City of Austin, Texas

Financial Statements as of and for the Year Ended September 30, 2018, Single Audit Report for the Year Ended September 30, 2018, and Independent Auditors' Reports

CITY OF AUSTIN, TEXAS

TABLE OF CONTENTS

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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, 2018, 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 represent 99.9% of the assets, 97.8% of the net position, and 98.9% of the revenues of the discretely presented component units. Those statements were audited by other auditors whose reports 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, 2018, 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.

Emphasis of Matter

As discussed in Note 18 to the basic financial statements, the City adjusted its beginning net position as of October 1, 2017, to reflect the impact of the implementation of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this change.

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 Schedule of Expenditures of Federal Awards and Schedule 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 February 28, 2019 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.

Deloitte & Touche LLP

February 28, 2019, except for our report on the SEFA and SESA for which the date is April 4, 2019

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, 2018.

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. 82, No. 85 through No. 86, and No. 89.

FINANCIAL HIGHLIGHTS

Government-wide financial statements
The City's assets and deferred outflows exceeded its liabilities and deferred inflows in fiscal year 2018, resulting in $3.7 billion of net position. Net position associated with governmental activities is a deficit of approximately $253.2 million, while the net position associated with business-type activities is approximately $4.0 billion, or 106.8% 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 110.9% of total net position.

The City's unrestricted net position is a deficit of $1.3 billion. Unrestricted net position for governmental activities is a deficit of $2.1 billion, while unrestricted net position for business-type activities is approximately $789.2 million, or 19.9% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the net pension liability of $1.1 billion and other postemployment benefits payable of $1.6 billion.

During fiscal year 2018, total net position for the City of Austin increased $102.5 million or 2.8%. Of this amount, governmental activities decreased $68.9 million, or 37.4% from the previous year and business-type activities increased $171.4 million, or 4.5%.

Total revenues for the City increased $144.2 million; revenues for governmental activities increased $102.8 million; revenues for business-type activities increased $41.4 million. Total expenses for the City increased $162.6 million; expenses for governmental activities increased $27.1 million; expenses for business-type activities increased $135.5 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 Urban Renewal Agency (URA), the Austin Industrial Development Corporation (AIDC), Mueller Local Government Corporation (MLGC), and Austin-Bergstrom International Airport (ABIA) Development Corporation. The operations of AHFC, URA, AIDC, MLGC, and ABIA 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 four discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), Waller Creek Local Government Corporation (WCLGC) and Austin/Travis County Sobriety Center Local Government Corporation (SCLGC). 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. There was no WCLGC activity in fiscal year 2018.

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^{TM}, 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:

Fund Types/Other	Government-wide	Fund Financials
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	Discretely Presented Component Units

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, as restated:

Condensed Statement of Net Position
as of September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current assets	$ 738,058	658,456	1,775,185	1,662,516	2,513,243	2,320,972
Capital assets	3,028,885	2,949,094	8,157,304	7,909,044	11,186,189	10,858,138
Other noncurrent assets	172,731	161,139	2,263,075	2,139,577	2,435,806	2,300,716
Total assets	3,939,674	3,768,689	12,195,564	11,711,137	16,135,238	15,479,826
Deferred outflows of resources	419,521	359,842	361,090	342,671	780,611	702,513
Current liabilities	419,484	361,031	512,245	532,870	931,729	893,901
Noncurrent liabilities	4,106,241	3,945,608	6,737,881	6,517,668	10,844,122	10,463,276
Total liabilities	4,525,725	4,306,639	7,250,126	7,050,538	11,775,851	11,357,177
Deferred inflows of resources	86,679	6,228	1,347,043	1,215,205	1,433,722	1,221,433
Net position:						
Net investment in capital assets	1,735,481	1,709,146	2,375,219	2,358,240	4,110,700	4,067,386
Restricted	146,496	140,299	795,049	702,749	941,545	843,048
Unrestricted (deficit)	(2,135,186)	(2,033,781)	789,217	727,076	(1,345,969)	(1,306,705)
Total net position	$ (253,209)	(184,336)	3,959,485	3,788,065	3,706,276	3,603,729

In the current fiscal year, total assets increased $655.4 million and deferred outflows of the City increased by $78.1 million. Total liabilities increased $418.7 million and deferred inflows increased by $212.3 million. Governmental-type total assets increased by $171.0 million and business-type increased by $484.4 million, while governmental-type liabilities increased by $219.1 million and business-type increased by $199.6 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of $79.8 million as the City continues to build out projects from the 2012 and 2016 bond programs. Factors in the increase of governmental-type liabilities include increases in bonds payable of $20.9 million, related primarily to the 2012 and 2016 bond programs along with a decrease in the net pension liability of $136.0 million and an increase in other postemployment benefits payable of $278.6 million.

The most significant factor in the increase of business-type total assets is related to growth in capital assets of $248.3 million or 51.2% of the increase in business-type total assets, of which approximately $200.0 million is related to the Airport terminal expansion. The primary factor in the increase in business-type total liabilities of $199.6 million is due to an increase in other postemployment benefits of $190.6 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 $3.7 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 110.9% 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, $941.0 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 $1.3 billion of unrestricted net position. Unrestricted net position decreased $39.3 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 $2.1 billion and $1.3 billion 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	
	2018	2017	2018	2017	2018	2017
Program revenues:						
Charges for services	$ 173,400	176,640	2,543,788	2,500,259	2,717,188	2,676,899
Operating grants and contributions	42,489	45,162	876	861	43,365	46,023
Capital grants and contributions	107,865	90,256	122,396	137,464	230,261	227,720
General revenues:						
Property tax	616,745	554,631	--	--	616,745	554,631
Sales tax	232,319	218,790	--	--	232,319	218,790
Franchise fees and gross receipts tax	159,754	151,670	--	--	159,754	151,670
Interest and other	34,333	26,950	27,730	14,801	62,063	41,751
Total revenues	1,366,905	1,264,099	2,694,790	2,653,385	4,061,695	3,917,484
Program expenses:						
General government	200,125	192,231	--	--	200,125	192,231
Public safety	704,566	719,032	--	--	704,566	719,032
Transportation, planning, and sustainability	72,240	72,517	--	--	72,240	72,517
Public health	117,578	119,278	--	--	117,578	119,278
Public recreation and culture	173,333	161,226	--	--	173,333	161,226
Urban growth management	176,453	156,180	--	--	176,453	156,180
Interest on debt	65,147	61,879	--	--	65,147	61,879
Electric	--	--	1,268,610	1,277,623	1,268,610	1,277,623
Water	--	--	312,276	281,787	312,276	281,787
Wastewater	--	--	286,736	219,609	286,736	219,609
Airport	--	--	184,084	158,863	184,084	158,863
Convention	--	--	80,990	75,377	80,990	75,377
Environmental and health services	--	--	111,184	108,658	111,184	108,658
Public recreation	--	--	9,009	8,736	9,009	8,736
Urban growth management	--	--	196,817	183,532	196,817	183,532
Total expenses	1,509,442	1,482,343	2,449,706	2,314,185	3,959,148	3,796,528
Excess (deficiency) before transfers	(142,537)	(218,244)	245,084	339,200	102,547	120,956
Transfers	73,664	40,693	(73,664)	(40,693)	--	--
Increase (decrease) in net position	(68,873)	(177,551)	171,420	298,507	102,547	120,956
Beginning net position, as previously reported	455,353	632,904	3,976,814	3,678,307	4,432,167	4,311,211
Restatement adjustment	(639,689)	--	(188,749)	--	(828,438)	--
Beginning net position, as restated (see Note 18)	(184,336)	632,904	3,788,065	3,678,307	3,603,729	4,311,211
Ending net position	$ (253,209)	455,353	3,959,485	3,976,814	3,706,276	4,432,167

Total net position of the City increased by $102.5 million in the current fiscal year. Governmental net position decreased by $68.9 million. The decrease is attributable to expenses exceeding revenues by $142.5 million before transfers from other funds of $73.7 million. Business-type net position increased by $171.4 million due to revenues exceeding expenses by $245.1 million before transfers to other funds of $73.7 million.

In addition, the City restated beginning net position for governmental and business-type activities as a result of the implementation of GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits other than Pensions*". For more information, see Note 18.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

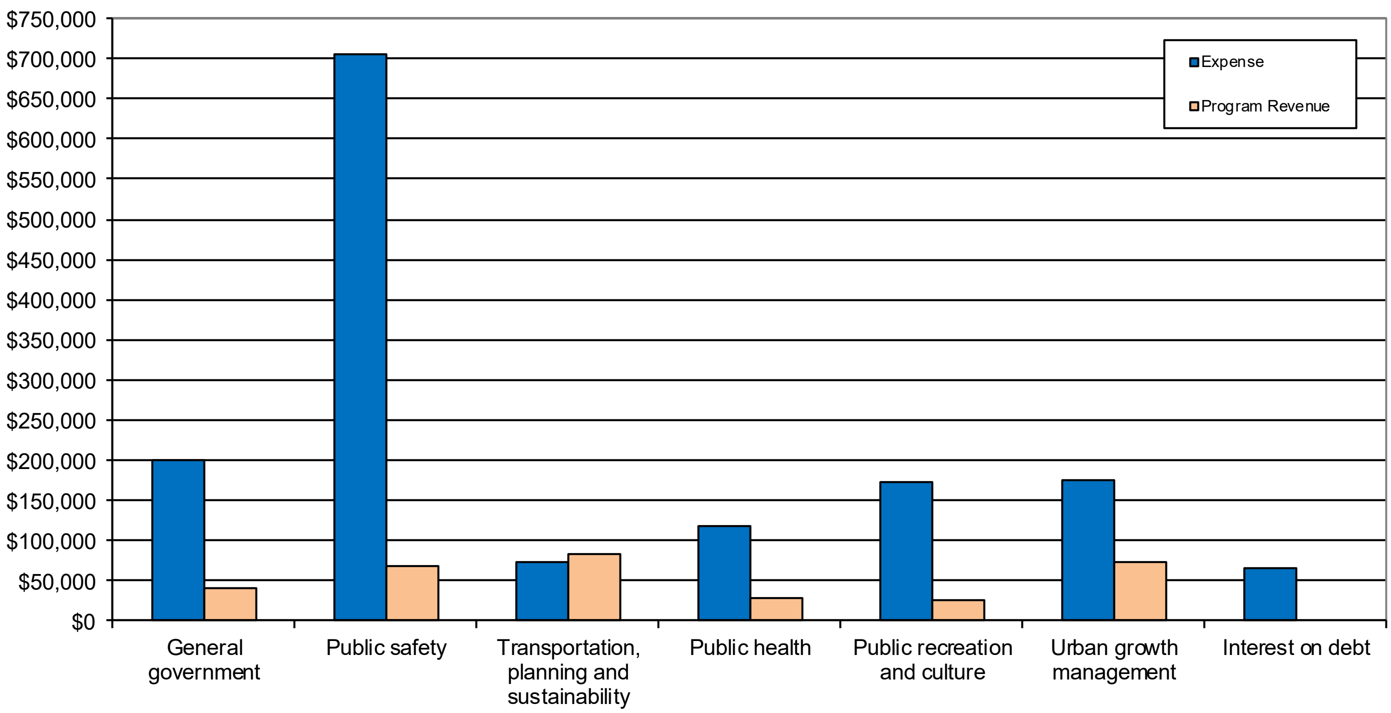
c -- Program revenues and expenses -- governmental activities

Governmental activities decreased the City's net position by $68.9 million in fiscal year 2018, a 37.4% decrease of governmental net position from the previous year. Key factors for the change from fiscal year 2017 to 2018 are as follows:

- The City's property tax revenue increased by $62.1 million from the previous year due to an increase in assessed property values of $13.0 billion, while the property tax rate per $100 of valuation increased from 0.4418 to 0.4448.
- Sales tax collections and franchise fees for the year were $13.5 million and $8.1 million, respectively, more than the prior year as result of the continued improvement in the Austin economy.
- Public safety expenses decreased by $12.9 million due to the negotiated labor contract with police not being renewed during the fiscal year. This resulted in a significant number of employee retirements decreasing the compensated absence accrual by $5.4 million. In addition there was a related decrease in salaries and fringe benefits of $5.5 million.
- Public recreation and culture of expenses increased $12.1 million as the result of an increase in salaries and fringe benefits of $3.7 million, and an increase in overall expenses of $2.7 million related to the opening of the new library.
- Urban growth management expenses were $20.3 million greater than the prior year as the result of an increase in Neighborhood Housing & Conservation expenses for the implementation of the new Strategic Housing Blueprint of $16.8 million along with $5.0 million decrease in drainage utility reimbursements to development services.

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.

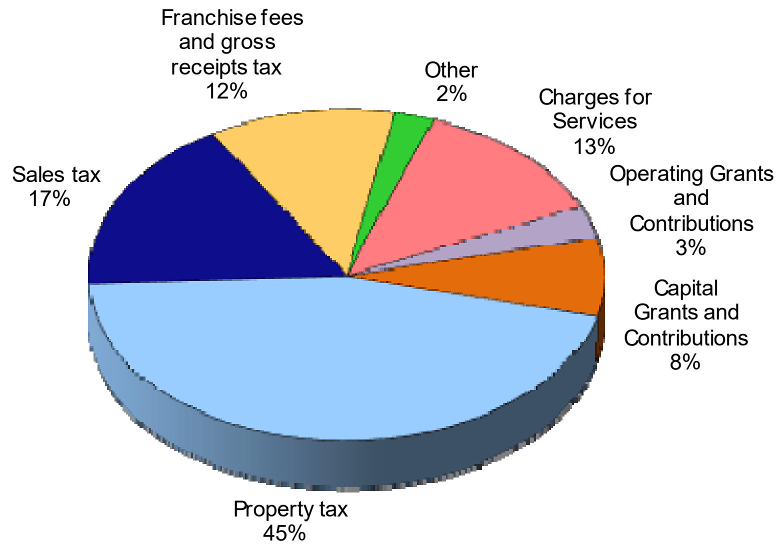
Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)



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

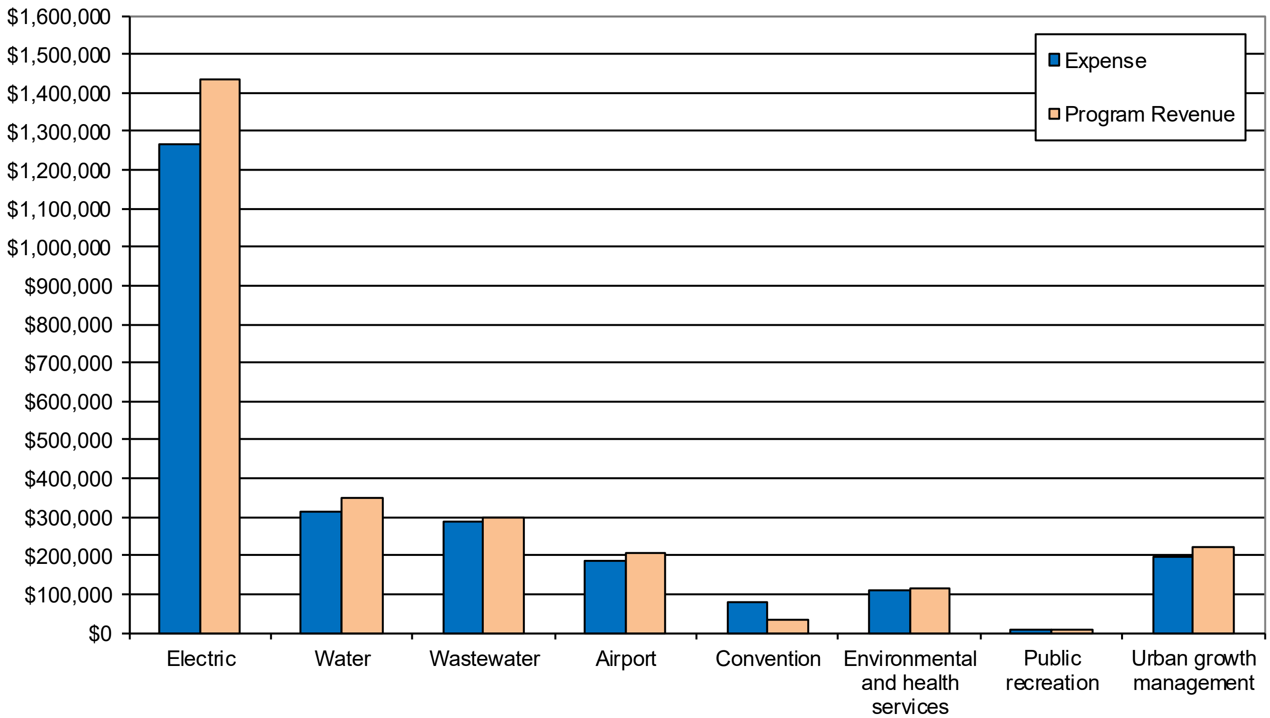
Business-type activities increased the City's net position by approximately $171.4 million, accounting for a 4.8% increase in the City's total net position. Key factors include:

- Austin Energy net position increased approximately $63.2 million. Operating revenues increased primarily due to increased base revenue, which was linked to customer growth. Operating expenses remained relatively stable.
- Austin Water Utility net position increased approximately $2.9 million. Revenues decreased 3.7% largely due to a mid-year rate reduction for fiscal year 2018. Expenses increased by 19.5% due to an increase in operating and maintenance costs, and an increase in debt defeasance payments.
- Airport net position increased approximately $28.1 million. Revenues increased 6.1% due to increases in passenger traffic, concessions and parking revenues, and updated Ground Transportation Operator fees and rates. Expenses increased 15.9% due to an increase in operating and maintenance costs and debt service payments.
- Convention Center net position increased approximately $30.5 million, however, this was an overall incremental decrease of $10.9 million compared to the 2017 fiscal year increase in net position. Revenues decreased 16.0% due to a decline in food concessions revenue, which was primarily driven by a one-time special event held in the previous year that generated $4.3 million in revenue. The absence of a similar event in fiscal year 2018 resulted in a 24.0% decrease in food concessions revenue. Expenses increased 7.4% as a result of Council authorizing the Convention Center to pay a portion of the Visit Austin contract to market, sell and service convention activities.
- Environmental and health services activities is comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position increased approximately $4.0 million. Revenues increased by 5.7% due mainly to an increase in the Clean Community Fee and base fee for residential and commercial customer accounts. Expenses increased by 2.3% 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 $43.3 million. Drainage revenues and transfers decreased 15.6% primarily due to a decrease in transfers in for home buyouts from $50.0 million in the prior year to $22.0 million in the current year. Drainage expenses remained relatively flat. Transportation revenues increased approximately 5.4% primarily as a result of increases in right-of-way (ROW) and utility-cut fees collected for downtown construction and new development review fees established to recover departmental costs. Transportation expenses increased 10.7% due to new investments in engineering contracts as well as an increase in staff of 27 new positions.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

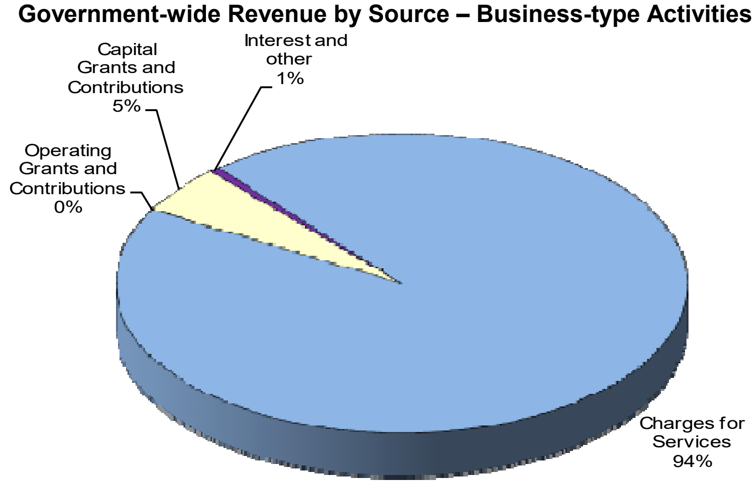
As shown in the following chart, Austin Energy (electric), with expenses of $1.3 billion is the City's largest business-type activity, followed by water with $312.3 million, wastewater with $286.7 million, urban growth management with $196.8 million, airport with $184.1 million, environmental and health services with $111.2 million, convention with $81.0 million, and public recreation with $9.0 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 (94.40%), followed by capital grants and contributions (4.54%), interest and other revenues (1.03%), 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 $579.5 million, an increase of $67.0 million from the previous year. Approximately $3.1 million is nonspendable, $223.1 million is restricted, $45.2 million is committed, $145.9 million is assigned, and $162.2 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 $2.1 million, assigned fund balance of $37.6 million, and unassigned fund balance of $173.3 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 17.2% of total General Fund expenditures of $1.0 billion, and total fund balance represents 21.2% 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 $72.1 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 $41.1 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased $41.2 million due to an increase in assessed property values.
- Sales tax revenues increased by $13.5 million and interest and other increased by $5.6 million.

General Fund expenditures increased $30.7 million, due primarily to increases in the following areas: urban growth management ($11.8 million), general government ($8.5 million), public recreation and culture ($7.4 million), and public health ($3.9 million). These increases are primarily due to a 2.5% general wage increase for non-sworn employees. the addition of 29 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 $155.6 million before consolidation of the internal service funds activities.

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

OTHER INFORMATION

a -- General Fund budgetary highlights

During fiscal year 2018 an amendment to the General Fund Interest and other revenue budget increased it by $868,240 to reflect proceeds related to the Aspen Heights Density Bonus Program. This was the sole revenue budget amendment. The budget for Transfers in was increased by $150,000 related to a settlement with an apartment complex. Budgeted expenditures in Other urban growth management were increased by $868,240 to provide housing subsidies to the homeless and by $150,000 to fund relocation costs related to the apartment settlement. The expenditure budget related to Parks and Recreation was decreased by $280,630 and the budget for Transfers out was increased by the same amount. Upgrades to the Millennium Youth Entertainment Complex that were originally budgeted to be spent in 2018 were delayed resulting in this amendment which moved the funds from the operating to the capital budget.

OTHER INFORMATION, continued

During the year, actual budget basis revenues were $2.3 million more than budgeted. Property taxes were $4.9 million more than budgeted due to added properties and an increase in overall property values. Sales taxes were also $6.2 million more than budgeted due to continued improvement in the economy. These were offset partly by $6.4 million in lower than expected development permit revenue and $2.3 million in lower than expected traffic fines.

Actual budget-basis expenditures were $34.0 million less than budgeted. Two departments were over budget, Municipal Court by $169 thousand and Social Services by $74 thousand. All other departments were under budget. Police was under budget by $14.9 million due primarily to the negotiated labor contract not being approved by Council during the fiscal year as was originally anticipated. EMS was under budget by $3.4 million due primarily to salary savings from regular position vacancies. Fire was under budget by $3.0 million largely due to higher than expected expense reimbursements from natural disasters and overtime from inspections and permitting done outside of normal business hours. Development Services was $5.9 million under budget due primarily to salary savings from vacancies and lower contractual expenses as a result of the cancelation of CodeNEXT, the City's land development code rewrite project. The total budget-basis fund balance at year-end was $206.2 million.

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2018, total $11.2 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 $328 million, with an increase of 2.7% for governmental activities and an increase of 3.1% 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	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Building and improvements	$ 657	651	1,978	1,916	2,635	2,567
Plant and equipment	75	65	2,377	2,348	2,452	2,413
Vehicles	54	52	74	76	128	128
Electric plant	--	--	2,124	2,198	2,124	2,198
Non-electric plant	--	--	147	141	147	141
Nuclear fuel	--	--	48	43	48	43
Water rights	--	--	81	82	81	82
Infrastructure	1,739	1,658	--	--	1,739	1,658
Land and improvements	383	379	694	676	1,077	1,055
Construction in progress	92	116	607	402	699	518
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	29	28	4	4	33	32
Total net capital assets	$ 3,029	2,949	8,157	7,909	11,186	10,858

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

- Governmental capital assets increased $79.8 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 of the Waller Creek Tunnel Inlet Facility was completed during the fiscal year.

- Business-type activities purchased, constructed or received capital asset contributions of $248.3 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 along Onion Creek.

OTHER INFORMATION, continued

c -- Debt administration
At the end of the current fiscal year, the City reported $6.5 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 6.

Outstanding Debt
General Obligation and Revenue Debt
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
General obligation bonds and other tax supported debt, net	$ 1,457	1,436	102	116	1,559	1,552
Commercial paper notes, net	--	--	254	146	254	146
Revenue bonds, net	--	--	4,702	4,881	4,702	4,881
Capital lease obligations	10	--	1	1	11	1
Total	$ 1,467	1,436	5,059	5,144	6,526	6,580

During fiscal year 2018, the City's total outstanding debt decreased by $53.6 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 $20.9 million. The resulting net increase is a combination of the issuance of $123.3 million in new debt to be used primarily for facility improvements, streets and mobility, watershed home buyouts, central library, parks and recreation, capital equipment, and affordable housing, offset by debt payments during the year.

