain equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2017, was \$21.9 million.

<b>Fiscal Year Ended September 30</b>	<b>Future Lease Payments</b>
2018	\$ 15,132
2019	12,746
2020	8,996
2021	7,345
2022	6,324
2023-2027	9,269
Totals	<u>\$ 59,812</u>

#### 15 – LITIGATION

A number of claims and lawsuits against the City are pending with respect to various matters arising in the normal course of the City's operations. Legal counsel and City management are of the opinion that settlement of these claims and lawsuits will not have a material effect on the City's financial statements. The City has accrued liabilities in the Austin Energy, Austin Water Utility, Airport, and Liability Reserve funds for claims payable at September 30, 2017. These liabilities, reported in the government-wide statement of net position, include amounts for claims and lawsuits settled subsequent to year-end.

#### 16 – CONDUIT DEBT

The City has issued several series of housing revenue bonds to provide for low cost housing. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. As of September 30, 2017, \$66.1 million in housing revenue bonds were outstanding with an original issue value of \$74 million.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport and convention center. These bonds are special limited obligations payable solely from and secured by a pledge of revenue to be received from agreements between the entities and various third parties. As of September 30, 2017, \$146.5 million in revenue and revenue refunding bonds were outstanding with an original issue value of \$148.6 million.

The above bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

**17 – SEGMENT INFORMATION – CONVENTION CENTER**

The Convention Center provides event facilities and services to its customers. Below are the condensed financial statements for this segment (in thousands):

<b>Condensed Statement of Net Position</b>	
<b>ASSETS</b>	
Current assets	\$ 169,223
Capital assets	214,497
Other noncurrent assets	13,347
<b>Total assets</b>	<b>397,067</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>25,923</b>
<b>LIABILITIES</b>	
Other current liabilities	23,020
Other noncurrent liabilities	204,825
<b>Total liabilities</b>	<b>227,845</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>231</b>
<b>NET POSITION</b>	
Net investment in capital assets	60,018
Restricted	25,991
Unrestricted	108,905
<b>Total net position</b>	<b>\$ 194,914</b>

<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>	
<b>OPERATING REVENUES</b>	
User fees and rentals	\$ 40,196
<b>Total operating revenues</b>	<b>40,196</b>
<b>OPERATING EXPENSES</b>	
Operating expenses before depreciation	59,969
Depreciation and amortization	9,071
<b>Total operating expenses</b>	<b>69,040</b>
<b>Operating income (loss)</b>	<b>(28,844)</b>
Nonoperating revenues (expenses)	(6,845)
Transfers	76,299
<b>Change in net position</b>	<b>40,610</b>
<b>Total net position, beginning</b>	<b>154,304</b>
<b>Total net position, ending</b>	<b>\$ 194,914</b>

<b>Condensed Statement of Cash Flows</b>	
<b>Net cash provided (used) by:</b>	
Operating activities	\$ (13,241)
Noncapital financing activities	76,296
Capital and related financing activities	(28,187)
Investing activities	414
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>35,282</b>
<b>Cash and cash equivalents, beginning</b>	<b>122,525</b>
<b>Cash and cash equivalents, ending</b>	<b>\$ 157,807</b>

## **18 – SUBSEQUENT EVENTS**

### **a -- General Obligation Bond Issue**

In October 2017, the City issued \$63,580,000 of Public Improvement Bonds, Series 2017. The net proceeds of \$74,000,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and mobility (\$43,000,000), parks and recreation (\$15,300,000), and facility improvements (\$15,700,000). These bonds will be amortized serially on September 1 of each year from 2018 to 2037. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2018. Total interest requirements for these bonds, at a rate of 5.0%, are \$28,965,422.

In October 2017, the City issued \$29,635,000 of Certificates of Obligation, Series 2017. The net proceeds of \$35,325,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts (\$22,000,000), central library (\$5,000,000), animal shelter improvements (\$5,425,000), and women and children's shelter (\$2,900,000). These certificates of obligation will be amortized serially on September 1 of each year from 2018 to 2037. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2018. Total interest requirements for these obligations, at rates ranging from 4.0% to 5.0%, are \$17,602,222.

In October 2017, the City issued \$5,075,000 of Public Property Finance Contractual Obligations, Series 2017. The net proceeds of \$5,460,000 (after issue costs, discounts, and premiums) from this issue will be used for capital equipment (\$5,460,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2018 to 2024. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2018. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are \$702,034.

In October 2017, the City issued \$25,000,000 of Public Improvement Taxable Bonds, Series 2017. The net proceeds of \$25,000,000 (after issue costs, discounts, and premiums) from the issuance will be used for affordable housing (\$25,000,000). Interest is payable March 1 and September 1 of each year from 2018 to 2037, commencing on March 1, 2018. Principal payments are due September 1 of each year from 2018 to 2037. Total interest requirements for this obligation, at rates ranging from 2.3% to 5.0% are \$9,890,858.

### **b -- Water and Wastewater – System Revenue Bond Issue**

In November 2017, the City issued \$45,175,000 of Water and Wastewater System Revenue Bonds, Series, 2017A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of \$42,363,027 will be used to improve and extend the water/wastewater system. The debt service requirements on the bonds are \$54,326,741 with interest rates ranging from 0.6% to 2.3%. Interest payments are due May 15 and November 15 of each year from 2018 to 2037. Principal payments are due November 15 of each year from 2018 to 2037.





**REQUIRED  
SUPPLEMENTARY  
INFORMATION**





**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances--Budget and Actual-Budget Basis**  
**For the year ended September 30, 2017**  
**(In thousands)**

**City of Austin, Texas**  
**RSI**

General Fund			Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
	Actual	Adjustments (1) (2)		Original	Final	
REVENUES						
Taxes	\$ 646,918	100	647,018	650,538	650,538	(3,520)
Franchise fees	36,057	153	36,210	36,717	36,717	(507)
Fines, forfeitures and penalties	13,117	1	13,118	16,209	16,209	(3,091)
Licenses, permits and inspections	61,076	(1)	61,075	50,799	50,799	10,276
Charges for services/goods	59,362	1,266	60,628	60,890	60,890	(262)
Interest and other	15,754	(9,626)	6,128	4,540	4,540	1,588
Total revenues	832,284	(8,107)	824,177	819,693	819,693	4,484
EXPENDITURES						
General government						
Municipal Court	22,386	158	22,544	22,619	22,619	75
Public safety						
Police	340,924	42,103	383,027	386,573	386,573	3,546
Fire	172,320	16,901	189,221	187,208	190,708	1,487
Emergency Medical Services	72,006	10,199	82,205	84,036	84,036	1,831
Transportation, planning, and sustainability						
Transportation, planning, and sustainability	421	(421)	--	--	--	--
Public health						
Health	80,487	2,870	83,357	83,688	83,688	331
Public recreation and culture						
Parks and Recreation	72,452	7,823	80,275	80,829	80,829	554
Austin Public Library	40,276	4,930	45,206	47,167	47,167	1,961
Urban growth management						
Neighborhood Planning and Zoning	38,088	6,865	44,953	45,567	45,567	614
Other urban growth management	32,403	480	32,883	35,244	35,244	2,361
General city responsibilities (4)	104,259	(97,501)	6,758	6,963	6,963	205
Total expenditures	976,022	(5,593)	970,429	979,894	983,394	12,965
Excess (deficiency) of revenues over expenditures	(143,738)	(2,514)	(146,252)	(160,201)	(163,701)	17,449
OTHER FINANCING SOURCES (USES)						
Transfers in	166,688	39,203	205,891	187,296	190,803	15,088
Transfers out	(12,125)	(41,132)	(53,257)	(34,662)	(38,169)	(15,088)
Total other financing sources (uses)	154,563	(1,929)	152,634	152,634	152,634	--
Excess (deficiency) of revenues and other sources over expenditures and other uses						
	10,825	(4,443)	6,382	(7,567)	(11,067)	17,449
Fund balance at beginning of year	160,989	7,501	168,490	142,590	142,590	25,900
Fund balance at end of year	\$ 171,814	3,058	174,872	135,023	131,523	43,349

- (1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, compensated absences, and amounts budgeted as operating transfers.
- (2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
- (3) Variance is actual-budget basis to final budget.
- (4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs and amounts budgeted as fund-level expenditures.

## BUDGET BASIS REPORTING

### a -- General

The City of Austin prepares its annual operating budget based on the modified accrual basis. Encumbrances constitute the equivalent of expenditures for budgetary purposes. In order to provide a meaningful comparison of actual results to the budget, the Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual-Budget Basis for the General Fund presents the actual and actual-budget basis amounts in comparison with original and final budgets.

The General Fund, as reported in the financial statements is comprised of nine separately budgeted funds: the Budgetary General Fund, as budgeted by the City, plus the Budget Stabilization Reserve, Community Development Incentives, Economic Development, Economic Incentives Reserve, Emergency Reserve, Long Center Capital Improvements, Music Venue Assistance Program, and the Property Tax Reserve Fund.

The General Fund budget includes other revenues and requirements, which are presented in the general city responsibilities category. The expenditure budget for these general city requirements includes interdepartmental charges (\$6,137,157).

### b -- Budget Amendments

The original revenue budget of the General Fund was not amended during fiscal year 2017. The original expenditure budget of the General Fund was amended during fiscal year 2017 for the addition of one full time position at the Austin Fire Department (\$83,000). This increase was offset by a reimbursement from Aviation. In addition, an increase in expenditures in the Austin Fire Department for the increase in overtime due to staffing shortage. The Budget Stabilization Reserve transferred (\$3.5 million) to Austin Fire to fund this additional expense.

### c -- Reconciliation of GAAP Basis and Budget Basis Amounts

The primary differences between GAAP-basis and budget-basis reporting for the General Fund are the reporting of encumbrances and the reporting of certain transfers. General Fund accrued payroll is recorded at the department level on a GAAP basis and as an expenditure in the general city responsibilities activity on the budget basis. Adjustments necessary to convert the excess revenues and other sources over expenditures and other uses on a GAAP basis to a budget basis for the activities comprising the General Fund are provided, as follows (in thousands):

	<b>General Fund</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	\$ 10,825
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	(1,688)
Net compensated absences accrual	300
Outstanding encumbrances established in current year	(16,780)
Payments against prior year encumbrances	12,609
Other	1,116
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	<u><u>\$ 6,382</u></u>

**RETIREMENT PLANS-TREND INFORMATION**

Changes in net pension liability for each pension plan for the measurement periods ended December 31, 2014, 2015, and 2016 are presented in the next three schedules:

**Schedule of Changes in the City Employees' Net Pension Liability and Related Ratios (in thousands)**

	<b>2014</b>	<b>2015</b>	<b>2016</b>
<b>Beginning total pension liability (a)</b>	<u>\$ 2,909,918</u>	<u>3,094,056</u>	<u>3,391,796</u>
<b>Changes for the year:</b>			
Service cost	89,235	93,506	107,111
Interest	222,710	236,844	251,684
Differences between expected and actual experience	33,911	13,414	19,914
Assumption changes	--	123,493	--
Benefit payments including refunds	<u>(161,718)</u>	<u>(169,517)</u>	<u>(179,129)</u>
<b>Net change in total pension liability</b>	<u>184,138</u>	<u>297,740</u>	<u>199,580</u>
<b>Ending total pension liability (b)</b>	<u>\$ 3,094,056</u>	<u>3,391,796</u>	<u>3,591,376</u>
 <b>Beginning total plan fiduciary net position (c)</b>	 <u>\$ 2,130,624</u>	 <u>2,209,800</u>	 <u>2,144,804</u>
<b>Changes for the year:</b>			
Employer contributions	93,331	100,485	104,273
Employee contributions	50,490	54,066	60,801
Pension plan net investment income (loss)	99,704	(47,608)	171,640
Benefits payments and refunds	(161,718)	(169,517)	(179,129)
Pension plan administrative expense	<u>(2,631)</u>	<u>(2,422)</u>	<u>(2,701)</u>
<b>Net change in plan fiduciary net position</b>	<u>79,176</u>	<u>(64,996)</u>	<u>154,884</u>
<b>Ending total plan fiduciary net position (d)</b>	<u>\$ 2,209,800</u>	<u>2,144,804</u>	<u>2,299,688</u>
<b>Beginning net pension liability (a-c)</b>	<u>\$ 779,294</u>	<u>884,256</u>	<u>1,246,992</u>
<b>Ending net pension liability (b-d)</b>	<u>\$ 884,256</u>	<u>1,246,992</u>	<u>1,291,688</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability (d/b)</b>	 71.42%	 63.24%	 64.03%
<b>Covered payroll</b>	<u>\$ 514,787</u>	<u>546,058</u>	<u>573,308</u>
<b>City's net pension liability as a percentage of covered payroll</b>	171.77%	228.36%	225.30%

