

AUSTIN PORT AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2013 AND 2012

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INTRODUCTION SECTION

**AUSTIN PORT AUTHORITY
ORGANIZATION SCHEDULE
DECEMBER 31, 2013**

BOARD OF COMMISSIONERS

| | | <u>Term Expires</u> |
|----------------|----------------|---------------------|
| Jerry McCarthy | President | December 31, 2014 |
| Jeff Austin | Vice-President | December 31, 2016 |
| Larry Maus | Treasurer | December 31, 2015 |
| Jerry Mohrfeld | Commissioner | December 31, 2018 |
| Michael Bednar | Commissioner | December 31, 2013 |
| Roger Boughton | Commissioner | December 31, 2017 |
| Lee Bjorndal | Commissioner | December 31, 2017 |

OFFICERS

| | | |
|-------------|---------------------------------|-----------|
| Tom Dankert | Executive Director (Interim) | Appointed |
| Tom Dankert | Secretary | Appointed |

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Board of Commissioners
The Port Authority of the City of Austin
Austin, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the Austin Port Authority, a component unit of the City of Austin, State of Minnesota, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Board of Commissioners
The Port Authority of the City of Austin

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, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Austin Port Authority, a component unit of the City of Austin, State of Minnesota as of December 31, 2013 and 2012, and the changes in its net position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

The Austin Port Authority adopted new accounting guidance from the Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as of and for the year ended December 31, 2013. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 9 presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

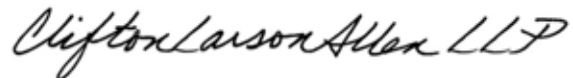
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Austin Port Authority, a component unit of the City of Austin, State of Minnesota's financial statements as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Board of Commissioners
The Port Authority of the City of Austin

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 25, 2014, on our consideration of the Austin Port Authority, a component unit of the City of Austin, State of Minnesota'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 result 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 Austin Port Authority, a component unit of the City of Austin, State of Minnesota's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
March 25, 2014

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REQUIRED SUPPLEMENTARY INFORMATION

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**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012**

As management of the Austin Port Authority, we offer readers of the Austin Port Authority's financial statements this narrative overview and analysis of the financial activities of the Austin Port Authority for the fiscal years ended December 31, 2013 and 2012. The information presented should be read in conjunction with the financial statements and the accompanying notes to the financial statements. The Austin Port Authority is considered part of the reporting entity of the City of Austin, Minnesota, and is included in the City's financial statements as a discretely presented component unit.

OVERVIEW OF THE FINANCIAL STATEMENTS:

This annual financial report consists of three parts: Management's Discussion and Analysis (this section) the basic financial statements, and supplementary information. The Austin Port Authority follows enterprise fund reporting; accordingly, the financial statements are presented using the economic resources measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. The financial statements include the statement of net position, the statement of revenues, expenses, and changes in net position, and the statement of cash flows.

The statement of net position provides information about the nature of assets and obligations (liabilities) of the Austin Port Authority as of the end of the year. The statement of revenues, expenses, and changes in net position reports revenues and expenses for the current year. The statement of cash flows reports cash receipts, cash payments, and changes in cash resulting from operating, noncapital financing activities, capital and related financing activities, and investing activities.

The basic proprietary fund financial statements can be found on pages 10-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the fund financial statements. The notes to the financial statements can be found on pages 14-26 of this report.

Supplemental information. The combining and individual account statements and schedules can be found on pages 27-35 of this report.

FINANCIAL HIGHLIGHTS:

By far the largest portion of the Austin Port Authority's net position (61 percent) is unrestricted at December 31, 2013. The Austin Port Authority advanced \$7,886 through two loans to downtown Austin businesses to rehabilitate the interior/exterior of their buildings as part of the Main Street, Inc. program that is funded by the Austin Port Authority.

The Austin Port Authority is starting to accumulate costs related to the construction of a new building for the Hormel Institute. A \$13.5 million grant was received from the State of Minnesota to match a \$13.5 million grant from the Hormel Foundation for the construction of this facility. In late 2013 engineering and planning costs started to be expended. The estimated completion date is estimated to be in mid-2016.

The Austin Port Authority and the Hormel Foundation continue to make payments to reduce the debt (and notes receivable, respectively) related to the expansion of the Hormel Institute. This original \$10,000,000 bond issue is down to an outstanding balance of \$6,180,000 as of December 31, 2013.

The Walker Building locked up their tenant for another three-year period during 2014 that will provide a steady rent stream in 2014 through 2016. The Robinson Building was able to turn a profit during 2014 with the existing short-term leases. This revenue will help offset operational costs and allow for the cash balance to start turning positive.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012**

AUSTIN PORT AUTHORITY'S NET POSITION

The following tables summarize the financial position of the Austin Port Authority as of December 31, 2013 and 2012:

Condensed Statement of Net Position

| | <u>2013</u> | <u>2012</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|------------------------------------|----------------------|----------------------|--------------------------|------------------------------|
| Current Assets | \$ 3,638,948 | \$ 2,625,549 | \$ 1,013,399 | 38.60% |
| Noncurrent Assets | 6,421,372 | 8,377,882 | (1,956,510) | (23.35%) |
| Net Capital Assets | 572,987 | 425,962 | 147,025 | 34.52% |
| Other Assets | - | 45,610 | (45,610) | (100.00%) |
| Total Assets | <u>\$ 10,633,307</u> | <u>\$ 11,475,003</u> | <u>\$ (841,696)</u> | (7.34%) |
| Current Liabilities | \$ 1,429,512 | \$ 1,200,616 | \$ 228,896 | 19.06% |
| Noncurrent Liabilities | 5,687,931 | 7,208,625 | (1,520,694) | (21.10%) |
| Total Liabilities | <u>\$ 7,117,443</u> | <u>\$ 8,409,241</u> | <u>\$ (1,291,798)</u> | (15.36%) |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$ 572,987 | \$ 425,962 | \$ 147,025 | 34.52% |
| Restricted | 802,541 | 668,402 | 134,139 | 20.07% |
| Unrestricted | 2,140,336 | 1,971,398 | 168,938 | 8.57% |
| Total Net Position | <u>\$ 3,515,864</u> | <u>\$ 3,065,762</u> | <u>\$ 450,102</u> | 14.68% |
| Total Liabilities and Net Position | <u>\$ 10,633,307</u> | <u>\$ 11,475,003</u> | <u>\$ (841,696)</u> | (7.34%) |

Condensed statement of net position highlights are as follows for the year ended December 31, 2013:

- The net position of the Austin Port Authority exceeded liabilities by \$3,515,864 (Net Position). This is an increase of \$450,102 over the net position at the close of 2012.
- Current assets increased by \$1,013,399, primarily due to the net difference in the note payment that is due from the Hormel Foundation for the outstanding debt and the payments out related to downtown revitalization efforts. Additionally, Bellisio Foods, Inc. has opted to pay off the existing lease on the former APC building in early 2014. Current assets consist of cash and cash equivalents, taxes receivable, accounts receivable, interest receivable, and the current portion of notes and leases receivable.
- Noncurrent assets decreased by \$1,956,510, primarily due to the payment on the Hormel Foundation note, the 2015-2018 lease payments from Bellisio Foods, Inc. being paid in full during 2014, and the loan forgiveness on some of the downtown revitalization loans.
- Net capital assets increased by \$147,025 due to the net difference in the capitalized costs related to the Hormel Institute expansion and the depreciation taken on all of our depreciable property. The Hormel Institute expansion is at the planning stages for a \$27 million building that will be owned by the Austin Port Authority and included in net capital assets are capitalized costs related to the expansion.
- Current liabilities increased by \$228,896 primarily due to some year-end accounts payable related to the Hormel Institute building addition, plus an increase in the current portion of the debt payment that is due in 2014 for the existing Hormel Institute bonds.
- Noncurrent liabilities decreased \$1,520,694 during 2013 primarily due to the bond payments associated with the Hormel Institute.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012**

The following tables summarize the financial position of the Austin Port Authority as of December 31, 2012 and 2011:

Condensed Statement of Net Position

| | <u>2012</u> | <u>2011</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|------------------------------------|----------------------|----------------------|--------------------------|------------------------------|
| Current Assets | \$ 2,625,549 | \$ 2,434,005 | \$ 191,544 | 7.87% |
| Noncurrent Assets | 8,377,882 | 9,477,023 | (1,099,141) | (11.60%) |
| Net Capital Assets | 425,962 | 345,659 | 80,303 | 23.23% |
| Other Assets | 45,610 | 56,557 | (10,947) | (19.36%) |
| Total Assets | <u>\$ 11,475,003</u> | <u>\$ 12,313,244</u> | <u>\$ (838,241)</u> | (6.81%) |
| Current Liabilities | \$ 1,200,616 | \$ 1,052,931 | \$ 147,685 | 14.03% |
| Noncurrent Liabilities | 7,208,625 | 8,528,078 | (1,319,453) | (15.47%) |
| Total Liabilities | <u>\$ 8,409,241</u> | <u>\$ 9,581,009</u> | <u>\$ (1,171,768)</u> | (12.23%) |
| Net Position: | | | | |
| Net Investment in Capital Assets | \$ 425,962 | \$ 345,659 | \$ 80,303 | 23.23% |
| Restricted | 668,402 | 572,444 | 95,958 | 16.76% |
| Unrestricted | 1,971,398 | 1,814,132 | 157,266 | 8.67% |
| Total Net Position | <u>\$ 3,065,762</u> | <u>\$ 2,732,235</u> | <u>\$ 333,527</u> | 12.21% |
| Total Liabilities and Net Position | <u>\$ 11,475,003</u> | <u>\$ 12,313,244</u> | <u>\$ (838,241)</u> | (6.81%) |

Condensed statement of net position highlights are as follows for the year ended December 31, 2012:

- The net position of the Austin Port Authority exceeded liabilities by \$3,065,762 (Net Position). This is an increase of \$333,527 over the net position at the close of 2011.
- Current assets increased by \$191,544, primarily due to the net difference in the note payment that is due from the Hormel Foundation for the outstanding debt and the payments out related to downtown revitalization efforts. Current assets consist of cash and cash equivalents, taxes receivable, accounts receivable, interest receivable, and the current portion of notes and leases receivable.
- Noncurrent assets decreased by \$1,099,141, primarily due to the payment on the Hormel Foundation note, and the loan forgiveness on some of the downtown revitalization loans.
- Net capital assets increased by \$80,303 due to the net difference in the interior work done at the Robinson Building and the depreciation taken on all of our depreciable property.
- Current liabilities increased by \$147,685 primarily due to the bond payment that is due in 2013 on the Hormel Institute.
- Noncurrent liabilities decreased \$1,171,768 during 2012 primarily due to the bond payments associated with the Hormel Institute.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012**

The following charts summarize operating revenues, expenses, and changes in net position of the Austin Port Authority for the years ended December 31, 2013 and 2012:

Condensed Statements of Revenues, Expenses, and Changes in Net Position:

| | <u>2013</u> | <u>2012</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|-----------------------------------|---------------------|---------------------|--------------------------|------------------------------|
| Operating Revenues: | | | | |
| Property Taxes | \$ 25,480 | \$ 25,247 | \$ 233 | 0.92% |
| Intergovernmental Revenues | 30 | - | 30 | N/A |
| Lease Revenues | 144,478 | 135,887 | 8,591 | 6.32% |
| Interest on Loans | 405,893 | 454,432 | (48,539) | (10.68%) |
| Total Operating Revenues | <u>\$ 575,881</u> | <u>\$ 615,566</u> | <u>\$ (39,685)</u> | <u>(6.45%)</u> |
| Operating Expenses: | | | | |
| Administrative and General | \$ 187,560 | \$ 237,276 | \$ (49,716) | (20.95%) |
| Depreciation and Amortization | 65,261 | 28,221 | 37,040 | (131.25%) |
| Total Operating Expense | <u>\$ 252,821</u> | <u>\$ 265,497</u> | <u>\$ (12,676)</u> | <u>(4.77%)</u> |
| Operating Income | <u>\$ 323,060</u> | <u>\$ 350,069</u> | <u>\$ (27,009)</u> | <u>(7.72%)</u> |
| Non-Operating Revenues (Expenses) | 96,842 | (65,330) | 162,172 | 248.24% |
| Capital Contribution | 30,200 | 48,788 | (18,588) | (38.10%) |
| Change in Net Position | <u>\$ 450,102</u> | <u>\$ 333,527</u> | <u>\$ 116,575</u> | <u>34.95%</u> |
| Beginning Net Position | \$ 3,065,762 | \$ 2,732,235 | \$ 333,527 | 12.21% |
| Change in Net Position | 450,102 | 333,527 | 116,575 | 34.95% |
| Ending Net Position | <u>\$ 3,515,864</u> | <u>\$ 3,065,762</u> | <u>\$ 450,102</u> | <u>14.68%</u> |

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2013:

- Property taxes and intergovernmental revenues continue to be the operating capital of the Austin Port Authority, with a levy of \$25,000 for 2013 and 2012 to support the operational needs of the Board of Commissioners. Delinquency collections increased the actual property tax revenue above the original levy amount for 2013.
- The interest earnings on loans have decreased by \$48,539 from 2012 as the Hormel Foundation is making principal payments and reducing the amount of their outstanding note receivable, therefore lowering the annual required interest payment on the Development Bonds, Series 2006A.
- Administrative and general expenses have decreased by \$49,716 primarily as the result of fewer downtown revitalization grants that were given out in 2013 versus 2012.
- Non-operating revenues (expenses) increased by \$162,172 for 2013. Contributions related to the Hormel Institute expansion, plus some additional downtown revitalization grants accounted for the primary increase.
- A capital contribution of \$30,200 from the City of Austin occurred in 2013 to transfer a parcel of land in downtown Austin to the Austin Port Authority.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012**

The following charts summarize operating revenues, expenses, and changes in net position of the Austin Port Authority for the years ended December 31, 2012 and 2011:

Condensed Statements of Revenues, Expenses, and Changes in Net Position:

| | <u>2012</u> | <u>2011</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|-----------------------------------|---------------------|---------------------|--------------------------|------------------------------|
| Operating Revenues: | | | | |
| Property Taxes | \$ 25,247 | \$ 22,598 | \$ 2,649 | 11.72% |
| Intergovernmental Revenues | - | 3,150 | (3,150) | (100.00%) |
| Lease Revenues | 135,887 | 102,757 | 33,130 | 32.24% |
| Interest on Loans | 454,432 | 495,954 | (41,522) | (8.37%) |
| Total Operating Revenues | <u>\$ 615,566</u> | <u>\$ 624,459</u> | <u>\$ (8,893)</u> | <u>(1.42%)</u> |
| Operating Expenses: | | | | |
| Administrative and General | \$ 237,276 | \$ 291,465 | \$ (54,189) | (18.59%) |
| Depreciation and Amortization | 28,221 | 25,376 | 2,845 | 11.21% |
| Total Operating Expense | <u>\$ 265,497</u> | <u>\$ 316,841</u> | <u>\$ (51,344)</u> | <u>(16.20%)</u> |
| Operating Income | <u>\$ 350,069</u> | <u>\$ 307,618</u> | <u>\$ 42,451</u> | <u>(13.80%)</u> |
| Non-Operating Revenues (Expenses) | (65,330) | (80,880) | 15,550 | 19.23% |
| Capital Contribution | 48,788 | - | 48,788 | N/A |
| Change in Net Position | <u>\$ 333,527</u> | <u>\$ 226,738</u> | <u>\$ 106,789</u> | <u>47.10%</u> |
| Beginning Net Position | \$ 2,732,235 | \$ 2,505,497 | \$ 226,738 | 9.05% |
| Change in Net Position | <u>333,527</u> | <u>226,738</u> | <u>106,789</u> | <u>47.10%</u> |
| Ending Net Position | <u>\$ 3,065,762</u> | <u>\$ 2,732,235</u> | <u>\$ 333,527</u> | <u>12.21%</u> |

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2012:

- Property taxes and intergovernmental revenues continue to be the operating capital of the Austin Port Authority, with a levy of \$25,000 for 2012 and 2011 to support the operational needs of the Board of Commissioners. Delinquency collections increased the actual property tax revenue above the original levy amount for 2012.
- The interest earnings on loans have decreased by \$41,522 from 2011 as the Hormel Foundation is making principal payments and reducing the amount of their outstanding note receivable, therefore lowering the annual required interest payment on the Development Bonds, Series 2006A.
- Administrative and general expenses have decreased by \$54,189 primarily as the result of fewer downtown revitalization grants that were given out in 2012 versus 2011.
- Non-operating revenues (expenses) decreased by \$15,550 for 2012. As the principal is paid down on our outstanding Development Bonds, Series 2006A, the interest cost is also reduced.
- A capital contribution of \$48,788 from the DCA, our joint partner in the Robinson Building, occurred in 2012 to further remodel the interior of the Robinson Building to accommodate three additional tenants. There was no such contribution in 2011.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2013 AND 2012**

CAPITAL ASSET AND DEBT ADMINISTRATION:

Capital assets. The Austin Port Authority's investment in capital assets for its business-type activities as of December 31, 2013, amounts to \$572,987 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements other than buildings, and construction in progress related to the new Hormel Institute building. The total increase in the Austin Port Authority's investment in capital assets (net of accumulated depreciation) was 34.52 percent and was primarily attributable to the initially capitalized costs related to the Hormel Institute building.