- Outstanding debt for business-type functions decreased by $84.4 million. The City issued $45.2 million in Water and Wastewater System revenue bonds, which was offset by debt payments during the year and the cash defeasance of $61.2 million in Water and Wastewater separate lien revenue bonds.

OTHER INFORMATION, continued

During the year, the City's commercial paper notes, tax exempt and taxable, received favorable rating upgrades from Standard & Poor's and Fitch Ratings, Inc. from A-1 to A-1+ and F1 to F1+, respectively. The City's commercial paper ratings are related to the ratings of the liquidity providers associated with those obligations. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2018 and 2017 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch Ratings, Inc.	
	2018	2017	2018	2017	2018	2017
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	Aa3	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 8th fastest growing metro in the US for its size. Over the past 10 years, Austin's population has increased by approximately 25.1% 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 fourth 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 36,800 net new jobs in 2018. The unemployment rate for the Austin-Round Rock MSA maintained a low of 2.7%, while the state unemployment rate fell to 3.7% in 2018; the national unemployment rate was 3.9%.

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 Army Futures Command (AFC) in downtown. This reorganization of the Army, the biggest since 1973, and the first not located on a military base, is anticipated to innovate the service and make it more nimble and efficient, bringing along with it a sizeable annual budget and desire to engage with the growing local tech sector. 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 3.3% in 2018 over 2017, with housing in the downtown area growing in popularity. In 2018, sales tax revenue increased 6.2% over the previous year, compared to a 2.9% increase in 2017 and a 4.2% increase in 2016, an indicator that the local economy continues to exhibit steady growth. In 2019, the rate of growth in sales tax collections is expected to be 3.5%. 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 2019 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 2019 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 a ratings upgrade for commercial paper instruments in 2018. 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 9.7% in 2018 for fiscal year 2019. The property tax rate for fiscal year 2019 is 44.03 cents per $100 valuation, down from 44.48 cents per $100 valuation in 2018. The tax rate consists of 33.08 cents for the General Fund and 10.95 cents for debt service. Each 1 cent of the 2018 (fiscal year 2019) property tax rate is equivalent to $15,177,490 of tax levy, as compared to $13,841,865 in the previous year. Austin Energy's 2018 base rates remain unchanged from the prior fiscal year. For the past several years, Austin Water Utility has been working to strengthen its financial position and reduce the need for annual rate increases; consequently, the utility submitted its fiscal year 2019 budget with a slight rate decrease.

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, 2018
(In thousands)

City of Austin, Texas
Exhibit A-1

	Governmental Activities	Business-type Activities	Total (†)	Component Units
ASSETS				
Current assets:				
Cash	61	63	124	5,955
Pooled investments and cash	582,458	1,072,584	1,655,042	--
Pooled investments and cash - restricted	--	123,333	123,333	--
Total pooled investments and cash	582,458	1,195,917	1,778,375	--
Investments - restricted	28,533	136,317	164,850	--
Cash held by trustee	--	1,601	1,601	--
Cash held by trustee - restricted	9,152	1,144	10,296	--
Working capital advances	--	2,225	2,225	--
Property taxes receivable, net of allowance $5,711	12,017	--	12,017	--
Accounts receivable, net of allowance $328,639	107,502	224,532	332,034	3,392
Receivables from other governments	17,409	91	17,500	--
Receivables from other governments - restricted	--	8,421	8,421	--
Notes receivable, net of allowance of $17,669	26,666	--	26,666	--
Internal balances	(62,654)	62,654	--	--
Inventories, at cost	2,998	74,152	77,150	196
Real property held for resale	5,836	--	5,836	--
Regulatory assets, net of accumulated amortization	--	29,552	29,552	--
Prepaid expenses	4,213	24,004	28,217	860
Other receivables - restricted	--	4,370	4,370	--
Other assets	3,867	10,142	14,009	--
Total current assets	738,058	1,775,185	2,513,243	10,403
Noncurrent assets:				
Cash - restricted	--	4,920	4,920	2,090
Pooled investments and cash - restricted	167,701	638,690	806,391	--
Investments - restricted	--	341,645	341,645	56,298
Investments held by trustee - restricted	1,868	228,367	230,235	20,788
Cash held by trustee - restricted	1,853	--	1,853	--
Interest receivable - restricted	--	410	410	--
Depreciable capital assets, net	2,524,708	6,829,037	9,353,745	183,421
Nondepreciable capital assets	504,177	1,328,267	1,832,444	13,508
Derivative instruments - energy risk management	--	50	50	--
Regulatory assets, net of accumulated amortization	--	1,020,958	1,020,958	--
Other receivables - restricted	--	7,696	7,696	--
Other long-term assets	1,309	20,339	21,648	--
Total noncurrent assets	3,201,616	10,420,379	13,621,995	276,105
Total assets	3,939,674	12,195,564	16,135,238	286,508
DEFERRED OUTFLOWS OF RESOURCES	419,521	361,090	780,611	15,605

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

(Continued)

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

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)	Component Units
LIABILITIES				
Current liabilities:				
Accounts payable	44,343	95,774	140,117	5,525
Accounts and retainage payable from restricted assets	22,878	65,452	88,330	--
Accrued payroll	33,603	19,535	53,138	317
Accrued compensated absences	65,263	26,939	92,202	--
Claims payable	23,655	205	23,860	--
Due to other governments	13	3,469	3,482	--
Accrued interest payable from restricted assets	8	95,651	95,659	5,246
Interest payable on other debt	8,693	1,153	9,846	--
Bonds payable	61,130	13,733	74,863	3,450
Bonds payable from restricted assets	28,725	110,970	139,695	--
Other postemployment benefits liability	33,071	20,005	53,076	--
Capital lease obligations payable	2,115	56	2,171	--
Customer and escrow deposits payable from restricted assets	76,584	47,154	123,738	--
Accrued landfill closure and postclosure costs	--	2,591	2,591	--
Decommissioning liability payable from restricted assets	--	3,753	3,753	--
Other liabilities	19,403	4,900	24,303	5,847
Other liabilities payable from restricted assets	--	905	905	--
Total current liabilities	419,484	512,245	931,729	20,385
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	82,074	714	82,788	--
Claims payable	24,319	217	24,536	--
Capital appreciation bond interest payable	--	2,722	2,722	--
Commercial paper notes payable, net of discount	--	254,767	254,767	--
Bonds payable, net of discount and inclusive of premium	1,367,110	4,679,015	6,046,125	267,119
Net pension liability	1,067,452	585,052	1,652,504	--
Other postemployment benefits liability	1,540,192	931,629	2,471,821	--
Capital lease obligations payable	7,765	878	8,643	--
Accrued landfill closure and postclosure costs	--	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	201,617	201,617	--
Derivative instruments - energy risk management	--	7,796	7,796	--
Derivative instruments - interest rate swaps	--	27,723	27,723	--
Other liabilities	17,329	33,041	50,370	--
Other liabilities payable from restricted assets	--	2,811	2,811	--
Total noncurrent liabilities	4,106,241	6,737,881	10,844,122	267,119
Total liabilities	4,525,725	7,250,126	11,775,851	287,504
DEFERRED INFLOWS OF RESOURCES	86,679	1,347,043	1,433,722	1,120
NET POSITION				
Net investment in capital assets	1,735,481	2,375,219	4,110,700	(11,273)
Restricted for:				
Bond reserve	--	39,469	39,469	--
Capital projects	40,454	275,910	316,364	741
Debt service	20,033	57,507	77,540	26,598
Housing activities	29,436	--	29,436	--
Operating reserve	--	66,020	66,020	--
Passenger facility charges	--	110,452	110,452	--
Perpetual care:				
Expendable	1	--	1	--
Nonexpendable	1,070	--	1,070	--
Renewal and replacement	--	53,339	53,339	--
Strategic reserve	--	192,352	192,352	--
Tourism	22,649	--	22,649	--
Other purposes	32,853	--	32,853	--
Unrestricted (deficit)	(2,135,186)	789,217	(1,345,969)	(2,577)
Total net position	(253,209)	3,959,485	3,706,276	13,489

(†) 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, 2018
(In thousands)

City of Austin, Texas
Exhibit A-2

		Program Revenues			Net (Expense) Revenue and Changes in Net Position			
					Primary Government			
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**	**Business-type Activities**	**Total**	**Component Units**
Governmental activities								
General government	$ 200,125	27,276	1,595	15,655	(155,599)	--	(155,599)	--
Public safety	704,566	57,950	9,364	--	(637,252)	--	(637,252)	--
Transportation, planning, and sustainability	72,240	1,503	70	81,495	10,828	--	10,828	--
Public health	117,578	8,109	21,553	80	(87,836)	--	(87,836)	--
Public recreation and culture	173,333	12,401	1,804	10,635	(148,493)	--	(148,493)	--
Urban growth management	176,453	66,161	8,103	--	(102,189)	--	(102,189)	--
Interest on debt	65,147	--	--	--	(65,147)	--	(65,147)	--
Total governmental activities	1,509,442	173,400	42,489	107,865	(1,185,688)	--	(1,185,688)	--
Business-type activities								
Electric	1,268,610	1,400,523	104	34,986	--	167,003	167,003	--
Water	312,276	304,182	--	46,907	--	38,813	38,813	--
Wastewater	286,736	270,884	--	26,985	--	11,133	11,133	--
Airport	184,084	197,426	616	7,593	--	21,551	21,551	--
Convention	80,990	33,752	--	--	--	(47,238)	(47,238)	--
Environmental and health services	111,184	115,499	92	177	--	4,584	4,584	--
Public recreation	9,009	7,278	--	230	--	(1,501)	(1,501)	--
Urban growth management	196,817	214,244	64	5,518	--	23,009	23,009	--
Total business-type activities	2,449,706	2,543,788	876	122,396	--	217,354	217,354	--
Total primary government	$ 3,959,148	2,717,188	43,365	230,261	(1,185,688)	217,354	(968,334)	--
Component Units	92,066	97,298	--	1,124	--	--	--	6,356

	Governmental Activities	Business-type Activities	Total	Component Units
General revenues:				
Property tax	616,745	--	616,745	--
Sales tax	232,319	--	232,319	--
Franchise fees and gross receipts tax	159,754	--	159,754	--
Interest and other	34,333	27,730	62,063	298
Transfers-internal activities	73,664	(73,664)	--	--
Total general revenues and transfers	1,116,815	(45,934)	1,070,881	298
Special item - gain on debt structure	--	--	--	32,729
Change in net position	(68,873)	171,420	102,547	39,383
Beginning net position, as restated (see Note 18)	(184,336)	3,788,065	3,603,729	(25,894)
Ending net position	$ (253,209)	3,959,485	3,706,276	13,489

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

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 51	--	51
Pooled investments and cash	213,964	353,362	567,326
Investments	--	28,533	28,533
Cash held by trustee - restricted	--	8,826	8,826
Investments held by trustee - restricted	--	1,868	1,868
Property taxes receivable, net of allowance	8,207	3,810	12,017
Accounts receivable, net of allowance	62,401	33,064	95,465
Receivables from other governments	1,076	15,315	16,391
Notes receivable, net of allowance	162	26,504	26,666
Due from other funds	--	11,128	11,128
Advances to other funds	--	8,683	8,683
Inventories, at cost	45	--	45
Real property held for resale	--	5,836	5,836
Prepaid items	2,019	--	2,019
Other assets	59	3,808	3,867
Total assets	287,984	500,737	788,721
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES			
Accounts payable	25,361	25,207	50,568
Accrued payroll	26,553	548	27,101
Accrued compensated absences	137	--	137
Due to other funds	231	11,112	11,343
Due to other governments	10	--	10
Unearned revenue	--	3,320	3,320
Advances from other funds	441	8,204	8,645
Deposits and other liabilities	6,689	78,929	85,618
Total liabilities	59,422	127,320	186,742
DEFERRED INFLOWS OF RESOURCES	15,628	6,896	22,524
FUND BALANCES			
Nonspendable:			
Inventories and prepaid items	2,064	--	2,064
Permanent funds	--	1,070	1,070
Restricted	--	223,062	223,062
Committed	--	45,169	45,169
Assigned	37,561	108,333	145,894
Unassigned	173,309	(11,113)	162,196
Total fund balances	212,934	366,521	579,455
Total liabilities, deferred inflows of resources, and fund balances	$ 287,984	500,737	788,721

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

(In thousands)

Total fund balances - Governmental funds		$ 579,455
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	4,817,505	
Less: accumulated depreciation	(1,860,540)	
		2,956,965
Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.		
Other assets	1,309	
		1,309
Deferred outflows represent the consumption of net position that are applicable to a future reporting period.		
Pensions	190,260	
Other postemployment benefits	210,083	
Loss on debt refundings	19,073	
		419,416
Long-term liabilities are not payable in the current period and are not reported in the funds.		
Compensated absences	(137,776)	
Interest payable	(8,693)	
Bonds and other tax supported debt payable, net	(1,454,316)	
Net pension liability	(1,067,452)	
Other postemployment benefits	(1,573,263)	
Other liabilities	(21,604)	
		(4,263,104)
Deferred inflows represent an acquisition of net position that is applicable to a future reporting period.		
Unavailable revenue		
Property taxes and interest	12,097	
Accounts and other taxes receivable	10,427	
Pensions	(73,937)	
Other postemployment benefits	(11,713)	
Deferred gain on service concession agreement	(1,028)	
		(64,154)
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.		116,904
Total net position - Governmental activities		$ (253,209)

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

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 457,789	158,635	616,424
Sales taxes	232,319	--	232,319
Franchise fees and other taxes	48,391	111,363	159,754
Fines, forfeitures and penalties	10,330	5,434	15,764
Licenses, permits and inspections	54,103	321	54,424
Charges for services/goods	61,705	22,610	84,315
Intergovernmental	--	65,632	65,632
Property owners' participation and contributions	--	16,355	16,355
Interest and other	21,389	12,865	34,254
Total revenues	886,026	393,215	1,279,241
EXPENDITURES			
Current:			
General government	135,161	2,850	138,011
Public safety	584,760	12,325	597,085
Transportation, planning, and sustainability	--	5,162	5,162
Public health	84,410	21,606	106,016
Public recreation and culture	120,120	14,455	134,575
Urban growth management	82,293	68,342	150,635
Debt service:			
Principal	--	99,572	99,572
Interest	--	64,674	64,674
Fees and commissions	--	27	27
Capital outlay-capital project funds	--	139,324	139,324
Total expenditures	1,006,744	428,337	1,435,081
Deficiency of revenues over expenditures	(120,718)	(35,122)	(155,840)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	118,216	118,216
Bond premiums	--	17,237	17,237
Transfers in	173,614	69,242	242,856
Transfers out	(11,776)	(143,679)	(155,455)
Total other financing sources (uses)	161,838	61,016	222,854
Net change in fund balances	41,120	25,894	67,014
Fund balances at beginning of year	171,814	340,627	512,441
Fund balances at end of year	$ 212,934	366,521	579,455

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

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, 2018
(In thousands)

Net change in fund balances - Governmental funds		$ 67,014
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-capital project funds	139,324	
Capital outlay-other funds	9,716	
Depreciation expense	(126,239)	
Loss on disposal of capital assets	(523)	
Other asset adjustments	(24,572)	
		(2,294)
Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.		
Property taxes	321	
Charges for services	(408)	
Interest and other	(548)	
Capital asset contributions	75,993	
		75,358
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	(118,216)	
Principal repayment on long-term debt	99,572	
Bond premiums	(17,237)	
		(35,881)
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	(7,740)	
Pensions	(79,849)	
Other postemployment benefits	(130,911)	
Interest and other	24,951	
		(193,549)
A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.		20,479
Change in net position - Governmental activities		$ (68,873)

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

Proprietary Funds
Statement of Net Position
September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
ASSETS			
Current assets:			
Cash	$ 22	5	3
Pooled investments and cash	454,016	190,509	12,038
Pooled investments and cash - restricted	31,035	59,975	17,341
Total pooled investments and cash	485,051	250,484	29,379
Investments - restricted	44,328	46,835	32,843
Cash held by trustee	--	1,601	--
Cash held by trustee - restricted	--	1,144	--
Working capital advances	2,225	--	--
Accounts receivable, net of allowance	137,033	62,229	3,982
Receivables from other governments	--	62	--
Receivables from other governments - restricted	5,765	--	1,976
Due from other funds	381	301	--
Inventories, at cost	66,838	2,214	1,931
Regulatory assets, net of accumulated amortization	3,323	26,229	--
Prepaid expenses	22,543	568	516
Other receivables - restricted	--	--	4,370
Other assets	9,058	--	1,084
Total current assets	776,567	391,672	76,084
Noncurrent assets:			
Cash - restricted	4,920	--	--
Pooled investments and cash - restricted	66,834	90,802	454,323
Advances to other funds	11,755	1,803	--
Advances to other funds - restricted	--	--	32
Investments - restricted	239,044	52,214	40,124
Investments held by trustee - restricted	220,578	7,789	--
Interest receivable - restricted	410	--	--
Depreciable capital assets, net	2,327,110	3,184,855	960,563
Nondepreciable capital assets	268,690	485,601	249,408
Derivative instruments - energy risk management	50	--	--
Regulatory assets, net of accumulated amortization	696,201	324,757	--
Other receivables - restricted	7,696	--	--
Other long-term assets	2,078	--	18,261
Total noncurrent assets	3,845,366	4,147,821	1,722,711
Total assets	4,621,933	4,539,493	1,798,795
DEFERRED OUTFLOWS OF RESOURCES	$ 109,392	115,262	41,918

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	**Total**	**Activities- Internal Service Funds**
ASSETS			
Current assets:			
Cash	33	63	10
Pooled investments and cash	416,021	1,072,584	177,405
Pooled investments and cash - restricted	14,982	123,333	--
Total pooled investments and cash	431,003	1,195,917	177,405
Investments - restricted	12,311	136,317	--
Cash held by trustee	--	1,601	--
Cash held by trustee - restricted	--	1,144	2,179
Working capital advances	--	2,225	--
Accounts receivable, net of allowance	21,288	224,532	12,037
Receivables from other governments	29	91	1,018
Receivables from other governments - restricted	680	8,421	--
Due from other funds	1,148	1,830	--
Inventories, at cost	3,169	74,152	2,953
Regulatory assets, net of accumulated amortization	--	29,552	--
Prepaid expenses	377	24,004	2,194
Other receivables - restricted	--	4,370	--
Other assets	--	10,142	--
Total current assets	470,038	1,714,361	197,796
Noncurrent assets:			
Cash - restricted	--	4,920	--
Pooled investments and cash - restricted	26,731	638,690	5,428
Advances to other funds	--	13,558	12
Advances to other funds - restricted	229	261	--
Investments - restricted	10,263	341,645	--
Investments held by trustee - restricted	--	228,367	--
Interest receivable - restricted	--	410	--
Depreciable capital assets, net	356,509	6,829,037	71,319
Nondepreciable capital assets	324,568	1,328,267	601
Derivative instruments - energy risk management	--	50	--
Regulatory assets, net of accumulated amortization	--	1,020,958	--
Other receivables - restricted	--	7,696	--
Other long-term assets	--	20,339	--
Total noncurrent assets	718,300	10,434,198	77,360
Total assets	1,188,338	12,148,559	275,156
DEFERRED OUTFLOWS OF RESOURCES	94,518	361,090	105

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

Proprietary Funds
Statement of Net Position
September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
LIABILITIES			
Current liabilities:			
Accounts payable	$ 81,327	3,775	2,837
Accounts and retainage payable from restricted assets	11,115	16,509	33,402
Accrued payroll	7,852	4,033	1,542
Accrued compensated absences	11,067	5,579	2,355
Claims payable	64	141	--
Due to other funds	--	--	166
Due to other governments	3,464	--	5
Accrued interest payable from restricted assets	20,614	62,682	11,559
Interest payable on other debt	527	137	--
Bonds payable	--	--	20
Bonds payable from restricted assets	37,116	36,165	24,249
Other postemployment benefits liability	6,619	4,485	1,852
Capital lease obligations payable	56	--	--
Customer and escrow deposits payable from restricted assets	27,283	12,239	1,116
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	3,753	--	--
Other liabilities	975	2,229	1,685
Other liabilities payable from restricted assets	487	--	--
Total current liabilities	212,319	147,974	80,788
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	--	--	--
Claims payable	5	212	--
Advances from other funds	--	556	341
Advances from other funds payable from restricted assets	--	10,821	--
Capital appreciation bond interest payable	--	2,722	--
Commercial paper notes payable, net of discount	212,597	42,170	--
Bonds payable, net of discount and inclusive of premium	1,216,890	2,433,401	829,245
Net pension liability	240,493	127,015	43,715
Other postemployment benefits liability	308,236	208,869	86,267
Capital lease obligations payable	878	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	201,617	--	--
Derivative instruments - energy risk management	7,796	--	--
Derivative instruments - interest rate swaps	--	9,653	12,349
Other liabilities	33,041	--	--
Other liabilities payable from restricted assets	2,811	--	--
Total noncurrent liabilities	2,224,364	2,835,419	971,917
Total liabilities	2,436,683	2,983,393	1,052,705
DEFERRED INFLOWS OF RESOURCES	$ 389,490	760,948	185,891

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	**Total**	**Activities-Internal Service Funds**
LIABILITIES			
Current liabilities:			
Accounts payable	7,835	95,774	16,653
Accounts and retainage payable from restricted assets	4,426	65,452	--
Accrued payroll	6,108	19,535	6,502
Accrued compensated absences	7,938	26,939	9,052
Claims payable	--	205	23,655
Due to other funds	1,449	1,615	--
Due to other governments	--	3,469	3
Accrued interest payable from restricted assets	796	95,651	8
Interest payable on other debt	489	1,153	--
Bonds payable	13,713	13,733	355
Bonds payable from restricted assets	13,440	110,970	--
Other postemployment benefits liability	7,049	20,005	--
Capital lease obligations payable	--	56	2,115
Customer and escrow deposits payable from restricted assets	6,516	47,154	174
Accrued landfill closure and postclosure costs	2,591	2,591	--
Decommissioning liability payable from restricted assets	--	3,753	--
Other liabilities	11	4,900	2,600
Other liabilities payable from restricted assets	418	905	--
Total current liabilities	72,779	513,860	61,117
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	714	714	372
Claims payable	--	217	24,319
Advances from other funds	2,151	3,048	--
Advances from other funds payable from restricted assets	--	10,821	--
Capital appreciation bond interest payable	--	2,722	--
Commercial paper notes payable, net of discount	--	254,767	--
Bonds payable, net of discount and inclusive of premium	199,479	4,679,015	2,294
Net pension liability	173,829	585,052	--
Other postemployment benefits liability	328,257	931,629	--
Capital lease obligations payable	--	878	7,765
Accrued landfill closure and postclosure costs	9,899	9,899	--
Decommissioning liability payable from restricted assets	--	201,617	--
Derivative instruments - energy risk management	--	7,796	--
Derivative instruments - interest rate swaps	5,721	27,723	--
Other liabilities	--	33,041	--
Other liabilities payable from restricted assets	--	2,811	--
Total noncurrent liabilities	720,050	6,751,750	34,750
Total liabilities	792,829	7,265,610	95,867
DEFERRED INFLOWS OF RESOURCES	10,714	1,347,043	1

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

(Continued)

Proprietary Funds
Statement of Net Position
September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
NET POSITION			
Net investment in capital assets	$ 927,258	638,134	335,667
Restricted for:			
Bond reserve	13,297	15,573	3,330
Capital projects	25,089	20,976	205,237
Debt service	23,714	--	21,317
Operating reserve	--	45,089	16,225
Passenger facility charges	--	--	110,452
Renewal and replacement	42,458	--	10,000
Strategic reserve	192,352	--	--
Unrestricted	680,984	190,642	(100,111)
Total net position	$ 1,905,152	910,414	602,117
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	25,706	14,825	5,316
Total net position - Business-type activities	$ 1,930,858	925,239	607,433

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities-Internal Service Funds
NET POSITION			
Net investment in capital assets	474,160	2,375,219	59,391
Restricted for:			
Bond reserve	7,269	39,469	--
Capital projects	24,608	275,910	5,428
Debt service	12,476	57,507	--
Operating reserve	4,706	66,020	--
Passenger facility charges	--	110,452	--
Renewal and replacement	881	53,339	--
Strategic reserve	--	192,352	--
Unrestricted	(44,787)	726,728	114,574
Total net position	479,313	3,896,996	179,393
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	16,642	62,489	
Total net position - Business-type activities	495,955	3,959,485	