*Notes to Changes in the City Employees' Net Pension Liability and Related Ratios*

The City Employees' fund had no significant changes of benefit terms in any of the years presented. There were no other significant factors that affected measurement of the total pension liability during the years ended December 31, 2016 or December 31, 2014; however, significant changes to assumptions were made as the result of an experience study of the five years ended December 31, 2015, including:

- Decreasing the inflation assumption from 3.25% to 2.75%,
- Reducing the investment rate of return assumption from 7.75% to 7.5%,
- Decreasing the salary increase assumption from 4.5% to 4.0%,
- Increasing new entrant pay from 3.75% to 4.0%,
- Reducing the assumed retirement rates at most ages to better reflect the emerging trend of members retiring at later ages,
- Lowering termination rates and using a select table based on a three year select period for withdrawal rates, and
- Using the RP-2014 blue collar mortality table for males and females project from 2014 to 2026 using mortality improvement scale BB with a 62% weighting of males and a 38% weighting of females. Previously the RP-2000 white collar mortality tables were used.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Changes in the Police Officers' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016
<b>Beginning total pension liability (a)</b>	\$ 909,000	971,623	1,028,909
<b>Changes for the year:</b>			
Service cost	30,254	32,138	32,990
Interest	72,443	76,999	80,846
Benefit changes	(11,015)	(4,080)	--
Differences between expected and actual experience	--	(6,318)	7,455
Assumption changes	14,137	3,904	5,148
Contribution buy back	2,207	4,648	1,668
Benefit payments including refunds	(45,403)	(50,005)	(50,827)
<b>Net change in total pension liability</b>	<b>62,623</b>	<b>57,286</b>	<b>77,280</b>
<b>Ending total pension liability (b)</b>	<b>\$ 971,623</b>	<b>1,028,909</b>	<b>1,106,189</b>
<b>Beginning total plan fiduciary net position (c)</b>	<b>\$ 595,110</b>	<b>638,019</b>	<b>644,174</b>
<b>Changes for the year:</b>			
Employer contributions	32,400	33,239	33,814
Employee contributions	19,458	20,061	20,623
Contribution buy back	2,207	4,648	1,668
Pension plan net investment income (loss)	35,574	(322)	37,965
Benefits payments and refunds	(45,403)	(50,005)	(50,827)
Pension plan administrative expense	(1,327)	(1,466)	(1,397)
<b>Net change in plan fiduciary net position</b>	<b>42,909</b>	<b>6,155</b>	<b>41,846</b>
<b>Ending total plan fiduciary net position (d)</b>	<b>\$ 638,019</b>	<b>644,174</b>	<b>686,020</b>
<b>Beginning net pension liability (a-c)</b>	<b>\$ 313,890</b>	<b>333,604</b>	<b>384,735</b>
<b>Ending net pension liability (b-d)</b>	<b>\$ 333,604</b>	<b>384,735</b>	<b>420,169</b>
<b>Plan fiduciary net position as a percentage of the total pension liability (d/b)</b>	<b>65.67%</b>	<b>62.61%</b>	<b>62.02%</b>
<b>Covered payroll</b>	<b>\$ 149,686</b>	<b>152,696</b>	<b>157,303</b>
<b>City's net pension liability as a percentage of covered payroll</b>	<b>222.87%</b>	<b>251.96%</b>	<b>267.11%</b>

Notes to Changes in the Police Officers' Net Pension Liability and Related Ratios

The Police Officers' fund had no significant changes of benefit terms, and no other significant factors that affected measurement of the total pension liability during the years ended December 31, 2015 or December 31, 2014. For the year ended December 31, 2016 there were no changes to benefit terms that affected measurement of the total pension liability; there were, however, the following assumption changes:

- The investment return assumption has been decreased from 7.80% to 7.70% (decreasing 0.30% over the last three years)
- The core inflation rate assumption has been decreased from 3.25% to 3.00%,
- The general wage inflation rate assumption has been decreased from 3.50% to 3.25%,
- The assumed rates of salary increase have been amended at most service points, and
- The payroll growth assumption has been increased from 3.50% to 4.00%.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Changes in the Fire Fighters' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016
<b>Beginning total pension liability (a)</b>	\$ 806,282	861,468	913,618
<b>Changes for the year:</b>			
Service cost	25,319	23,309	24,323
Interest	62,977	66,405	70,893
Benefit Changes	--	--	5,491
Differences between expected and actual experience	--	7,193	8,893
Assumption changes	4,883	--	--
Benefit payments including refunds	(37,993)	(44,757)	(45,495)
<b>Net change in total pension liability</b>	<u>55,186</u>	<u>52,150</u>	<u>64,105</u>
<b>Ending total pension liability (b)</b>	<u>861,468</u>	<u>913,618</u>	<u>977,723</u>
 <b>Beginning total plan fiduciary net position (c)</b>	 752,622	 789,433	 785,211
<b>Changes for the year:</b>			
Employer contributions	18,670	19,222	19,104
Employee contributions	14,660	15,547	15,884
Pension plan net investment income	42,005	6,328	55,569
Benefits payments and refunds	(37,993)	(44,757)	(45,496)
Pension plan administrative expense	(531)	(562)	(662)
<b>Net change in plan fiduciary net position</b>	<u>36,811</u>	<u>(4,222)</u>	<u>44,399</u>
<b>Ending total plan fiduciary net position (d)</b>	<u>789,433</u>	<u>785,211</u>	<u>829,610</u>
<b>Beginning net pension liability (a-c)</b>	<u>53,660</u>	<u>72,035</u>	<u>128,407</u>
<b>Ending net pension liability (b-d)</b>	<u>\$ 72,035</u>	<u>128,407</u>	<u>148,113</u>
 <b>Plan fiduciary net position as a percentage of the total pension liability (d/b)</b>	 91.64%	 85.95%	 84.85%
<b>Covered payroll</b>	84,589	83,979	86,632
 <b>City's net pension liability as a percentage of covered payroll</b>	 85.16%	 152.90%	 170.97%

Notes to Changes in the Fire Fighters' Net Pension Liability and Related Ratios

There were no significant assumption or benefit changes or any other significant factors that affected measurement of the total pension liability for the Fire Fighter's Fund during the years ended December 31, 2016, 2015, or 2014.



**RETIREMENT PLANS-TREND INFORMATION, continued**

Information pertaining to City contributions to the retirement systems for the fiscal year ending September 30, 2017, is shown in the following two tables (in thousands). An actuarially determined contribution was calculated for the City Employees' fund but was not calculated for the other two funds.

**Schedule of Actuarially Determined City Contributions to the City Employees' Fund  
(in thousands)**

<b>Fiscal Year Ended September 30</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	
2015	96,554	97,655	(1,101)	540,110	18.08%
2016	109,725	102,609	7,116	566,227	18.12%
2017	119,038	108,929	10,109	600,726	18.13%

*Notes to Schedule of Actuarially Determined City Contributions to the City Employees' Fund*

**Valuation Date:** December 31 of each calendar year occurring during the fiscal year.  
**Notes** Members and employers contribute based on statutorily fixed or negotiated rates.  
A funding period is solved for through open group projections.

**Methods and Assumptions Used to Determine Contribution Rates:**

Actuarial Cost Method Entry Age Normal (all years)  
Asset Valuation Method 2017 - Expected actuarial value plus 20% recognition of prior years' differences between expected and actual investment income  
2016 and 2015 - 20% of market plus 80% of expected actuarial value  
Inflation 2.75% for 2017 and 2016, 3.25% for 2015  
Salary Increases 4.00% to 6.25% for 2017 and 2016, 4.50% to 6.00% for 2015  
Investment Rate of Return 7.50% for 2017 and 2016, 7.75% for 2015  
Retirement Age 2017 and 2016 - Experience-based table of rates that are gender specific. Last updated for December 31, 2015 valuation pursuant to an experience study of the 5-year period ending December 31, 2015.  
2015 - For previous valuation updated on December 31, 2012 valuation pursuant to an experience study of the 5-year period ending December 31, 2011.  
Mortality 2017 and 2016 - RP-2014 Mortality Table with Blue Collar adjustment. Generational mortality improvements in accordance with Scale BB are projected from the year 2014.  
For 2015 RP-2000 Mortality Table with White Collar adjustment and multipliers of 110% for males and 120% for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.

**Other Information:** There were no benefit changes during the periods displayed.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Statutorily Required City Contributions to the Police Officers' Fund and the Fire Fighters' Fund  
(in thousands)

Fiscal Year Ended September 30	Statutorily Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll (1)
	\$	\$	\$	\$	
<b>Police Officers</b>					
2015	32,942	32,942	--	152,229	21.64%
2016	33,141	33,141	--	155,476	21.32%
2017	34,717	34,717	--	162,891	21.31%
<b>Fire Fighters</b>					
2015	18,327	18,327	--	83,118	22.05%
2016	19,145	19,145	--	86,826	22.05%
2017	19,104	19,104	--	86,642	22.05%

(1) Statutorily required contribution for Police Officers decreased from 21.63% in 2015 to 21.313% in 2016.

Supplementary information for each plan as well as information on where to obtain plan financial statements can be found in Note 7.

OTHER POSTEMPLOYMENT BENEFITS-TREND INFORMATION

Under GAAP, the City is required to have an actuarial valuation of its other postemployment benefits program every other year. The Schedule of Funding Progress for other postemployment benefits is as follows (in thousands):

Fiscal Year Ended September 30	Valuation Date, October 1	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
		\$	\$	\$		\$	
2013	2012	--	1,384,490	1,384,490	0.0%	696,559	198.8%
2015	2014	--	1,449,238	1,449,238	0.0%	775,527	186.9%
2017	2016	--	2,004,664	2,004,664	0.0%	850,259	235.8%

(1) UAAL – Unfunded Actuarial Accrued Liability (Excess)

Supplementary information for the OPEB plan can be found in Note 8.