AUSTIN PORT AUTHORITY'S CAPITAL ASSETS

| | 2013 | 2012 |
|-----------------------------------|--------------------------|--------------------------|
| Buildings | \$ 556,130 | \$ 556,130 |
| Improvements Other Than Buildings | 21,641 | 21,641 |
| Total | <u>\$ 577,771</u> | <u>\$ 577,771</u> |
| Less: Accumulated Depreciation | (171,460) | (151,809) |
| Net | 406,311 | 425,962 |
| Construction in Progress | 166,676 | - |
| Net Capital Assets | <u><u>\$ 572,987</u></u> | <u><u>\$ 425,962</u></u> |

Additional information on the Austin Port Authority's capital assets can be found in Note 5 on page 23 of this report.

Long-term debt. At the end of the current fiscal year, the Austin Port Authority had total debt outstanding of \$6,912,931. Of this amount \$395,831 is in the form of an advance from the primary government. The remainder of the Austin Port Authority's debt (\$6,517,100) represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The Austin Port Authority's total debt decreased by \$1,340,694 (16.24 percent) during the current fiscal year. The bond payments for the 2006A Development Bonds, comprised the net decrease in total debt.

The Austin Port Authority, as a component unit of the City of Austin, maintains a bond rating of "Aa2" from Moody's Investors Services for general obligation debt.

Additional information on the Austin Port Authority's long-term debt can be found in Note 6 on pages 24-25 of this report.

NEXT YEAR'S RATES:

The Walker Building is leased to International Paper for 2014 equal to the lease rate for 2013. Future rate increases of 3% annually exist with this tenant in 2015 and 2016.

The Robinson Building has only short term leases at the facility at the same rates as existed in 2013 for tenants with 2014 leases.

REQUESTS FOR INFORMATION:

This financial report is designed to provide a general overview of the Austin Port Authority's finances for all of those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Director of Administrative Services, Austin Port Authority, 500 4th Avenue NE, Austin, Minnesota, 55912.

BASIC FINANCIAL STATEMENTS

**AUSTIN PORT AUTHORITY
STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012**

| ASSETS | <u>2013</u> | <u>2012</u> |
|------------------------------------|-----------------------------|-----------------------------|
| CURRENT ASSETS | | |
| Cash and Cash Equivalents | \$ 1,328,232 | \$ 1,189,197 |
| Taxes Receivable | 1,965 | 2,134 |
| Accounts Receivable | 101,695 | 19,244 |
| Due From Other Governments | 84,338 | - |
| Interest Receivable | 121,422 | 136,106 |
| Notes Receivable, Current Portion | 1,307,480 | 1,135,262 |
| Leases Receivable, Current Portion | 693,816 | 143,606 |
| Total Current Assets | <u>\$ 3,638,948</u> | <u>\$ 2,625,549</u> |
| NONCURRENT ASSETS | | |
| Land Held for Resale | \$ 757,731 | \$ 727,531 |
| Notes Receivable | 5,663,641 | 6,956,535 |
| Leases Receivable | - | 693,816 |
| Total Noncurrent Assets | <u>\$ 6,421,372</u> | <u>\$ 8,377,882</u> |
| CAPITAL ASSETS | | |
| Buildings | \$ 556,130 | \$ 556,130 |
| Improvements Other Than Building | 21,641 | 21,641 |
| Total | <u>\$ 577,771</u> | <u>\$ 577,771</u> |
| Less: Accumulated Depreciation | (171,460) | (151,809) |
| Net | <u>\$ 406,311</u> | <u>\$ 425,962</u> |
| Construction in Progress | 166,676 | - |
| Net Capital Assets | <u>\$ 572,987</u> | <u>\$ 425,962</u> |
| OTHER ASSETS | | |
| | <u>\$ -</u> | <u>\$ 45,610</u> |
| Total Assets | <u><u>\$ 10,633,307</u></u> | <u><u>\$ 11,475,003</u></u> |

See accompanying Notes to Financial Statements.

| LIABILITIES AND NET POSITION | <u>2013</u> | <u>2012</u> |
|-------------------------------------|----------------------|----------------------|
| LIABILITIES | | |
| CURRENT LIABILITIES | | |
| Vouchers Payable | \$ 80,041 | \$ 17,212 |
| Accrued Interest Expense | 117,750 | 131,683 |
| Bonds Payable, Current Portion | 1,225,000 | 1,045,000 |
| Unearned Revenue | 6,721 | 6,721 |
| Total Current Liabilities | <u>\$ 1,429,512</u> | <u>\$ 1,200,616</u> |
| NONCURRENT LIABILITIES | | |
| Advances from Primary Government | \$ 395,831 | \$ 585,072 |
| Bonds Payable, Net | 5,292,100 | 6,623,553 |
| Total Noncurrent Liabilities | <u>\$ 5,687,931</u> | <u>\$ 7,208,625</u> |
| Total Liabilities | <u>\$ 7,117,443</u> | <u>\$ 8,409,241</u> |
| NET POSITION | | |
| Net Position: | | |
| Net Investment in Capital Assets | \$ 572,987 | \$ 425,962 |
| Restricted | 802,541 | 668,402 |
| Unrestricted | 2,140,336 | 1,971,398 |
| Total Net Position | <u>\$ 3,515,864</u> | <u>\$ 3,065,762</u> |
| Total Liabilities and Net Position | <u>\$ 10,633,307</u> | <u>\$ 11,475,003</u> |

**AUSTIN PORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012**

| | 2013 | 2012 |
|---|--------------|--------------|
| OPERATING REVENUES | | |
| Property Taxes | \$ 25,480 | \$ 25,247 |
| Intergovernmental Revenues | 30 | - |
| Lease Revenues | 144,478 | 135,887 |
| Interest Earnings on Loan | 405,893 | 454,432 |
| Total Operating Revenues | \$ 575,881 | \$ 615,566 |
| OPERATING EXPENSES | | |
| Administrative and General | \$ 187,560 | \$ 237,276 |
| Depreciation and Amortization | 65,261 | 28,221 |
| Total Operating Expenses | \$ 252,821 | \$ 265,497 |
| OPERATING INCOME | \$ 323,060 | \$ 350,069 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Interest Earnings | \$ (19,484) | \$ 17,098 |
| Interest Earnings on Loans | 9,142 | 9,666 |
| Private Contributions | 356,676 | 202,000 |
| Miscellaneous Revenues | 4,272 | 470 |
| Interest Expense and Fiscal Agent Fees | (253,764) | (294,564) |
| Total Non-Operating Revenues (Expenses) | \$ 96,842 | \$ (65,330) |
| CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTION | \$ 419,902 | \$ 284,739 |
| Capital Contribution | 30,200 | 48,788 |
| CHANGE IN NET POSITION | \$ 450,102 | \$ 333,527 |
| NET POSITION, BEGINNING | 3,065,762 | 2,732,235 |
| NET POSITION, ENDING | \$ 3,515,864 | \$ 3,065,762 |

See accompanying Notes to Financial Statements.