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, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
OPERATING REVENUES			
Utility services	$ 1,400,523	575,066	--
User fees and rentals	--	--	167,284
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,400,523	575,066	167,284
OPERATING EXPENSES			
Operating expenses before depreciation	1,122,290	273,522	118,126
Depreciation and amortization	165,645	124,678	33,723
Total operating expenses	1,287,935	398,200	151,849
Operating income (loss)	112,588	176,866	15,435
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	10,645	4,994	7,542
Interest on revenue bonds and other debt	(58,845)	(95,722)	(33,318)
Passenger facility charges	--	--	30,142
Loss on in-substance defeasance	--	(1,180)	--
Cost (recovered) to be recovered in future years	81,602	(109,039)	--
Other nonoperating revenue (expense)	(10,386)	1,588	(375)
Total nonoperating revenues (expenses)	23,016	(199,359)	3,991
Income (loss) before contributions and transfers	135,604	(22,493)	19,426
Capital contributions	34,986	73,892	7,593
Transfers in	2,879	65	--
Transfers out	(115,885)	(51,857)	(182)
Change in net position	57,584	(393)	26,837
Beginning net position, as restated (see Note 18)	1,847,568	910,807	575,280
Ending net position	$ 1,905,152	910,414	602,117
Reconciliation to government-wide Statement of Activities			
Change in net position	57,584	(393)	26,837
Adjustment to consolidate internal service activities	5,568	3,268	1,261
Change in net position - Business-type activities	$ 63,152	2,875	28,098

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	**Total**	**Activities-Internal Service Funds**
OPERATING REVENUES			
Utility services	--	1,975,589	--
User fees and rentals	370,773	538,057	--
Billings to departments	--	--	455,708
Employee contributions	--	--	44,372
Operating revenues from other governments	--	--	5,337
Other operating revenues	--	--	13,968
Total operating revenues	370,773	2,513,646	519,385
OPERATING EXPENSES			
Operating expenses before depreciation	366,234	1,880,172	465,623
Depreciation and amortization	29,137	353,183	9,888
Total operating expenses	395,371	2,233,355	475,511
Operating income (loss)	(24,598)	280,291	43,874
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	4,549	27,730	79
Interest on revenue bonds and other debt	(6,737)	(194,622)	(3)
Passenger facility charges	--	30,142	--
Loss on in-substance defeasance	--	(1,180)	--
Cost (recovered) to be recovered in future years	--	(27,437)	--
Other nonoperating revenue (expense)	(4,886)	(14,059)	(950)
Total nonoperating revenues (expenses)	(7,074)	(179,426)	(874)
Income (loss) before contributions and transfers	(31,672)	100,865	43,000
Capital contributions	5,925	122,396	13,039
Transfers in	103,887	106,831	2,407
Transfers out	(6,593)	(174,517)	(22,122)
Change in net position	71,547	155,575	36,324
Beginning net position, as restated (see Note 18)	407,766	3,741,421	143,069
Ending net position	479,313	3,896,996	179,393
Reconciliation to government-wide Statement of Activities			
Change in net position	71,547	155,575	
Adjustment to consolidate internal service activities	5,748	15,845	
Change in net position - Business-type activities	77,295	171,420	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	**Austin Water Utility**	**Airport**
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,398,861	575,435	166,712
Cash received from other funds	30,050	8,663	--
Cash payments to suppliers for goods and services	(746,577)	(64,750)	(37,399)
Cash payments to other funds	(53,346)	(75,250)	(27,874)
Cash payments to employees for services	(209,794)	(112,203)	(42,352)
Cash payments to claimants/beneficiaries	(293)	(238)	(1)
Taxes collected and remitted to other governments	(42,659)	--	--
Net cash provided by operating activities	376,242	331,657	59,086
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	2,876	53	--
Transfers out	(115,873)	(51,847)	(182)
Collections from other sources	--	929	--
Loan repayments to other funds	--	(123)	(179)
Loan repayments from other funds	470	301	20
Collections from other governments	1,423	1,725	(453)
Net cash provided (used) by noncapital financing activities	(111,104)	(48,962)	(794)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	66,502	42,170	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	--	--
Proceeds from the sale of revenue bonds	--	45,175	--
Principal paid on long-term debt	(35,787)	(60,962)	(23,765)
Proceeds from the sale of capital assets	1,362	--	--
Interest paid on revenue bonds and other debt	(61,161)	(153,419)	(36,702)
Passenger facility charges	--	--	29,494
Acquisition and construction of capital assets	(162,072)	(133,028)	(222,152)
Contributions from state and federal governments	--	128	7,593
Contributions in aid of construction	34,986	30,674	--
Bond issuance costs	(118)	(143)	--
Bond premiums	--	--	--
Cash paid for bond defeasance	--	(63,407)	--
Cash paid for nuclear fuel inventory	(24,084)	--	--
Net cash provided (used) by capital and related financing activities	$ (180,372)	(292,812)	(245,532)

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	365,762	2,506,770	62,903
Cash received from other funds	3,735	42,448	455,708
Cash payments to suppliers for goods and services	(86,144)	(934,870)	(102,535)
Cash payments to other funds	(66,196)	(222,666)	(24,757)
Cash payments to employees for services	(169,980)	(534,329)	(176,479)
Cash payments to claimants/beneficiaries	--	(532)	(167,890)
Taxes collected and remitted to other governments	--	(42,659)	--
Net cash provided by operating activities	47,177	814,162	46,950
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	103,624	106,553	2,370
Transfers out	(6,508)	(174,410)	(21,915)
Collections from other sources	--	929	--
Loan repayments to other funds	(1,279)	(1,581)	--
Loan repayments from other funds	635	1,426	--
Collections from other governments	671	3,366	--
Net cash provided (used) by noncapital financing activities	97,143	(63,717)	(19,545)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	108,672	--
Proceeds from the sale of general obligation bonds and other tax supported debt	5,075	5,075	--
Proceeds from the sale of revenue bonds	--	45,175	--
Principal paid on long-term debt	(27,917)	(148,431)	(374)
Proceeds from the sale of capital assets	--	1,362	--
Interest paid on revenue bonds and other debt	(8,597)	(259,879)	(129)
Passenger facility charges	--	29,494	--
Acquisition and construction of capital assets	(35,594)	(552,846)	(1,300)
Contributions from state and federal governments	177	7,898	--
Contributions in aid of construction	3,286	68,946	--
Bond issuance costs	(43)	(304)	--
Bond premiums	429	429	--
Cash paid for bond defeasance	--	(63,407)	--
Cash paid for nuclear fuel inventory	--	(24,084)	--
Net cash provided (used) by capital and related financing activities	(63,184)	(781,900)	(1,803)

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	$ (196,635)	(258,794)	(62,111)
Proceeds from sale and maturities of investment securities	161,868	273,752	61,840
Interest on investments	5,407	4,994	6,930
Net cash provided (used) by investing activities	(29,360)	19,952	6,659
Net increase (decrease) in cash and cash equivalents	55,406	9,835	(180,581)
Cash and cash equivalents, beginning	501,421	334,201	664,286
Cash and cash equivalents, ending	556,827	344,036	483,705
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	112,588	176,866	15,435
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	165,645	124,678	33,723
Change in assets and liabilities:			
Decrease in working capital advances	1,434	--	--
(Increase) decrease in accounts receivable	(12,896)	8,724	4,588
Increase (decrease) in allowance for doubtful accounts	1,468	(100)	61
Decrease in receivables from other governments	--	--	--
(Increase) decrease in inventory	9,923	(277)	(96)
(Increase) decrease in prepaid expenses and other assets	(900)	(526)	(430)
Increase in advances to other funds	--	--	--
Decrease in other long-term assets	17,630	--	1,140
(Increase) decrease in deferred outflows	(6,845)	(9,554)	(11,359)
Increase (decrease) in accounts payable	(1,335)	95	740
Increase in accrued payroll and compensated absences	1,026	168	342
Decrease in claims payable	(2,001)	(209)	--
Decrease in net pension liability	(32,959)	(19,075)	(2,527)
Increase in other postemployment benefits liability	63,630	42,238	21,325
Increase (decrease) in other liabilities	32,704	(1,468)	(137)
Decrease in customer deposits	(2,958)	(2,244)	(235)
Increase (decrease) in deferred inflows	30,088	12,341	(3,484)
Total adjustments	263,654	154,791	43,651
Net cash provided by operating activities	$ 376,242	331,657	59,086

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

	Business-Type Activities Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(19,565)	(537,105)	--
Proceeds from sale and maturities of investment securities	21,459	518,919	--
Interest on investments	4,549	21,880	79
Net cash provided (used) by investing activities	6,443	3,694	79
Net increase (decrease) in cash and cash equivalents	87,579	(27,761)	25,681
Cash and cash equivalents, beginning	370,188	1,870,096	159,341
Cash and cash equivalents, ending	457,767	1,842,335	185,022
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(24,598)	280,291	43,874
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	29,137	353,183	9,888
Change in assets and liabilities:			
Decrease in working capital advances	--	1,434	--
(Increase) decrease in accounts receivable	(1,525)	(1,109)	(1,837)
Increase (decrease) in allowance for doubtful accounts	292	1,721	--
Decrease in receivables from other governments	--	--	1,069
(Increase) decrease in inventory	(650)	8,900	(657)
(Increase) decrease in prepaid expenses and other assets	(210)	(2,066)	(1,739)
Increase in advances to other funds	--	--	(5)
Decrease in other long-term assets	--	18,770	--
(Increase) decrease in deferred outflows	(29,833)	(57,591)	2
Increase (decrease) in accounts payable	3,147	2,647	(1,555)
Increase in accrued payroll and compensated absences	1,237	2,773	686
Decrease in claims payable	--	(2,210)	(1,122)
Decrease in net pension liability	(16,953)	(71,514)	--
Increase in other postemployment benefits liability	77,428	204,621	--
Increase (decrease) in other liabilities	(758)	30,341	(70)
Decrease in customer deposits	(43)	(5,480)	(1,584)
Increase (decrease) in deferred inflows	10,506	49,451	--
Total adjustments	71,775	533,871	3,076
Net cash provided by operating activities	47,177	814,162	46,950

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2018
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	$ (30)	(4,665)	--
Capital assets contributed from other funds	--	79	--
Capital assets contributed to other funds	(1,491)	(352)	(814)
Capital assets acquired through service concession arrangements	--	--	213
Contributed facilities	--	43,011	--
Increase in the fair value of investments	(4,051)	--	--
Amortization of bond (discounts) premiums	7,092	20,320	4,140
Amortization of deferred gain (loss) on refundings	(4,582)	(5,908)	(875)
Gain (loss) on disposal of assets	(4,533)	(755)	(216)
Costs (recovered) to be recovered	81,605	(109,039)	--
Transfers from other funds	3	12	--
Transfers to other funds	(12)	(10)	--
Assets acquired through capital lease	--	--	--

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Capital appreciation bonds interest accreted	--	(4,695)	--
Capital assets contributed from other funds	2,462	2,541	8,661
Capital assets contributed to other funds	(5,271)	(7,928)	--
Capital assets acquired through service concession arrangements	--	213	--
Contributed facilities	--	43,011	--
Increase in the fair value of investments	--	(4,051)	--
Amortization of bond (discounts) premiums	2,304	33,856	123
Amortization of deferred gain (loss) on refundings	(602)	(11,967)	(13)
Gain (loss) on disposal of assets	(234)	(5,738)	(913)
Costs (recovered) to be recovered	--	(27,434)	--
Transfers from other funds	263	278	37
Transfers to other funds	(85)	(107)	(207)
Assets acquired through capital lease	--	--	9,880

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

(In thousands)

	Private-purpose Trust	Agency
ASSETS		
Pooled investments and cash	$ 2,213	1,556
Investments held by trustee	--	3,101
Other assets	121	--
Total assets	2,334	4,657
LIABILITIES		
Accounts payable	42	--
Due to other governments	--	961
Deposits and other liabilities	1,548	3,696
Total liabilities	1,590	4,657
NET POSITION		
Held in trust	744	
Total net position	$ 744	

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, 2018
(In thousands)

City of Austin, Texas
Exhibit D-2

	Private-Purpose Trust
ADDITIONS	
Contributions	$ 2,251
Interest and other	29
Total additions	2,280
DEDUCTIONS	
Benefit payments	2,352
Total deductions	2,352
Change in net position	(72)
Beginning net position	816
Ending net position	$ 744

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. 82, No. 85 through No. 86, and No. 89. In fiscal year 2018, the City implemented the following GASB Statements:

GASB Statement	Impact
75 – "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions"	GASB Statement No. 75 replaces GASB Statement No. 45 and requires governments offering postemployment benefits other than pensions to record as a liability in the current period for total future postemployment benefit obligations for existing employees and retirees in excess of plan assets. In addition, it identifies accepted actuarial methods and assumptions, allows deferral of certain pension expense items, expands financial statement note disclosures, and changes disclosure of required supplementary information. See Note 8. Implementation required restatement of beginning net position. See Note 18.
81 – "Irrevocable Split-Interest Agreements"	This statement provides recognition and measurement guidance for situations in which a government is a beneficiary of a split interest agreement. The implementation of this standard had no impact on amounts reported in the financial statements.
85 – "Omnibus 2017"	This statement will improve consistency in the accounting and reporting requirements for blending component units, goodwill, fair value measurement and application, and postemployment benefits. The implementation of this standard had no impact on the statements. The only portion applicable was fair value measurement and application, and the City was already following requirements listed in the standard.
86 – "Certain Debt Extinguishment Issues"	This statement establishes accounting and financial reporting guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt in the future. The standard requires a restatement of the beginning net position; however, prior amounts were determined to be immaterial and the City did not restate as a result of this implementation.
89 – "Accounting for Interest Cost Incurred before the End of a Construction Period"	This statement establishes the requirements for interest costs incurred before the end of construction period. As a result of the statement interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. The requirements of this standard are to be applied prospectively. No restatement was necessary.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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.

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

Blended Component Units	*Brief Description of Activities, Relationship to City, and Key Inclusion Criteria*
The Austin Housing Finance Corporation (AHFC)	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

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

Blended Component Units	*Brief Description of Activities, Relationship to City, and Key Inclusion Criteria*
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.

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	*Description of Activities, Relationship to City, and Key Inclusion Criteria*
Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) 2716 Spirit of Texas Drive Austin, TX 78719	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. 8th 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. The WCLGC is fiscally dependent on the City and in a relationship of financial benefit/burden with the City. There is no financial activity to report related to this component unit.
Austin/Travis County Sobriety Center Local Government Corporation (SCLGC) 700 Lavaca Street Austin, TX 78701	SCLGC is a non-profit local government corporation created by the City and Travis County under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of SCLGC is to operate a sobriety center located within the City of Austin and Travis County. The City Council and the County each appoint five members of the SCLGC board. The operations of the Sobriety Center are primarily funded by the City. The SCLGC is fiscally dependent on the City and in a relationship of financial benefit/burden with the City.

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.

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

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.

b -- Government-wide and Fund Financial Statements

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.

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.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

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.

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.

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.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

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.

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.

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, 2018 (in thousands):

Governmental activities	General Fund	Nonmajor Governmental Funds	Internal Service Funds	Total
Charges for Services	$ 305,438	428	12,037	317,903
Fines	17,857	--	--	17,857
Taxes	50,006	25,433	--	75,439
Other Governments	--	6,034	--	6,034
Other	171	2,708	--	2,879
Allowance for doubtful accounts	(311,071)	(1,539)	--	(312,610)
Total	$ 62,401	33,064	12,037	107,502

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

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

Business-type activities	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Total
Accounts Receivable	$ 146,964	64,567	5,841	23,189	240,561
Allowance for doubtful accounts	(9,931)	(2,338)	(1,859)	(1,901)	(16,029)
Total	$ 137,033	62,229	3,982	21,288	224,532

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".

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

Fund	Inventory Valuation Method
General Fund	First-in, first-out
Austin Energy	
Fuel oil – Distillate #2	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.

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

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

	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Total Restricted Assets
Capital projects	$ 37,277	94,613	328,552	26,731	487,173
Customer and escrow deposits	27,283	14,886	1,116	6,214	49,499
Debt service	44,328	46,834	42,564	13,272	146,998
Federal grants	11,089	--	1,976	680	13,745
Operating reserve account	--	45,089	16,225	6,868	68,182
Passenger facility charge account	--	--	110,452	--	110,452
Plant decommissioning	238,742	--	--	--	238,742
Renewal and replacement account	42,458	--	10,000	1,168	53,626
Revenue bond reserve	27,081	57,337	40,124	10,263	134,805
Strategic reserve	192,352	--	--	--	192,352
Total	$ 620,610	258,759	551,009	65,196	1,495,574

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. Donated capital assets and assets received in service concession arrangements are reported at estimated acquisition value on the date of receipt. 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.

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):

		Business-type Activities			
Assets	**Governmental Activities (1)**	**Austin Energy**	**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 $18.8 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.

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.

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

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	**Deferred outflows or inflows.** 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.	$ --	35,519	--	50
Gain/loss on debt refundings	**Deferred outflows or inflows.** 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.	19,178	92,835	1	212
Regulated operations	**Deferred inflows.** 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.	--	--	--	1,126,159
Service concession arrangements	**Deferred inflows**. 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.	--	--	1,028	183,249
Pensions	**Deferred outflows or inflows.** Differences between estimated and actual investment earnings, changes in actuarial assumptions, differences between projected and actual actuarial experience, and changes in proportionate share (between funds), 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.	190,260	93,953	73,937	37,373
Other postemployment benefits	**Deferred outflows or inflows.** Changes in actuarial assumptions, differences between projected and actual actuarial experience, and changes in proportionate share (between funds) may be treated as either deferred outflows or inflows. City benefit payments made between the measurement date (December 31) and the City's fiscal year end (September 30) are recognized as deferred outflows.	210,083	138,783	11,713	--
	Total	$ 419,521	361,090	86,679	1,347,043

The governmental funds' statements include amounts recognized as deferred inflows of resources as a result of property taxes, other taxes, and certain revenues ($22.5 million) that are not available to liquidate current liabilities in the funds. These amounts will be recognized in the period these amounts become available.

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

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 government-wide statements and in the proprietary activities of the fund financials 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.

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

	Work-week	Non-Sworn Employees (1)	Sworn Police (2)	Sworn Fire (3)	Sworn EMS (4)
Vacation	0-40	240	240	240	240
	42	N/A	N/A	N/A	240
	48	N/A	N/A	N/A	240
	53	N/A	N/A	360	N/A
Exception vacation (5)	0-40	160	160	176	160
	42	160	N/A	N/A	160
	48	160	N/A	N/A	160
	53	N/A	N/A	264	N/A
Sick leave	0-40	720	900	720	1080
	42	N/A	N/A	N/A	1080
	48	N/A	N/A	N/A	1080
	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 maximums reflect Local Government Code Ch 143.
(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, 2018, the City's total OPEB liability for these retiree benefits was approximately $2.5 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.

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

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.

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):

	Bad Debt Expense
Austin Energy	$ 4,505
Austin Water Utility	1,091
Airport	60
Nonmajor Enterprise	1,132

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, 2018. The amount of unbilled revenue recorded, as of September 30, 2018, 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, 2018. The amount of unbilled revenue reported in accounts receivable as of September 30, 2018 was $13.2 million for water and $13.3 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):

	Discounts
Airport	$ 1,181
Nonmajor Enterprise	2,575

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 $59,000 in fiscal year 2018 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):

		Nonmajor Governmental				
	General Fund	Special Revenue	Debt Service	Capital Projects	Permanent	Total
Nonspendable						
Inventory	$ 45	--	--	--	--	45
Prepaid items	2,019	--	--	--	--	2,019
Permanent funds	--	--	--	--	1,070	1,070
Total Nonspendable	2,064	--	--	--	1,070	3,134
Restricted						
Municipal court services	--	1,768	--	--	--	1,768
Police special purpose	--	8,011	--	--	--	8,011
Fire special purpose	--	50	--	--	--	50
Transportation, planning, and sustainability	--	68	--	--	--	68
Public health services	--	188	--	--	--	188
Parks services	--	2,266	--	--	--	2,266
Library services	--	2,828	--	--	1	2,829
Tourism programs	--	28,960	--	--	--	28,960
Affordable housing programs	--	37,803	--	--	--	37,803
Urban growth programs	--	2,996	--	--	--	2,996
Capital construction	--	--	--	108,840	--	108,840
Debt service	--	--	29,283	--	--	29,283
Total Restricted	--	84,938	29,283	108,840	1	223,062
Committed						
Parks services	--	4,233	--	--	--	4,233
Tourism programs	--	63	--	--	--	63
Affordable housing programs	--	4,642	--	--	--	4,642
Urban growth programs	--	36,231	--	--	--	36,231
Total Committed	--	45,169	--	--	--	45,169
Assigned						
General government services	207	--	--	--	--	207
Municipal court services	1,068	--	--	--	--	1,068
Police special purpose	8,663	39	--	--	--	8,702
Fire special purpose	1,356	--	--	--	--	1,356
EMS special purpose	563	--	--	--	--	563
Transportation, planning, and sustainability	61	12	--	--	--	73
Public health services	3,914	36	--	--	--	3,950
Parks services	1,095	212	--	--	--	1,307
Library services	1,130	6	--	--	--	1,136
Tourism programs	--	2,680	--	--	--	2,680
Affordable housing programs	150	54	--	--	--	204
Urban growth programs	19,354	7,145	--	--	--	26,499
Capital construction	--	--	--	98,149	--	98,149
Total Assigned	37,561	10,184	--	98,149	--	145,894
Unassigned	173,309	(990)	--	(10,123)	--	162,196
Total Fund Balance	$212,934	139,301	29,283	196,866	1,071	579,455

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.

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

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, 2018, the emergency reserve maintains a balance of six percent of total General Fund requirements, or $62 million, and the budget stabilization reserve reports a balance of $99.4 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.

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, 2018 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	**Restricted**
General Fund	$ 213,964	--
Nonmajor governmental funds	353,362	--
Austin Energy	454,016	97,869
Austin Water Utility	190,509	150,777
Airport	12,038	471,664
Nonmajor enterprise funds	416,021	41,713
Internal service funds	177,405	5,428
Fiduciary funds	3,769	--
Subtotal pooled investments and cash	1,821,084	767,451
Total pooled investments and cash	$ 2,588,535	

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.

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

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 2018.

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 Texas CLASS (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. Public Trust Advisors, LLC serves as the program administrator of Texas CLASS under a Trust Agreement with the Board of Trustees.

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, 2018, TexPool, Texpool Prime, TexasDAILY, TexStar, and Texas CLASS had a weighted average maturity of 28 days, 37 days, 34 days, 43 days, and 52 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, and TexasDAILY opted to report at amortized cost, while TexStar and Texas CLASS 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.

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

The City has the following recurring fair value measurements as of September 30, 2018:

- U.S. Treasury securities of $669.2 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 $1.6 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, 2018, the City presented Money Market Funds of $50.7 million, LGIPs of $925.7 million valued using amortized cost, and LGIP's of $137.6 million valued using NAV.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2018 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 28,533	271,677	--	300,210
Money Market Funds	1,868	45,725	3,101	50,694
US Treasury Notes	--	64,075	--	64,075
US Agency Bonds	--	324,852	--	324,852
Total non-pooled investments	30,401	706,329	3,101	739,831
Pooled investments:				
Local Government Investment Pools	221,124	540,785	1,111	763,020
US Treasury Notes	175,375	428,901	881	605,157
US Agency Bonds	355,757	870,058	1,777	1,227,592
Total pooled investments	752,256	1,839,744	3,769	2,595,769
Total investments	$ 782,657	2,546,073	6,870	3,335,600

Concentration of Credit Risk

At September 30, 2018, 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 ($465.7 or 14%), Federal Home Loan Bank ($380.7 or 12%), Federal Home Loan Mortgage Corporation ($410 or 12%), and Federal National Mortgage Association ($296 or 9%).

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.

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

As of September 30, 2018, the City had the following investments in each of these strategic categories (in thousands):

Investment Type by Category	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Weighted Average Maturity
Operating funds					
Local Government Investment Pools	$ 221,124	540,785	1,111	763,020	1
US Treasury Notes	175,375	428,901	881	605,157	300
US Agency Bonds	355,757	870,058	1,777	1,227,592	460
Total Operating funds	752,256	1,839,744	3,769	2,595,769	
Debt service funds					
General Obligation Debt Service					
Local Government Investment Pools	28,533	--	--	28,533	1
Utility (1)					
Local Government Investment Pools	--	91,163	--	91,163	1
Airport					
Local Government Investment Pools	--	32,843	--	32,843	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	12,311	--	12,311	1
Total Debt service funds	28,533	136,317	--	164,850	
Debt service reserve funds					
Utility (1)					
Local Government Investment Pools	--	41,394	--	41,394	1
Money Market Funds	--	7,753	--	7,753	1
Airport					
Local Government Investment Pools	--	40,124	--	40,124	1
Nonmajor Enterprise-Convention Center					
Local Government Investment Pools	--	10,263	--	10,263	1
Total Debt service reserve funds	--	99,534	--	99,534	
Special projects/purpose funds					
Austin Energy Strategic Reserve					
Local Government Investment Pools	--	19,461	--	19,461	1
US Treasury Notes	--	4,926	--	4,926	334
US Agency Bonds	--	201,359	--	201,359	723
Total Austin Energy Strategic Reserve	--	225,746	--	225,746	
Austin Energy Nuclear Decommissioning Trust Funds (NDTF)					
Money Market Funds	--	37,936	--	37,936	1
US Treasury Notes	--	59,149	--	59,149	418
US Agency Bonds	--	123,493	--	123,493	403
Total Austin Energy NDTF	--	220,578	--	220,578	
Special Projects - Utility Reserve (1)					
Local Government Investment Pools	--	24,118	--	24,118	1
Special Purpose Funds - Investments Held by Trustee					
Money Market Funds	1,868	36	3,101	5,005	1
Total Special projects/purpose funds	1,868	470,478	3,101	475,447	
Total funds	**$ 782,657**	**2,546,073**	**6,870**	**3,335,600**	

(1) Includes combined pledge debt service

Credit Risk

At September 30, 2018, City funds held investments in LGIPs and Money Market Funds rated AAAm 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.