CITY OF AUSTIN, TEXAS  
Schedule of Expenditures of Federal Awards  
For the Period ended September 30, 2017

	Federal CFDA Number	Award Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>						
<b>Pass through - Texas Department of State Health Services</b>						
Women/Infants/Children 14	10.557	2014-047380	\$ 5,888,423	\$ (501)	\$ -	\$ (501)
Women/Infants/Children 15	10.557	2015-047380	6,269,136	1,516	-	1,516
Women/Infants/Children 16	10.557	2016-048871	6,139,041	205,136	-	205,136
Women/Infants/Children 17	10.557	2017-049850	5,899,818	5,163,400	-	5,163,400
<b>Total Texas Department of State Health Services</b>			<u>24,196,418</u>	<u>5,369,551</u>	<u>-</u>	<u>5,369,551</u>
<b>The Watershed Research and Training Center</b>						
Fire Adapted Communities Learning Network	10.664	194_2016_221	25,000	25,000	-	25,000
<b>Total The Watershed Research and Training Center</b>			<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>25,000</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<u><u>24,221,418</u></u>	<u><u>5,394,551</u></u>	<u><u>-</u></u>	<u><u>5,394,551</u></u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>						
<b>ENTITLEMENT GRANTS CLUSTER</b>						
<b>Community Development Block Grant</b>						
Community Development Block Grant 09	14.218	B-09-MC-48-0500	7,934,405	55,208	-	55,208
Community Development Block Grant 11	14.218	B-11-MC-48-0500	7,210,297	13,530	-	13,530
Community Development Block Grant 12	14.218	B-12-MC-48-0500	7,426,183	118,179	-	118,179
Community Development Block Grant 13	14.218	B-13-MC-48-0500	7,477,383	379,323	27	379,350
Community Development Block Grant 14	14.218	B-14-MC-48-0500	7,268,750	773,119	482	773,601
Community Development Block Grant 15	14.218	B-15-MC-48-0500	7,340,203	1,108,130	74,847	1,182,977
Community Development Block Grant 16	14.218	B-16-MC-48-0500	7,115,474	3,418,657	1,672,985	5,091,642
<b>Total Community Development Block Grant</b>			<u>51,772,695</u>	<u>5,866,146</u>	<u>1,748,341</u>	<u>7,614,487</u>
<b>TOTAL ENTITLEMENT GRANTS CLUSTER</b>			<u><u>51,772,695</u></u>	<u><u>5,866,146</u></u>	<u><u>1,748,341</u></u>	<u><u>7,614,487</u></u>
<b>Direct Programs</b>						
<b>Emergency Solutions Grant</b>						
Emergency Solutions Grant 16	14.231	E-15-MC-48-0500	622,474	36,183	75,898	112,081
Emergency Solutions Grant 17	14.231	E-16-MC-48-0500	637,196	182,785	383,878	566,663
<b>Total Emergency Solutions Grant</b>			<u>1,259,670</u>	<u>218,968</u>	<u>459,776</u>	<u>678,744</u>
<b>Home Grant</b>						
Home Grant 10	14.239	M-10-MC-48-0500	4,991,989	15,922	-	15,922
Home Grant 11	14.239	M-11-MC-48-0500	4,385,848	101,979	-	101,979
Home Grant 12	14.239	M-12-MC-48-0500	3,094,514	107,321	-	107,321
Home Grant 13	14.239	M-13-MC-48-0500	3,473,703	112,832	-	112,832
Home Grant 14	14.239	M-14-MC-48-0500	3,767,591	271,326	-	271,326
Home Grant 15	14.239	M-15-MC-48-0500	4,921,049	1,010,136	-	1,010,136
Home Grant 16	14.239	M-16-MC-48-0500	2,612,058	1,338,083	284,485	1,622,568
<b>Total Home Grant</b>			<u>27,246,752</u>	<u>2,957,599</u>	<u>284,485</u>	<u>3,242,084</u>
<b>Housing Opportunity for People w/AIDS (HOPWA)</b>						
Housing Opportunity People W/Aids II 15	14.241	TXH15F004	1,118,247	(18)	218,883	218,865
Housing Opportunity People W/Aids II 16	14.241	TXH16F004	1,138,204	33,900	1,090,306	1,124,206
<b>Total Housing Opportunity for People w/AIDS (HOPWA)</b>			<u>2,256,451</u>	<u>33,882</u>	<u>1,309,189</u>	<u>1,343,071</u>

<b>Section 108 Loan</b>						
Section 108 NCMP	14.248	B-01-MC-48-0500A	3,342,467	169,306	-	169,306
Section 108 Family Business Loan B-10	14.248	B-10-MC-48-0500A	8,000,000	70	677,760	677,830
Section 108 Loan--E. 11th/12th	14.248	B-94-MC-48-0500A	1,672,228	330,235	-	330,235
<b>Total Section 108 Loan</b>			<u>13,014,695</u>	<u>499,611</u>	<u>677,760</u>	<u>1,177,371</u>
<b>Fair Housing Assistance</b>						
Fair Housing Assistance Partnership	14.401	FF206K136006	185,000	10,990	-	10,990
Fair Housing Assistance - 17	14.401	FF206K166006	324,600	324,600	-	324,600
<b>Total Fair Housing Assistance</b>			<u>509,600</u>	<u>335,590</u>	<u>-</u>	<u>335,590</u>
<b>Lead Hazard Reduction</b>						
Lead Smart	14.900	TXLHB0567-13	2,500,000	778,677	-	778,677
<b>Total Lead Hazard Reduction</b>			<u>2,500,000</u>	<u>778,677</u>	<u>-</u>	<u>778,677</u>
<b>Pass through -</b>						
<b>Capital Area Council of Governments</b>						
Sustainable Planning Program	14.703	TXRIP0034-10	238,007	-	14,889	14,889
<b>Total Capital Area Council of Governments</b>			<u>238,007</u>	<u>-</u>	<u>14,889</u>	<u>14,889</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			<u><b>98,797,870</b></u>	<u><b>10,690,473</b></u>	<u><b>4,494,440</b></u>	<u><b>15,184,913</b></u>
<b>U.S. DEPARTMENT OF JUSTICE</b>						
<b>Direct Programs</b>						
<b>Federal Bureau of Investigation</b>						
Joint Terrorism Task Force 03	16.000	N/A	25,086	(1,294)	-	(1,294)
<b>Total Federal Bureau of Investigation</b>			<u>25,086</u>	<u>(1,294)</u>	<u>-</u>	<u>(1,294)</u>
<b>Justice Assistance Program</b>						
City of Austin and Travis County JAG Project	16.738	2013-DJ-BX-1095	321,038	-	1,581	1,581
City of Austin and Travis County FY14 Edward Byrne Memorial JAG Program	16.738	2014-DJ-BX-0701	330,356	-	4,943	4,943
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1007	281,625	187,945	41,316	229,261
<b>Total Justice Assistance Program</b>			<u>933,019</u>	<u>187,945</u>	<u>47,840</u>	<u>235,785</u>
<b>Intellectual Property Crime Enforcement Program</b>						
Intellectual Property Crime Enforcement Program	16.752	2015-ZP-BX-0001	400,000	146,977	-	146,977
<b>Total Intellectual Property Crime Enforcement Program</b>			<u>400,000</u>	<u>146,977</u>	<u>-</u>	<u>146,977</u>
<b>Byrne Criminal Justice Innovation Program</b>						
Byrne Criminal Justice Innovation Program	16.817	2012-AJ-BX-0015	1,000,000	41,397	-	41,397
<b>Total Byrne Criminal Justice Innovation Program</b>			<u>1,000,000</u>	<u>41,397</u>	<u>-</u>	<u>41,397</u>
<b>Austin Body Worn Expansion Project</b>						
Austin Body Worn Camera Expansion Project	16.835	2016-BC-BX-K054	750,000	2,254	-	2,254
<b>Total Austin Body Worn Camera Expansion Project</b>			<u>750,000</u>	<u>2,254</u>	<u>-</u>	<u>2,254</u>
<b>Federal Department of Justice Asset Forfeiture Fund</b>						
Federal Department of Justice Asset Forfeiture Fund	16.922	N/A	-	289,172	-	289,172
<b>Total Federal Dept. of Justice Asset Forfeiture Fund</b>			<u>-</u>	<u>289,172</u>	<u>-</u>	<u>289,172</u>
<b>Pass through - Texas Governor's Office Criminal Justice Division</b>						
<b>Criminal Justice Division</b>						
Juvenile Accountability Incentive Block	16.523	JB04J201710402	22,253	(5,266)	-	(5,266)
<b>Total Criminal Justice Division</b>			<u>22,253</u>	<u>(5,266)</u>	<u>-</u>	<u>(5,266)</u>

<b>APD Juvenile Justice &amp; Delinquency Prevention Project</b>						
APD Juvenile Justice & Delinquency Prevention Project	16.540	2016-JF-FX-0008	37,600	33,999	-	33,999
<b>Total APD Juvenile Justice &amp; Delinquency Prevention Project</b>			<u>37,600</u>	<u>33,999</u>	<u>-</u>	<u>33,999</u>
<b>Title V Delinquency Prevention</b>						
Title V Delinquency Prevention	16.548	JT04J201806401	147,182	(29,022)	-	(29,022)
<b>Total Title V Delinquency Prevention</b>			<u>147,182</u>	<u>(29,022)</u>	<u>-</u>	<u>(29,022)</u>
<b>DNA Capacity Enhancement Program</b>						
DNA Capacity Enhancement Program	16.564	2006-DN-BX-K143	145,710	(19,810)	-	(19,810)
<b>Total DNA Capacity Enhancement Program</b>			<u>145,710</u>	<u>(19,810)</u>	<u>-</u>	<u>(19,810)</u>
<b>Victims of Crime Act</b>						
Comprehensive Victim Services 06	16.575	VA-05-V30-17549-01	393,555	73,954	-	73,954
Victims of Crime Act Formula Grant Program	16.575	2016-VA-GX-0033	243,660	229,362	-	229,362
Victims of Crime Act Formula Grant Program	16.575	2015-VA-GX-0009-00	230,311	14,635	-	14,635
Victims of Crime Act Formula Grant Program	16.575	2015-VA-GX-0009-01	521,145	250,385	-	250,385
<b>Total Victims of Crime Act</b>			<u>1,388,671</u>	<u>568,336</u>	<u>-</u>	<u>568,336</u>
<b>Anti Human Trafficking</b>						
Anti Human Trafficking	16.582	2005-VT-BX-0017	622,942	(12,212)	-	(12,212)
<b>Total Anti Human Trafficking</b>			<u>622,942</u>	<u>(12,212)</u>	<u>-</u>	<u>(12,212)</u>
<b>Violence Against Women</b>						
Assist Females Victim Domestic Violence	16.525	N/A	77,500	(1,824)	-	(1,824)
VAWA-Assistance for Females 16	16.588	2015-WF-AX-0032	133,881	18,128	-	18,128
<b>Total Violence Against Women</b>			<u>211,381</u>	<u>16,304</u>	<u>-</u>	<u>16,304</u>
<b>Coverdell Forensic Project</b>						
Coverdell Forensic Project	16.742	DN-06-A10-17487-03	93,000	(14,773)	-	(14,773)
Coverdell Forensic Project/Austin Police Department Coverdell Project	16.742	2015-CD-BX-0023	116,008	115,659	-	115,659
<b>Total Coverdell Forensic Project</b>			<u>209,008</u>	<u>100,886</u>	<u>-</u>	<u>100,886</u>
<b>Total Texas Governor's Office Criminal Justice Division</b>			<u>2,784,747</u>	<u>653,215</u>	<u>-</u>	<u>653,215</u>
<b>Pass through - SafePlace</b>						
<b>Grant to Encourage Arrest Policies and Enforcement of Protection Orders Program</b>						
Grant to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2015-WE-AX-0012	60,119	3,004	-	3004
<b>Total SafePlace</b>			<u>60,119</u>	<u>3,004</u>	<u>-</u>	<u>3,004</u>
<b>Pass through - Office of Attorney General</b>						
<b>Project Safe Neighborhoods</b>						
Project Safe Neighborhoods	16.592	04-05552	550,931	(9,948)	-	(9,948)
<b>Total Office of Attorney General</b>			<u>550,931</u>	<u>(9,948)</u>	<u>-</u>	<u>(9,948)</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<u><u>6,503,902</u></u>	<u><u>1,312,722</u></u>	<u><u>47,840</u></u>	<u><u>1,360,562</u></u>
<b>U.S. DEPARTMENT OF STATE</b>						
<b>Direct Programs</b>						
US Embassy Pakistan Entrepreneurship Grant	19.501	SPK33015CA083	499,989	4,397	322,666	327,063
<b>TOTAL U.S. DEPARTMENT OF STATE</b>			<u><u>499,989</u></u>	<u><u>4,397</u></u>	<u><u>322,666</u></u>	<u><u>327,063</u></u>