**AUSTIN PORT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012**

| | 2013 | 2012 |
|--|----------------|--------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Customers and Users | \$ 409,261 | \$ 618,763 |
| Cash Received from Others | 356,676 | 202,000 |
| Cash Paid to Suppliers for Goods and Services | (119,059) | (232,928) |
| Cash Paid to Employees | (1,400) | (980) |
| Net Cash Provided by Operating Activities | \$ 645,478 | \$ 586,855 |
| CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES | | |
| Principal Payments of Bonds | \$ (1,045,000) | \$ (895,000) |
| Interest Paid on Bonds and Notes | (374,150) | (412,952) |
| Principal Received on Note Receivable | 1,045,000 | 895,000 |
| Repayment of Advances from Primary Government | (189,241) | (168,000) |
| Net Cash Used by Non-Capital Financing Activities | \$ (563,391) | \$ (580,952) |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Capital Asset Acquisitions | \$ (166,676) | \$ (97,576) |
| Capital Contributions | - | 48,788 |
| Net Cash Used by Capital and Related Financing Activities | \$ (166,676) | \$ (48,788) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Interest Received on Investments | \$ 38,319 | \$ 39,860 |
| Cash Paid to Cover Investment Pool Loss | (33,977) | - |
| Payments from Issuance of Notes Receivable | (7,886) | (94,228) |
| Payments from Purchase of Land Held for Resale | - | (80,000) |
| Principal Received on Note Receivable | 83,562 | 80,936 |
| Principal Received on Lease Receivable | 143,606 | 114,015 |
| Net Cash Provided by Investing Activities | \$ 223,624 | \$ 60,583 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | \$ 139,035 | \$ 17,698 |
| Cash and Cash Equivalents - Beginning | 1,189,197 | 1,171,499 |
| CASH AND CASH EQUIVALENTS - ENDING | \$ 1,328,232 | \$ 1,189,197 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating Income | \$ 323,060 | \$ 350,069 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | |
| Depreciation and Amortization | 65,261 | 28,221 |
| Private Contributions | 356,676 | 202,470 |
| Miscellaneous Revenue | 4,272 | 6,721 |
| (Increase) Decrease in: | | |
| Taxes Receivable | 169 | (627) |
| Accounts Receivable | (82,451) | (2,897) |
| Due From Other Governments | (84,338) | - |
| Increase (Decrease) in: | | |
| Vouchers Payable | 62,829 | 2,898 |
| Net Cash Provided by Operating Activities | \$ 645,478 | \$ 586,855 |

See accompanying Notes to Financial Statements.

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**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation

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

This financial report has been prepared in conformity with GASB Statement No. 34, Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments, issued in June 1999.

B. Financial Reporting Entity

Austin Port Authority is a component unit of the City of Austin, Minnesota and is thus exempt from federal and state income tax. The purpose of the fund is to carry out economic development and redevelopment within the City in accordance with such general policies as may from time to time be established by the Council and Mayor. The Authority is governed by a Board of Commissioners which consists of seven voting members, including the President, who is appointed by the Commissioners. Board members are comprised of five citizens and two council members appointed to six-year terms. In the event that a council member serving on the Authority board does not seek re-election or is not re-elected at the end of his or her council term, a new council member is appointed to serve out the term on the Authority board.

For financial reporting purposes, the Authority has included all funds. The Authority has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Authority are such that exclusion would cause the Authority’s financial statements to be misleading or incomplete, and has determined there are none. The Governmental Accounting Standards Board (GASB) has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization’s governing body, and (1) the ability of the primary government to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government. The Authority has no component units that meet the GASB criteria. The Authority is considered a part of the reporting entity of the City of Austin, Minnesota, and is included in the City’s financial statements as a discretely presented component unit. The Authority has only one enterprise fund but maintains separate accounts within the Enterprise Fund for APC Debt Service, Hormel Institute, and Property Management.

C. Basis of Accounting

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

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Basis of Accounting (Continued)

The accompanying basic financial statements have been prepared on the accrual basis of accounting in conformity with generally accepted accounting principles. Revenues are recognized when earned. Expenses are recorded when the related liability is incurred. The principal operating revenues are rental and lease income, while the principal operating expenses are for the operations of the facilities that are being leased.

D. Cash and Cash Equivalents

Cash and cash equivalents consist of deposits in the investment pool of the City of Austin, Minnesota and deposits in the State of Minnesota's 4M Fund.

E. Land Held for Resale

Land held for resale represents 37 acres of land located in the Cook Farm site in the northwest area of Austin, 13.55 acres located on I-90 at the 11th Drive NE exit, the former Traders Bar building that had been vacated, and the former Leon fire site which consists of three contiguous parcels in the downtown area. The land is available for purchase for commercial development. Land held for resale is valued at the lower of cost or market value.

F. Capital Assets

Capital assets are valued at historical cost, or estimated historical cost if historical cost is not available. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. The Authority defines capital assets as assets with an individual cost of more than \$5,000 and an estimated useful life of two years or more. Depreciation is calculated using the straight-line method over the estimated useful lives of the assets. Useful lives vary from 10-60 years.

G. Unamortized Bond Premium

The premium earned on the \$10,000,000 Bonds issued in 2006 is being amortized over the ten-year life of the bonds using the straight line method.

H. Advances to/from Primary Government

Transactions between the primary government (City of Austin) and the Authority that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from primary government."

I. Net Position

Net Position represents the difference between assets and liabilities in the basic financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation. Net position is reported as restricted in the basic financial statement when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 2 CASH AND INVESTMENTS

The City of Austin maintains a cash and investment pool that is available for use by the Authority. The Authority deposits all investments within the City of Austin's investment pool. Earnings from such investments are allocated to the Authority and respective City funds on the basis of applicable balance participation by each fund. The City's investment pool does not specifically identify the Authority's investments. In addition, the Authority has included in cash and cash equivalents funds deposited with the State of Minnesota's 4M Fund.

Investments

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

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

Investment balances included in cash and cash equivalents for the Authority are as follows at December 31:

| | Carrying Amount | |
|----------------|-----------------|-----------|
| | 2013 | 2012 |
| 4M Mutual Fund | \$ 22,498 | \$ 22,487 |

Interest Rate Risk – The Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk – The invested funds as of December 31, 2013 consist of the Minnesota Municipal Money Market (4M Mutual Fund). This investment fund is not individually rated, but each underlying investment in the fund is allowable under Minnesota State Statute and is top rated.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

Concentration of Credit Risk – The Authority places no limit on the amount the Authority may invest in any one issuer. All of the Authority's deposits are covered by FDIC insurance in each financial institution or are part of the City of Austin's investment pool.

NOTE 3 NOTES RECEIVABLE

Hormel Foundation

On December 1, 2006, the Authority issued a note receivable in the amount of \$10,000,000 to the Hormel Foundation to assist with the construction of the Hormel Institute. The note is at the stated rate of the bonds (4.00% for maturities from 2009 through 2015, and 7.00% for the 2016 and 2017 maturities). The Hormel Foundation is to make payments to the Authority on a semi-annual basis, approximately 15 days prior to the Authority's required bond payment to the bond holders. The principal and interest payments required to be made by the Hormel Foundation are to be reduced by any interest earnings and issuance premium that is received by the Authority for the related debt issuance.

Development Corporation of Austin

On October 23, 2007, the Authority issued a note receivable (Loan #1) in the amount of \$250,000 to the Development Corporation of Austin (DCA) to assist with the construction of a warehouse building in the Cook Farm. The note is at the stated rate of 4.00% with monthly payments of \$1,534 until January 1, 2028 at which time the entire unpaid principal and interest balance is payable. The note is secured by a mortgage from the purchaser.

On October 23, 2007, the Authority issued a note receivable (Loan #2) in the amount of \$150,000 to the Development Corporation of Austin (DCA) to assist with the construction of a warehouse building in the Cook Farm. The note is at the stated rate of zero percent with one payment due January 1, 2018 at which time the entire unpaid principal balance is payable. The note is secured by a mortgage from the purchaser.

Steve's Pizza

On June 25, 2009, the Authority issued a note receivable in the amount of \$45,000 to Steven and Angela Davis to assist in the interior installation of a sprinkler system. The note is at the stated rate of 3.00% with monthly payments of \$435 until July 1, 2019 at which time the entire unpaid principal and interest balance is payable. The note is secured by a mortgage from the purchaser.

Grove Street, LLC #3

On December 3, 2009, the Authority issued a note receivable in the amount of \$150,000 to Grove Street, LLC to assist in the interior renovation and elevator installation of a downtown building. The note was issued at 0% with increased annual payments beginning December 3, 2015, and every anniversary date thereafter. The note is secured by a mortgage from the purchaser.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans

Grove Street, LLC #1

On May 31, 2007, the Authority issued a note receivable in the amount of \$60,000 to Grove Street, LLC to assist in the exterior renovation of a downtown building. The note is secured by the building. The note is at zero percent, and \$12,000 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Grove Street, LLC.