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

Concentration of Credit Risk

Operating Funds
At September 30, 2018, 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 ($446.1 or 17%), Federal Home Loan Bank ($287 or 11%), Federal Home Loan Mortgage Corporation ($287 or 11%), and Federal National Mortgage Association ($207.5 or 8%).

Special Projects or Special Purpose Funds
At September 30, 2018, 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 ($19.6 or 9%), Federal Home Loan Bank ($44.4 or 20%), Federal Home Loan Mortgage Corporation ($78.6 or 35%), and Federal National Mortgage Association ($58.8 or 26%).

At September 30, 2018, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank ($49.3 or 22%), Federal Home Loan Mortgage Corporation ($44.4 or 20%), Federal National Mortgage Association ($29.8 or 13%).

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, 2018, less than half of the Investment Pool was invested in AAAm 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 289 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, 2018, 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 654 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, 2018, the dollar weighted average maturity was 338 days.

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.

3 – INVESTMENTS AND DEPOSITS, continued
c -- Investment and Deposits

Investments and deposits portfolio balances at September 30, 2018, are as follows (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	$ 41,467	714,057	3,101	758,625
Pooled investments and cash	753,338	1,842,389	3,769	2,599,496
Total investments and cash	794,805	2,556,446	6,870	3,358,121
Unrestricted cash	61	1,664	--	1,725
Restricted cash	11,005	6,064	--	17,069
Pooled investments and cash	753,338	1,842,389	3,769	2,599,496
Investments	30,401	706,329	3,101	739,831
Total	$ 794,805	2,556,446	6,870	3,358,121

The bank balance of the portfolio exceeds the book balance by approximately $11 million (net), which primarily consists of outstanding checks and deposits in transit. The outstanding checks decrease the book balance as compared to the bank, whereas the deposits in transit increases it. The difference eliminates once both the outstanding checks and deposits in transit clear the bank.

Deposits
The September 30, 2018 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-type Activities	Total
Cash			
Unrestricted	$ 61	63	124
Restricted	--	4,920	4,920
Cash held by trustee			
Unrestricted	--	1,601	1,601
Restricted	11,005	1,144	12,149
Pooled cash	1,082	2,645	3,727
Total deposits	$ 12,148	10,373	22,521

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, 2018.

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, 2017, upon which the 2018 levy was based, was $138,418,647,260.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2018, 99.47% of the current tax levy (October 1, 2017) 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, 2018, was $0.3393 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, 2018 was $0.1055 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $0.6607 per $100 assessed valuation, and could levy approximately $914,532,002 in additional taxes from the assessed valuation of $138,418,647,260 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, 2018, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,013,858	37,977	(529)	1,051,306
Plant and equipment	264,858	27,813	(25,390)	267,281
Vehicles	141,625	14,531	(4,182)	151,974
Infrastructure	2,848,198	158,071	(109)	3,006,160
Total depreciable capital assets	4,268,539	238,392	(30,210)	4,476,721
Less accumulated depreciation for				
Building and improvements	(362,580)	(32,066)	329	(394,317)
Plant and equipment	(200,023)	(16,896)	24,218	(192,701)
Vehicles	(89,966)	(12,838)	4,832	(97,972)
Infrastructure	(1,190,052)	(76,971)	--	(1,267,023)
Total accumulated depreciation	(1,842,621)	(138,771) (2)	29,379	(1,952,013)
Depreciable capital assets, net	2,425,918	99,621	(831)	2,524,708
Nondepreciable capital assets				
Land and improvements	379,161	5,701	(1,725)	383,137
Arts and treasures	10,202	400	--	10,602
Library collections	18,167	--	--	18,167
Construction in progress	115,646	114,840	(138,215)	92,271
Total nondepreciable assets	523,176	120,941	(139,940)	504,177
Total capital assets	$ 2,949,094	220,562	(140,771)	3,028,885

(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	$ 6,367
Public safety	15,829
Transportation, planning and sustainability	61,028
Public health	1,772
Public recreation and culture	19,836
Urban growth management	21,407
Internal service funds	9,887
Total governmental activities depreciation expense	136,126
Transferred accumulated depreciation	2,645
Total increases in accumulated depreciation/amortization	$ 138,771

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 2,700,263	128,466	(1,268)	2,827,461
Plant and equipment	3,917,466	138,716	(4,864)	4,051,318
Vehicles	220,857	15,839	(8,376)	228,320
Electric plant	4,919,371	85,387	(18,083)	4,986,675
Non-electric plant	221,233	15,467	--	236,700
Nuclear fuel	376,385	24,082	--	400,467
Water rights	100,000	--	--	100,000
Total depreciable capital assets	12,455,575	407,957	(32,591)	12,830,941
Less accumulated depreciation/amortization for				
Building and improvements	(784,818)	(64,706)	161	(849,363)
Plant and equipment	(1,569,973)	(107,985)	3,862	(1,674,096)
Vehicles	(145,039)	(16,975)	7,270	(154,744)
Electric plant	(2,721,313)	(154,248)	12,775	(2,862,786)
Non-electric plant	(80,128)	(9,823)	--	(89,951)
Nuclear fuel	(333,581)	(18,617)	--	(352,198)
Water rights	(17,778)	(988)	--	(18,766)
Total accumulated depreciation/amortization	(5,652,630)	(373,342) (2)	24,068	(6,001,904)
Depreciable capital assets, net	6,802,945	34,615	(8,523)	6,829,037
Nondepreciable capital assets				
Land and improvements	676,157	18,301	--	694,458
Arts and treasures	4,098	--	--	4,098
Construction in progress	402,729	560,801	(356,934)	606,596
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	1,106,099	579,102	(356,934)	1,328,267
Total capital assets	$ 7,909,044	613,717	(365,457)	8,157,304

(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	$ 184,262
Water	60,031
Wastewater	64,647
Airport	33,723
Convention	9,026
Environmental and health services	8,863
Public recreation	716
Urban growth management	10,532
Total business-type activities depreciation expense	371,800
Transferred accumulated depreciation	1,542
Total increases in accumulated depreciation/amortization	$ 373,342

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Vehicles	$ 33,152	2,938	(2,364)	33,726
Electric plant	4,919,371	85,387	(18,083)	4,986,675
Non-electric plant	221,233	15,467	--	236,700
Nuclear fuel	376,385	24,082	--	400,467
Total depreciable capital assets	5,550,141	127,874	(20,447)	5,657,568
Less accumulated depreciation/amortization for				
Vehicles	(26,290)	(1,574)	2,341	(25,523)
Electric plant	(2,721,313)	(154,248)	12,775	(2,862,786)
Non-electric plant	(80,128)	(9,823)	--	(89,951)
Nuclear fuel	(333,581)	(18,617)	--	(352,198)
Total accumulated depreciation/amortization	(3,161,312)	(184,262) (1)	15,116	(3,330,458)
Depreciable capital assets, net	2,388,829	(56,388)	(5,331)	2,327,110
Nondepreciable capital assets				
Land and improvements	64,740	1,047	--	65,787
Plant held for future use	23,115	--	--	23,115
Construction in progress	124,130	160,929	(105,271)	179,788
Total nondepreciable assets	211,985	161,976	(105,271)	268,690
Total capital assets	$ 2,600,814	105,588	(110,602)	2,595,800

(1) Components of accumulated depreciation/amortization increases:	
Current year depreciation	$ 165,645
Current year amortization included in operating expense	18,617
Total increases in accumulated depreciation/amortization	$ 184,262

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water Utility

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,191,027	11,491	(346)	1,202,172
Plant and equipment	3,664,449	124,913	(1,758)	3,787,604
Vehicles	42,583	3,041	(1,413)	44,211
Water rights	100,000	--	--	100,000
Total depreciable capital assets	4,998,059	139,445	(3,517)	5,133,987
Less accumulated depreciation/amortization for				
Building and improvements	(305,067)	(25,713)	148	(330,632)
Plant and equipment	(1,469,828)	(97,259)	996	(1,566,091)
Vehicles	(32,791)	(2,260)	1,408	(33,643)
Water rights	(17,778)	(988)	--	(18,766)
Total accumulated depreciation/amortization	(1,825,464)	(126,220) (1)	2,552	(1,949,132)
Depreciable capital assets, net	3,172,595	13,225	(965)	3,184,855
Nondepreciable capital assets				
Land and improvements	231,360	403	--	231,763
Arts and treasures	111	--	--	111
Construction in progress	217,473	130,093	(93,839)	253,727
Total nondepreciable assets	448,944	130,496	(93,839)	485,601
Total capital assets	$ 3,621,539	143,721	(94,804)	3,670,456

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	$ 59,043
Wastewater	64,647
Current year amortization	
Water	988
Total water activities depreciation expense	124,678
Transferred accumulated depreciation	1,542
Total increases in accumulated depreciation/amortization	$ 126,220

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Depreciable capital assets				
Building and improvements	$ 1,166,557	114,868	--	1,281,425
Plant and equipment	36,337	2,375	(2,406)	36,306
Vehicles	15,421	2,291	(1,625)	16,087
Total depreciable capital assets	1,218,315	119,534	(4,031)	1,333,818
Less accumulated depreciation for				
Building and improvements	(316,493)	(30,166)	--	(346,659)
Plant and equipment	(17,487)	(2,010)	2,213	(17,284)
Vehicles	(8,515)	(1,547)	750	(9,312)
Total accumulated depreciation	(342,495)	(33,723) (1)	2,963	(373,255)
Depreciable capital assets, net	875,820	85,811	(1,068)	960,563
Nondepreciable capital assets				
Land and improvements	96,381	--	--	96,381
Arts and treasures	3,375	--	--	3,375
Construction in progress	33,140	235,751	(119,239)	149,652
Total nondepreciable assets	132,896	235,751	(119,239)	249,408
Total capital assets	$ 1,008,716	321,562	(120,307)	1,209,971

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	$ 33,723

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2018, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 342,679	2,107	(922)	343,864
Plant and equipment	216,680	11,430	(702)	227,408
Vehicles	129,701	7,590	(2,995)	134,296
Total depreciable capital assets	689,060	21,127	(4,619)	705,568
Less accumulated depreciation for				
Building and improvements	(163,258)	(8,827)	13	(172,072)
Plant and equipment	(82,658)	(8,716)	653	(90,721)
Vehicles	(77,443)	(11,594)	2,771	(86,266)
Total accumulated depreciation	(323,359)	(29,137) (2)	3,437	(349,059)
Depreciable capital assets, net	365,701	(8,010)	(1,182)	356,509
Nondepreciable capital assets				
Land and improvements	283,676	16,851	--	300,527
Arts and treasures	612	--	--	612
Construction in progress	27,986	34,028	(38,585)	23,429
Total nondepreciable assets	312,274	50,879	(38,585)	324,568
Total capital assets	$ 677,975	42,869	(39,767)	681,077

(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	$ 9,026
Environmental and health services	8,863
Public recreation	716
Urban growth management	10,532
Total increases in accumulated depreciation/amortization	$ 29,137

Service Concession Arrangements

The City has recorded net capital assets of $168.5 million, other assets of $19.1 million and deferred inflows of $184.3 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.

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

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, 2018, the unamortized balance was $10.6 million and is presented in other assets. The related deferred inflow balance is $11.7 million. 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 $152.5 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, 2018, the unamortized balance was $8.4 million and is presented in other assets. The related deferred inflow balance is $8.8 million. Construction costs totaled $26.8 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.

As of September 30, 2018, 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
Governmental Activities:						
Umlauf Sculpture Garden	$ 2,337	--	1,515	58	1,573	764
YMCA Northeast Recreation Center	1,333	--	159	32	194	1,139
Total Governmental Activities	3,670	--	1,674	90	1,767	1,903
Business-type Activities:						
CONRAC facility	152,496	--	7,624	3,745	11,369	141,127
Bark and Zoom facility	26,558	213	664	675	1,339	25,432
Total Business-type Activities	179,054	213	8,288	4,420	12,708	166,559

	Beginning Deferred Inflows	Current year Additions	Beginning Accumulated Amortization	Current Year Amortization	Ending Accumulated Amortization	Ending Deferred Inflows
Governmental Activities:						
Umlauf Sculpture Garden	319	--	2,018	79	2,097	240
YMCA Northeast Recreation Center	855	--	478	67	545	788
Total Governmental Activities	1,174	--	2,496	146	2,642	1,028
Business-type Activities:						
CONRAC facility	142,361	--	10,135	5,083	15,218	137,278
CONRAC base rent agreement	12,170	--	871	435	1,306	11,735
Bark and Zoom facility	25,673	213	885	453	1,338	25,433
Bark and Zoom base rent agreement	8,957	--	307	154	461	8,803
Total Business-type Activities	$ 189,161	213	12,198	6,125	18,323	183,249

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 Austin Energy, Austin Water Utility, Airport, and 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, 2018, were as follows (in thousands):

Description	October 1, 2017	Increases	Decreases	September 30, 2018	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	$ 1,109,766	99,852	(86,163)	1,123,455	65,913
Certificates of obligation, net	214,394	35,601	(10,549)	239,446	8,457
Contractual obligations, net	111,868	--	(17,804)	94,064	15,485
General obligation bonds and other tax supported debt total	1,436,028	135,453	(114,516)	1,456,965	89,855
Capital lease obligations	--	9,880	--	9,880	2,115
Debt service requirements total	1,436,028	145,333	(114,516)	1,466,845	91,970
Other long-term obligations					
Accrued compensated absences	139,665	7,997	(325)	147,337	65,263
Claims payable	49,096	166,768	(167,890)	47,974	23,655
Net pension liability	1,203,405	295,759	(431,712)	1,067,452	--
Other postemployment benefits (1)	1,294,634	371,444	(92,815)	1,573,263	33,071
Other liabilities	102,195	12,409	(1,288)	113,316	95,987
Governmental activities total	4,225,023	999,710	(808,546)	4,416,187	309,946
Total business-type activities					
General obligation bonds, net	20,303	--	(4,086)	16,217	3,171
Certificates of obligation, net	55,242	--	(2,965)	52,277	2,273
Contractual obligations, net	32,895	5,504	(11,881)	26,518	9,885
Other tax supported debt, net	7,116	860	(1,071)	6,905	790
General obligation bonds and other tax supported debt total	115,556	6,364	(20,003)	101,917	16,119
Commercial paper notes, net	146,097	108,670	--	254,767	--
Revenue bonds, net	4,881,202	45,175	(224,576)	4,701,801	108,584
Capital lease obligations	989	--	(55)	934	56
Debt service requirements total	5,143,844	160,209	(244,634)	5,059,419	124,759
Other long-term obligations					
Accrued compensated absences	26,347	2,122	(816)	27,653	26,939
Claims payable	2,633	29	(2,240)	422	205
Net pension liability	656,565	163,364	(234,877)	585,052	--
Other postemployment benefits (1)	760,993	240,007	(49,366)	951,634	20,005
Accrued landfill closure and postclosure costs	12,693	116	(319)	12,490	2,591
Decommissioning expense payable	165,946	42,333	(2,909)	205,370	3,753
Other liabilities	96,475	462	(8,126)	88,811	52,959
Business-type activities total	6,865,496	608,642	(543,287)	6,930,851	231,211
Total liabilities (2)	$ 11,090,519	1,608,352	(1,351,833)	11,347,038	541,157

(1) Beginning balances have been restated. See Note 18.
(2) This schedule excludes select short-term liabilities of $109,538 for governmental activities. For business-type activities, it excludes select short-term liablities of $281,034, capital appreciation bond interest payable of $2,722 and derivative instruments of $35,519.

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

Description	October 1, 2017	Increases	Decreases	September 30, 2018	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	$ 279	--	(116)	163	109
General obligation bonds and other tax supported debt total	279	--	(116)	163	109
Commercial paper notes, net	146,097	66,500	--	212,597	--
Revenue bonds, net	1,295,899	--	(42,056)	1,253,843	37,007
Capital lease obligations	989	--	(55)	934	56
Debt service requirements total	1,443,264	66,500	(42,227)	1,467,537	37,172
Other long-term obligations					
Accrued compensated absences	10,570	497	--	11,067	11,067
Claims payable	2,070	--	(2,001)	69	64
Net pension liability	273,451	62,600	(95,558)	240,493	--
Other postemployment benefits (1)	255,926	74,746	(15,817)	314,855	6,619
Decommissioning expense payable	165,946	42,333	(2,909)	205,370	3,753
Other liabilities	67,580	462	(3,445)	64,597	28,745
Electric activities total	2,218,807	247,138	(161,957)	2,303,988	87,420
Water and Wastewater activities					
General obligation bonds, net	1,973	--	(753)	1,220	239
Certificates of obligation bonds, net	1,693	--	(99)	1,594	91
Contractual obligations, net	5,502	--	(1,703)	3,799	1,352
Other tax supported debt, net	4,556	780	(826)	4,510	595
General obligation bonds and other tax supported debt total	13,724	780	(3,381)	11,123	2,277
Commercial paper notes, net	--	42,170	--	42,170	--
Revenue bonds, net	2,554,169	45,175	(140,901)	2,458,443	33,888
Debt service requirements total	2,567,893	88,125	(144,282)	2,511,736	36,165
Other long-term obligations					
Accrued compensated absences	5,634	5	(60)	5,579	5,579
Claims payable	562	29	(238)	353	141
Net pension liability	146,090	34,054	(53,129)	127,015	--
Other postemployment benefits (1)	174,317	49,771	(10,734)	213,354	4,485
Other liabilities	18,180	--	(3,712)	14,468	14,468
Water and Wastewater activities total	2,912,676	171,984	(212,155)	2,872,505	60,838
Airport activities					
General obligation bonds, net	56	--	(23)	33	20
General obligation bonds and other tax supported debt total	56	--	(23)	33	20
Revenue bonds, net	881,363	--	(27,882)	853,481	24,249
Debt service requirements total	881,419	--	(27,905)	853,514	24,269
Other long-term obligations					
Accrued compensated absences	2,194	161	--	2,355	2,355
Claims payable	1	--	(1)	--	--
Net pension liability	46,242	14,990	(17,517)	43,715	--
Other postemployment benefits (1)	68,041	24,917	(4,839)	88,119	1,852
Other liabilities	3,173	--	(372)	2,801	2,801
Airport activities total	1,001,070	40,068	(50,634)	990,504	31,277
Nonmajor activities					
General obligation bonds, net	17,995	--	(3,194)	14,801	2,803
Certificates of obligation, net	53,549	--	(2,866)	50,683	2,182
Contractual obligations	27,393	5,504	(10,178)	22,719	8,533
Other tax supported debt, net	2,560	80	(245)	2,395	195
General obligation bonds and other tax supported debt total	101,497	5,584	(16,483)	90,598	13,713
Revenue bonds, net	149,771	--	(13,737)	136,034	13,440
Debt service requirements total	251,268	5,584	(30,220)	226,632	27,153
Other long-term obligations					
Accrued compensated absences	7,949	1,459	(756)	8,652	7,938
Net pension liability	190,782	51,720	(68,673)	173,829	--
Other postemployment benefits (1)	262,709	90,573	(17,976)	335,306	7,049
Accrued landfill closure and postclosure costs	12,693	116	(319)	12,490	2,591
Other liabilities	7,542	--	(597)	6,945	6,945
Nonmajor activities total	$ 732,943	149,452	(118,541)	763,854	51,676

(1) Beginning balances have been restated. See Note 18.

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, 2018, 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	405	24	(1)(3)	4.25 - 4.30%	9/1/2019-2020
NW Austin MUD - 2006	2006	7,995	6,165	1,620	(1)(3)	4.10 - 4.25%	9/1/2019-2026
Mueller Contractual Obligation - 2006	2006	12,000	6,520	1,395	(1)(4)	4.00 - 5.00%	9/1/2019-2026
Public Improvement Refunding - 2008	2008	172,505	19,725	2,001	(1)	5.00%	9/1/2019-2021
Public Improvement - 2009B	2009	78,460	68,980	21,953	(1)	4.45 - 5.31%	9/1/2019-2029
Certificates of Obligation - 2009	2009	12,500	7,825	3,676	(1)	3.13 - 4.75%	9/1/2019-2039
Contractual Obligation - 2009	2009	13,800	895	28	(2)	3.00 - 3.25%	11/1/2018-2019
Mueller Contractual Obligation - 2009	2010	15,000	9,835	2,619	(1)(4)	4.00 - 4.25%	9/1/2019-2029
Public Improvement - 2010A	2011	79,528	65,930	18,792	(1)	2.38 - 4.00%	9/1/2019-2030
Public Improvement - 2010B	2011	26,400	24,470	7,816	(1)	3.45 - 4.65%	9/1/2019-2030
Certificates of Obligation - 2010	2011	22,300	15,855	3,656	(1)	2.25 - 3.50%	9/1/2019-2030
Public Improvement Refunding - 2010	2011	91,560	63,950	8,459	(1)	4.34 - 5.00%	9/1/2019-2023
Public Improvement - 2011A	2012	78,090	68,040	23,309	(1)	2.00 - 4.00%	9/1/2019-2031
Public Improvement - 2011B	2012	8,450	7,700	2,482	(1)	2.75 - 4.50%	9/1/2019-2031
Certificates of Obligation - 2011	2012	51,150	43,875	22,387	(1)	3.00 - 5.00%	9/1/2019-2041
Contractual Obligation - 2011	2012	26,725	2,160	22	(2)	2.00%	11/1/2018
Public Improvement Refunding - 2011A	2012	68,285	15,920	2,458	(1)	4.00 - 5.00%	9/1/2019-2023
Public Improvement - 2012A	2013	74,280	70,945	22,514	(1)	3.00 - 5.00%	9/1/2023-2032
Public Improvement - 2012B	2013	6,640	4,800	1,242	(1)	2.00 - 3.50%	9/1/2019-2032
Certificates of Obligation - 2012	2013	24,645	19,500	5,512	(1)	3.00 - 4.00%	9/1/2019-2037
Contractual Obligation - 2012	2013	27,135	6,320	231	(2)	3.00 - 4.00%	11/1/2018-2019
Mueller Contractual Obligation - 2012	2013	16,735	13,630	4,054	(1)(4)	2.00 - 3.38%	9/1/2019-2032
Public Improvement - 2013	2014	104,665	93,380	39,968	(1)	4.00 - 5.00%	9/1/2019-2033
Certificates of Obligation - 2013	2014	25,355	22,940	11,302	(1)	3.25 - 5.00%	9/1/2019-2038
Contractual Obligation - 2013	2014	50,150	17,865	575	(2)	2.00 - 3.00%	11/1/2018-2020
Public Improvement Refunding - 2013A	2014	43,250	23,825	4,511	(1)	5.00%	9/1/2019-2024
Public Improvement Refunding - 2013B	2014	71,455	21,340	707	(1)	2.42 - 2.72%	9/1/2019-2020
Public Improvement - 2014	2015	89,915	89,205	52,632	(1)	3.00 - 5.00%	9/1/2020-2034
Public Improvement - 2014	2015	10,000	9,700	4,362	(1)	2.16 - 4.02%	9/1/2019-2034
Certificates of Obligation - 2014	2015	35,490	30,565	14,174	(1)	2.00 - 5.00%	9/1/2019-2034
Certificates of Obligation - 2014	2015	9,600	8,155	2,835	(1)	2.11 - 3.92%	9/1/2019-2034
Contractual Obligation - 2014	2015	14,100	9,680	879	(2)	4.00 - 5.00%	11/1/2018-2021
Mueller Contractual Obligation - 2014	2015	15,845	15,010	5,369	(1)(4)	3.00 - 5.00%	9/1/2019-2029
Public Improvement and Refunding - 2015	2016	236,905	220,410	69,181	(1)	2.95 - 5.00%	9/1/2019-2035
Public Improvement - 2015	2016	10,000	9,220	3,549	(1)	2.89 - 4.27%	9/1/2019-2035
Certificates of Obligation - 2015	2016	43,710	39,255	19,622	(1)	3.25 - 5.00%	9/1/2019-2035
Contractual Obligation - 2015	2016	14,450	9,775	1,257	(2)	4.00 - 5.00%	11/1/2018-2022
Public Improvement and Refunding - 2016	2017	98,365	89,135	34,588	(1)	3.00 - 5.00%	9/1/2019-2036
Certificates of Obligation - 2016	2017	44,015	41,065	21,241	(1)	3.00 - 5.00%	9/1/2019-2036
Contractual Obligation - 2016	2017	22,555	17,985	2,301	(2)	2.00 - 5.00%	11/1/2018-2023
Public Improvement - 2016	2017	12,000	11,070	3,243	(1)	1.81 - 4.00%	9/1/2019-2036
Certificates of Obligation - 2016	2017	8,700	8,030	2,349	(1)	1.81 - 4.00%	9/1/2019-2036
Public Improvement - 2017	2018	63,580	50,145	26,069	(1)	5.00%	9/1/2019-2037
Certificates of Obligation - 2017	2018	29,635	28,585	16,262	(1)	5.00%	9/1/2019-2037
Contractual Obligation - 2017	2018	5,075	4,750	609	(2)	2.00 - 5.00%	11/1/2018-2024
Public Improvement - 2017	2018	25,000	24,350	9,122	(1)	2.35 - 5.00%	9/1/2019-2037
River Place MUD - 2009 (5)	2018	7,010	335	15	(1)(3)	4.50%	9/1/2019
			$ 1,439,220				

(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 $4,510 and interest of $1,066 and Drainage fund principal of $2,395 and interest of $593.
(4) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.
(5) The City assumed the River Place MUD debt during fiscal year 2018.