**U.S. DEPARTMENT OF TRANSPORTATION**

**HIGHWAY SAFETY CLUSTER**

**Pass through - Texas State Hwys and Public Transportation Dept.**

**State and Community Highway Safety**

STEP-Comprehensive Traffic 06	20.600	N/A	50,000	4,910	-	4,910
STEP-Impaired Driving	20.600	2009-AustinPD-STEP-IDM-00025	50,000	(12,810)	-	(12,810)
STEP-Comprehensive Traffic 16	20.600	2016-AustinPD-S-1YG-0086	1,000,000	44,361	-	44,361
STEP-Comprehensive Traffic 17	20.600	2017-AustinPD-S-1YG-0086	1,000,000	962,966	-	962,966
<b>Total State and Community Highway Safety</b>			<u>2,100,000</u>	<u>999,427</u>	<u>-</u>	<u>999,427</u>

**National Priority Safety Programs**

Child Safety Seat Program	20.616	2017-Austin EM-G-1YG-0123	82,462	82,187	-	82,187
<b>Total National Priority Safety Programs</b>			<u>82,462</u>	<u>82,187</u>	<u>-</u>	<u>82,187</u>

**Impaired Driving Countermeasures Incentives**

STEP - Impaired Driving Mobilization 17	20.616	2017-AustinPD-IDM-00015	100,000	83,928	-	83,928
<b>Total Impaired Driving Countermeasures Incentives</b>			<u>100,000</u>	<u>83,928</u>	<u>-</u>	<u>83,928</u>

**Occupant Protection Incentives**

Click It or Ticket	20.616	2017-AustinPD-CIOT-00052	80,000	41,181	-	41,181
<b>Total Occupant Protection Incentives</b>			<u>80,000</u>	<u>41,181</u>	<u>-</u>	<u>41,181</u>

**Total Texas State Hwys and Public Transportation Dept.**

<u>2,362,462</u>	<u>1,206,723</u>	<u>-</u>	<u>1,206,723</u>
<u>2,362,462</u>	<u>1,206,723</u>	<u>-</u>	<u>1,206,723</u>

**TOTAL HIGHWAY SAFETY CLUSTER**

**HIGHWAY PLANNING AND CONSTRUCTION CLUSTER**

**Pass through - Texas State Hwys and Public Transportation Dept.**

**Highway Planning and Construction**

Southern Walnut Creek Hike and Bike Trail	20.205	CSJ0914-00-205	8,080,000	482,352	-	482,352
Travel Time & Traffic Count Sensors	20.205	CSJ0914-00-338	499,915	23,316	-	23,316
North Lamar: Parmer Lane to US 183	20.205	CSJ0914-04-274	1,200,000	243,925	-	243,925
Bicycle Traffic Signal and Detection	20.205	CSJ0914-04-296	200,000	190,000	-	190,000
Bike Share Expansion	20.205	CSJ0914-04-299	908,500	111,942	-	111,942
STP Metropolitan Mobility Project	20.205	CSJ-0914-00-357,360	2,884,000	82,609	-	82,609
<b>Total Texas State Hwys and Public Transportation Dept.</b>			<u>13,772,415</u>	<u>1,134,144</u>	<u>-</u>	<u>1,134,144</u>

**TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER**

<u>13,772,415</u>	<u>1,134,144</u>	<u>-</u>	<u>1,134,144</u>
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**Direct Programs**

**ABIA FAA-59-16-AIP**

ABIA FAA 59-16-AIP	20.106	3-48-0359-059-2016	14,518,190	14,349,781	-	14,349,781
<b>Total ABIA FAA-59-16-AIP</b>			<u>14,518,190</u>	<u>14,349,781</u>	<u>-</u>	<u>14,349,781</u>

**National Motor Carrier Safety**

MCSAP - TACT Public Education and Outreach	20.218	FM-MHP-0209-15-01-00	526,177	7,568	-	7,568
MCSAP - TACT Public Education and Outreach	20.218	FM-MHP-0270-16-01-00	859,220	633,781	-	633,781
<b>Total National Motor Carrier Safety</b>			<u>1,385,397</u>	<u>641,349</u>	<u>-</u>	<u>641,349</u>

**TOTAL U.S. DEPARTMENT OF TRANSPORTATION**

<u>32,038,464</u>	<u>17,331,997</u>	<u>-</u>	<u>17,331,997</u>
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# U.S. TREASURY DEPARTMENT

<b>Federal Treasury Asset Forfeiture Fund</b>							
Federal Treasury Asset Forfeiture Fund	21.000	N/A	-	55,373	-	55,373	
<b>Total Federal Treasury Asset Forfeiture Fund</b>			-	55,373	-	55,373	
<b>TOTAL U.S. TREASURY DEPARTMENT</b>							
			-	55,373	-	55,373	

# EQUAL EMPLOYMENT OPPORTUNITY COMMISSION

<b>Equal Employment Opportunity</b>						
Equal Employment Opportunity 2016	30.001	EEC45016C0081P00001	87,400	53,500	-	53,500
Equal Employment Opportunity 2017	30.001	EEC45016C0081P00002	79,600	79,600	-	79,600
<b>Total Equal Employment Opportunity</b>			167,000	133,100	-	133,100
<b>TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</b>			167,000	133,100	-	133,100

# U.S. NATIONAL FOUNDATION FOR THE ARTS

<b>National Endowment for the Arts</b>						
National Endowment for the Arts	45.024	10-6200-7019	35,000	-	1,493	1,493
National Endowment for the Arts	45.024	14-6200-7015	30,000	30,000	-	30,000
<b>Total National Endowment for the Arts</b>			65,000	30,000	1,493	31,493
<b>TOTAL U.S. NATIONAL FOUNDATION FOR THE ARTS</b>			65,000	30,000	1,493	31,493

# U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES

<b>Pass through - Texas State Library and Archives Commission</b>						
TEX Treasures	45.310	478-17001	74,995	73,104	-	73,104
TEX Treasures-Mears Collection	45.310	723-17004	25,000	24,036	-	24,036
<b>Total Texas State Library and Archives Commission</b>			99,995	97,140	-	97,140
<b>Pass through - Central Texas Library System</b>						
<b>Connect 4 Literacy Grant</b>						
Interlibrary Loan	45.310	478-16001	9,500	(8)	-	(8)
<b>Total Central Texas Library System</b>			9,500	(8)	-	(8)
<b>TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>			109,495	97,132	-	97,132

# U.S. NATIONAL SCIENCE FOUNDATION

<b>Pass through - US Ignite, Inc.</b>						
<b>Smart Gigabit Communities Program</b>						
Smart Gigabit Communities Program	47.070	BF-01F21301	75,000	5,519	-	5,519
<b>Total Smart Gigabit Communities Program</b>			75,000	5,519	-	5,519
<b>TOTAL NATIONAL SCIENCE FOUNDATION</b>			75,000	5,519	-	5,519

# U.S. ENVIRONMENTAL PROTECTION AGENCY

## Direct Programs

### Brownfield Assessments

Brownfield Assessment - Hazardous Substances	66.818	BF-00F90901	200,000	87,238	-	87,238
Brownfield Assessment - Petroleum	66.818	BF-00F91001	200,000	153,822	-	153,822
Brownfield Cleanup Revolving Loan	66.811	BF-01F21301	819,841	599	-	599
<b>Total Brownfield Assessments</b>			<b>1,219,841</b>	<b>241,659</b>	<b>-</b>	<b>241,659</b>

## TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY

<b>1,219,841</b>	<b>241,659</b>	<b>-</b>	<b>241,659</b>
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# U.S. DEPARTMENT OF ENERGY

## Direct Programs

### Energy Efficiency & Renewable Energy

Austin SHINES	81.087	DE-EE0007177	3,625,487	799,817	349,669	1,149,486
<b>Total Energy Efficiency &amp; Renewable Energy</b>			<b>3,625,487</b>	<b>799,817</b>	<b>349,669</b>	<b>1,149,486</b>

## Pass through

### State Energy Conservation Office

Clean Cities	81.041	N/A	170,590	(5,528)	-	(5,528)
<b>Total State Energy Conservation Office</b>			<b>170,590</b>	<b>(5,528)</b>	<b>-</b>	<b>(5,528)</b>

## TOTAL U.S. DEPARTMENT OF ENERGY

<b>3,796,077</b>	<b>794,289</b>	<b>349,669</b>	<b>1,143,958</b>
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# U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

## AGING CLUSTER

### Pass through - Capital Area Council of Governments

Senior Transportation	93.044	N/A	85,000	76,726	-	76,726
<b>Total Capital Area Council of Governments</b>			<b>85,000</b>	<b>76,726</b>	<b>-</b>	<b>76,726</b>

## TOTAL AGING CLUSTER

<b>85,000</b>	<b>76,726</b>	<b>-</b>	<b>76,726</b>
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## CHILD CARE AND DEVELOPMENT FUND CLUSTER

### Pass through - Greater Austin Area Workforce Development

Title IV-A At Risk Child Care	93.575	07141C01	1,487,459	3,190	-	3,190
<b>Total Greater Austin Area Workforce Development</b>			<b>1,487,459</b>	<b>3,190</b>	<b>-</b>	<b>3,190</b>

## TOTAL CHILD CARE AND DEVELOPMENT FUND CLUSTER

<b>1,487,459</b>	<b>3,190</b>	<b>-</b>	<b>3,190</b>
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## Direct Programs

### Assets of Independence Demonstration

Assets of Independence	93.602	90EI0743-01-00	300,000	106,492	-	106,492
<b>Total Assets of Independence Demonstration</b>			<b>300,000</b>	<b>106,492</b>	<b>-</b>	<b>106,492</b>

### Ryan White I Emergency Care

Ryan White I Emergency Care 14	93.914	H89HA00036	4,578,775	(122)		(122)
Ryan White I Emergency Care 16	93.914	H89HA00036	4,835,255	279,959	2,563,396	2,843,355
Ryan White I Emergency Care 17	93.914	H89HA00036	4,831,170	330,132	2,294,125	2,624,257
<b>Total Ryan White I Emergency Care</b>			<b>14,245,200</b>	<b>609,969</b>	<b>4,857,521</b>	<b>5,467,490</b>