Nagle Building Exterior (Mark and Susan Nagle)

On June 9, 2009, the Authority issued a note receivable in the amount of \$12,300 to Mark and Susan Nagle to assist in the exterior renovation of their building. The note is secured by the building. The note is at zero percent, and \$1,757 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Mark and Susan Nagle.

Thompson Insurance (David and Jacqueline Thompson)

On June 12, 2009, the Authority issued a note receivable in the amount of \$4,500 to David and Jacqueline Thompson to assist in the exterior renovation of their building. The note is secured by the building. The note is at zero percent, and \$900 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by David and Jacqueline Thompson.

Donut Connection (Daniel and Janet Hooker)

On June 2, 2009, the Authority issued a note receivable in the amount of \$10,000 to Daniel and Janet Hooker to assist in the exterior renovation of their building. The note is secured by the building. The note is at zero percent, and \$2,000 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Daniel and Janet Hooker.

Beltone/Top Ten Nails (Scott and Sarah Larson)

On June 1, 2009, the Authority issued a note receivable in the amount of \$8,500 to Scott and Sarah Larson to assist in the exterior renovation of their buildings. The note is secured by the buildings. The note is at zero percent, and \$1,700 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Scott and Sarah Larson.

Benson Insurance (James and Karen Benson)

On June 1, 2009, the Authority issued a note receivable in the amount of \$9,000 to James and Karen Benson to assist in the exterior renovation of their buildings. The note is secured by the buildings. The note is at zero percent, and \$1,800 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by James and Karen Benson.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

Grove Street, LLC #2

On December 3, 2009, the Authority issued a note receivable in the amount of \$15,000 to Grove Street, LLC to assist in the exterior renovation of a downtown building. The note is secured by the building. The note is at zero percent, and \$3,000 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Grove Street, LLC.

Nemitz Building Interior (Randall and Tamela Fett)

On September 15, 2010, the Authority issued a note receivable in the amount of \$16,600 to Randall J. Fett and Tamela B. Fett to assist in the interior renovation of a downtown building. The note is secured by the building. The note is at zero percent, and \$2,372 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Randall J. Fett and Tamela B. Fett.

Marty's Building Interior (Mark and Susan Nagle)

On September 2, 2010, the Authority issued a note receivable in the amount of \$154,394 to Mark Nagle and Susan Nagle to assist in the interior renovation of a downtown building. The note is secured by the building. The note is at zero percent, and \$22,057 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Mark Nagle and Susan Nagle.

Austin Drug (N & L Holdings Group, LLC)

On December 17, 2010, the Authority issued a note receivable in the amount of \$26,500 to N & L Holdings Group, LLC to assist in the exterior renovation of a downtown building. The note is secured by the building. The note is at zero percent, and \$5,300 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by N & L Holdings Group, LLC.

Twice Is Nice Exterior (Gregory and Sandra Bell)

On October 5, 2011, the Authority issued a note receivable in the amount of \$9,800 to Gregory and Sandra Bell to assist in the exterior renovation of a downtown building. The note is secured by the building. The note is at zero percent, and \$1,960 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Gregory and Sandra Bell.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

Baudler Law Office Exterior (BMF Partnership)

On October 11, 2011, the Authority issued a note receivable in the amount of \$4,300 to BMF Partnership to assist in the exterior renovation of a downtown building. The note is secured by the building. The note is at zero percent, and \$860 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by BMF Partnership.

Nagle Karate Studio Apartments (Mark and Susan Nagle)

On October 8, 2012, the Authority issued a note receivable in the amount of \$72,375 to Mark and Susan Nagle to assist in the interior renovation of a downtown building. The note is secured by the building. The note is at zero percent, and \$10,339 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Mark and Susan Nagle.

Nagle Karate Studio Exterior (Mark and Susan Nagle)

On October 8, 2012, the Authority issued a note receivable in the amount of \$25,000 to Mark and Susan Nagle to assist in the exterior renovation of a downtown building. The note is secured by the building. The note is at zero percent, and \$3,571 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Mark and Susan Nagle.

The annual payments, including principal and interest, are as follows for the Downtown Revitalization project loans:

| | Grove Street, LLC | Nagle Building Exterior | Thompson Insurance | Donut Connection |
|----------------------|----------------------|-------------------------------|-----------------------|---------------------|
| 2014 | \$ 9,000 | \$ 1,757 | \$ 900 | \$ 2,000 |
| 2015 | 6,000 | 1,757 | - | - |
| 2016 | 6,000 | 1,757 | - | - |
| 2017 | 6,000 | 1,732 | - | - |
| 2018 | 6,000 | - | - | - |
| 2019 | - | - | - | - |
| Total Note Principal | \$ 33,000 | \$ 7,003 | \$ 900 | \$ 2,000 |
| Less Current Portion | (9,000) | (1,757) | (900) | (2,000) |
| Long-Term Portion | <u>\$ 24,000</u> | <u>\$ 5,246</u> | <u>\$ -</u> | <u>\$ -</u> |

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

| | Beltone/ Top Ten Nails | Benson Insurance | Grove Street LLC #2 | Nemitz Building Interior |
|----------------------|--------------------------------------|------------------------------------|-------------------------------------|-----------------------------------|
| 2014 | \$ 1,700 | \$ 1,584 | \$ 3,000 | \$ 2,372 |
| 2015 | - | - | 3,000 | 2,372 |
| 2016 | - | - | - | 2,372 |
| 2017 | - | - | - | 2,372 |
| 2018 | - | - | - | 2,372 |
| 2019 | - | - | - | 2,369 |
| Total Note Principal | \$ 1,700 | \$ 1,584 | \$ 6,000 | \$ 14,229 |
| Less Current Portion | (1,700) | (1,584) | (3,000) | (2,372) |
| Long-Term Portion | \$ - | \$ - | \$ 3,000 | \$ 11,857 |
| | | | | |
| | Marty's Building Interior | Austin Drug Exterior | Twice Is Nice Exterior | Baudler Law Office Exterior |
| 2014 | \$ 22,057 | \$ 5,300 | \$ 1,960 | \$ 860 |
| 2015 | 22,057 | 5,300 | 1,960 | 860 |
| 2016 | 22,057 | 5,300 | 1,960 | 631 |
| 2017 | 22,052 | - | - | - |
| 2018 | - | - | - | - |
| 2019 | - | - | - | - |
| Total Note Principal | \$ 88,223 | \$ 15,900 | \$ 5,880 | \$ 2,351 |
| Less Current Portion | (22,057) | (5,300) | (1,960) | (860) |
| Long-Term Portion | \$ 66,166 | \$ 10,600 | \$ 3,920 | \$ 1,491 |
| | | | | |
| | Nagle Karate Studio Apartments | Nagle Karate Studio Exterior | Downtown Revitalization Loans | |
| 2014 | \$ 10,339 | \$ 3,571 | \$ 66,400 | |
| 2015 | 10,339 | 3,571 | 57,216 | |
| 2016 | 10,339 | 3,571 | 53,987 | |
| 2017 | 10,339 | 3,571 | 46,066 | |
| 2018 | 10,339 | 3,571 | 22,282 | |
| 2019 | 10,339 | 3,514 | 16,222 | |
| Total Note Principal | \$ 62,034 | \$ 21,369 | \$ 262,173 | |
| Less Current Portion | (10,339) | (3,571) | (66,400) | |
| Long-Term Portion | \$ 51,695 | \$ 17,798 | \$ 195,773 | |