6 – DEBT AND NON-DEBT LIABILITIES, continued

b -- Governmental Activities Long-Term Liabilities, continued

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. 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. 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.

General obligation bonds authorized and unissued amounted to $767,420,000 at September 30, 2018. Bond ratings at September 30, 2018 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, 2018, exclusive of discounts, premiums, and loss on refundings consists of $5,685,218 prior lien bonds and $100,538,544 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $52,772,638 at September 30, 2018. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2018, 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.

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.

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

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, 2018 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1994 Refunding	1995	$ 142,559	5,685	22,350 (2)	6.60%	5/15/2019
1998 Refunding	1999	139,965	96,035	22,542 (1)	5.25%	5/15/2019-2025
1998A Refunding	1999	105,350	4,504	7,881 (2)	4.25%	5/15/2019-2020
			$ 106,224			

(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, 2018, 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, 2018, Austin Energy had tax exempt commercial paper notes of $156,655,000 outstanding and Austin Water Utility had $42,170,000 of commercial paper notes outstanding with interest ranging from 1.57% to 2.75%, 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	JP Morgan Chase Bank NA	0.25%	Goldman Sachs	0.05%	$ 198,825	10/9/2020

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.

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 $75,000,000 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, 2018, 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.

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

At September 30, 2018, Austin Energy had outstanding taxable commercial paper notes of $55,942,000 with interest rates ranging from 2.05% to 3.36%. 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):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	JP Morgan Chase Bank NA	0.25%	Goldman Sachs	0.05%	$ 55,942	10/9/2020

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 JP Morgan Chase Bank 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 JP Morgan Chase Bank, 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, 2018, were Aa3 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system refunding revenue bonds outstanding at September 30, 2018 (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	22,010	1,541 (1)	5.00%	11/15/2018-2020
2008 Refunding	2008	50,000	38,475	20,794 (1)	5.20 - 6.26%	11/15/2018-2032
2010A Refunding	2010	119,255	95,090	46,591 (1)	4.00 - 5.00%	11/15/2018-2040
2010B Refunding	2010	100,990	100,990	76,304 (1)	4.54 - 5.72%	11/15/2019-2040
2012A Refunding	2013	267,770	255,175	154,489 (1)	2.50 - 5.00%	11/15/2018-2040
2012B Refunding	2013	107,715	83,615	17,279 (1)	1.53 - 3.16%	11/15/2019-2027
2015A Refunding	2015	327,845	327,845	267,155 (1)	5.00%	11/15/2021-2045
2015B Refunding	2015	81,045	72,355	23,548 (1)	1.70 - 4.66%	11/15/2018-2037
2017 Refunding	2017	101,570	101,570	73,339 (1)	4.00 - 5.00%	11/15/2019-2038
			$ 1,097,125			

(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, 2018 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,417,232	1,083,928	333,304	93,628	3.56

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation, other postemployment benefits and net pension liability accruals.

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

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, 2018, 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 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.

Water and Wastewater System Revenue Debt -- Revenue Bond In-Substance Defeasance - In May 2018, the City defeased $5,680,000 of separate lien revenue refunding bonds, series 2004A, $7,740,000 of separate lien revenue refunding bonds, series 2009, $2,480,000 of separate lien revenue refunding bonds, series 2009A, $5,450,000 of separate lien revenue refunding bonds, series 2010A, $26,570,000 of separate lien revenue refunding bonds, series 2011, $10,055,000 of separate lien revenue refunding bonds, series 2012, $1,060,000 of separate lien revenue refunding bonds, series 2015A, and $2,210,000 of separate lien revenue refunding bonds, taxable series 2015B, with a $63,406,607 cash payment. The funds were deposited in an irrevocable escrow account, that holds essentially risk-free U.S. Treasury Notes, to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt. Revenue bond debt service savings from the 2018 defeasance were $67.5 million over a seven-year period. These savings were an integral part of Austin Water's 2018 Water and Wastewater rate reduction. In addition, these savings, coupled with future planned debt defeasance transactions, will help achieve rate stability over the next few years. An accounting loss of $1,179,652 was recorded and recognized in the current period on the defeasance.

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, 2018 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2008 Refunding	2008	$ 170,605	105,690	30,732	(2)	0.87 - 1.82%	11/15/2018-2031 (3)
2009 Refunding	2009	175,000	1,700	102	(1)	4.00%	11/15/2019
2010	2010	31,815	25,445	--	(4)	0.00%	11/15/2018-2041
2010A Refunding	2011	76,855	64,215	47,560	(1)	5.00 - 5.13%	11/15/2019-2040
2010B Refunding	2011	100,970	93,145	71,735	(1)	3.90 - 6.02%	11/15/2018-2040
2011 Refunding	2012	237,530	208,100	135,279	(1)	3.00 - 5.00%	11/15/2019-2041
2012 Refunding	2012	336,820	255,590	153,387	(1)	2.50 - 5.00%	5/15/2019-2042
2013A Refunding	2013	282,460	263,125	165,973	(1)	3.00 - 5.00%	11/15/2018-2043
2014 Refunding	2014	282,205	279,785	194,385	(1)	5.00%	5/15/2019-2043
2015A Refunding	2015	249,145	245,535	96,886	(1)	2.85 - 5.00%	11/15/2019-2036
2015B Refunding	2015	40,000	32,625	1,269	(1)	1.52 - 2.54%	11/15/2018-2021
2016 Refunding	2016	247,770	247,770	210,191	(1)	5.00%	11/15/2019-2045
2016A	2017	20,430	19,510	3,309	(1)	0.55 - 2.12%	11/15/2018-2036
2017 Refunding	2017	311,100	311,100	208,303	(1)	2.50 - 5.00%	11/15/2020-2046
2017A	2018	45,175	45,175	8,809	(1)	0.58 - 2.29%	11/15/2018-2037
			$ 2,198,510				

(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.

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

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%	$ 105,690	10/15/2018 (1)

(1) In October 2018, the City extended the letter of credit agreement with Barclays Bank PLC. The new agreement expires on October 28, 2022, 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, 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.

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, 2018 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (3)
$ 581,324	250,223	331,101	210,284	1.57

(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, 2018, the total airport system obligation for prior lien bonds is $789,189,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are $584,867,972 at September 30, 2018. Revenue bonds authorized and unissued amount to $735,795,000. Bond ratings at September 30, 2018, for the revenue bonds were A (Standard & Poor's) and A1 (Moody's Investors Service, Inc.).

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2018 (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	176,100	27,575 (2)	0.84 - 1.86%	11/15/2018-2025
2013 Revenue	2013	60,000	52,265	6,675 (3)	2.25%	11/15/2018-2028 (4)
2013A Refunding	2014	35,620	1,364	11 (3)	1.56%	11/15/2018
2014 Revenue	2015	244,495	244,495	231,573 (3)	5.00%	11/15/2026-2044
2017A Revenue	2017	185,300	185,300	187,695 (3)	5.00%	11/15/2026-2046
2017B Revenue	2017	129,665	129,665	131,339 (3)	5.00%	11/15/2026-2046
			$ 789,189			

(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 $176,100,000. 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%	$ 44,025	4/15/2019
2005-2	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,000	4/15/2019
2005-3	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,050	4/15/2019
2005-4	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,025	4/15/2019
					$ 176,100	

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, 2018. 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, 2018 (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
$ 176,235	5,469	108,045	73,659	21,875	3.37

(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, 2018, the total convention center obligation for prior and subordinate lien bonds is $135,055,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are $24,853,366 at September 30, 2018. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2018.

Bond ratings at September 30, 2018, 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).

The following table summarizes Convention Center refunding revenue bonds outstanding at September 30, 2018 (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	82,325	16,230 (2)	0.81 - 1.85%	11/15/2018-2029
2012 Refunding	2012	20,185	16,020	4,987 (1)	3.63 - 5.00%	11/15/2018-2029
2013 Refunding	2014	26,485	9,640	488 (1)	5.00%	11/15/2018-2019
2016 Refunding	2017	29,080	27,070	3,148 (1)	1.88%	11/15/2018-2029
			$ 135,055			

(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	Citibank	0.28%	Raymond James	0.06%	$ 41,160	10/9/2020
2008-B	Sumitomo Mitsui Banking Corporation	0.33%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.05%	41,165	10/9/2020
					$ 82,325	

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, 2018. 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

Governmental Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 65,913	45,351	8,457	9,329	15,485	3,428
2020	68,976	42,559	8,734	9,003	13,824	2,879
2021	73,507	39,362	9,107	8,660	11,455	2,387
2022	73,876	35,840	9,507	8,300	8,953	1,935
2023	74,385	32,338	9,929	7,913	7,228	1,555
2024-2028	365,655	113,317	56,698	32,925	21,335	4,564
2029-2033	258,765	43,687	65,197	19,611	10,395	802
2034-2038	55,680	4,209	42,726	6,105	--	--
2039-2043	--	--	6,395	552	--	--
	1,036,757	356,663	216,750	102,398	88,675	17,550
Less: Unamortized bond discounts	(1,025)	--	(605)	--	(207)	--
Add: Unamortized bond premiums	87,723	--	23,301	--	5,596	--
Net debt service requirements	1,123,455	356,663	239,446	102,398	94,064	17,550

Fiscal Year Ended September 30	Capital Lease Obligations		Total Governmental Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2019	2,115	74	91,970	58,182	150,152
2020	2,043	146	93,577	54,587	148,164
2021	1,973	215	96,042	50,624	146,666
2022	1,907	282	94,243	46,357	140,600
2023	1,842	347	93,384	42,153	135,537
2024-2028	--	--	443,688	150,806	594,494
2029-2033	--	--	334,357	64,100	398,457
2034-2038	--	--	98,406	10,314	108,720
2039-2043	--	--	6,395	552	6,947
	9,880	1,064	1,352,062	477,675	1,829,737
Less: Unamortized bond discounts	--	--	(1,837)	--	(1,837)
Add: Unamortized bond premiums	--	--	116,620	--	116,620
Net debt service requirements	$ 9,880	1,064	1,466,845	477,675	1,944,520

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
2019	$ 3,171	714	2,273	2,090	9,885	753
2020	3,119	588	2,371	2,016	7,551	470
2021	3,254	443	2,488	1,935	4,000	276
2022	2,574	297	2,603	1,849	1,986	158
2023	1,650	168	2,730	1,753	1,158	81
2024-2028	1,715	85	15,788	6,991	1,170	51
2029-2033	--	--	14,953	3,382	--	--
2034-2038	--	--	5,314	584	--	--
2039-2043	--	--	380	18	--	--
2044-2048	--	--	--	--	--	--
	15,483	2,295	48,900	20,618	25,750	1,789
Less: Unamortized bond discounts	--	--	(88)	--	(3)	--
Add: Unamortized bond premiums	734	--	3,465	--	771	--
Net debt service requirements	16,217	2,295	52,277	20,618	26,518	1,789

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	790	590	254,767	516	108,584	223,798
2020	775	258	--	--	149,178	197,279
2021	820	226	--	--	171,500	187,060
2022	845	191	--	--	187,560	179,629
2023	885	156	--	--	188,516	170,888
2024-2028	2,790	238	--	--	1,051,284	719,539
2029-2033	--	--	--	--	802,854	500,721
2034-2038	--	--	--	--	744,646	323,137
2039-2043	--	--	--	--	634,370	146,591
2044-2048	--	--	--	--	287,611	22,812
	6,905	1,659	254,767	516	4,326,103	2,671,454
Less: Unamortized bond discounts	--	--	--	--	(1,906)	--
Add: Unamortized bond premiums	--	--	--	--	377,604	--
Net debt service requirements	$ 6,905	1,659	254,767	516	4,701,801	2,671,454

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

(2) A portion of these bonds are variable rate bonds with rates ranging from 0.81% to 1.86%.

(Continued)

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 Principal	Capital Lease Obligations Interest	Total Business-Type Activities Debt Service Requirements Principal	Total Business-Type Activities Debt Service Requirements Interest	Total Business-Type Activities Debt Service Requirements Total
2019	$ 56	75	379,526	228,536	608,062
2020	60	73	163,054	200,684	363,738
2021	63	69	182,125	190,009	372,134
2022	67	66	195,635	182,190	377,825
2023	70	64	195,009	173,110	368,119
2024-2028	407	257	1,073,154	727,161	1,800,315
2029-2033	211	78	818,018	504,181	1,322,199
2034-2038	--	--	749,960	323,721	1,073,681
2039-2043	--	--	634,750	146,609	781,359
2044-2048	--	--	287,611	22,812	310,423
	934	682	4,678,842	2,699,013	7,377,855
Less: Unamortized bond discounts	--	--	(1,997)	--	(1,997)
Add: Unamortized bond premiums	--	--	382,574	--	382,574
Net debt service requirements	$ 934	682	5,059,419	2,699,013	7,758,432

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
2019	$ 109	4	212,597	462	37,007	54,363
2020	50	2	--	--	46,993	52,724
2021	4	--	--	--	47,106	50,835
2022	--	--	--	--	54,593	48,794
2023	--	--	--	--	51,983	46,323
2024-2028	--	--	--	--	284,474	192,169
2029-2033	--	--	--	--	219,915	129,890
2034-2038	--	--	--	--	203,565	80,494
2039-2043	--	--	--	--	141,430	35,958
2044-2048	--	--	--	--	81,340	6,221
	163	6	212,597	462	1,168,406	697,771
Less: Unamortized bond discounts	--	--	--	--	(190)	--
Add: Unamortized bond premiums	--	--	--	--	85,627	--
Net debt service requirements	163	6	212,597	462	1,253,843	697,771

Fiscal Year Ended September 30	Capital Lease Obligations		Total Austin Energy Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2019	56	75	249,769	54,904	304,673
2020	60	73	47,103	52,799	99,902
2021	63	69	47,173	50,904	98,077
2022	67	66	54,660	48,860	103,520
2023	70	64	52,053	46,387	98,440
2024-2028	407	257	284,881	192,426	477,307
2029-2033	211	78	220,126	129,968	350,094
2034-2038	--	--	203,565	80,494	284,059
2039-2043	--	--	141,430	35,958	177,388
2044-2048	--	--	81,340	6,221	87,561
	934	682	1,382,100	698,921	2,081,021
Less: Unamortized bond discounts	--	--	(190)	--	(190)
Add: Unamortized bond premiums	--	--	85,627	--	85,627
Net debt service requirements	$ 934	682	1,467,537	698,921	2,166,458

(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		Other Tax Supported Debt	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2019	$ 239	51	91	59	1,352	126	595	382
2020	207	43	92	56	1,052	83	496	165
2021	186	34	99	53	671	50	525	145
2022	187	27	102	50	419	24	541	122
2023	155	17	109	47	175	4	567	100
2024-2028	188	9	612	165	--	--	1,786	152
2029-2033	--	--	463	38	--	--	--	--
2034-2038	--	--	--	--	--	--	--	--
2039-2043	--	--	--	--	--	--	--	--
2044-2048	--	--	--	--	--	--	--	--
	1,162	181	1,568	468	3,669	287	4,510	1,066
Less: Unamortized bond discounts	--	--	(5)	--	--	--	--	--
Add: Unamortized bond premiums	58	--	31	--	130	--	--	--
Net debt service requirements	1,220	181	1,594	468	3,799	287	4,510	1,066

Fiscal Year Ended September 30	Commercial Paper Notes (1)		Revenue Bonds (2)		Total Austin Water Utility Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2019	42,170	54	33,888	129,662	78,335	130,334	208,669
2020	--	--	62,085	106,267	63,932	106,614	170,546
2021	--	--	88,934	99,331	90,415	99,613	190,028
2022	--	--	97,927	95,195	99,176	95,418	194,594
2023	--	--	100,233	90,214	101,239	90,382	191,621
2024-2028	--	--	576,520	375,755	579,106	376,081	955,187
2029-2033	--	--	456,054	251,320	456,517	251,358	707,875
2034-2038	--	--	410,266	152,738	410,266	152,738	563,004
2039-2043	--	--	326,005	57,769	326,005	57,769	383,774
2044-2048	--	--	81,541	5,711	81,541	5,711	87,252
	42,170	54	2,233,453	1,363,962	2,286,532	1,366,018	3,652,550
Less: Unamortized bond discounts	--	--	(1,443)	--	(1,448)	--	(1,448)
Add: Unamortized bond premiums	--	--	226,433	--	226,652	--	226,652
Net debt service requirements	$ 42,170	54	2,458,443	1,363,962	2,511,736	1,366,018	3,877,754

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

(2) Portions of these bonds are variable rate bonds with rates of 0.87% - 1.82%.

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 Bonds Principal	General Obligation Bonds Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest
2019	$ 20	1	24,249	35,646
2020	10	1	26,135	34,682
2021	2	--	26,150	33,702
2022	1	--	25,430	32,748
2023	--	--	26,430	31,769
2024-2028	--	--	135,820	143,741
2029-2033	--	--	102,495	118,931
2034-2038	--	--	130,815	89,905
2039-2043	--	--	166,935	52,864
2044-2048	--	--	124,730	10,880
	33	2	789,189	584,868
Less: Unamortized bond discounts	--	--	(204)	--
Add: Unamortized bond premiums	--	--	64,496	--
Net debt service requirements	33	2	853,481	584,868

Fiscal Year Ended September 30	Total Airport Debt Service Requirements Principal	Interest	Total
2019	24,269	35,647	59,916
2020	26,145	34,683	60,828
2021	26,152	33,702	59,854
2022	25,431	32,748	58,179
2023	26,430	31,769	58,199
2024-2028	135,820	143,741	279,561
2029-2033	102,495	118,931	221,426
2034-2038	130,815	89,905	220,720
2039-2043	166,935	52,864	219,799
2044-2048	124,730	10,880	135,610
	789,222	584,870	1,374,092
Less: Unamortized bond discounts	(204)	--	(204)
Add: Unamortized bond premiums	64,496	--	64,496
Net debt service requirements	$ 853,514	584,870	1,438,384

(1) Portions of these bonds are variable rate bonds with rates ranging from 0.84% - 1.86%.

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 Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2019	$ 2,803	658	2,182	2,031	8,533	627
2020	2,852	542	2,279	1,960	6,499	387
2021	3,062	409	2,389	1,882	3,329	226
2022	2,386	270	2,501	1,799	1,567	134
2023	1,495	151	2,621	1,706	983	77
2024-2028	1,527	76	15,176	6,826	1,170	51
2029-2033	--	--	14,490	3,344	--	--
2034-2038	--	--	5,314	584	--	--
2039-2043	--	--	380	18	--	--
	14,125	2,106	47,332	20,150	22,081	1,502
Less: Unamortized bond discounts	--	--	(83)	--	(3)	--
Add: Unamortized bond premiums	676	--	3,434	--	641	--
Net debt service requirements	14,801	2,106	50,683	20,150	22,719	1,502

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest	Total Nonmajor Enterprise Debt Service Requirements Principal	Total Nonmajor Enterprise Debt Service Requirements Interest	Total Nonmajor Enterprise Debt Service Requirements Total
2019	195	208	13,440	4,127	27,153	7,651	34,804
2020	279	93	13,965	3,606	25,874	6,588	32,462
2021	295	81	9,310	3,192	18,385	5,790	24,175
2022	304	69	9,610	2,892	16,368	5,164	21,532
2023	318	56	9,870	2,582	15,287	4,572	19,859
2024-2028	1,004	86	54,470	7,874	73,347	14,913	88,260
2029-2033	--	--	24,390	580	38,880	3,924	42,804
2034-2038	--	--	--	--	5,314	584	5,898
2039-2043	--	--	--	--	380	18	398
	2,395	593	135,055	24,853	220,988	49,204	270,192
Less: Unamortized bond discounts	--	--	(69)	--	(155)	--	(155)
Add: Unamortized bond premiums	--	--	1,048	--	5,799	--	5,799
Net debt service requirements	$ 2,395	593	136,034	24,853	226,632	49,204	275,836

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.81% - 1.85%.

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, 2018, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity Dates	Balance (1)
Austin Energy		
Series 2008A	11/15/2018	$ 165,200
Austin Water Utility		
Series 2004A	11/15/2018 - 11/15/2019	14,010
Series 2009	11/15/2018 - 11/15/2019	126,100
Series 2009A	11/15/2018 - 11/15/2019	139,690
Series 2010A	11/15/2018 - 11/15/2020	5,450
Series 2011	11/15/2018 - 11/15/2021	26,570
Series 2012	11/15/2018 - 11/15/2020	10,055
Series 2014	5/15/2019	1,000
Series 2015A	11/15/2018	1,060
Series 2015B	11/15/2018	2,210
Combined Utility System Revenue		
Series 1994 Subordinate Lien	5/15/2019	3,700
		$ 495,045

(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, 2017. 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 **www.coaers.org**	(512)458-2551
City of Austin Police Officers' Retirement and Pension Fund	2520 S. IH 35, Ste. 100 Austin, Texas 78704 **www.ausprs.org**	(512)416-7672
Fire Fighters' Relief and Retirement Fund of Austin, Texas	4101 Parkstone Heights Dr., Ste. 270 Austin, Texas 78746 **www.afrs.org**	(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 2018.

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

Employees Covered by Benefit Terms: Membership in the plans as of December 31, 2017, is as follows:

	City Employees	Police Officers	Fire Fighters
Inactive employees or beneficiaries currently receiving benefits	6,225	867	786
Inactive employees entitled to but not yet receiving benefits	2,657	98 (1)	9
Active employees	9,612	1,866	1,045
Total	18,494	2,831	1,840

(1) Includes 45 terminated vested members and 53 nonvested terminated members due refunds

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.

	City Employees	Police Officers	Fire Fighters
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, 2018 (in thousands)	$114,149	34,944	19,809

(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, 2017 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' and Police Officers' funds. For the Fire Fighters fund, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016 using the final 2017 assumptions and then was rolled forward to the plan's year ending December 31, 2017.

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

	City Employees	Police Officers	Fire Fighters
Inflation rate	2.75%	3.00%	3.50%
Projected annual salary increases	4.00% to 6.25%	0.00% to 22.50% 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 inflation 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.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
City Employees:		
US equity	30.00%	5.30%
International equity	20.00%	6.38%
Emerging markets equities	10.00%	6.62%
Fixed income	24.50%	3.33%
Alternative investments	10.00%	3.95% to 6.34%
Real estate	5.50%	5.52%
Total	100.00%	
Police Officers:		
Domestic equity	42.50%	7.50%
International equity	15.00%	8.50%
Other equity	7.50%	7.50%
US and non-US fixed income	10.00%	3.00%
Other fixed income	5.00%	3.50%
Real estate	15.00%	4.50%
Timber	0.00%	2.50%
Multi asset class	5.00%	5.00%
Total	100.00%	
Fire Fighters:		
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.

	City Employees	Police Officers	Fire Fighters
Single discount rate	7.50%	7.70%	7.70%
Change since last measurement date	None	None	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 28 years and then will decrease to 8%.	Plan member contributions and City contributions will be made at current contribution rates and will remain a level percentage of payroll.	Plan member contributions will be made at current contribution rates. City contributions will be continued at the currently negotiated rate of 22.05%.

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.