<b>Ryan White - Part C</b>						
Ryan White - Part C 16	93.918	H76HA00127	869,432	43,411	433,325	476,736
Ryan White - Part C 17	93.918	H76HA00127	852,234	83,819	475,003	558,822
<b>Total Ryan White - Part C</b>			<u>1,721,666</u>	<u>127,230</u>	<u>908,328</u>	<u>1,035,558</u>
<b>Pass through - Texas Dept. of State Health Services</b>						
<b>Public Health Emergency Response</b>						
Public Health Emergency Preparedness 15	93.069	2015-001151	573,066	(85)	-	(85)
Public Health Emergency Preparedness 16	93.069	2016-001151-01	682,177	(3,707)	-	(3,707)
Public Health Emergency Preparedness 17	93.069	2016-001151-02	682,177	578,439	-	578,439
Public Health Emergency Preparedness 18	93.069	537-18-0151-00001	682,177	139,291	-	139,291
Public Health Emergency Preparedness 16	93.069	2016-004033	86,731	(20)	-	(20)
Infectious Disease Control Unit/ Surveillance and Epidemiology	93.069	537-18-0343-00001	316,314	45,607	-	45,607
CPS/ Ebola Grant	93.069	2015-003613	183,906	63,859	-	63,859
<b>Total Public Health Emergency Response</b>			<u>3,206,548</u>	<u>823,384</u>	<u>-</u>	<u>823,384</u>
<b>TB Outreach</b>						
TB Outreach 15	93.116	2015-001374-00	439,014	4,167	-	4,167
TB Outreach 16	93.116	2016-001374-00	360,068	211,301	-	211,301
TB Outreach 17	93.116	2016-001374-01	359,727	191,466	-	191,466
<b>Total TB Outreach</b>			<u>1,158,809</u>	<u>406,934</u>	<u>-</u>	<u>406,934</u>
<b>Immunization Outreach</b>						
Immunization Outreach 17	93.268	2016-001043-01	749,994	683,992	-	683,992
Immunization Outreach 17	93.268	537-18-0071-00001	700,871	119,312	-	119,312
<b>Total Immunization Outreach</b>			<u>1,450,865</u>	<u>803,304</u>	<u>-</u>	<u>803,304</u>
<b>Zika Epidemiology Lab Capacity and PH Response</b>						
Zika Epidemiology Lab Capacity and PH Response	93.323	537-18-0343-00001	171,275	68,306	-	68,306
<b>Total Zika Epidemiology Lab Capacity and PH Response</b>			<u>171,275</u>	<u>68,306</u>	<u>-</u>	<u>68,306</u>
<b>Refugee Health Services</b>						
Refugee Health Services 16	93.566	2016-000032-00	1,705,464	154,334	-	154,334
Refugee Health Services 17	93.566	2016-000032-01	697,230	547,690	-	547,690
US Committee for Refugees & Immigrants	93.566	2017-AUSTX-01	1,328,968	1,016,362	-	1,016,362
<b>Total Refugee Health Services</b>			<u>3,731,662</u>	<u>1,718,386</u>	<u>-</u>	<u>1,718,386</u>
<b>HIV PCPE</b>						
HIV PCPE 12	93.940	2012-040435	782,303	(691)	-	(691)
HIV PCPE 16	93.940	2016-004063-00	733,303	271,311	-	271,311
HIV PCPE 17	93.940	2016-004063-01	733,303	400,922	-	400,922
<b>Total HIV PCPE</b>			<u>2,248,909</u>	<u>671,542</u>	<u>-</u>	<u>671,542</u>
<b>HIV Surveillance</b>						
HIV Surveillance 16	93.944	2016-001379-00	138,964	52,610	-	52,610
HIV Surveillance 17	93.944	2016-004102-01	138,964	79,231	-	79,231
<b>Total HIV Surveillance</b>			<u>277,928</u>	<u>131,841</u>	<u>-</u>	<u>131,841</u>
<b>STD Control</b>						
STD Control 15	93.977	2016-001346-00	478,671	208,113	-	208,113
STD Control 16	93.977	2016-001346-01	674,325	420,315	-	420,315
<b>Total STD Control</b>			<u>1,152,996</u>	<u>628,428</u>	<u>-</u>	<u>628,428</u>
<b>OPHP- Regional &amp; Local Services</b>						
OPHP-Regional & Local Services Section 16	93.991	2016-001055-00	320,552	143,837	-	143,837
OPHP-Regional & Local Services Section 18	93.991	537-18-0195-00001	160,276	9,559	-	9,559
<b>Total OPHP - Regional &amp; Local Services</b>			<u>480,828</u>	<u>153,396</u>	<u>-</u>	<u>153,396</u>

Texas Healthy Adolescent							
Texas Healthy Adolescent 13	93.994	2013-041537	168,750	(168)	-	(168)	
Texas Healthy Adolescent 17	93.994	2016-003861-01	145,800	144,044	-	144,044	
Total Texas Healthy Adolescent			314,550	143,876	-	143,876	
Total Texas Dept. of State Health Services			14,194,370	5,549,397	-	5,549,397	
Pass through - Texas Dept. of Protective & Regulatory Services							
Promoting Safe and Stable Families							
Community Youth Development 16	93.556	24186674	402,620	-	-	-	
Community Youth Development 17	93.556	24186674	362,358	144,719	195,755	340,474	
Community Youth Development 17-2	93.556	24427073	108,382	57,823	47,184	105,007	
Community Youth Development 18	93.556	24427073	449,956	7,151	6,478	13,629	
Total Texas Dept. of Protective & Regulatory Services			1,323,316	209,693	249,417	459,110	
Pass through - Texas Dept. of Housing and Community Affairs							
Community Services Block Grant							
Community Services Block Grant 14	93.569	61140001830	1,080,391	1,098	-	1,098	
Community Services Block Grant 16	93.569	61160002366	1,158,192	526,053	-	526,053	
Community Services Block Grant 17	93.569	61170002616	1,158,192	792,844	-	792,844	
Total Texas Dept. of Housing and Community Affairs			3,396,775	1,319,995	-	1,319,995	
TOTAL U.S. DEPARTMENT OF HEALTH			36,753,786	8,002,692	6,015,266	14,017,958	
U.S. DEPARTMENT OF HOMELAND SECURITY							
Direct Program							
Firefighters Grant							
FEMA Smoke Alarm	97.044	EMW-2006-FP-01365	71,147	1	-	1	
FEMA Fire Prevention & Safety	97.044	EMW-2009-FO-01768	117,640	2	-	2	
FEMA Assistance to Firefighters Grant D.E.E.S	97.044	EMW-2009-FO-08668	611,360	100	-	100	
Total Firefighters Grant			800,147	103	-	103	
Pass through - Texas Department of Public Safety							
Public Assistance							
FEMA Flood Public Assistance	97.036	PA-06-TX-4159	5,470,323	(174,296)	-	(174,296)	
FEMA Flood Public Assistance	97.036	PA-06-TX-4223	1,554,681	338,681	-	338,681	
FEMA Flood Public Assistance	97.036	PA-06-TX-4245	2,463,349	1,138,617	-	1,138,617	
Total Public Assistance			9,488,353	1,303,002	-	1,303,002	
Hazard Mitigation Grant							
FEMA Woodview Mobile Home Buyout	97.039	DR.1709.012	1,189,356	(179)	-	(179)	
FEMA Onion Creek Buyouts	97.039	DR.4159.001	1,472,437	515	-	515	
Total Hazard Mitigation Grant			2,661,793	336	-	336	
EMPG							
EMPG 17	97.042	17TX-EMPG-1404	122,916	122,916	-	122,916	
Total EMPG			122,916	122,916	-	122,916	

<b>State Homeland Security Program</b>							
State Homeland Security Program - 14	97.067	11-SR-5000-01, 02	890,960	4,815		4,815	
State Homeland Security Program - 15	97.067	14-SR-5000-01,02,03,04,05,06,07	984,084	9	-	9	
State Homeland Security Program - 16	97.067	EMW-2015-SS-00080	883,644	530,262	-	530,262	
State Homeland Security Program - 17	97.067	EMW-2016-SS-00056	572,187	523,600	-	523,600	
<b>Total State Homeland Security Program</b>			<u>3,330,875</u>	<u>1,058,686</u>	<u>-</u>	<u>1,058,686</u>	
<b>Total Texas Department of Public Safety</b>				<u>15,603,937</u>	<u>2,484,940</u>	<u>-</u>	<u>2,484,940</u>
<b>Pass through - Texas Commission on Environmental Quality</b>							
Whole Air Quality	97.091	582-16-60198	511,833	(140)	-	(140)	
Whole Air Quality	97.091	582-16-60198-1	476,681	402,248	-	402,248	
Whole Air Quality	97.091	582-16-60198-2	486,758	26,578	-	26,578	
<b>Total Texas Commission on Environmental Quality</b>			<u>1,475,272</u>	<u>428,686</u>	<u>-</u>	<u>428,686</u>	
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>				<u>17,879,356</u>	<u>2,913,729</u>	<u>-</u>	<u>2,913,729</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u><u>\$ 222,127,198</u></u>	<u><u>\$ 47,007,633</u></u>	<u><u>\$ 11,231,374</u></u>	<u><u>\$ 58,239,007</u></u>
See accompanying notes to schedule of expenditures of federal awards							
See accompanying independent auditors' report							

**CITY OF AUSTIN, TEXAS**  
**Schedule of Expenditures of State Awards**  
**For the Period ended September 30, 2017**

	<b>Award Number</b>	<b>Program Award or Amount</b>	<b>Current Expenditures</b>	<b>Subrecipient Payments</b>	<b>Total Expenditures</b>
<b>TEXAS GOVERNOR'S OFFICE</b>					
<b>Direct Programs</b>					
<b>Juvenile Justice &amp; Delinquency Prevention Project</b>					
APD Juvenile Justice & Delinquency Prevention Project	2016-SF-ST-0015	\$ 47,916	\$ 23,110	\$ -	\$ 23,110
APD Body Worn Camera Program	2016-BC-ST-0020	750,000	740,223	-	740,223
<b>Total Juvenile Justice &amp; Delinquency Prevention Project</b>		<u>797,916</u>	<u>763,333</u>	<u>-</u>	<u>763,333</u>
<b>TOTAL TEXAS GOVERNOR'S OFFICE</b>		<u><b>797,916</b></u>	<u><b>763,333</b></u>	<u><b>-</b></u>	<u><b>763,333</b></u>
<b>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</b>					
<b>Direct Programs</b>					
<b>Katrina Medical Response</b>					
Katrina Medical Response	N/A	180,122	5,461	-	5,461
<b>Total Katrina Medical Response</b>		<u>180,122</u>	<u>5,461</u>	<u>-</u>	<u>5,461</u>
<b>Local Project Grant</b>					
Local Project Grant	2010-033883	17,888	33	-	33
Local Project Grant	2011-037344	21,751	305	-	305
Local Project Grant	2013-042933	27,760	(6,215)	-	(6,215)
<b>Total Local Project Grant</b>		<u>67,399</u>	<u>(5,877)</u>	<u>-</u>	<u>(5,877)</u>
<b>TB Elimination</b>					
TB Elimination 14	2014-001438-00	454,450	(500)	-	(500)
TB Elimination 17	2017-001438-00	490,512	489,016	-	489,016
TB Elimination 18	537-18-0028-0001	488,152	4,081	-	4,081
<b>Total TB Elimination</b>		<u>1,433,114</u>	<u>492,597</u>	<u>-</u>	<u>492,597</u>
<b>Food Borne Intervention</b>					
Food Borne Intervention	2016-003783-00	97,000	(35)	-	(35)
Food Borne Intervention	2016-003783-01	97,000	87,751	-	87,751
<b>Total Food Borne Intervention</b>		<u>194,000</u>	<u>87,716</u>	<u>-</u>	<u>87,716</u>
<b>Infectious Disease Control Unit/ Surveillance and Epidemiology</b>					
Infectious Disease Control Unit/ Surveillance and Epidemiology	2016-003824-00	169,750	82,678	-	82,678
Infectious Disease Control Unit/ Surveillance and Epidemiology	537-18-0329-00001	207,796	14,895	-	14,895
<b>Total Infectious Disease Control Unit/ Surveillance and Epidemiology</b>		<u>377,546</u>	<u>97,573</u>	<u>-</u>	<u>97,573</u>
<b>OTVFH - Lactation Support Center Services - Strategic Expansion Program</b>					
OTVFH - Lactation Support Center Services - Strategic Expansion Program	2015-047635-001	217,500	11,369	-	11,369
OTVFH - Lactation Support Center Services - Strategic Expansion Program	2015-047635-002	145,000	128,182	-	128,182
OTVFH - Lactation Support Center Services - Strategic Expansion Program	2015-047635-002A	145,000	13,073	-	13,073
<b>Total OTVFH - Lactation Support Center Services - Strategic Expansion Program</b>		<u>507,500</u>	<u>152,624</u>	<u>-</u>	<u>152,624</u>