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

The annual payments, including principal and interest are as follows for all notes receivable:

| | Hormel Foundation | DCA Loan #1 | DCA Loan #2 | Steve's Pizza |
|----------------------|------------------------|-------------------------------------|---------------------|------------------|
| 2014 | \$ 1,553,750 | \$ 18,408 | \$ - | \$ 6,087 |
| 2015 | 1,695,850 | 18,408 | - | 5,217 |
| 2016 | 1,834,875 | 18,408 | - | 5,217 |
| 2017 | 1,956,150 | 18,408 | - | 5,217 |
| 2018 | - | 18,408 | 150,000 | 5,217 |
| 2019-2023 | - | 92,040 | - | 5,217 |
| 2024-2028 | - | 82,759 | - | 3,043 |
| Total Payments | 7,040,625 | 266,839 | 150,000 | 35,215 |
| Less Interest | 860,625 | 65,412 | - | 7,694 |
| Total Note Principal | \$ 6,180,000 | \$ 201,427 | \$ 150,000 | \$ 27,521 |
| Less Current Portion | (1,225,000) | (10,508) | - | (5,572) |
| Long-Term Portion | <u>\$ 4,955,000</u> | <u>\$ 190,919</u> | <u>\$ 150,000</u> | <u>\$ 21,949</u> |
| | Grove Street LLC #3 | Downtown Revitalization Loans | Total | |
| 2014 | \$ - | \$ 66,400 | \$ 1,644,645 | |
| 2015 | - | 57,216 | 1,776,691 | |
| 2016 | - | 53,987 | 1,912,487 | |
| 2017 | 3,000 | 46,066 | 2,028,841 | |
| 2018 | 6,000 | 22,282 | 201,907 | |
| 2019-2023 | 69,000 | 16,222 | 182,479 | |
| 2024-2028 | 72,000 | - | 157,802 | |
| Total Payments | 150,000 | 262,173 | 7,904,852 | |
| Less Interest | - | - | 933,731 | |
| Total Note Principal | \$ 150,000 | \$ 262,173 | \$ 6,971,121 | |
| Less Current Portion | - | (66,400) | (1,307,480) | |
| Long-Term Portion | <u>\$ 150,000</u> | <u>\$ 195,773</u> | <u>\$ 5,663,641</u> | |

NOTE 4 LEASES RECEIVABLE

Bellisio Foods, Inc.

The Austin Port Authority obtained a lease receivable from Bellisio Foods, Inc. upon the transfer of assets from the receivership trustee for Austin Packaging Company. The interest rate is implied at six percent per year. Additionally, Bellisio Foods, Inc. has opted to purchase the building on February 1, 2014 at specified prices as detailed in the lease agreement. The lease is secured by the building.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 4 LEASES RECEIVABLE (CONTINUED)

The annual payment schedule, including principal and interest, is as follows:

| | Bellisio Foods, Inc. |
|---------------------------------|-------------------------|
| 2014 | \$ 697,285 |
| Total | 697,285 |
| Less Interest and Fees Included | 3,469 |
| Total Lease Receivable | \$ 693,816 |
| Less Current Portion | (693,816) |
| Long-Term Portion | \$ - |

NOTE 5 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2013 and 2012:

| | 12/31/12 | Additions | Deletions | 12/31/13 |
|--|------------|------------|-----------|------------|
| Capital Assets, Not Being Depreciated: | | | | |
| Construction in Progress | \$ - | \$ 166,676 | \$ - | \$ 166,676 |
| Total Capital Assets, Not Being Depreciated | - | 166,676 | - | 166,676 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | \$ 556,130 | \$ - | \$ - | \$ 556,130 |
| Improvements Other Than Building | 21,641 | - | - | 21,641 |
| Subtotal | 577,771 | - | - | 577,771 |
| Less: Accumulated Depreciation | 151,809 | 19,651 | - | 171,460 |
| Total Capital Assets, Being Depreciated | 425,962 | (19,651) | - | 406,311 |
| Total Capital Assets, Net of Accumulated Depreciation | \$ 425,962 | \$ 147,025 | \$ - | \$ 572,987 |
| | 12/31/11 | Additions | Deletions | 12/31/12 |
| Capital Assets, Being Depreciated: | | | | |
| Buildings | \$ 458,554 | \$ 97,576 | \$ - | \$ 556,130 |
| Improvements Other Than Building | 21,641 | - | - | 21,641 |
| Subtotal | 480,195 | 97,576 | - | 577,771 |
| Less: Accumulated Depreciation | 134,536 | 17,273 | - | 151,809 |
| Total Capital Assets, Net of Accumulated Depreciation | \$ 345,659 | \$ 80,303 | \$ - | \$ 425,962 |

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 6 LONG-TERM DEBT

Bonds payable are comprised of the following issue:

| | Interest Rate % | Annual Principal | Maturity Date | Bonds Outstanding |
|-------------------------------|--------------------|---------------------|------------------|----------------------|
| Development, Series 2006A | 4.00-7.00 | 500,000-1,890,000 | 03/01/17 | \$ 6,180,000 |
| Total Bonds Payable | | | | 6,180,000 |
| Add: Unamortized Bond Premium | | | | 337,100 |
| Net Long-Term Debt | | | | 6,517,100 |
| Less: Current Portion | | | | (1,225,000) |
| Long-Term Debt | | | | <u>\$ 5,292,100</u> |

Changes in long-term liabilities are as follows for the years ended December 31, 2013 and 2012:

| | 12/31/12 | Increases | Decreases | 12/31/13 | Due Within One Year |
|------------------------------|---------------------|-------------|---------------------|---------------------|------------------------|
| Bonds Payable | | | | | |
| Developmental Bonds | \$ 7,225,000 | \$ - | \$ 1,045,000 | \$ 6,180,000 | \$ 1,225,000 |
| Add Unamortized Bond Premium | 443,553 | - | 106,453 | 337,100 | - |
| Advances with City of Austin | 585,072 | - | 189,241 | 395,831 | - |
| Long-Term Liabilities | <u>\$ 8,253,625</u> | <u>\$ -</u> | <u>\$ 1,340,694</u> | <u>\$ 6,912,931</u> | <u>\$ 1,225,000</u> |
| | | | | | |
| | 12/31/11 | Increases | Decreases | 12/31/12 | Due Within One Year |
| Bonds Payable | | | | | |
| Developmental Bonds | \$ 8,120,000 | \$ - | \$ 895,000 | \$ 7,225,000 | \$ 1,045,000 |
| Add Unamortized Bond Premium | 550,006 | - | 106,453 | 443,553 | - |
| Advances with City of Austin | 753,072 | - | 168,000 | 585,072 | - |
| Long-Term Liabilities | <u>\$ 9,423,078</u> | <u>\$ -</u> | <u>\$ 1,169,453</u> | <u>\$ 8,253,625</u> | <u>\$ 1,045,000</u> |

Annual requirements to retire bonds payable are as follows:

| | Total | Development Bonds | |
|------|---------------------|---------------------|-------------------|
| | | Principal | Interest |
| 2014 | \$ 1,553,750 | \$ 1,225,000 | \$ 328,750 |
| 2015 | 1,695,850 | 1,420,000 | 275,850 |
| 2016 | 1,834,875 | 1,645,000 | 189,875 |
| 2017 | 1,956,150 | 1,890,000 | 66,150 |
| | <u>\$ 7,040,625</u> | <u>\$ 6,180,000</u> | <u>\$ 860,625</u> |

The Authority issued \$10,000,000 of general obligation economic development revenue bonds in 2006 to provide partial funds for the construction of the expansion of the Hormel Institute. These bonds will be repaid from amounts received from a note with the Hormel Foundation. These bonds have a stated rate of 4.00% for the 2014 and 2015 maturities, and a stated rate of 7.00% for the 2016 and 2017 maturities.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 6 LONG-TERM DEBT (CONTINUED)

Advances

The Port Authority received advances from the primary government for the guarantee of the APC Debt Service account. Under the terms of the agreement, the Building Fund of the City of Austin guarantees all payments on the required debt service to pay off the outstanding bonds. As the lessee, Bellisio Foods, Inc. makes payments this guarantee will be reduced. This arrangement is at zero percent interest.

NOTE 7 OPERATING LEASES

Walker Building

The Authority leases space in an industrial building to International Paper. The Authority receives \$6,721 per month, or \$80,650 annually, for the building under the terms of a lease agreement that is in effect through December 31, 2013. Under the terms of the lease agreement, International Paper will pay annual rent of \$80,650 in 2014, \$83,070 in 2015, and \$85,562 in 2016.

Robinson Building

The Authority leases space in an industrial building to four tenants with five leases ranging from one month to one year. The first lease is with Gobe Golf and is on a month-to-month basis at \$500 per month.

The second lease is with Lipid Technologies, LLC and is for a term of one year that expires on September 30, 2014. The Authority receives \$275 per month, or \$3,300 annually, for the building under the terms of a lease agreement entered into on September 25, 2013. The lease will provide the Port Authority with rent of \$2,475 in 2014.