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability (Asset)
City Employees	6.50%	$ 1,608,628	7.50%	$ 1,147,385	8.50%	$ 762,471
Police Officers	6.70%	553,553	7.70%	420,116	8.70%	307,089
Fire Fighters	6.70%	189,653	7.70%	85,003	8.70%	(3,088)

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, 2017 are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
Total pension liability at December 31, 2016 (a)	$ 3,591,376	1,106,189	977,723	5,675,288
Changes for the year:				
Service cost	107,767	35,322	23,830	166,919
Interest	266,257	84,472	75,812	426,541
Benefit changes	--	--	8,964	8,964
Differences between expected and actual experience	22,755	17,241	4,360	44,356
Contribution buy back	--	2,915	--	2,915
Benefit payments including refunds	(190,332)	(56,548)	(51,888)	(298,768)
Net change in total pension liability	206,447	83,402	61,078	350,927
Total pension liability at December 31, 2017 (b)	$ 3,797,823	1,189,591	1,038,801	6,026,215
Total plan fiduciary net position at December 31, 2016 (c)	$ 2,299,688	686,020	829,610	3,815,318
Changes for the year:				
Employer contributions	110,846	35,141	19,242	165,229
Employee contributions	56,194	21,437	16,319	93,950
Contribution buy back	--	2,915	--	2,915
Pension plan net investment income (loss)	376,820	82,072	141,915	600,807
Benefits payments and refunds	(190,332)	(56,548)	(51,888)	(298,768)
Pension plan administrative expense	(2,778)	(1,562)	(1,400)	(5,740)
Net change in total plan fiduciary net position	350,750	83,455	124,188	558,393
Total plan fiduciary net position at December 31, 2017 (d)	$ 2,650,438	769,475	953,798	4,373,711
Net pension liability at December 31, 2016 (a-c)	$ 1,291,688	420,169	148,113	1,859,970
Net pension liability at December 31, 2017 (b-d)	$ 1,147,385	420,116	85,003	1,652,504

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 also had no changes of assumptions or benefit terms that affected the total pension liability for the measurement period.

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, 2018 a cost-of-living adjustment increase of 2.20% went into effect.

c -- Pension Expense

Total pension expense recognized by the City for the fiscal year ended September 30, 2018, was comprised of the following (in thousands):

	Pension Expense
City Employees	$ 203,901
Police Officers	59,126
Fire Fighters	32,775
Total	$ 295,802

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

At September 30, 2018, the City reported deferred outflows and inflows of resources related to pensions from the following sources (in thousands):

Source	City Employees	Police Officers	Fire Fighters	Total
Deferred Outflows of Resources				
Contributions to the plans subsequent to the measurement date	$ 84,001	25,478	14,558	124,037
Differences between expected and actual experience	43,447	21,257	14,903	79,607
Changes in assumptions	52,369	15,334	2,713	70,416
Net difference between projected and actual earnings on pension plan investments	--	8,140	--	8,140
Changes in proportionate share (between funds)	2,013	--	--	2,013
Total	181,830	70,209	32,174	284,213
Deferred Inflows of Resources				
Differences between expected and actual experience	--	4,423	--	4,423
Net difference between projected and actual earnings on pension plan investments	69,347	--	35,527	104,874
Changes in proportionate share (between funds)	2,013	--	--	2,013
Total	$ 71,360	4,423	35,527	111,310

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 as an increase (decrease) in pension expense is as follows (in thousands):

Fiscal Year Ended September 30	City Employees	Police Officers	Fire Fighters	Total
2019	$ 55,007	13,895	2,285	71,187
2020	34,929	11,549	(865)	45,613
2021	(30,005)	1,353	(11,675)	(40,327)
2022	(35,301)	(1,134)	(12,567)	(49,002)
2023	1,839	4,381	3,176	9,396
Thereafter	--	10,264	1,735	11,999
Total	$ 26,469	40,308	(17,911)	48,866

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)
a -- General Information

Plan Description. In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits to its retirees. The City of Austin OPEB Plan is a defined-benefit single-employer plan. Allocation of City funds to pay postemployment benefits other than pensions 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 is under no obligation to pay any portion of the cost of other postemployment benefits for retirees or their dependents. The City does not accumulate assets in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

Day-to-day accounting and administration of the OPEB activities is provided by the City and recorded in the Employee Benefits fund. However, at year end an adjustment was made to recognize OPEB expense in the operating funds that provide funding to the Employee Benefits fund to pay for these benefits. No separate plan report is available.

Unlike pensions, State law does not provide specific requirements or authority for OPEB. Instead, the City relies on its status as a municipal corporation under Article XI, Section 5 of the Constitution of the State of Texas, the Home Rule Amendment, as the authority under which OPEB is provided to retirees. Any amendments to the OPEB Plan are approved by City Council through the annual budget approval process.

Benefits Provided. 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 as described in Note 7 are eligible for other postemployment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate.

Plan members do not pay into the OPEB plan while in active employment nor does the City pay on behalf of active employees. The City pays actual claims for medical and prescription drug coverage as a primary provider for non-Medicare eligible, and as a secondary provider for Medicare eligible retirees through either a PPO, HMO, or CDHP, (Consumer Driven Health Plan), medical plan as selected by the retiree. The City subsidizes a maximum of 80% of the projected medical premium for retirees, 50% for dependents, and 70% (75% if pre-Medicare) for surviving spouses. Subsidies are based on years of service at retirement as displayed in the table below and are applied to the corresponding maximum reflected above. For example, a retiree with less than five years of service would be eligible for a subsidy of 16% (20% of 80%). Retirees must pay the unsubsidized portion of the premium.

For the 2017 plan year, (January 1 to December 31), the percentage of the maximum subsidy paid by the City was as follows:

Years of Service at Retirement	Percent of Maximum Subsidy Paid by the City
<5	20%
5-9	30%
10-14	50%
15-19	70%
20 and over	100%

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued
a -- General Information, continued

The City pays 100% of the retiree's basic life insurance premium. The cost of coverage above the $1,000 level is paid by the retiree. 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. If excise tax is payable in the future, it is assumed that these costs will also be paid by the retirees.

Employees Covered by Benefit Terms: Membership in the plan as of December 31, 2017, is as follows:

Inactive employees or beneficiaries currently receiving benefits	7,178
Inactive employees entitled to but not yet receiving benefits	2,763
Active employees	12,557
Total	22,498

b – Total OPEB Liability

The City's total OPEB liability of $2,524,897 (in thousands) was measured as of December 31, 2017 and was determined by an actuarial valuation as of that date. Of the total liability, $53,076 (in thousands) is considered to be due within one year and the remaining $2,471,821 (in thousands) is considered to be a long-term liability.

Actuarial Assumptions and Other Inputs. Actuarial assumptions used in the most recent actuarial valuations are shown below. The majority of the demographic assumptions used in the OPEB valuation are identical to those used in the pension valuation from the previous reporting period. As a result, experience studies performed by the pension systems as discussed in Note 7a were also relied upon.

Inflation rate	NA
Salary increases	Vary by retirement group, age, and years of service
Discount rate	3.44%
Healthcare cost trend rates:	
Medical (pre-65)	7.00% graded to 4.50% over 5 years
Medical (post-65)	6.00% graded to 4.50% over 3 years
Prescription drug	9.00% graded to 4.50% over 9 years
Administrative costs	2.50%
Experience studies	Experience for healthcare cost trend rates was based on activity from November 1, 2015 to October 31, 2017 for medical costs and December 1, 2015 to November 30, 2017 for prescriptions.

Sources for mortality rate assumptions include:

General (Actives)	RP-2014 Blue Collar Employee Mortality Tables projected generationally using scale BB from 2014
General (Healthy retirees)	RP-2014 Blue Collar Healthy Annuitant Mortality Tables projected generationally using scale BB from 2014
General (Disabled retirees)	RP-2014 Blue Collar Healthy Annuitant Mortality Tables, set forward 3 years, projected generationally using Scale BB from 2014, with a minimum 3% rate of mortality applicable at all ages
Police (All lives)	RP-2000 Combined Healthy Mortality Tables
Fire (Healthy lives)	RP-2000 Combined Healthy Mortality Tables, set back 2 years, projected generationally using Scale AA from 2000
Fire (Disabled lives)	RP-2000 Disabled Retiree Mortality Tables

Discount Rate. The discount rate for OPEB funded entirely on a pay-as-you-go basis is the yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher (or equivalent quality on another rating scale). For the OPEB measurement at December 31, 2017, the City's actuaries used the Bond Buyer US Weekly Yields 20 General Obligation Bond Index of 3.44%. The discount rate as of December 31, 2016 used in calculating the total OPEB liability as of September 30, 2017 for restating the financial statements was 3.78%. The discount rate decreased 0.34% between these two measurement dates.

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

b – Total OPEB Liability, continued

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following presents the total OPEB liability of the City calculated using the discount rate discussed above, as well as what the total OPEB 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.

1% Decrease			Current Discount Rate			1% Increase		
Rate		Total OPEB Liability	Rate		Total OPEB Liability	Rate		Total OPEB Liability
2.44%	$	3,043,665	3.44%	$	2,524,897	4.44%	$	2,123,411

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the City calculated using the healthcare cost trend rates displayed above, as well as what the total OPEB liability (in thousands) would be if it were calculated using healthcare cost trend rates that are 1-percentage point lower and 1-percentage point higher than the current rates.

1% Decrease		Current Rate		1% Increase	
Total OPEB Liability		Total OPEB Liability		Total OPEB Liability	
$	2,087,263	$	2,524,897	$	3,101,315

Schedule of Changes in Total OPEB Liability. Changes in the total OPEB liability for measurement period ended December 31, 2017 is as follows (in thousands):

Total OPEB liability at December 31, 2016	$	2,055,627
Changes for the year:		
Service cost		86,687
Interest		80,132
Differences between expected and actual experience		64,227
Assumption changes		283,099
Expected benefit payments		(44,875)
Net change in total OPEB liability		469,270
Total OPEB liability at December 31, 2017	$	2,524,897

The OPEB plan had no changes in benefit terms during the period. Assumption changes included:

- Lowering the discount rate from 3.78% to 3.44% based on Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date,
- Updating medical and prescription drug claim costs to reflect more recent experience,
- Modifying medical and prescriptions drug trend rates by splitting the single category from the previous valuation into three categories for the current valuation, grading these categories for different periods, and lowering the ultimate trend rate from 5.0% to 4.5%, and
- Updating third-party administrator and vendor administrative expenses to reflect more recent contracts and assumed trends on such costs.

c – Other Postemployment Benefits Expense

Total OPEB expenses recognized by the City for the fiscal year ended September 30, 2018 were $213,006 (in thousands).

8 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), continued

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At September 30, 2018, the City reported deferred outflows and inflows of resources related to OPEB from the following sources (in thousands):

	Deferred Outflows	Deferred Inflows
Benefit payments subsequent to the measurement date	$ 35,830	--
Differences between expected and actual experience	55,720	--
Changes in assumptions	245,603	--
Changes in proportionate share (between funds)	11,713	11,713
Total	$ 348,866	11,713

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

Fiscal Year Ended September 30	
2019	$ 46,004
2020	46,004
2021	46,004
2022	46,004
2023	46,004
Thereafter	71,303
Total	$ 301,323

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.

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

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, 2018, $96 thousand in premiums was deferred. As of September 30, 2018, the fair value of Austin Energy's futures, options, and swaps was an unrealized loss of $7.7 million, of which $7.8 million is reported as derivative instruments in liabilities and $50 thousand 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. While the instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments, they are generally used by Austin Energy as factors in the cost of transmission, and therefore meet the Normal Purchases and Normal Sales scope exception allowing them to be reported at cost.

In fiscal year 2018, Austin Energy sold PCRRs and recorded a gain of $193 thousand; however, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2018, $344 thousand remained deferred.

On September 30, 2018, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction		Reference Index	Fair Value at September 30, 2018: Maturity Dates	Notional Volumes	Fair Value	Change in Fair Value	Premiums Deferred
Long	OTC Call Options	Henry Hub	Oct 2018 - Sept 2021	5,945,000 (1)	$ 50	(257)	1,246
			Derivative instruments (assets)		50	(257)	1,246
Short	OTC Put Options	Henry Hub	Oct 2018 - Sep 2021	(5,945,000) (1)	(2,743)	82	(1,150)
Long	OTC Basis Swaps	WAHA	Oct 2018	155,000 (1)	(189)	(187)	--
Long	OTC Swaps	Henry Hub	Oct 2018 - Sep 2020	4,645,000 (1)	(4,864)	(492)	--
			Derivative instruments (liabilities)		(7,796)	(597)	(1,150)
			Total		$ (7,746)	(854)	96

(1) Volume in MMBTUs

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.

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

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, 2018, the brokerages had credit ratings of A.

The over-the-counter agreements expose Austin Energy to credit risk; however, at September 30, 2018, 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, 2018, 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 of 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.

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 i.e. NYMEX (Henry Hub). As of September 30, 2018, the NYMEX price was $3.02 per MMBTU (one million British thermal unit, a measurement of heating value), the WAHA Hub price was $1.21 per MMBTU, Katy was $3.20 per MMBTU, and the HSC Hub price was $3.17 per MMBTU.

Risks

As of September 30, 2018, 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.

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

As of September 30, 2018, the City has three outstanding swap transactions with initial and outstanding notional amounts totaling $602.1 million and $364.1 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, 2018, 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
Business-Type Activities - Hedging derivatives:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Pay 3.600%, receive SIFMA swap index	5/15/2008	5/15/2031	$ 105,690	(9,653)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025	176,100	(12,349)
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	82,325	(5,721)
					$ 364,115	(27,723)

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.

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, 2018 (in thousands):

	Outstanding	Fair Value and Classification		Change in fair value	
Item	Notional Amount	Amount	Classification	Deferred Outflows	Deferred Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	$ 105,690	(9,653)	Non-current liability	5,856	--
AIR1	176,100	(12,349)	Non-current liability	9,187	--
HOT1	82,325	(5,721)	Non-current liability	4,193	--
	$ 364,115	(27,723)		19,236	--

Due to the continued low interest rate levels during fiscal year 2018, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2018. 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.

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

Risks

Credit risk. As of September 30, 2018, 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, 2018, are included in the table below:

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

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.

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, 2018, are included in the table below (in thousands):

		Counterparty Swap Interest				
Item	**Related Variable Rate Bonds**	**Pay**	**Receive**	**Net**	**Interest to Bondholders**	**Net Interest Payments**
Business-Type Activities:						
WW2	Water & Wastewater Revenue Refunding Bonds,	$ (3,830)	1,309	(2,521)	(1,326)	(3,847)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	(7,218)	2,122	(5,096)	(2,258)	(7,354)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(2,721)	960	(1,761)	(1,042)	(2,803)
		$ (13,769)	4,391	(9,378)	(4,626)	(14,004)

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

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, 2018, 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, 2018, the City did not have any investment derivative instruments related to interest rate swaps.

c -- Swap Payments and Associated Debt

As of September 30, 2018, 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) Principal	Interest (1)	Interest Rate Swaps, Net	Total Interest
2019	$ 28,525	234	12,501	12,735
2020	31,935	197	11,338	11,535
2021	31,010	159	10,177	10,336
2022	27,710	121	9,123	9,244
2023	39,185	84	7,931	8,015
2024-2028	149,125	(31)	19,882	19,851
2029-2032	56,625	(42)	2,863	2,821
Total	$ 364,115	722	73,815	74,537

(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 9/30/2018.

10 – DEFICITS IN FUND BALANCES AND NET POSITION

At September 30, 2018, 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.

Nonmajor Governmental		Deficit
Special Revenue Funds:		
Auto Theft Interdiction	$	27
Fiscal Surety - Land Development		947
Town Lake Beautification		16
Capital Projects Funds:		
2016 fund		
Mobility		1,260
Other funds		
General Government Projects		1,915
Build Austin		5
Public Works		711
City Hall, plaza, parking garage		6,232
Nonmajor Enterprise		
Austin Resource Recovery		86,927
Transportation		79,298

11 – INTERFUND BALANCES AND TRANSFERS

a -- Interfund receivables, payables, and advances

Interfund receivables, payables, and advances at September 30, 2018, are as follows (in thousands):

	Due From				
Due To	Nonmajor Governmental	Austin Energy	Austin Water Utility	Nonmajor Enterprise	Total
General Fund	$ 16	215	--	--	231
Nonmajor governmental	11,112	--	--	--	11,112
Airport	--	166	--	--	166
Nonmajor enterprise	--	--	301	1,148	1,449
Total	$ 11,128	381	301	1,148	12,958

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 ($11.9 million). Deficits in grant funds awaiting reimbursement from grantors ($10.7 million) was borrowed from the Fiscal Surety fund.

	Advance To						
Advance From	Nonmajor Governmental	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Internal Service	Total
General Fund	$ --	441	--	--	--	--	441
Nonmajor governmental	7,779	152	--	32	229	12	8,204
Austin Water Utility	556	10,821	--	--	--	--	11,377
Airport	--	341	--	--	--	--	341
Nonmajor enterprise	348	--	1,803	--	--	--	2,151
Total	$ 8,683	11,755	1,803	32	229	12	22,514

Advances to and advances from reflect borrowing that will not be liquidated within one year. 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, which replaced an insurance policy previously held for combined lien reserve, on behalf of both enterprise funds. Of the $7.8 million between nonmajor governmental funds, $6.3 million represents a long-term borrowing by the City Hall fund from the TPSD general improvements fund as a result of a deficit in pooled investments and cash.

11 – INTERFUND BALANCES AND TRANSFERS
b -- Transfers

Transfers at September 30, 2018, are as follows (in thousands):

	Transfers In						
Transfers Out	General Fund	Nonmajor Governmental	Austin Energy	Austin Water Utility	Nonmajor Enterprise	Internal Service	Total
General Fund	$ --	7,553	--	--	1,853	2,370	11,776
Nonmajor governmental	5,721	36,143	45	--	101,770	--	143,679
Austin Energy	115,873	--	--	12	--	--	115,885
Austin Water Utility	49,148	75	2,625	--	--	9	51,857
Airport	--	--	182	--	--	--	182
Nonmajor enterprise	635	5,794	27	53	84	--	6,593
Internal service	2,237	19,677	--	--	180	28	22,122
Total	$ 173,614	69,242	2,879	65	103,887	2,407	352,094

Interfund transfers are authorized through City council approval. Significant transfers include: Austin Energy and Austin Water Utility transfers to the General Fund ($165 million), which are comparable to a return on investment to owners. Tax collections from the Hotel-Motel Occupancy Tax ($69.5 million) and the Vehicle Rental Tax ($9.9 million), special revenue funds, are transferred to the Convention Center in support of convention operations and debt service. In addition, there was a transfer of ($22.1 million) from the Watershed Protection Annexed Areas fund to reimburse the Drainage fund for the buyouts of single family homes in flood-prone areas.

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 July 2, 2018, the PUC approved the City's most recent wholesale transmission rate of $1.187214/KW. Transmission revenues totaled approximately $79 million in fiscal year 2018. 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, 2018, 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 costs differ from amounts billed to customers, then regulatory assets or deferred inflows are recorded by Austin Energy. Pass-through rates are set annually and the power supply factor can be adjusted 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.

12 – SELECTED REVENUES, continued
a -- Major Enterprise Funds, continued

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 2018, the Airport fund revenues included minimum concession guarantees of $22,090,118.

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, 2018 (in thousands):

Fiscal Year Ended September 30	Airport Lease Receipts
2019	$ 28,359
2020	29,560
2021	29,507
2022	27,902
2023	27,728
2024-2028	105,933
2029-2033	11,441
2034-2038	8,331
2039-2043	3,568
Thereafter	1,780
Totals	$ 274,109

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):

Fiscal Year Ended September 30	Future Lease Receivables
2019	$ 2,607
2020	2,425
2021	1,866
2022	1,731
2023	1,594
2024-2028	6,945
Totals	$ 17,168

13 – TAX ABATEMENTS

The City grants tax abatements 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.

13 – TAX ABATEMENTS, continued
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 2018, the City had four agreements under this program which resulted in rebates that meet the definition of tax abatements of approximately $10.2 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.

Exemption Program

There were no active agreements under the Media Production Development Zone Program during fiscal year 2018.

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 $17.8 million as of September 30, 2018. The decrease in the pro-rata interest from 2017 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, 2018, Austin Energy's investment in the STP was approximately $361.8 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.

14 – COMMITMENTS AND CONTINGENCIES, continued
b -- South Texas Project, continued

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. At September 30, 2018, the trust's assets were in excess of the estimated liability by $20.9 million which is reported as part of deferred inflows of resources (in thousands).

Decommissioning trust assets	$ 222,505
Pro rata decommissioning liability	(201,617)
	$ 20,888

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 $6.2 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 2043.

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, 2018, the financial statements includes a $3.8 million short-term decommissioning liability related to Holly and a $404 thousand short-term environmental liability related to Fayette and Decker, classified as other liabilities. The amount is based on 2018 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, 2018.

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 2018 Capital Budget has substantial contractual commitments relating to its capital improvement plan.

14 – COMMITMENTS AND CONTINGENCIES, continued
h -- Capital Improvement Plan, continued

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.

Project		Remaining Commitment (in thousands)
Governmental activities:		
General government	$	154,178
Public safety		39,003
Transportation, planning, and sustainability		206,795
Public health		3,642
Public recreation and culture		54,570
Urban growth management		13,980
Business-type activities:		
Electric		124,808
Water		117,755
Wastewater		146,555
Airport		283,530
Convention		69,557
Environmental and health services		9,282
Public recreation and culture		123
Urban growth management		111,594
Total	$	1,335,372

i -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2018, is as follows (in thousands):

		Encumbrances
General Fund	$	25,033
Nonmajor governmental		
Special Revenue		23,865
Capital Projects		136,487
	$	185,385

Significant encumbrances include reservations for the 2016 bond program ($38,165), 2012 bond program ($31,535), Communications and Technology Management ($26,717), and General government projects ($16,465).

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, 2018, is as follows (in thousands):

		Closure	Postclosure	Total
Total estimated costs	$	23,706	9,899	33,605
% capacity used		100%	100%	100%
Cumulative liability accrued		23,706	9,899	33,605
Costs incurred		(21,115)	--	(21,115)
Closure and postclosure liability	$	2,591	9,899	12,490

14 – COMMITMENTS AND CONTINGENCIES, continued
j -- Landfill Closure and Postclosure Liability, continued

These amounts are based on the 2018 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:

Fund Name	Description
Employee Benefits	City employees and retirees may choose a self-insured PPO, HMO, or CDHP with HSA for health coverage. Approximately 17% of City employees and 24% of retirees use the HMO option; approximately 73% of City employees and 75% of retirees use the PPO option; and approximately 11% 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. Third-party claims activities are also reported directly in the Austin Energy, Austin Water Utility, and Airport 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.

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 fiscal year 2018, eleven claims exceeded the stop-loss limit of $500,000; during fiscal year 2017, four claims exceeded the stop-loss limit of $500,000, and during fiscal year 2016, ten claims 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 four 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 $48.4 to $53.5 million. In accordance with GAAP, $48.4 million is recognized as claims payable in the financial statements with $23.9 million recognized as a current liability and $24.5 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. Austin Energy, Austin Water utility, and Airport 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.

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

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

	Austin Energy		Austin Water Utility		Airport	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Liability balances, beginning of year	$ 2,070	--	562	--	1	--
Claims and changes in estimates	(1,708)	2,221	29	1,839	--	9
Claim payments	(293)	(151)	(238)	(1,277)	(1)	(8)
Liability balances, end of year	69	2,070	353	562	--	1
	Employee Benefits (1)		**Liability Reserve**		**Workers' Compensation**	
	2018	**2017**	**2018**	**2017**	**2018**	**2017**
Liability balances, beginning of year	18,822	14,310	4,975	9,364	25,299	25,664
Claims and changes in estimates	158,704	18,568	2,963	3,984	5,101	3,524
Claim payments	(161,001)	(14,056)	(3,498)	(8,373)	(3,391)	(3,889)
Liability balances, end of year	$ 16,525	18,822	4,440	4,975	27,009	25,299

(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 $160,180 for the year ended September 30, 2017.

The Austin Water Utility fund claims liability balance at fiscal year-end included liabilities of $238 thousand discounted at 4.44% in 2018 and $216 thousand discounted at 3.75% in 2017. The Liability Reserve fund claims liability balance at fiscal year-end included liabilities of $2.8 million discounted at 4.44% in 2018 and $3.1 million discounted at 3.75% in 2017.

l -- 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.

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 2.1 million square feet of civic, institutional, hotel and Class A office space, including over 600,000 square feet of retail space that is either complete or under construction. Over 100 employers provide approximately 5,800 jobs at Mueller. From the start of home sales in 2007, the community has been well received. As of September 30, 2018, approximately 2,040 single-family homes and 2,110 multi-family units were either complete or under construction. Catellus has also recently completed the infrastructure for an additional 140 single-family homes, and commercial and multi-family sites in the Town Center.