<b>Healthy Texas Babies</b>					
Healthy Texas Babies	2015-047509-001	90,000	(1,691)	-	(1,691)
Healthy Texas Babies	2016-048293-001	90,000	(31)	-	(31)
Healthy Texas Babies	2016-048293-002	90,000	77,572	7,179	84,751
<b>Total Healthy Texas Babies</b>		<u>270,000</u>	<u>75,850</u>	<u>7,179</u>	<u>83,029</u>
<b>Pass through - Capital Area Trauma Regional</b>					
Trauma System	N/A	33,064	243	-	243
Trauma System	N/A	31,883	1,000	-	1,000
Trauma System	2016-004118-00	38,000	38,000	-	38,000
<b>Total Capital Area Trauma Regional</b>		<u>102,947</u>	<u>39,243</u>	<u>-</u>	<u>39,243</u>
<b>TOTAL DEPARTMENT OF STATE HEALTH SERVICES</b>		<u><b>3,132,628</b></u>	<u><b>945,187</b></u>	<u><b>7,179</b></u>	<u><b>952,366</b></u>
<b>TEXAS COMMISSION OF THE ARTS</b>					
<b>Direct Program</b>					
<b>TCA Grants</b>					
TCA Core Support 08	07-28104	12,316	-	6,713	6,713
TCA Core Support 10	10-31252	15,500	-	563	563
TCA Core Support 12	128141086-088	2,475	-	2,475	2,475
TCA Sub-granting 06	0627275	28,481	-	(1,000)	(1,000)
TCA Sub-granting 08	08-29271	33,794	-	2,000	2,000
TCA Sub-granting 09	N/A	26,934	-	(4,197)	(4,197)
TCA Sub-granting 11	11-32086	35,000	-	1,000	1,000
TCA Sub-granting 15	15-36086	28,000	-	6	6
TCA Sub-granting 16	16-38313	26,500	-	2,650	2,650
TCA Sub-granting 17	17-40575	26,500	-	24,000	24,000
<b>Total TCA Grants</b>		<u>235,500</u>	<u>-</u>	<u>34,210</u>	<u>34,210</u>
<b>TOTAL TEXAS COMMISSION OF THE ARTS</b>		<u><b>235,500</b></u>	<u><b>-</b></u>	<u><b>34,210</b></u>	<u><b>34,210</b></u>
<b>TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</b>					
<b>Direct Program</b>					
Public Library Digital Inclusion	Gates:OPP1023019	737	317		317
<b>TOTAL TEXAS STATE LIBRARY AND ARCHIVES COMMISSION</b>		<u><b>737</b></u>	<u><b>317</b></u>	<u><b>-</b></u>	<u><b>317</b></u>
<b>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</b>					
<b>Direct Program</b>					
Local Emission Reduction Grant	777-757-5911-1	26,022	26,022		26,022
Clean Transportation Triangle	582-17-72075-2654	400,000	123,500		123,500
<b>TOTAL TEXAS COMMISSION OF ENVIRONMENTAL QUALITY</b>		<u><b>426,022</b></u>	<u><b>149,522</b></u>	<u><b>-</b></u>	<u><b>149,522</b></u>
<b>TEXAS COMPTROLLER OF PUBLIC ACCOUNTS</b>					
<b>Direct Programs</b>					
State Contraband Asset Forfeiture Fund	N/A	-	99,775	-	99,775
<b>TOTAL TEXAS COMPTROLLER OF PUBLIC ACCOUNTS</b>		<u><b>-</b></u>	<u><b>99,775</b></u>	<u><b>-</b></u>	<u><b>99,775</b></u>

**TEXAS DEPARTMENT OF MOTOR VEHICLES****Direct Programs****Auto Theft Prevention**

Auto Theft Prevention 12

Auto Theft Prevention 17

**Total Auto Theft Prevention**

SA-T01-10039-12

608-17-2270100

406,147

(3,508)

-

(3,508)

430,685

412,327

-

412,327

836,832

408,819

-

408,819

**TOTAL TEXAS DEPARTMENT OF MOTOR VEHICLES****836,832****408,819****-****408,819****TEXAS PARKS AND WILDLIFE DEPARTMENT****Direct Programs**

Colony Park

Growing Outdoor Leaders

55-000023

52-000594

725,000

167,861

167,861

37,031

17,317

-

17,317

**TOTAL TEXAS PARKS AND WILDLIFE DEPARTMENT****762,031****185,178****-****185,178****TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS****Direct Programs****Homeless Housing and Services Program**

Homeless Housing and Services Program

**Total Homeless Housing and Services Program**

63170002527

508,796

170,000

338,796

508,796

508,796

170,000

338,796

508,796

**TOTAL DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS****508,796****170,000****338,796****508,796****TOTAL STATE FINANCIAL ASSISTANCE****\$ 6,700,462****\$ 2,722,131****\$ 380,185****\$ 3,102,316**See accompanying notes to schedule of expenditures of state awards.  
See accompanying independent auditors' report.

# CITY OF AUSTIN, TEXAS

## NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED SEPTEMBER 30, 2017

### 1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards (the Schedules) present the activity of all federal and state awards to the City of Austin, Texas ("City"). The information in these Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Uniform Grant Management Standards* (UGMS). Some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The Schedules include certain program expenditures that relate to fiscal year 2016. These expenditures have been deemed immaterial to the Schedules, which are evaluated in relation to the financial statements taken as a whole. The programs affected are as follows:

Program Name	CFDA #	Prior Year Expenditures Included in Current Year SEFA Amount
Women/Infants/Children 16	10.557	\$ 150,191
Community Development Block Grant	14.218	170,390
Emergency Solutions Grant 16	14.231	59,853
Housing Opportunity People with AIDS II 15	14.241	76,197
Fair Housing Assistance 16	14.401	18,400
Lead Smart	14.900	51,728
City of Austin and Travis County JAG Project	16.738	1,581
Byrne Criminal Justice Innovation Program	16.817	8,311
Victims of Crime Act Formula Grant Program	16.575	10,243
VAWA-Assistance for Females 16	16.588	3,867
Ryan White I Emergency Care 16	93.914	531,715
Ryan White-Part C 16	93.918	128,623
Senior Transportation	93.044	6,971
Public Health Emergency Preparedness	93.069	22,481
CPS/Ebola Grant	93.069	173
TB Outreach 16	93.116	28,517
Immunization Outreach 17	93.268	55,902
Refuge Health Services	93.566	120,604
HIV PCPE 16	93.940	19,100

HIV Surveillance 16	93.944	5,304
STD Control 15	93.977	16,984
OPHP-Regional & Local Services Section 16	93.991	8,222
Community Youth Development 17	93.556	11,238
Community Services Block Grant 16	93.569	80,669
State Homeland Security Program-16	97.067	418
Whole Air Quality	97.091	12,350

<b>Program Name</b>	<b>CFDA #</b>	<b>Prior Year Expenditures Included in Current Year SESA Amount</b>
Food Borne Intervention	NA	3,350
OTVFH-Lactation Support Center Services	NA	16,858
Colony Park	NA	36,649
Healthy Texas Babies	NA	5,061
TCA Sub-granting	NA	1,500

## 2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards were prepared on the accrual basis of accounting. The amounts reported as expenditures in the schedules of expenditures of federal and state awards may not agree with the amounts reported in the financial reports filed with grantor agencies due to accruals, which would be included in the next report filed with the agency. Negative amounts shown in the Schedules represent corrections, adjustments or credits made to amounts reported as expenditures in prior years.

The City elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

## 3. DISASTER GRANTS-PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS PROGRAM)

*Reconciliation of Federal Expenditures related to Disaster Grants-Public Assistance CFDA 97.036; reported in the Schedule of Expenditures of Federal Awards to the City's Consolidated Financial Statements* - There have been three declared disasters in Austin, Texas in the last four years: Halloween 2013, Memorial Day 2015, and Halloween 2015. The City expects to recoup some of the cost associated with the repair and rebuilding of damaged assets over the next several years from insurance, federal government assistance and operating funds.

Below is the reconciliation of Federal Expenditures related to the disaster grant-Public Assistance (Presidentially Declared Disasters) CFDA #97.036, reported in the Schedule of Expenditures of Federal Awards to the City's financial statements.



Total cumulative project worksheets obligated as of September 30, 2017	\$ 9,488,353
Total federal expenditures incurred as of September 30, 2014, and reported in the 2014 Schedule of Expenditures of Federal Awards	(2,363,063)
Total federal expenditures incurred as of September 30, 2015, and reported in the 2015 Schedule of Expenditures of Federal Awards	(1,310,683)
Total federal expenditures incurred as of September 30, 2016, and reported in the 2016 Schedule of Expenditures of Federal Awards	(1,100,937)
Total cumulative project worksheet obligated, but not expensed and are not included in the Schedule of Expenditures of Federal Awards	<u>(3,410,668)</u>
Total project worksheets obligated and expensed for the year ended September 30, 2017, and included in the 2017 Schedule of Expenditures of Federal Awards	<u>\$ 1,303,002</u>

#### 4. LOANS

In addition to federal awards involving expenditures in 2017, the City has federally guaranteed loans outstanding as of September 30, 2017 with the Department of Housing and Urban Development. These loans related to the Section 108 Loan Program (CFDA 14.248).

Three of the Section 108 loans have remaining balances to be disbursed (i.e., awarded) by the City at September 30, 2017. The remaining loan balances at September 30, 2017, are as follows:

	<b>Loan Balance</b>
NCMP Section 108	\$ 123,030
Section 108 Family Business Loan	102,706
Section 108 Family Business Loan	6,814,333
<b>Total</b>	<b><u>\$ 7,040,069</u></b>

#### 5. LOANS TO THIRD PARTIES

The City uses CDBG and HOME funds to grant loans to low and moderate-income individuals. As of September 30, 2017, the balance of the loans receivable was approximately \$20,408,000.

\* \* \* \* \*

## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Honorable Mayor  
and Members of the City Council,  
City of Austin, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 1, 2018. Our report includes a reference to other auditors who audited the financial statements of discretely presented component units, which represents 100% of the assets, net position, and revenues of the discretely presented component units, one of which contains an emphasis of matter paragraph related to a going concern issue (Austin Bergstrom Landhost Enterprises, Inc.), as described in our report on the City's financial statements. The financial statements of the Austin Bergstrom Landhost Enterprises, Inc. and the Austin Convention Enterprises, Inc., discretely presented component units, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Austin Bergstrom Landhost Enterprises, Inc. and Austin Convention Enterprises, Inc.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying *Schedule of Findings and Questioned Costs*, as item 2017-001, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style.

March 1, 2018

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

The Honorable Mayor and  
Members of the City Council,  
City of Austin, Texas

### **Report on Compliance for Each Major Federal Program**

We have audited the City of Austin's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major Federal Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items 2017-002, 2017-004, and 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as items 2017-002, 2017-003, 2017-004, 2017-005, and 2017-006 that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Deloitte & Touche LLP*

April 24, 2018

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

The Honorable Mayor and  
Members of the City Council,  
City of Austin, Texas

### **Report on Compliance for Each Major State Program**

We have audited the City of Austin's (the "City") compliance with the types of compliance requirements described in the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of the City's major state programs for the year ended September 30, 2017. The City's major state programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its state programs.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and UGMS. Those standards and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

### **Opinion on Each Major State Program**

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2017.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of UGMS. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The script is cursive and fluid, with the letters connected. The "D" is large and loops around, and the "LLP" is written in a slightly more upright but still cursive style.

April 24, 2018



# CITY OF AUSTIN, TEXAS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2017

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### I. SUMMARY OF AUDITORS' RESULTS

#### **Financial Statements**

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Noncompliance material to financial statements noted?	No

#### **Federal and State Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Type of auditors' reports issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Any audit findings disclosed that are required to be reported in accordance with Uniform Grant Management Standards?	No

#### Identification of major programs:

##### Federal

93.914	Ryan White I Emergency Care
20.600, 20.616	Highway Safety Cluster – STEP Comprehensive Traffic, STEP Impaired Driving, and Child Safety Seat Program
14.218	Entitlement Grant Cluster – Community Development Block Grant
81.087	Austin SHINES

##### State

55-000023	Colony Park
2016-BC-ST-0020	APD Body Worn Camera Program

#### Dollar threshold used to distinguish between Type A and Type B programs:

Federal:	\$1,747,170
State:	\$300,000
Auditee qualified as low-risk auditee?	Federal – Yes State – Yes

## II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

### **Finding 2017-001: Preparation of the Schedules of Expenditures of Federal and State Awards—Significant Deficiency**

**Criteria**—In accordance with Uniform Guidance and UGMS, management is responsible for the preparation of the Schedules of Expenditures of Federal and State Awards ("Schedules"). This includes identifying all expenditures by grant for any given fiscal year.