The third lease is with Cedar Valley Services, Inc. and is for a term of six months that expires on February 28, 2014. The Authority receives \$950 per month for the building under the terms of a lease agreement entered into on August 27, 2013. The lease will provide the Port Authority with rent of \$1,900 in 2014.

The fourth lease is with Cedar Valley Services, Inc. and is for a term of five months that expires on March 31, 2014. The Authority receives \$800 per month for the building under the terms of a lease agreement entered into on October 23, 2013. The lease will provide the Port Authority with rent of \$2,400 in 2014.

The fifth lease is with Jay Nelson and is for a term of five months that expires on June 15, 2014. The Authority receives \$550 per month for the building under the terms of a lease agreement entered into on June 15, 2013. The lease will provide the Port Authority with rent of \$3,025 in 2014.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2013 AND 2012**

NOTE 7 OPERATING LEASES (CONTINUED)

The annual future minimum rentals on all operating leases are as follows:

| <u>Year Ended December 31,</u> | <u>Robinson Building</u> | <u>Walker Building</u> | <u>Total</u> |
|--------------------------------|------------------------------|----------------------------|-------------------|
| 2014 | \$ 9,800 | \$ 80,650 | \$ 90,450 |
| 2015 | - | 83,070 | 83,070 |
| 2016 | - | 85,562 | 85,562 |
| Total Future Minimum Rentals | <u>\$ 9,800</u> | <u>\$ 249,282</u> | <u>\$ 259,082</u> |

NOTE 8 RESTRICTED NET ASSETS

There are restricted net assets in the Property Management Fund for downtown revitalization, as stipulated by the primary government. The balances of these restricted net assets are \$501,587 and \$411,865 at December 31, 2013 and 2012 respectively. There are also restricted net assets in the APC Debt Service Fund for debt retirements. The balances of these restricted net assets are \$300,954 and \$256,537 at December 31, 2013 and 2012, respectively.

NOTE 9 RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Authority has joined together with the City of Austin's insurance plan. The Authority pays an annual premium to this plan for its liability coverage. There has been no significant reduction in insurance coverage from the previous year in any of the Authority's policies. In addition, there have been no settlements in excess of the Authority's insurance coverage in any of the prior three years.

NOTE 10 JOINTLY GOVERNED ORGANIZATION

The Authority agreed to and signed a Co-Tenancy Agreement with the Development Corporation of Austin (DCA) on December 9, 2010 to jointly operate the Robinson Building in the northeast industrial park. This agreement creates a partnership for economic development purposes with the DCA whereby all operational costs of the Robinson Building are split equally between the Authority and the DCA. The Authority invoices the DCA on an annual basis for reimbursement of all net operational costs (excluding depreciation) that were not covered by operational revenues.

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SUPPLEMENTARY INFORMATION

AUSTIN PORT AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2013 AND 2012

| | APC Debt Service | | Hormel Institute | |
|-------------------------------------|--------------------------|--------------------------|----------------------------|----------------------------|
| | 2013 | 2012 | 2013 | 2012 |
| ASSETS | | | | |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | \$ - | \$ - | \$ 22,498 | \$ 22,487 |
| Taxes Receivable | - | - | - | - |
| Accounts Receivable | - | - | - | - |
| Due From Other Governments | - | - | - | - |
| Interest Receivable | 3,469 | 4,187 | 117,750 | 131,683 |
| Notes Receivable, Current Portion | - | - | 1,225,000 | 1,045,000 |
| Leases Receivable, Current Portion | 693,816 | 143,606 | - | - |
| Total Current Assets | <u>\$ 697,285</u> | <u>\$ 147,793</u> | <u>\$ 1,365,248</u> | <u>\$ 1,199,170</u> |
| NONCURRENT ASSETS | | | | |
| Land Held for Resale | \$ - | \$ - | \$ - | \$ - |
| Notes Receivable | - | - | 4,955,000 | 6,180,000 |
| Leases Receivable | - | 693,816 | - | - |
| Total Noncurrent Assets | <u>\$ -</u> | <u>\$ 693,816</u> | <u>\$ 4,955,000</u> | <u>\$ 6,180,000</u> |
| CAPITAL ASSETS | | | | |
| Buildings | \$ - | \$ - | \$ - | \$ - |
| Improvements Other Than Building | - | - | - | - |
| Total | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Less: Accumulated Depreciation | - | - | - | - |
| Net | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Construction in Progress | - | - | - | - |
| Net Capital Assets | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| OTHER ASSETS | | | | |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 45,610</u> |
| Total Assets | <u><u>\$ 697,285</u></u> | <u><u>\$ 841,609</u></u> | <u><u>\$ 6,320,248</u></u> | <u><u>\$ 7,424,780</u></u> |
| LIABILITIES AND NET POSITION | | | | |
| LIABILITIES | | | | |
| Current | | | | |
| Vouchers Payable | \$ 500 | \$ - | \$ - | \$ - |
| Accrued Interest Expense | - | - | 117,750 | 131,683 |
| Bonds Payable, Current Portion | - | - | 1,225,000 | 1,045,000 |
| Unearned Revenue | - | - | - | - |
| Total Current Liabilities | <u>\$ 500</u> | <u>\$ -</u> | <u>\$ 1,342,750</u> | <u>\$ 1,176,683</u> |
| NONCURRENT LIABILITIES | | | | |
| Advances from Primary Government | \$ 395,831 | \$ 585,072 | \$ - | \$ - |
| Bonds Payable, Net | - | - | 5,292,100 | 6,623,553 |
| Total Noncurrent Liabilities | <u>\$ 395,831</u> | <u>\$ 585,072</u> | <u>\$ 5,292,100</u> | <u>\$ 6,623,553</u> |
| Total Liabilities | <u>\$ 396,331</u> | <u>\$ 585,072</u> | <u>\$ 6,634,850</u> | <u>\$ 7,800,236</u> |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ - | \$ - | \$ - | \$ - |
| Restricted | 300,954 | 256,537 | - | - |
| Unrestricted | - | - | (314,602) | (375,456) |
| Total Net Position | <u>\$ 300,954</u> | <u>\$ 256,537</u> | <u>\$ (314,602)</u> | <u>\$ (375,456)</u> |
| Total Liabilities and Net Position | <u><u>\$ 697,285</u></u> | <u><u>\$ 841,609</u></u> | <u><u>\$ 6,320,248</u></u> | <u><u>\$ 7,424,780</u></u> |

| Property Management | | Total | |
|---------------------|---------------------|----------------------|----------------------|
| 2013 | 2012 | 2013 | 2012 |
| \$ 1,305,734 | \$ 1,166,710 | \$ 1,328,232 | \$ 1,189,197 |
| 1,965 | 2,134 | 1,965 | 2,134 |
| 101,695 | 19,244 | 101,695 | 19,244 |
| 84,338 | - | 84,338 | - |
| 203 | 236 | 121,422 | 136,106 |
| 82,480 | 90,262 | 1,307,480 | 1,135,262 |
| - | - | 693,816 | 143,606 |
| <u>\$ 1,576,415</u> | <u>\$ 1,278,586</u> | <u>\$ 3,638,948</u> | <u>\$ 2,625,549</u> |
| \$ 757,731 | \$ 727,531 | \$ 757,731 | \$ 727,531 |
| 708,641 | 776,535 | 5,663,641 | 6,956,535 |
| - | - | - | 693,816 |
| <u>\$ 1,466,372</u> | <u>\$ 1,504,066</u> | <u>\$ 6,421,372</u> | <u>\$ 8,377,882</u> |
| \$ 556,130 | \$ 556,130 | \$ 556,130 | \$ 556,130 |
| 21,641 | 21,641 | 21,641 | 21,641 |
| <u>\$ 577,771</u> | <u>\$ 577,771</u> | <u>\$ 577,771</u> | <u>\$ 577,771</u> |
| (171,460) | (151,809) | (171,460) | (151,809) |
| 406,311 | 425,962 | 406,311 | 425,962 |
| 166,676 | - | 166,676 | - |
| <u>\$ 572,987</u> | <u>\$ 425,962</u> | <u>\$ 572,987</u> | <u>\$ 425,962</u> |
| \$ - | \$ - | \$ - | \$ 45,610 |
| <u>\$ 3,615,774</u> | <u>\$ 3,208,614</u> | <u>\$ 10,633,307</u> | <u>\$ 11,475,003</u> |
| \$ 79,541 | \$ 17,212 | \$ 80,041 | \$ 17,212 |
| - | - | 117,750 | 131,683 |
| - | - | 1,225,000 | 1,045,000 |
| 6,721 | 6,721 | 6,721 | 6,721 |
| <u>\$ 86,262</u> | <u>\$ 23,933</u> | <u>\$ 1,429,512</u> | <u>\$ 1,200,616</u> |
| \$ - | \$ - | \$ 395,831 | \$ 585,072 |
| - | - | 5,292,100 | 6,623,553 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,687,931</u> | <u>\$ 7,208,625</u> |
| <u>\$ 86,262</u> | <u>\$ 23,933</u> | <u>\$ 7,117,443</u> | <u>\$ 8,409,241</u> |
| \$ 572,987 | \$ 425,962 | \$ 572,987 | \$ 425,962 |
| 501,587 | 411,865 | 802,541 | 668,402 |
| 2,454,938 | 2,346,854 | 2,140,336 | 1,971,398 |
| <u>\$ 3,529,512</u> | <u>\$ 3,184,681</u> | <u>\$ 3,515,864</u> | <u>\$ 3,065,762</u> |
| <u>\$ 3,615,774</u> | <u>\$ 3,208,614</u> | <u>\$ 10,633,307</u> | <u>\$ 11,475,003</u> |