14 – COMMITMENTS AND CONTINGENCIES, continued
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. $2,111,882 in total assessments were levied in the year ended September 30, 2018. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2018 are $13,705,000 and $4,827, 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. $366,873 in total assessments were levied in the year ended September 30, 2018. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2018 are $2,525,000 and $365, 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. $1,786,810 in total assessments were levied during the fiscal year ended September 30, 2018. The aggregate principal outstanding at September 30, 2018 is $10,615,000.

n -- Capital Leases

The City has entered into a lease agreement to finance equipment for both governmental and 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, 2018, under capital lease obligations (in thousands):

Capital Assets	Governmental Activities	Austin Energy
Building and improvements	$ --	1,405
Equipment	14,257	--
Accumulated depreciation	--	(562)
Net capital assets	$ 14,257	843

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, 2018, was $24.3 million.

Fiscal Year Ended September 30	Future Lease Payments
2019	$ 23,285
2020	19,845
2021	18,872
2022	17,340
2023	17,319
2024-2028	17,316
Totals	$ 113,977

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, 2018. 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, 2018, $155.5 million in housing revenue bonds were outstanding with an original issue value of $163 million.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport. 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, 2018, $145 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):

Condensed Statement of Net Position

ASSETS	
Current assets	$ 189,334
Capital assets	207,327
Other noncurrent assets	21,876
Total assets	418,537
DEFERRED OUTFLOWS OF RESOURCES	26,521
LIABILITIES	
Other current liabilities	24,138
Other noncurrent liabilities	218,914
Total liabilities	243,052
DEFERRED INFLOWS OF RESOURCES	1,803
NET POSITION	
Net investment in capital assets	68,515
Restricted	36,716
Unrestricted	94,972
Total net position	$ 200,203

17 – SEGMENT INFORMATION – CONVENTION CENTER, continued

Condensed Statement of Revenues, Expenses, and Changes in Net Position	
OPERATING REVENUES	
User fees and rentals	$ 33,752
Total operating revenues	33,752
OPERATING EXPENSES	
Operating expenses before depreciation	67,889
Depreciation and amortization	9,026
Total operating expenses	76,915
Operating income (loss)	(43,163)
Nonoperating revenues (expenses)	(3,752)
Transfers	76,681
Change in net position	29,766
Beginning net position, as restated	170,437
Ending net position	$ 200,203

Condensed Statement of Cash Flows	
Net cash provided (used) by:	
Operating activities	$ (26,910)
Noncapital financing activities	76,698
Capital and related financing activities	(23,512)
Investing activities	3,909
Net increase (decrease) in cash and cash equivalents	30,185
Cash and cash equivalents, beginning	157,807
Cash and cash equivalents, ending	$ 187,992

18 – RESTATEMENT

During fiscal year 2018, the City implemented a new accounting standard, GASB Statement No. 75, “Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.” This statement revised the standards for determination of the OPEB liability, for accounting and reporting for OPEB expenses and liabilities, and for deferral of certain OPEB expense elements. As a result of implementing this statement, net position was restated at October 1, 2017. The City’s other postemployment benefits payable was eliminated and replaced by a larger OPEB liability which was divided into short- and long-term components. In addition, net contributions made by the City for retiree healthcare benefits from January 1 to September 30, 2017, are recorded as deferred outflows of resources. The impact of these changes on the beginning balances reported in the financial statements is shown below (in thousands):

	Government-wide		Proprietary Funds		
September 30, 2017	**Governmental Activities**	**Business-Type Activities**	**Airport**	**Nonmajor Enterprise Funds**	**Business-Type Activities**
Net position, as previously reported	$ 455,353	3,976,814	615,880	555,915	3,930,170
Adjustments to properly record implementation of GASB Statement No. 75	(639,689)	(188,749)	(40,600)	(148,149)	(188,749)
Net position, as restated	$ (184,336)	3,788,065	575,280	407,766	3,741,421

The adjustments associated with the implementation of this standard were deferred in accordance with accounting for regulated operations for Austin Energy and Austin Water Utility. The amount deferred is $103 million and $75.1 million respectively; therefore, there was no restatement to net position in these funds.

19 – SUBSEQUENT EVENTS
a -- General Obligation Bond Issue

In October 2018, the City issued $65,595,000 of Public Improvement Bonds, Series 2018. The net proceeds of $69,055,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and mobility ($63,670,000), parks and recreation ($3,790,000), and facility improvements ($1,595,000). These bonds will be amortized serially on September 1 of each year from 2019 to 2038. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2019. Total interest requirements for these bonds, at rates ranging from 3.0% to 5.0%, are $12,395,116.

In October 2018, the City issued $7,140,000 of Certificates of Obligation, Series 2018. The net proceeds of $7,500,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts ($6,000,000), and fire station improvements ($1,500,000). These certificates of obligation will be amortized serially on September 1 of each year from 2019 to 2038. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2019. Total interest requirements for these obligations, at rates ranging from 3.0% to 5.0%, are $3,121,116.

In October 2018, the City issued $21,215,000 of Public Property Finance Contractual Obligations, Series 2018. The net proceeds of $23,115,000 (after issue costs, discounts, and premiums) from this issue will be used for capital equipment. These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2019 to 2025. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2019. Total interest requirements for these obligations, at rates ranging from 4.0% to 5.0%, are $4,060,563.

In October 2018, the City issued $6,980,000 of Public Improvement Taxable Bonds, Series 2018. The net proceeds of $7,000,000 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing. Interest is payable March 1 and September 1 of each year from 2019 to 2038, commencing on March 1, 2019. Principal payments are due September 1 of each year from 2019 to 2038. Total interest requirements for this obligation, at rates ranging from 3.4% to 5.0% are $3,184,623.

b -- Water and Wastewater – System Revenue Bond Issue

In November 2018, the City issued $3,000,000 of Water and Wastewater System Revenue Bonds, Series, 2018. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $2,769,600 will be used to improve and extend the Water/Wastewater system. The total debt service requirements on the bonds are $3,740,207, with interest rates ranging from 1.2% to 2.6%. Interest payments are due May 15 and November 15 of each year from 2019 to 2038. Principal payments are due November 15 of each year from 2019 to 2038.

REQUIRED SUPPLEMENTARY INFORMATION

(In thousands)

General Fund	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Taxes	$ 702,761	100	702,861	691,467	691,467	11,394
Franchise fees	35,738	(76)	35,662	36,936	36,936	(1,274)
Fines, forfeitures and penalties	10,330	--	10,330	14,075	14,075	(3,745)
Licenses, permits and inspections	54,103	(7)	54,096	59,943	59,943	(5,847)
Charges for services/goods	61,705	2,565	64,270	65,457	65,457	(1,187)
Interest and other	21,389	(10,568)	10,821	6,982	7,850	2,971
Total revenues	886,026	(7,986)	878,040	874,860	875,728	2,312
EXPENDITURES						
General government						
Municipal Court	22,021	703	22,724	22,555	22,555	(169)
Public safety						
Police	338,547	49,056	387,603	402,536	402,536	14,933
Fire	172,356	20,356	192,712	195,713	195,713	3,001
Emergency Medical Services	73,857	9,016	82,873	86,320	86,320	3,447
Public health						
Public Health	38,673	(826)	37,847	39,123	39,123	1,276
Animal Services	10,915	1,653	12,568	13,266	13,266	698
Social Services	34,822	(783)	34,039	33,965	33,965	(74)
Public recreation and culture						
Parks and Recreation	75,509	9,334	84,843	86,026	85,745	902
Austin Public Library	44,611	5,380	49,991	50,446	50,446	455
Urban growth management						
Development Services	41,125	6,286	47,411	53,342	53,342	5,931
Planning and Zoning	6,148	1,636	7,784	8,722	8,722	938
Other urban growth management	35,020	3,422	38,442	39,846	40,864	2,422
General city responsibilities (4)	113,140	(105,665)	7,475	7,744	7,744	269
Total expenditures	1,006,744	(432)	1,006,312	1,039,604	1,040,341	34,029
Excess (deficiency) of revenues over expenditures	(120,718)	(7,554)	(128,272)	(164,744)	(164,613)	36,341
OTHER FINANCING SOURCES (USES)						
Transfers in	173,614	50,826	224,440	192,692	192,842	31,598
Transfers out	(11,776)	(57,817)	(69,593)	(37,714)	(37,995)	(31,598)
Total other financing sources (uses)	161,838	(6,991)	154,847	154,978	154,847	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	41,120	(14,545)	26,575	(9,766)	(9,766)	36,341
Fund balance at beginning of year	171,814	7,815	179,629	151,180	151,180	28,449
Fund balance at end of year	$ 212,934	(6,730)	206,204	141,414	141,414	64,790

(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 fourteen separately budgeted funds: the Budgetary General Fund, as budgeted by the City, plus the Budget Stabilization Reserve, Barton Springs Conservation, Community Development Incentives, Economic Development, Economic Incentives Reserve, Emergency Reserve, Long Center Capital Improvements, Music Venue Assistance Program, Neighborhood Housing-Housing Trust, Parks and Recreation Special Events, Pay for Success, Property Tax Reserve, and Seaholm Parking Garage Revenue.

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 ($7,156,713).

b -- Budget Amendments

During fiscal year 2018 an amendment to the General Fund Interest and other revenue budget increased it by $868,240 to reflect proceeds related to the Aspen Heights Density Bonus Program. This was the sole revenue budget amendment. The budget for Transfers in was increased by $150,000 related to a settlement with an apartment complex. Budgeted expenditures in Other urban growth management were increased by $868,240 to provide housing subsidies to the homeless and by $150,000 to fund relocation costs related to the apartment settlement. The expenditure budget related to Parks and Recreation was decreased by $280,630 and the budget for Transfers out was increased by the same amount. Upgrades to the Millennium Youth Entertainment Complex that were originally budgeted to be spent in 2018 were delayed resulting in this amendment which moved the funds from the operating to the capital budget.

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):

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	$ 41,120
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	3,011
Net compensated absences accrual	(325)
Outstanding encumbrances established in current year	(22,292)
Payments against prior year encumbrances	14,685
Other	(9,624)
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 26,575

RETIREMENT PLANS-TREND INFORMATION

Changes in net pension liability for each pension plan for the measurement periods ended December 31, 2014, 2015, 2016, and 2017 are presented in the next three schedules:

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

	2014	2015	2016	2017
Beginning total pension liability (a)	$ 2,909,918	3,094,056	3,391,796	3,591,376
Changes for the year:				
Service cost	89,235	93,506	107,111	107,767
Interest	222,710	236,844	251,684	266,257
Differences between expected and actual experience	33,911	13,414	19,914	22,755
Assumption changes	--	123,493	--	--
Benefit payments including refunds	(161,718)	(169,517)	(179,129)	(190,332)
Net change in total pension liability	184,138	297,740	199,580	206,447
Ending total pension liability (b)	3,094,056	3,391,796	3,591,376	3,797,823
Beginning total plan fiduciary net position (c)	2,130,624	2,209,800	2,144,804	2,299,688
Changes for the year:				
Employer contributions	93,331	100,485	104,273	110,846
Employee contributions	50,490	54,066	60,801	56,194
Pension plan net investment income (loss)	99,704	(47,608)	171,640	376,820
Benefits payments and refunds	(161,718)	(169,517)	(179,129)	(190,332)
Pension plan administrative expense	(2,631)	(2,422)	(2,701)	(2,778)
Net change in plan fiduciary net position	79,176	(64,996)	154,884	350,750
Ending total plan fiduciary net position (d)	2,209,800	2,144,804	2,299,688	2,650,438
Beginning net pension liability (a-c)	779,294	884,256	1,246,992	1,291,688
Ending net pension liability (b-d)	$ 884,256	1,246,992	1,291,688	1,147,385
Plan fiduciary net position as a percentage of the total pension liability (d/b)	71.42%	63.24%	64.03%	69.79%
Covered payroll	$ 514,787	546,058	573,308	609,553
City's net pension liability as a percentage of covered payroll	171.77%	228.36%	225.30%	188.23%

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, 2017, 2016 or 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	2017
Beginning total pension liability (a)	$ 909,000	971,623	1,028,909	1,106,189
Changes for the year:				
Service cost	30,254	32,138	32,990	35,322
Interest	72,443	76,999	80,846	84,472
Benefit changes	(11,015)	(4,080)	--	--
Differences between expected and actual experience	--	(6,318)	7,455	17,241
Assumption changes	14,137	3,904	5,148	--
Contribution buy back	2,207	4,648	1,668	2,915
Benefit payments including refunds	(45,403)	(50,005)	(50,827)	(56,548)
Net change in total pension liability	62,623	57,286	77,280	83,402
Ending total pension liability (b)	971,623	1,028,909	1,106,189	1,189,591
Beginning total plan fiduciary net position (c)	595,110	638,019	644,174	686,020
Changes for the year:				
Employer contributions	32,400	33,239	33,814	35,141
Employee contributions	19,458	20,061	20,623	21,437
Contribution buy back	2,207	4,648	1,668	2,915
Pension plan net investment income (loss)	35,574	(322)	37,965	82,072
Benefits payments and refunds	(45,403)	(50,005)	(50,827)	(56,548)
Pension plan administrative expense	(1,327)	(1,466)	(1,397)	(1,562)
Net change in plan fiduciary net position	42,909	6,155	41,846	83,455
Ending total plan fiduciary net position (d)	638,019	644,174	686,020	769,475
Beginning net pension liability (a-c)	313,890	333,604	384,735	420,169
Ending net pension liability (b-d)	$ 333,604	384,735	420,169	420,116
Plan fiduciary net position as a percentage of of the total pension liability (d/b)	65.67%	62.61%	62.02%	64.68%
Covered payroll	$ 149,686	152,696	157,303	163,995
City's net pension liability as a percentage of covered payroll	222.87%	251.96%	267.11%	256.18%

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, 2017, 2015 or 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	2017
Beginning total pension liability (a)	$ 806,282	861,468	913,618	977,723
Changes for the year:				
Service cost	25,319	23,309	24,323	23,830
Interest	62,977	66,405	70,893	75,812
Benefit Changes	--	--	5,491	8,964
Differences between expected and actual experience	--	7,193	8,893	4,360
Assumption changes	4,883	--	--	--
Benefit payments including refunds	(37,993)	(44,757)	(45,495)	(51,888)
Net change in total pension liability	55,186	52,150	64,105	61,078
Ending total pension liability (b)	861,468	913,618	977,723	1,038,801
Beginning total plan fiduciary net position (c)	752,622	789,433	785,211	829,610
Changes for the year:				
Employer contributions	18,670	19,222	19,104	19,242
Employee contributions	14,660	15,547	15,884	16,319
Pension plan net investment income	42,005	6,328	55,569	141,915
Benefits payments and refunds	(37,993)	(44,757)	(45,496)	(51,888)
Pension plan administrative expense	(531)	(562)	(662)	(1,400)
Net change in plan fiduciary net position	36,811	(4,222)	44,399	124,188
Ending total plan fiduciary net position (d)	789,433	785,211	829,610	953,798
Beginning net pension liability (a-c)	53,660	72,035	128,407	148,113
Ending net pension liability (b-d)	$ 72,035	128,407	148,113	85,003
Plan fiduciary net position as a percentage of the total pension liability (d/b)	91.64%	85.95%	84.85%	91.82%
Covered payroll	$ 84,589	83,979	86,632	87,266
City's net pension liability as a percentage of covered payroll	85.16%	152.90%	170.97%	97.41%

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, 2017, 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, 2018, 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)

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
	$	$	$	$	
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%
2018	123,058	114,149	8,909	630,631	18.10%

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 forward - 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 2016 forward, 3.25% for 2015
Salary Increases	4.00% to 6.25% for 2016 forward, 4.50% to 6.00% for 2015
Investment Rate of Return	7.50% for 2016 forward, 7.75% for 2015
Retirement Age	2016 forward - 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	2016 forward - 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)
	$	$	$	$	
Police Officers					
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%
2018	34,944	34,944		163,956	21.31%
Fire Fighters					
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%
2018	19,809	19,809		89,834	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

Schedule of Changes in the City of Austin OPEB Liability and Related Ratios (in thousands)

	2017
Beginning total OPEB liability	$ 2,055,627
Changes for the year:	
Service cost	86,687
Interest	80,132
Differences between expected and actual experience	64,227
Assumption changes	283,099
Expected benefit payments	(44,875)
Net change in total OPEB liability	469,270
Ending total OPEB liability	$ 2,524,897
Covered-employee payroll	$ 968,403
City's total OPEB liability as a percentage of covered-employee payroll	260.73%

The OPEB plan had no changes in benefit terms during the period. Assumption changes included:

- Lowering the discount rate from 3.78% to 3.44% based on Bond Buyer US Weekly Yields 20 General Obligation Bond Index as of the measurement date,
- Updating medical and prescription drug claim costs to reflect more recent experience,
- Modifying medical and prescriptions drug trend rates by splitting the single category from the previous valuation into three categories for the current valuation, grading these categories for different periods, and lowering the ultimate trend rate from 5.0% to 4.5%, and
- Updating third-party administrator and vendor administrative expenses to reflect more recent contracts and assumed trends on such costs.

CITY OF AUSTIN, TEXAS
Schedule of Expenditures of Federal Awards
For the Period ended September 30, 2018

	Federal CFDA Number	Award Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Pass through - Texas Department of State Health Services						
Women/Infants/Children 17	10.557	2017-049850-001	$ 5,899,818	$ 18,444	$ -	$ 18,444
Women/Infants/Children 18	10.557	2017-049850-001A	6,079,708	5,116,162	-	5,116,162
Total Texas Department of State Health Services			11,979,526	5,134,606	-	5,134,606
TOTAL U.S. DEPARTMENT OF AGRICULTURE			**11,979,526**	**5,134,606**	**-**	**5,134,606**
U.S. DEPARTMENT OF COMMERCE						
Direct Programs						
End to End Research Platform for Public Safety Millimeter	11.609	70NANB17H166	30,000	1,407	-	1,407
TOTAL U.S. DEPARTMENT OF COMMERCE			**30,000**	**1,407**	**-**	**1,407**
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
ENTITLEMENT GRANTS CLUSTER						
Community Development Block Grant						
Community Development Block Grant 09	14.218	B-09-MC-48-0500	7,934,405	35,132	-	35,132
Community Development Block Grant 12	14.218	B-12-MC-48-0500	7,426,183	10,000	-	10,000
Community Development Block Grant 13	14.218	B-13-MC-48-0500	7,477,383	233,080	-	233,080
Community Development Block Grant 14	14.218	B-14-MC-48-0500	7,268,750	583,171	-	583,171
Community Development Block Grant 15	14.218	B-15-MC-48-0500	7,340,203	924,980	-	924,980
Community Development Block Grant 16	14.218	B-16-MC-48-0500	7,115,474	737,551	(51)	737,500
Community Development Block Grant 17	14.218	B-17-MC-48-0500	7,363,234	2,272,030	1,990,920	4,262,950
Total Community Development Block Grant			51,925,632	4,795,944	1,990,869	6,786,813
TOTAL ENTITLEMENT GRANTS CLUSTER			51,925,632	4,795,944	1,990,869	6,786,813
Direct Programs						
Emergency Solutions Grant						
Emergency Solutions Grant 17	14.231	E-16-MC-48-0500	637,196	67,173	3,360	70,533
Emergency Solutions Grant 18	14.231	E-17-MC-48-0500	886,287	198,488	403,715	602,203
Total Emergency Solutions Grant			1,523,483	265,661	407,075	672,736
Home Grant						
Home Grant 11	14.239	M-11-MC-48-0500	4,385,847	43,632	-	43,632
Home Grant 12	14.239	M-12-MC-48-0500	3,094,513	123,643	-	123,643
Home Grant 13	14.239	M-13-MC-48-0500	3,473,704	72,948	-	72,948
Home Grant 14	14.239	M-14-MC-48-0500	3,747,226	57,513	-	57,513
Home Grant 15	14.239	M-15-MC-48-0500	4,921,049	492,978	15,000	507,978
Home Grant 16	14.239	M-16-MC-48-0500	3,961,137	1,152,013	24,569	1,176,582
Home Grant 17	14.239	M-17-MC-48-0500	3,775,414	1,655,194	491,759	2,146,953
Total Home Grant			27,358,890	3,597,921	531,328	4,129,249

Housing Opportunity for People w/AIDS (HOPWA)						
Housing Opportunity People W/Aids II 15	14.241	TXH15F004	1,118,247	17	3,056	3,073
Housing Opportunity People W/Aids II 16	14.241	TXH16F004	1,138,204	246	13,752	13,998
Housing Opportunity People W/Aids II 17	14.241	TXH17F004	1,296,948	36,566	1,241,139	1,277,705
Total Housing Opportunity for People w/AIDS (HOPWA)			3,553,399	36,829	1,257,947	1,294,776
Section 108 Loan						
Section 108 NCMP	14.248	B-01-MC-48-0500A	3,396,794	169,006	-	169,006
Section 108 Family Business Loan B-10	14.248	B-10-MC-48-0500A	8,000,000	78	667,000	667,078
Section 108 Loan--E. 11th/12th	14.248	B-94-MC-48-0500A	2,387,737	200,461	-	200,461
Total Section 108 Loan			13,784,531	369,545	667,000	1,036,545
Fair Housing Assistance						
Fair Housing Assistance 18	14.401	FF206K176006	270,900	270,900	-	270,900
Total Fair Housing Assistance			270,900	270,900	-	270,900
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			**98,416,835**	**9,336,800**	**4,854,219**	**14,191,019**
U.S. DEPARTMENT OF JUSTICE						
Direct Programs						
Edward Byrne Memorial Justice Assistance Grant Program						
FY14 Edward Byrne Memorial JAG Program	16.738	2014-DJ-BX-0701	330,356	198,214	-	198,214
FY15 Edward Byrne Memorial JAG Program	16.738	2015-DJ-BX-1007	281,625	24,432	9,086	33,518
FY16 Edward Byrne Memorial JAG Program	16.738	2016-DJ-BX-0837	309,975	56,713	123,904	180,617
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-0956	70,690	69,948	-	69,948
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2016-DJ-BX-0161	160,500	160,500	-	160,500
Total Justice Assistance Program			1,153,146	509,807	132,990	642,797
Intellectual Property Crime Enforcement Program						
Intellectual Property Crime Enforcement Program	16.752	2015-ZP-BX-0001	400,000	177,404	-	177,404
Total Intellectual Property Crime Enforcement Program			400,000	177,404	-	177,404
Byrne Criminal Justice Innovation Program						
Byrne Criminal Justice Innovation Program	16.817	2017-AJ-BX0012	1,000,000	13,866	-	13,866
Total Byrne Criminal Justice Innovation Program			1,000,000	13,866	-	13,866
Austin Post Conviction DNA Review and Testing Project						
Austin Post Conviction DNA Review and Testing Project	16.820	2017-DY-BX-0006	600,122	95,469	-	95,469
Total Austin Post Conviction DNA Review and Testing Project			600,122	95,469	-	95,469
City of Austin Sexual Assault Kit Initiative Program						
City of Austin Sexual Assault Kit Initiative Program	16.833	2017-AK-BX-0015	2,000,000	285,070	-	285,070
Total City of Austin Sexual Assault Kit Initiative Program			2,000,000	285,070	-	285,070
Austin Body Worn Expansion Project						
Austin Body Worn Camera Expansion Project	16.835	2016-BC-BX-K054	750,000	697,144	-	697,144
Total Austin Body Worn Camera Expansion Project			750,000	697,144	-	697,144
Federal Department of Justice Asset Forfeiture Fund						
Federal Department of Justice Asset Forfeiture Fund	16.922	N/A	-	1,843,901	-	1,843,901
Total Federal Dept. of Justice Asset Forfeiture Fund			-	1,843,901	-	1,843,901
Pass through - Texas Governor's Office Criminal Justice Division						
APD Juvenile Justice & Delinquency Prevention Project						
APD Juvenile Justice & Delinquency Prevention Project	16.540	2017-JF-FX-0009	28,749	27,881	-	27,881
Total APD Juvenile Justice & Delinquency Prevention Project			28,749	27,881	-	27,881