**Condition and Cause**—Expenditures related to fiscal year 2016 for multiple federal and state grant programs were improperly included in the fiscal year 2017 Schedules. Additionally, the City corrected the Schedules to include expenditures incurred in fiscal year 2017 for multiple federal and state grant programs, but not originally reflected in the fiscal year 2017 Schedules. This error resulted when the respective department failed to identify and record expenditures as grant-funded in a timely manner and failed to communicate the expenditure to the Controller's Office for proper reporting in the Schedules. In summary, the Schedules, as initially prepared by management, did not consistently reflect the accrual basis of accounting for seven departments receiving federal or state funding.

**Perspective**—\$1,600,032 of expenditures related to 25 programs reported on the SEFA and \$63,418 of expenditures related to five programs reported on the SESA are reported in the current year but relate to the prior year. In addition, the City corrected the Schedules by adding \$1,554,655 of current year expenditures related to 25 programs in the SEFA and \$19,435 of current year expenditures related to four programs in the SESA that were originally not included.

**Questioned Costs**—None

**Effect**—Federal and state programs may be inaccurately reported in the Schedules. This could impact the assessment of major programs in any given year and could potentially affect compliance with period of performance requirements for grants.

**Recommendation**—Continue to work with departments through various means (communications, trainings and policy revisions) to ensure that accurate data, on an accrual basis, is communicated to the Controller's Office on a timely basis.

**View of Responsible Officials**—See Corrective Action

## III. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AND STATE AWARDS

### **Finding 2017-002: Subrecipient Monitoring—Significant Deficiency in Controls over Compliance and Noncompliance**

**Federal Program:** Ryan White I Emergency Care, CFDA 93.914

**FAIN:** 6 H89HA000362301

**Year:** 2017

**Federal Agency:** U.S Department of Health and Human Services

**Pass-Through Entity:** Not Applicable

**Criteria**—In accordance with Uniform Grant Guidance, management is responsible for the preparation of subrecipient contracts to ensure specified components are included and clearly identified within the contract.

**Condition and Cause**—The City of Austin did not have the appropriate procedures or control structure in place to ensure that the required components are included in the subrecipient contracts.

**Perspective**— The contracts with four of the City’s subrecipients for this program excluded the CFDA and FAIN numbers.

**Questioned Costs**—None

**Effect**—Without full information on the grants, subrecipients may not follow the grant guidelines as they may not be aware of all of the details associated with the federal funds. This could impact their compliance with program requirements.

**Recommendation**—Create a checklist or cover page for all subrecipient contracts and establish a review process to ensure that all required elements are included in the subrecipient contracts.

**View of Responsible Officials**—See Correction Action Plan

**Finding 2017-003: Special Tests: Wage Rate Requirements—Significant Deficiency in Controls over Compliance**

**Federal Program:** Community Development Block Grant (CDBG), CFDA 14.218

**FAIN:** B-16-MC-48-0500 .

**Year:** 2017

**Federal Agency:** U.S Department of Housing and Urban Development

**Pass-Through Entity:** Not Applicable

**Criteria**—The Housing and Community Development Act of 1974, Statutory Provision Section 100, requires that all laborers and mechanics employed by contractors and subcontractors in the performance of construction work financed in whole or in part with assistance received under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act.

Management should review the weekly certified payroll records obtained from contractors and subcontractors to ensure that the vendor pays prevailing wage rates in accordance with the Davis-Bacon Act.

**Condition and Cause**—For four of the selected weekly certified payroll records, NHCD reviewed vendor timesheets to ensure timesheet certifications were obtained but did not detect that the certifications did not contain the proper week ending dates or project names. Corrected weekly timesheet certifications were obtained subsequent to audit requests reflecting that the process and controls were not properly implemented to ensure that accurate timesheet certifications were obtained timely for fiscal year 2017.

**Perspective**—four out of 56 weekly timesheet certifications tested noted an improper project name or improper week end period leading to a subsequent weekly timesheet certification with some having a year delay.

**Questioned Costs**—None

**Effect**—Failure to obtain and/or monitor certified payrolls provided by the primary contractor and any subcontractors for controls could result in failure to timely identified those that may not meet wage rate requirements or in disallowed costs.

**Recommendation**—Improve processes and review procedures surrounding obtaining, tracking, and reviewing certified weekly payroll information from contractors. Conducting monitoring activities during the year to compare certified weekly payroll submissions against projects to ensure all wage rate requirements weeks have been met. Maintain a listing of all weekly certified payrolls by week by contractor to aid in this monitoring activity.

**View of Responsible Officials**—See Correction Action Plan

**Finding 2017-004: Reporting—Significant Deficiency in Controls over Compliance and Noncompliance**

**Federal Program:** Community Development Block Grant (CDBG), CFDA 14.218

**FAIN:** B-16-MC-48-05001

**Year:** 2017

**Federal Agency:** U.S Department of Housing and Urban Development (HUD)

**Pass-Through Entity:** Not Applicable

**Criteria**—Under HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*, (OMB No. 2529-0043) – Each recipient that administers covered “public and Indian housing” assistance, regardless of the amount expended, and each recipient that administers covered housing and community development assistance in excess of \$200,000 in a program year, must submit HUD 60002 information; “Section 3 Report”, using the automated Section 3 Performance Evaluation and Registry System (SPEARS) (24 CFR sections 135.3(a)(1) and 135.90).

*The Key Line Items of the Section 3 Report include the following critical information:*

- a. Number of new hires that meet the definition of a Section 3 resident
- b. Total dollar amount of construction contracts awarded during the reporting period
- c. Dollar amount of construction contracts awarded to Section 3 businesses during the reporting period
- d. Number of Section 3 businesses receiving the construction contracts
- e. Total dollar amount of non-construction contracts awarded during the reporting period
- f. Dollar amount of non-construction contracts awarded to Section 3 businesses during the reporting period
- g. Number of Section 3 businesses receiving the non-construction contracts

**Condition and Cause**—The Neighborhood Housing and Community Development Department (NHCD) submitted the annual Section 3 Report with inaccurate information for the Key Line Items as required by HUD due to the lack of a proper controls and processes to review and monitor the information submitted to the grantor for the fiscal year 2017.

**Perspective**—three of the seven Key Line Items of the Section 3 Report (lines b, c, and d above) were not accurate for the reporting period.

Total dollar amount of construction contracts awarded during the reporting period (b) and Dollar amount of construction contracts awarded to Section 3 businesses during the reporting period (c): There was a difference of \$27,906 between the amount reporting to HUD and the amount paid to the Section 3 contractors. The difference was due to a miscalculation by the department during the preparation of the report.

Number of Section 3 businesses receiving the construction contracts (d): NHCD reported that three Section 3 businesses received contracts; however, NHCD had qualified and awarded contracts to six Section 3 business during the fiscal year.

**Questioned Costs**—None

**Effect**—Inaccurate performance reporting of program construction contracts and amounts and other stipulations under Section 3 could result in revising the report provided to the granting agency and could affect future funding opportunities.

**Recommendation**—Improve processes and review procedures surrounding obtaining, tracking, and reporting information on Section 3 contractors that are reported to HUD. Conduct monitoring activities during the year and reconcile the number of contracts and contract amounts included in the report to the program records.

**View of Responsible Officials**—See Corrective Action Plan

#### **Finding 2017-005: Reporting—Significant Deficiency in Controls over Compliance**

**Federal Program**: Safety Seat Program, CFDA 20.616

**FAIN**: 18X920405BTX17

**Year**: 2017

**Federal Agency**: U.S Department of Transportation

**Pass-Through Entity**: Texas State Highways and Public Transportation Department

**Criteria**—The A-102 Common Rule, OMB Circular A-110 and 2 CFR section 200.303 require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Reports submitted to grantor for reimbursement must be adequately reviewed by the proper personnel.

**Condition and Cause**—The Emergency Medical Services Department (EMS) did not have a control in place to ensure that reimbursement requests were reviewed by someone other than the preparer before being submitted to the grantor.

**Perspective**—The City is required to submit monthly performance and reimbursement requests.

For the sample of three monthly performance reports, there was evidence of review by someone other than the preparer; however, for all reimbursement requests, there was no evidence of review by someone other than the preparer.

**Questioned Costs**—None

**Effect**—Failure to review reimbursement requests could result in submission of inaccurate or incomplete information to the grantor.

**Recommendation**—Implement policies and procedures that require review and approval of reimbursement requests to ensure the request is accurate.

**View of Responsible Officials**—See Correction Action Plan

**Finding 2017-006: Procurement—Significant Deficiency in Controls over Compliance and Noncompliance**

**Federal Program:** Community Development Block Grant (CDBG), CFDA 14.218

**FAIN:** B-16-MC-48-05001

**Year:** 2017

**Federal Agency:** U.S. Department of Housing and Urban Development (HUD)

**Pass-Through Entity:** Not Applicable

**Criteria**—2 CFR 200.319 requires that a non-Federal entity conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

**Condition and Cause**—Bid tabulations for procurement of certain contractor services included points awarded for geographic location for the bidders. Procurement policies and procedures do not specifically include evaluating whether geographic preference is permitted for procurements associated with federal awards.

**Perspective**—Five selected vendors with whom the City spent CDBG funds in the fiscal year were procured through a bidding process that awarded points for geographic location. Based on the final bid tabulations, it appears that the results of this procurement (the vendors selected) would not have changed had there not been points awarded for geographic location.

**Questioned Costs**—None

**Effect**—Including geographic preference in competitive bidding processes for federal awards violates federal regulations and could result in expenditures being disallowed by the grantor.

**Recommendation**—Improve policies and procedures in the City's centralized procurement function for all competitive procurements associated with federal awards to include consideration of whether including geographic preference is permitted under federal regulations and grant provisions.

**View of Responsible Officials**—See Corrective Action Plan



## CITY OF AUSTIN, TEXAS

### CORRECTIVE ACTION PLAN YEAR ENDED SEPTEMBER 30, 2017

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#### **2017-001: Preparation of the Schedules of Expenditures of Federal and State Awards- Significant Deficiency**

**Contact Person:** Diana Thomas, Controller

**Management Response** – Concur. The Controller's Office implemented a policy to accrue all grant payments for services or products received prior to year-end. Controller's Office will review all payments made 60 days after fiscal year end and work with departments to appropriately accrue any expenses for prior year goods and services. The Controller's Office will also coordinate with departments on any payments for prior year goods and services that occur or are expected to occur after the 60-day review. Furthermore, the Controller's Office will increase communication with departments about the timely recording of expenses to the appropriate fiscal year.

**Estimated Completion**—September 30, 2018

#### **2017-002: Sub-recipient Monitoring-Significant Deficiency in Controls over Compliance and Non Compliance**

**Contact Person:** Stephanie Hayden, Director of Austin Public Health (APH)

**Management Response**—Concur. APH implemented a new process to ensure all Uniform Grant Guidance elements are included in the sub-recipient contracts including the CFDA and FAIN numbers. This process change is a standardized exhibit page now included as part of each contract.

**Estimated Completion**—Implemented November 2017

#### **2017-003: Special Tests: Wage Rate Requirements-Significant Deficiency in Controls over Compliance**

**Contact Person:** Rosie Truelove, Director of Neighborhood Housing and Community Development (NHCD)

**Management Response:** Concur. NHCD will incorporate a holistic review of current processes and procedures in relation to the federal Davis-Bacon requirements. The proposed improvements will include a full review of current systems, including LPC Tracker, as well as additional quality control in relation to project assignment, payroll tracking, and contractor oversight. In addition, NHCD will undergo an internal assessment of our current staff capacity and evaluation of complementary training requirements for staff and contractors. Upon completion of the comprehensive review and assessment, we expect to improve our capacity to review efficiently the weekly certified payrolls to ensure all wage rate requirements have been

met, create a complete and correct list of all contractors and payrolls, and identify in advance any discrepancy and errors in all steps of the review process.