Victims of Crime Act						
Victims of Crime Act Formula Grant Program	16.575	2016-VA-GX-0033-01	243,660	6,863	-	6,863
Victims of Crime Act Formula Grant Program	16.575	2016-VA-GX-0033-02	332,766	330,929	-	330,929
Victims of Crime Act Formula Grant Program	16.575	2015-VA-GX-0009-01	521,145	269,344	-	269,344
Total Victims of Crime Act			1,097,571	607,136	-	607,136
Coverdell Forensic Project						
Coverdell Forensic Project/Austin Police Department Coverdell Project	16.742	2015-CD-BX-0023	116,008	350	-	350
Coverdell Forensic Project/Austin Police Department Coverdell Project	16.742	2017-CD-BX-0012	94,100	91,973	-	91,973
Total Coverdell Forensic Project			210,108	92,323	-	92,323
Total Texas Governor's Office Criminal Justice Division			1,336,428	727,340	-	727,340
Pass through - SafePlace						
Grant to Encourage Arrest Policies and Enforcement of Protection Orders Program						
Grant to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2015-WE-AX-0012	60,119	21,175	-	21,175
Total SafePlace			60,119	21,175	-	21,175
TOTAL U.S. DEPARTMENT OF JUSTICE			**7,299,815**	**4,371,176**	**132,990**	**4,504,166**
U.S. DEPARTMENT OF STATE						
Direct Programs						
US Embassy Pakistan Entrepreneurship Grant	19.501	SPK33015CA083	499,989	-	38,648	38,648
TOTAL U.S. DEPARTMENT OF STATE			**499,989**	**-**	**38,648**	**38,648**
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 18	20.600	2018-AustinPD-S-1YG-0048	1,000,000	869,505	-	869,505
Total State and Community Highway Safety			1,000,000	869,505	-	869,505
National Priority Safety Program						
Child Safety Seat Program	20.616	2017-AustinEM-G-1YG-0123	82,462	(36)	-	(36)
Child Safety Seat Program	20.616	2018-AustinEM-G-1YG-0207	90,468	90,442	-	90,442
Total National Priority Safety Program			172,930	90,406	-	90,406
Impaired Driving Countermeasures Incentives						
STEP - Impaired Driving Mobilization 18	20.616	2018-AustinPD-IDM-00009	100,000	93,420	-	93,420
Total Impaired Driving Countermeasures Incentives			100,000	93,420	-	93,420
Occupant Protection Incentives						
Click It or Ticket	20.616	2018-AustinPD-CIOT-00008	25,000	13,530	-	13,530
Total Occupant Protection Incentives			25,000	13,530	-	13,530
Total Texas State Hwys and Public Transportation Dept.			1,297,930	1,066,861	-	1,066,861
TOTAL HIGHWAY SAFETY CLUSTER			1,297,930	1,066,861	-	1,066,861

HIGHWAY PLANNING AND CONSTRUCTION CLUSTER						
Pass through - Texas State Hwys and Public Transportation Dept.						
Highway Planning and Construction						
Travel Time & Traffic Count Sensors	20.205	CSJ0914-00-338	499,915	18,347	-	18,347
Sabine Street Promenade	20.205	CSJ0914-04-283	2,736,000	(65,904)	-	(65,904)
North Lamar: Parmer Lane to US 183	20.205	CSJ0914-04-274	1,200,000	351,648	-	351,648
Bicycle Traffic Signal and Detection	20.205	CSJ0914-04-296	200,000	10,000	-	10,000
TAP Pedestrian Safety Devices	20.205	CSJ0914-04-302, 306 & 307	1,983,750	457,566	-	457,566
Bike Share Expansion	20.205	CSJ0914-04-299	908,500	167,003	-	167,003
STP Metropolitan Mobility Project	20.205	CSJ-0914-00-357,360	2,884,000	67,756	-	67,756
Upper Boggy Creek Trail	20.205	CSJ-0914-04-300	1,114,326	928,777	-	928,777
Total Texas State Hwys and Public Transportation Dept.			11,526,491	1,935,193	-	1,935,193
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			11,526,491	1,935,193	-	1,935,193
Direct Programs						
ABIA FAA						
ABIA FAA 59-16-AIP	20.106	3-48-0359-059-2016	14,518,190	168,409	-	168,409
ABIA FAA 60-17-AIP	20.106	3-48-0359-060-2017	14,938,574	6,808,545	-	6,808,545
Total ABIA FAA			29,456,764	6,976,954	-	6,976,954
Federal Motor Carrier Safety						
Implementation of the FY 2017 High Priority Grant	20.237	FM-MHP-0307-17-01-00	630,994	614,927	-	614,927
Total Federal Motor Carrier Safety			630,994	614,927	-	614,927
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			**42,912,179**	**10,593,935**	**-**	**10,593,935**
U.S. TREASURY DEPARTMENT						
Federal Treasury Asset Forfeiture Fund						
Federal Treasury Asset Forfeiture Fund	21.016	N/A	-	535,180	-	535,180
Total Federal Treasury Asset Forfeiture Fund			-	535,180	-	535,180
TOTAL U.S. TREASURY DEPARTMENT			**-**	**535,180**	**-**	**535,180**
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						
Equal Employment Opportunity						
Equal Employment Opportunity 2008	30.001	7FPSLP0105-03	117,600	100	-	100
Equal Employment Opportunity 2017	30.001	EEC450116C0081P00002	94,000	11,130	-	11,130
Equal Employment Opportunity 2018	30.001	FF206K166006	92,000	92,000	-	92,000
Total Equal Employment Opportunity			303,600	103,230	-	103,230
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			**303,600**	**103,230**	**-**	**103,230**
U.S. NATIONAL FOUNDATION FOR THE ARTS						
National Endowment for the Arts						
National Endowment for the Arts	45.024	17-6200-7039	50,000	47,000	1,500	48,500
Total National Endowment for the Arts			50,000	47,000	1,500	48,500
TOTAL U.S. NATIONAL FOUNDATION FOR THE ARTS			**50,000**	**47,000**	**1,500**	**48,500**

U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
Pass through - Texas State Library and Archives Commission						
TEX Treasures	45.310	478-17001	74,995	(39)	-	(39)
TEX Treasures-Mears Collection	45.310	723-17004	25,000	20	-	20
Total Texas State Library and Archives Commission			99,995	(19)	-	(19)
TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			**99,995**	**(19)**	**-**	**(19)**
NATIONAL SCIENCE FOUNDATION						
Pass through - US Ignite, Inc.						
Smart Gigabit Communities Program						
Smart Gigabit Communities Program	47.070	1531046	125,000	69,512	-	69,512
Total Smart Gigabit Communities Program			125,000	69,512	-	69,512
TOTAL NATIONAL SCIENCE FOUNDATION			**125,000**	**69,512**	**-**	**69,512**
U.S. ENVIRONMENTAL PROTECTION AGENCY						
Direct Programs						
Brownfield Assessments						
Brownfield Assessment - Hazardous Substances	66.818	BF-01F7601-0	100,000	65,499	-	65,499
Brownfield Assessment - Petroleum	66.818	BF-01F7601-0	200,000	23,542	-	23,542
Brownfield Cleanup Revolving Loan	66.818	BF-01F21301-0	820,000	2,733	-	2,733
Total Brownfield Assessments			1,120,000	91,774	-	91,774
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			**1,120,000**	**91,774**	**-**	**91,774**
U.S. DEPARTMENT OF ENERGY						
Direct Programs						
Energy Efficiency & Renewable Energy						
Austin Shines	81.087	DE-EE0007177	4,300,000	591,991	1,471,798	2,063,789
Total Energy Efficiency & Renewable Energy			4,300,000	591,991	1,471,798	2,063,789
TOTAL U.S. DEPARTMENT OF ENERGY			**4,300,000**	**591,991**	**1,471,798**	**2,063,789**
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
AGING CLUSTER						
Pass through - Capital Area Council of Governments						
Senior Transportation	93.044	N/A	86,000	(1,596)	-	(1,596)
Senior Transportation	93.044	N/A	86,000	80,102	-	80,102
Total Capital Area Council of Governments			172,000	78,506	-	78,506
TOTAL AGING CLUSTER			172,000	78,506	-	78,506

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	2,096	-	2,096
Total Greater Austin Area Workforce Development			1,487,459	2,096	-	2,096
TOTAL CHILD CARE AND DEVELOPMENT FUND CLUSTER			1,487,459	2,096	-	2,096
Direct Programs						
Assets for Independence Demonstration						
Assets for Independence Demonstration	93.602	90EI0743-01-00	252,604	49,008	-	49,008
Total Assets for Independence Demonstration			252,604	49,008	-	49,008
Ryan White I Emergency Care						
Ryan White I Emergency Care 17	93.914	H89HA00036	4,984,981	227,984	1,950,986	2,178,970
Ryan White I Emergency Care 18	93.914	H89HA00036	5,102,482	283,916	2,175,963	2,459,879
Total Ryan White I Emergency Care			10,087,463	511,900	4,126,949	4,638,849
Ryan White - Part C						
Ryan White - Part C 17	93.918	H76HA00127	852,234	40,732	232,144	272,876
Ryan White - Part C 18	93.918	H76HA00127	845,499	90,278	485,183	575,461
Total Ryan White - Part C			1,697,733	131,010	717,327	848,337
Pass through - Texas Dept. of State Health Services						
Public Health Preparedness and Response						
Public Health Preparedness and Response	93.069	537-18-0343-00001	316,314	205,195	-	205,195
Total Public Health Preparedness and Response			316,314	205,195	-	205,195
Public Health Emergency Preparedness						
Public Health Emergency Preparedness 18	93.074	537-18-0151-00001	682,177	489,773	-	489,773
Public Health Emergency Preparedness 19	93.074	537-18-0151-00001	682,177	135,847	-	135,847
Total Public Health Emergency Preparedness			1,364,354	625,620	-	625,620
TB Outreach						
TB Outreach 17	93.116	2016-001374-01	360,214	168,585	-	168,585
TB Outreach 18	93.116	HHS000047100001	358,768	224,110	-	224,110
Total TB Outreach			718,982	392,695	-	392,695
Immunization Outreach						
Immunization Outreach 18	93.268	537-18-0071-00001	743,439	624,127	-	624,127
Immunization Outreach 19	93.268	HHS0001085000011	700,728	143,966	-	143,966
Total Immunization Outreach			1,444,167	768,093	-	768,093
Zika Epidemiology Lab Capacity and PH Response						
Zika Epidemiology Lab Capacity and PH Response	93.323	537-18-0343-00001	171,275	69,903	-	69,903
Zika Epidemiology Lab Capacity and PH Response	93.323	537-18-0343-00001	124,466	22,991	-	22,991
Total Zika Epidemiology Lab Capacity and PH Response			171,275	92,894	-	92,894
Refugee Health Services						
US Committee for Refugees & Immigrants 17	93.566	2017-AUSTX-01	1,328,968	4,350	-	4,350
US Committee for Refugees & Immigrants 18	93.566	2018-AUSTX-02	1,372,716	1,124,951	-	1,124,951
Total Refugee Health Services			2,701,684	1,129,301	-	1,129,301
HIV PCPE						
HIV PCPE 17	93.940	2016-004063-01	732,328	331,406	-	331,406
HIV PCPE 18	93.940	2016-004063-02	733,303	521,054	-	521,054
Total HIV PCPE			1,465,631	852,460	-	852,460

HIV Surveillance						
HIV Surveillance 17	93.944	2016-001379-01	138,964	44,579	-	44,579
HIV Surveillance 18	93.944	2016-001379-00	149,917	109,329	-	109,329
Total HIV Surveillance			288,881	153,908	-	153,908
STD Control						
STD Control 16	93.977	2016-001346-01	680,145	258,463	-	258,463
STD Control 17	93.977	2016-001346B	710,164	494,442	-	494,442
Total STD Control			1,390,309	752,905	-	752,905
OPHP- Regional & Local Services						
OPHP-Regional & Local Services Section 18	93.991	537-18-0195-00001	160,276	150,717	-	150,717
OPHP-Regional & Local Services Section 19	93.991	537-18-0195-00001	160,276	18,113	-	18,113
Total OPHP - Regional & Local Services			320,552	168,830	-	168,830
Texas Healthy Adolescent						
Texas Healthy Adolescent 18	93.994	2016-003861-02	121,500	113,672	-	113,672
Total Texas Healthy Adolescent			121,500	113,672	-	113,672
Total Texas Dept. of State Health Services			10,303,649	5,255,573	-	5,255,573
Pass through - Texas Dept. of Protective & Regulatory Services						
Promoting Safe and Stable Families						
Community Youth Development 18	93.556	24427073	449,956	199,679	223,874	423,553
Community Youth Development 19	93.556	24427073	449,957	13,114	18,857	31,971
Total Texas Dept. of Protective & Regulatory Services Promoting Safe and Stable Families			899,913	212,793	242,731	455,524
Pass through - Texas Dept. of Housing and Community Affairs						
Community Services Block Grant 17	93.569	61170002616	1,148,202	355,358	-	355,358
Community Services Block Grant 18	93.569	61180002841	1,102,106	832,922	-	832,922
Community Services Block Grant 18	93.569	61180002923	21,558	11,357	-	11,357
Total Texas Dept. of Housing and Community Affairs			2,271,866	1,199,637	-	1,199,637
Pass through - United Way For Greater Austin						
Family Connects 18	93.870	24532533	158,227	126,076	-	126,076
Family Connects 19	93.870	24532533	504,410	51,063	-	51,063
Total United Way For Greater Austin			662,637	177,139	-	177,139
TOTAL U.S. DEPARTMENT OF HEALTH			**27,835,324**	**7,617,662**	**5,087,007**	**12,704,669**
CORPORATION FOR NATIONAL AND COMMUNITY SERVICE						
Corporation for National and Community Service						
Corporation for National and Community Service	94.013	14VSTWTX010	20,000	20,000	-	20,000
Total Corporation for National and Community Service			20,000	20,000	-	20,000
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			**20,000**	**20,000**	**-**	**20,000**

U.S. DEPARTMENT OF HOMELAND SECURITY

Direct Program						
Firefighters Grant						
FEMA Assistance to Firefighters Grant	97.044	EMW-2016-FO-05904	52,614	52,614	-	52,614
Total Firefighters Grant			52,614	52,614	-	52,614
Pass through - Texas Department of Public Safety						
Public Assistance						
FEMA Flood Public Assistance-Austin Energy	97.036	PA-06-TX-4159	4,993,683	(10,357)	-	(10,357)
FEMA Flood Public Assistance	97.036	PA-06-TX-4243	1,916,585	128,231	-	128,231
FEMA Flood Public Assistance	97.036	PA-06-TX-4245	12,904,305	1,457,833	-	1,457,833
Total Public Assistance			19,814,573	1,575,707	-	1,575,707
Hazard Mitigation Grant						
FEMA February Drive Home Buyout	97.039	DR-4223-041	567,683	505,400	-	505,400
Total Hazard Mitigation Grant			567,683	505,400	-	505,400
EMPG						
EMPG 18	97.042	18TX-EMPG-1404	110,000	110,000	-	110,000
Total EMPG			110,000	110,000	-	110,000
State Homeland Security Program						
State Homeland Security Program - 16	97.067	EMW-2015-SS-00080	421,052	(4,557)		(4,557)
State Homeland Security Program - 17	97.067	EMW-2016-SS-00056	425,052	125,006	-	125,006
State Homeland Security Program - 18	97.067	EMW-2017-SS-00005	418,753	413,308	-	413,308
State Homeland Security Program - 17	97.067	EMW-2016-SS-00056	602,026	332,953	-	332,953
State Homeland Security Program - 18	97.067	EMW-2017-SS-00005	16,125	15,133	-	15,133
State Homeland Security Program - 18	97.067	EMW-2015-SS-00080	58,650	58,630	-	58,630
State Homeland Security Program - 18	97.067	EMW-2017-SS-00005	450,000	254,440	-	254,440
Total State Homeland Security Program			2,391,658	1,194,913	-	1,194,913
Total Texas Department of Public Safety			22,883,914	3,386,020	-	3,386,020
Pass through - Texas Commission on Environmental Quality						
Whole Air Quality	97.091	582-16-60198-2	486,758	414,428	-	414,428
Whole Air Quality	97.091	582-19-90032	392,403	27,949	-	27,949
Total Texas Commission on Environmental Quality			879,161	442,377	-	442,377
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			**23,815,689**	**3,881,011**	**-**	**3,881,011**
TOTAL FEDERAL FINANCIAL ASSISTANCE			**$ 218,807,952**	**$ 42,395,265**	**$ 11,586,162**	**$ 53,981,427**

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, 2018

	Award Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
TEXAS GOVERNOR'S OFFICE					
Direct Programs					
Office of Criminal Justice Department					
APD Body Worn Camera Program	2016-BC-ST-0020	$ 750,000	$ 9,777	$ -	$ 9,777
TOTAL TEXAS GOVERNOR'S OFFICE		**750,000**	**9,777**	**-**	**9,777**
TEXAS DEPARTMENT OF STATE HEALTH SERVICES					
Direct Programs					
TB Elimination					
TB Elimination 18	537-18-0028-0001	490,177	482,425	-	482,425
TB Elimination 19	537-18-0028-0001	487,984	32,977	-	32,977
Total TB Elimination		978,161	515,402	-	515,402
Infectious Disease Control Unit/ Surveillance and Epidemiology					
Infectious Disease Control Unit/ Surveillance and Epidemiology	2016-003824-00	169,750	169	-	169
Infectious Disease Control Unit/ Surveillance and Epidemiology	537-18-0329-00001	207,796	186,545	-	186,545
Infectious Disease Control Unit/ Surveillance and Epidemiology	537-18-0329-00001	207,795	15,697	-	15,697
Total Infectious Disease Control Unit/ Surveillance and Epidemiology		585,341	202,411	-	202,411
OTVFH - Lactation Support Center Services - Strategic Expansion Program					
OTVFH - Lactation Support Center Services - Strategic Expansion Program	2015-047635-002	145,000	(1,107)	-	(1,107)
OTVFH - Lactation Support Center Services - Strategic Expansion Program	2015-047635-002A	145,000	130,658	-	130,658
OTVFH - Lactation Support Center Services - Strategic Expansion Program	2015-047635-002	145,000	3,466	-	3,466
Total OTVFH - Lactation Support Center Services - Strategic Expansion Program		435,000	133,017	-	133,017
Pass through - Capital Area Trauma Regional					
Trauma System	537-17-0221-00001	40,000	40,000	-	40,000
Total Capital Area Trauma Regional		40,000	40,000	-	40,000
TOTAL DEPARTMENT OF STATE HEALTH SERVICES		**2,038,502**	**890,830**	**-**	**890,830**
TEXAS COMMISSION OF THE ARTS					
Direct Program					
TCA Sub-granting 17	17-40575	26,500	-	2,500	2,500
TOTAL TEXAS COMMISSION OF THE ARTS		**26,500**	**-**	**2,500**	**2,500**
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION					
Direct Program					
Public Library Digital Inclusion	Gates:OPP1023019	737	420	-	420
TOTAL TEXAS STATE LIBRARY AND ARCHIVES COMMISSION		**737**	**420**	**-**	**420**

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY					
Direct Program					
New Technology Implementation Grant	582-15-54066-1471	1,000,000	1,000,000	-	1,000,000
TOTAL TEXAS COMMISSION OF ENVIRONMENTAL QUALITY		**1,000,000**	**1,000,000**	**-**	**1,000,000**
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS					
Direct Program					
State Contraband Asset Forfeiture Fund	N/A	-	7,600	-	7,600
TOTAL TEXAS COMPTROLLER OF PUBLIC ACCOUNTS		**-**	**7,600**	**-**	**7,600**
TEXAS DEPARTMENT OF MOTOR VEHICLES					
Direct Programs					
Auto Theft Prevention 17	608-17-2270100	430,685	2,208	-	2,208
Auto Theft Prevention 18	608-18-2270100	430,685	425,250	-	425,250
Auto Theft Prevention 19	608-19-2270100	430,685	16,442	-	16,442
TOTAL TEXAS DEPARTMENT OF MOTOR VEHICLES		**1,292,055**	**443,900**	**-**	**443,900**
TEXAS PARKS AND WILDLIFE DEPARTMENT					
Direct Programs					
Colony Park	55-000023	725,000	31,258	-	31,258
Waterloo Park	52-000027	849,518	91,003	-	91,003
TOTAL TEXAS PARKS AND WILDLIFE DEPARTMENT		**1,574,518**	**122,261**	**-**	**122,261**
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS					
Direct Programs					
Homeless Housing and Services Program	63180002756	513,732	80,000	433,732	513,732
TOTAL DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS		**513,732**	**80,000**	**433,732**	**513,732**
TEXAS WATER DEVELOPMENT BOARD					
Direct Programs					
ATX Flood Response Team	1600012034	96,633	63,522	-	63,522
TOTAL TEXAS WATER DEVELOPMENT BOARD		**96,633**	**63,522**	**-**	**63,522**
TOTAL STATE FINANCIAL ASSISTANCE		**$ 7,292,677**	**$ 2,618,310**	**$ 436,232**	**$ 3,054,542**

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, 2018

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards (the Schedule) presents the activity of all federal and state awards to the City of Austin, Texas ("City"). The information in this Schedule is 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 this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying schedule 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 Schedule 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 that are still active: 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 COA financial statements.

Total cumulative project worksheets obligated as of September 30, 2018	$ 19,814,573
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 federal expenditures incurred as of September 30, 2017, and reported in the 2017 Schedule of Expenditures of Federal Awards	(1,303,002)
Total cumulative project worksheet obligated, but not expensed and are not included in the Schedule of Expenditures of Federal Awards	(12,161,181)
Total project worksheets obligated and expensed for the year ended September 30, 2018, and included in the 2018 Schedule of Expenditures of Federal Awards	$ 1,575,707

4. LOANS

In addition to federal awards involving expenditures in 2018, the City has federally guaranteed loans outstanding as of September 30, 2018 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, 2018. The remaining loan balances at September 30, 2018, are as follows:

	Loan Balance
NCMP Section 108	$ 650,369
Section 108 Family Business Loan	104,100
Section 108 Family Business Loan	6,218,623
Total	**$ 6,973,092**

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, 2018, the balance of the loans receivable was approximately $23,073,000.

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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, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 28, 2019, which includes an emphasis of a matter paragraph on the adoption of a new accounting standard. Our report includes a reference to other auditors who audited the financial statements of discretely presented component units, as described in our report on the City's basic 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. 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. However, material weaknesses may exist that have not been identified.

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*.

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.

Deloitte & Touche LLP

February 28, 2019

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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* that could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2018. 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, 2018.

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. 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Deloitte & Touche LLP

April 4, 2019

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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, 2018. 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, 2018.

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.

Deloitte & Touche LLP

April 4, 2019

CITY OF AUSTIN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2018

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)?	None Reported
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)?	None Reported
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)?	No
Any audit findings disclosed that are required to be reported in accordance with Uniform Grant Management Standards?	No

Identification of Major Programs: Federal

16.922	Federal Department of Justice Asset Forfeiture Fund
20.106	ABIA FAA
20.205	Highway Planning and Construction Cluster
97.067	State Homeland Security Program
93.074	Public Health Emergency Preparedness

State

582-15-54066-1471	New Technology Implementation Grant
537-18-0028-0001	TB Elimination
63180002756	Homeless Housing and Services Program

Dollar threshold used to distinguish between Type A and Type B programs:

Federal:	$1,619,443
State:	$300,000
Auditee qualified as low-risk auditee?	Federal — Yes State — Yes

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

No findings noted.

III. FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

No findings noted.

City of Austin
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P.O. Box 2920, Austin, Texas 78768 Telephone 512/974-2600

CITY OF AUSTIN, TEXAS

STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2018

2017-001: Significant Deficiency-Preparation of the Schedule of Expenditures of Federal and State Awards

Criteria - In accordance with the 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 Schedule. 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 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 of the period of availability 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.

Status- Controller's Office – Implemented. The Controller's Office accrued all grant payments for services or products received prior to year-end. Controller's Office also reviewed all payments made 60 days after fiscal year end and worked with departments to appropriately accrue any expenses for prior year goods and services. The Controller's Office also coordinated with departments on any payments for prior year goods and services that occurred or were expected to occur after the 60-day review.

2017-002: Sub-recipient 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 Housing and Urban Development
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.

Status- Austin Public Health (APH)– Implemented. 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.

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, Neighborhood Housing and Community Development Department (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.

Status- Neighborhood Housing and Community Development (NHCD) —Implemented. NHCD incorporated a holistic review of current processes and procedures in relation to the federal Davis-Bacon requirements. The improvements 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 underwent an internal assessment of our current staff capacity and evaluation of complementary training requirements for staff and contractors.

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—3 of the 7 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.

Status- Neighborhood Housing and Community Development (NHCD) —Implemented. NHCD incorporated 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 has added management level review, to verify in advance all information submitted to HUD and any other entities.

2017-005: Reporting-Significant Deficiency in Controls over Compliance

Federal Program: Child 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 reimbursements 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.

Status- Emergency Medical Services (EMS)—Implemented. 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. The financial manager approves the billing packet by signing and dating the document checklist coversheet. Copies of paid invoices and checks are included in the billing packet.

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 statues 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 include 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 tabulation, 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 al competitive procurements associated with federal awards to include consideration of whether including geographic preference is permitted under federal regulations and grant provisions.

Status- Purchasing and Neighborhood Housing and Community Development **—** Implemented. Written policies regarding specialized rules for federal procurement, including review of whether the procurement will allow geographic preference were implemented. In addition, department procurement staff were made aware of the requirements at the annual purchasing refresher training.