***Estimated Completion***—September 30, 2018

**2017-004: Reporting-Significant Deficiency in Controls over Compliance and Non Compliance**

***Contact Person:*** Rosie Truelove, Director of Neighborhood Housing and Community Development (NHCD)

***Management Response:*** Concur. NHCD will incorporate the appropriate changes to improve the tracking and reporting of Section 3 businesses receiving construction contracts and the total expenditures from those contractors. In addition, NHCD will take the required actions, including management level review, to verify in advance all information submitted to HUD and any other entities.

***Estimated Completion***—September 30, 2018

**2017-005: Reporting-Significant Deficiency in Controls over Compliance**

***Contact Person:*** Enesto Rodriguez, Chief of Emergency Medical Services (EMS)

***Management Response*** —Concur. (EMS) created a monthly billing packet that includes a document checklist coversheet, a monthly and year-to-date summary report of expenses, and a reconciliation spreadsheet for the Child Safety Seat Grant. To ensure adequate documentation of the review and approval of reimbursement requests and grant expenditures, the financial analyst will complete the billing packet each month and will submit to the financial manager for review. Upon completion of the review, the financial manager will approve the billing packet by signing and dating the document checklist coversheet.

The financial analyst will review the general ledger following each month-end close and will update the monthly summary spreadsheets to document allowable grant related expenses that posted and will be billed to the grantor for that month. Once the review is completed, the department will create a receivable (RE) document in the financial system to record the monthly billing amount. Once the review of expenses, spreadsheets, and RE document are completed, the financial analyst will submit the packet to the financial manager for review and approval. Once the packet has been reviewed by the financial manager, the RE document will be approved in the financial system and the request for reimbursement (RFR) will be submitted in the eGrants system for State approval and funding. The accounts payable staff will continue to obtain copies of paid invoices and checks to include in the billing packet, as well as submitted with the RFR for review.

***Estimated Completion***—Implemented April 2018

**Finding 2017-006: Procurement-Significant Deficiency in Controls over Compliance and Noncompliance**

***Contact Persons:*** James Scarboro, Purchasing Officer, Purchasing Office; Rosie Truelove, Director of Neighborhood Housing and Community Development



**Management Response** —Concur. Management will implement written policies regarding specialized rules for federal procurement, including review of whether the procurement will allow geographic preference. In addition, department procurement staff will also be made aware of the requirements at the annual purchasing refresher training.

**Estimated Completion**—September 30, 2018



## CITY OF AUSTIN, TEXAS

### STATUS OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2017

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#### **Finding 2016-001: Significant Deficiency—Internal Controls Over Accounting and Reporting for Service Concession Arrangements**

**Criteria**—In accordance with accounting principles generally accepted in the United States of America (GAAP), the City is required to record the present value of lease payments made to the City by the operator under service concession arrangements. Further, the City is required to include the deferred inflows related to service concession arrangements in the Net Investment in Capital Assets calculation for enterprise funds.

**Condition and Cause**—During the 2016 audit, management correctly classified the arrangement for the Consolidated Rent-A-Car Center as a service concession arrangement. However, management did not properly record the present value of lease payments (\$12.6 million) due to the City as an asset and related deferred inflow in accordance with GAAP. Further, management did not properly include the deferred inflow amounts of \$146.5 million related to the service concession arrangement in the calculation of Net Investment in Capital Assets.

**Effect**—Improperly assessing all GAAP aspects of a transaction, like a service concession arrangement, could result in material misstatements to the City's financial statements.

**Recommendation**—We recommend that a detailed accounting summary memo be prepared by appropriate City personnel to outline the City's considerations and accounting treatment for such transactions and reviewed by appropriate City personnel to ensure that it meets the requirements of the accounting standards.

**Status—Controller's Office** –Implemented. The Controller's Office properly recorded the present value of lease payments and properly included the deferred inflow amounts in the calculation of Net Investment in Capital Assets for fiscal year 2017. Future Service Concession Arrangements will be assessed using a worksheet that addresses all relevant paragraphs of GASB S60 to ensure that all applicable transactions are recorded timely.

#### **Finding 2016-002: Significant Deficiency—Internal Controls Over Review Controls related to the Accounting and Financial Reporting for Regulated Operations for Austin Water**

**Criteria**—Austin Water utilizes accounting for regulated operations under Government Accounting Standards Board Statement No. 62. As part of this specialized accounting, Austin Water determines deferred depreciation annually. The calculations supporting the deferred depreciation balances are detailed, complex and are to follow the City policies related to costs to be recovered through rates.

**Condition and Cause**—During the 2016 audit, we noted an error in the calculation for deferred depreciation related to contributions. There was a prior year uncorrected audit adjustment related to contributions used in the calculation and the City did not properly adjust the current year calculation to correct this error. Thus, the error was carried forward to the 2016 deferred depreciation calculation.

**Effect**—Improperly applying the City’s policies and/or capturing all audit adjustments into the deferred depreciation calculation could have a material effect on the City’s financial statements.

**Recommendation**—Develop a detailed and precise review procedure to ensure that all amounts within the deferred depreciation schedule agrees to the underlying City records or to prior year audited balances.

**Status—Controller’s Office** – Implemented. The Controller’s Office updated their FASB71 procedures to include a validation of the correct file and prior year audited balances.

### **Finding 2016-003: HOME Loan CFDA 14.239 – Department of Housing and Urban Development**

#### **Reporting—Significant Deficiency in Controls over Compliance and Noncompliance (Award M-15-MC-48-0500, CFDA 14.239)**

**Criteria**—Matching regulations require that the City contribute or match no less than 25 cents for each dollar of HOME funds spent on affordable housing. The City must report the annual match amount as well as the carry forward balance for any excess match in the Consolidated Annual Performance and Evaluation Report (“CAPER”).

**Condition and Cause**—The City of Austin did not have the appropriate procedures or control structure in place to ensure the match was properly reported on the CAPER for fiscal year 2016. While the total cumulative carryforward amount of the match at the end of fiscal year 2016 agrees to the City’s records, the amount reported as the beginning carryforward match amount was overstated and the current year match amount was understated.

**Questioned Cost**—None

**Perspective**—A match amount of \$294,420 that was incurred in fiscal year 2016 was improperly reflected in the beginning carryforward match rather than being reported as new match in 2016. Thus, the beginning carryforward balance from fiscal year 2015 was overstated and the current year match was understated by \$294,420 both on the CAPER and on the Match Summary Report.

**Effect**—Inaccurate reporting of matching amounts could result in inability to properly calculate carryforward amounts and demonstrate compliance with matching requirements to the grantor.

**Recommendation**—Implement policies and procedures that require review and approval of the CAPER, specifically the matching information and calculations, to ensure the CAPER is accurate.

**Status – Neighborhood Housing and Community Development** – Implemented. NHCD took immediate action to implement the following:

1. NHCD accounting staff prepares the HOME Match using only projects funded from the Housing Trust Fund and General Obligation Bond proceeds.

2. NHCD financial manager reviews and approves the HOME Match and CAPER, including all projects, calculations and source documentation.

**Finding 2016-004: HOME Loan CFDA 14.239 — Department of Housing and Urban Development**

**Subrecipient Monitoring—Significant Deficiency in Controls over Compliance and Noncompliance (Award E-15-MC-48-0500, CFDA 14.239)**

**Criteria**—In accordance with Uniform Grant Guidance, management is responsible for the preparation of subrecipient contracts to ensure specified components are included and clearly identified within the contract.

**Condition and Cause**—The City of Austin did not have the appropriate procedures or control structure in place to ensure that the required components are included in the subrecipient contracts.

**Perspective**—The contracts with both of the City's subrecipients for this program excluded the following:

- Subrecipients' responsibilities to be in compliance with pass through requirements
- FAIN
- Federal Award Data of the award to the City
- Subaward period of performance
- Amount of Federal funds obligated to the subrecipient by this action and the total amount obligated to the subrecipient including this action

Further, both contracts referred to OMB Circular A-133 instead of the UGG standards.

**Questioned Costs**—None

**Effect**—Subrecipients may not follow the grant guidelines as they may not be aware of all of the details associated with the federal funds. This could impact their compliance with major programs.

**Recommendation**—Work with the City's legal department to create a checklist or cover page for all subrecipient contracts and establish a review process to ensure that all required elements are included in the contracts.

**Status – Neighborhood Housing and Community Development** – Implemented. NHCD has made the appropriate contract amendments with subrecipients to incorporate UGG standards. They have also implemented an agreement checklist to ensure agreements going forward adhere to the UGG standards.

**Finding 2016-005: Federal Emergency Management Assistance (FEMA) Public Flood Assistance CFDA 97.036 - U.S. Department of Homeland Security**

**Allowable Costs—Significant Deficiency in Controls over Compliance and Noncompliance (Award PA-06-TX-4223, CFDA 97.036)**

**Criteria**—Except where otherwise noted by statutes, costs must be adequately documented in order to be allowable under Federal awards.

**Condition and Cause**—The City’s Parks and Recreation Department did not accumulate and maintain adequate documentation for the number of equipment usage hours charged to the project.

**Questioned Cost**—\$946

**Perspective**—7 out of 12 selections for equipment usage charges were not adequately supported by documentation. 4 out of the 7 questioned transactions, representing \$885 of the total questioned costs, had some supporting documentation (vehicle inspection forms noting mileage and that the vehicle was assigned to the project on the correct date), but the support did not include the number of hours that the equipment was used for the project. The remaining 3 questioned transactions, representing \$61 of the total questioned costs had support containing the hours the equipment was used on the project, but the support did not agree to the hours that were charged to the project. The Parks and Recreation Department spent a total of \$79,491 on equipment usage and \$3,162 was subjected to testing. Based on the statistically valid sample tested, likely questioned costs for equipment usage is \$22,846.

**Effect**—Failure to maintain adequate supporting documentation for all costs charged to Federal programs could require amounts to be refunded to the granting agency and affect future funding opportunities.

**Recommendation**—Ensure that equipment usage time is documented for these federally funded projects and implement a review procedure to ensure that only properly supported equipment usage hours are charged to the project.

**Status—Parks and Recreation Department** – Implemented. PARD has implemented numerous new controls surrounding document review, retention, as well as staff training to ensure adequate documentation is maintained to support project costs. They have included these controls in an updated grant reimbursement Statement of Procedures.

**Finding 2016-006: Housing Opportunities for People with AIDS (HOPWA) CFDA 14.241 - U.S. Department of Housing and Urban Development**

**Reporting—Significant Deficiency in Controls over Compliance and Noncompliance (Award TXH14F004, TXH15F004, CFDA 14.241)**

**Criteria**—The City must report total expenditures by program year for the HOPWA program in Part 3 of the Consolidated Annual Performance and Evaluation Report (“CAPER”). This amount should be the total amount of HOPWA funds expended during the program year (October 1, 2015 through September 30, 2016) for all active HOPWA grant years.

**Condition and Cause**—The City only reported expenditures of HOPWA funds associated with the 2015 grant year rather than expenditures of HOPWA funds associated with both active grant years (2014 and 2015). The City did not fully understand the requirement for reporting expenditures in the CAPER.

**Questioned Cost**—None

**Perspective**—The amount of expenditures reported on the CAPER totaled \$956,352 for the program year; however, the expenditures for the fiscal year per the Schedule of Expenditures

of Federal Awards for the fiscal year ended September 30, 2016 was \$1,226,435. The City is currently working with the U.S. Department of Housing and Urban Development to amend the CAPER and resubmit it with the corrected amount.

**Effect**—Inaccurate reporting of program year expenditure amounts could result in inaccurate information either at the City or at the U.S. Department of Housing and Urban Development about the amount of funds remaining that are available to be spent in future years.

**Recommendation**—Implement policies and procedures that require review and approval of the CAPER, specifically the current year expenditure amounts, to ensure the CAPER is accurate.

**Status—Austin Public Health** – Implemented. A revised CAPER was submitted in June 2017. The Health department will work closely with NHCD staff (who prepare the CAPER) to ensure correct expenditures are included both in the CAPER and on the SEFA going forward. They have also sent staff to attend the HUD HOPWA training which occurred in August 2017.