**AUSTIN PORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012**

| | APC Debt Service | | Hormel Institute | |
|---|-------------------|-------------------|---------------------|---------------------|
| | 2013 | 2012 | 2013 | 2012 |
| OPERATING REVENUES | | | | |
| Property Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Revenues | - | - | - | - |
| Lease Revenues | - | - | - | - |
| Interest Earnings on Loan | 45,676 | 53,415 | 360,217 | 401,017 |
| Total Operating Revenues | <u>\$ 45,676</u> | <u>\$ 53,415</u> | <u>\$ 360,217</u> | <u>\$ 401,017</u> |
| OPERATING EXPENSES | | | | |
| Administrative and General | \$ 5,531 | \$ - | \$ - | \$ - |
| Depreciation and Amortization | - | - | 45,610 | 10,948 |
| Total Operating Expenses | <u>\$ 5,531</u> | <u>\$ -</u> | <u>\$ 45,610</u> | <u>\$ 10,948</u> |
| OPERATING INCOME (LOSS) | <u>\$ 40,145</u> | <u>\$ 53,415</u> | <u>\$ 314,607</u> | <u>\$ 390,069</u> |
| NON-OPERATING REVENUES (EXPENSES) | | | | |
| Interest Earnings (Expense) | \$ - | \$ - | \$ 11 | \$ 15 |
| Interest Earnings on Loans | - | - | - | - |
| Private Contributions | - | - | - | - |
| Miscellaneous Revenues | 4,272 | - | - | - |
| Interest Expense and Fiscal Agent Fees | - | - | (253,764) | (294,564) |
| Total Non-Operating Revenues (Expenses) | <u>\$ 4,272</u> | <u>\$ -</u> | <u>\$ (253,753)</u> | <u>\$ (294,549)</u> |
| CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTION | <u>\$ 44,417</u> | <u>\$ 53,415</u> | <u>\$ 60,854</u> | <u>\$ 95,520</u> |
| Capital Contribution | - | - | - | - |
| CHANGE IN NET POSITION | <u>\$ 44,417</u> | <u>\$ 53,415</u> | <u>\$ 60,854</u> | <u>\$ 95,520</u> |
| NET POSITION, BEGINNING | <u>256,537</u> | <u>203,122</u> | <u>(375,456)</u> | <u>(470,976)</u> |
| NET POSITION, ENDING | <u>\$ 300,954</u> | <u>\$ 256,537</u> | <u>\$ (314,602)</u> | <u>\$ (375,456)</u> |

| Property Management | | Total | |
|---------------------|---------------------|---------------------|---------------------|
| 2013 | 2012 | 2013 | 2012 |
| \$ 25,480 | \$ 25,247 | \$ 25,480 | \$ 25,247 |
| 30 | - | 30 | - |
| 144,478 | 135,887 | 144,478 | 135,887 |
| - | - | 405,893 | 454,432 |
| <u>\$ 169,988</u> | <u>\$ 161,134</u> | <u>\$ 575,881</u> | <u>\$ 615,566</u> |
| | | | |
| \$ 182,029 | \$ 237,276 | \$ 187,560 | \$ 237,276 |
| 19,651 | 17,273 | 65,261 | 28,221 |
| <u>\$ 201,680</u> | <u>\$ 254,549</u> | <u>\$ 252,821</u> | <u>\$ 265,497</u> |
| | | | |
| \$ (31,692) | \$ (93,415) | \$ 323,060 | \$ 350,069 |
| | | | |
| \$ (19,495) | \$ 17,083 | \$ (19,484) | \$ 17,098 |
| 9,142 | 9,666 | 9,142 | 9,666 |
| 356,676 | 202,000 | 356,676 | 202,000 |
| - | 470 | 4,272 | 470 |
| - | - | (253,764) | (294,564) |
| <u>\$ 346,323</u> | <u>\$ 229,219</u> | <u>\$ 96,842</u> | <u>\$ (65,330)</u> |
| | | | |
| \$ 314,631 | \$ 135,804 | \$ 419,902 | \$ 284,739 |
| 30,200 | 48,788 | 30,200 | 48,788 |
| <u>\$ 344,831</u> | <u>\$ 184,592</u> | <u>\$ 450,102</u> | <u>\$ 333,527</u> |
| | | | |
| 3,184,681 | 3,000,089 | 3,065,762 | 2,732,235 |
| <u>\$ 3,529,512</u> | <u>\$ 3,184,681</u> | <u>\$ 3,515,864</u> | <u>\$ 3,065,762</u> |

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
SUPPLEMENTARY COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2013 AND 2012**

| ASSETS | General | | Walker Building | |
|-------------------------------------|--------------|--------------|-----------------|------------|
| | 2013 | 2012 | 2013 | 2012 |
| CURRENT ASSETS | | | | |
| Cash and Cash Equivalents | \$ 818,385 | \$ 761,361 | \$ 487,349 | \$ 405,349 |
| Taxes Receivable | 1,965 | 2,134 | - | - |
| Accounts Receivable | 84,338 | 2,000 | 357 | 1,160 |
| Due From Other Governments | 84,338 | - | - | - |
| Interest Receivable | 203 | 236 | - | - |
| Due from Other Funds | - | - | 47,588 | 67,634 |
| Notes Receivable, Current Portion | 82,480 | 90,262 | - | - |
| Total Current Assets | \$ 1,071,709 | \$ 855,993 | \$ 535,294 | \$ 474,143 |
| NONCURRENT ASSETS | | | | |
| Land Held for Resale | \$ 757,731 | \$ 727,531 | \$ - | \$ - |
| Notes Receivable | 708,641 | 776,535 | - | - |
| Total Noncurrent Assets | \$ 1,466,372 | \$ 1,504,066 | \$ - | \$ - |
| CAPITAL ASSETS | | | | |
| Buildings | \$ - | \$ - | \$ 258,554 | \$ 258,554 |
| Improvements Other Than Building | - | - | 21,641 | 21,641 |
| Total | \$ - | \$ - | \$ 280,195 | \$ 280,195 |
| Less: Accumulated Depreciation | - | - | (140,217) | (132,104) |
| Net | \$ - | \$ - | \$ 139,978 | \$ 148,091 |
| Construction in Progress | 166,676 | - | - | - |
| Net Capital Assets | \$ 166,676 | \$ - | \$ 139,978 | \$ 148,091 |
| Total Assets | \$ 2,704,757 | \$ 2,360,059 | \$ 675,272 | \$ 622,234 |
| LIABILITIES AND NET POSITION | | | | |
| LIABILITIES | | | | |
| Current | | | | |
| Vouchers Payable | \$ 60,357 | \$ 2,000 | \$ 2,399 | \$ 4,853 |
| Due to Other Funds | - | - | - | - |
| Unearned Revenue | - | - | 6,721 | 6,721 |
| Total Current Liabilities | \$ 60,357 | \$ 2,000 | \$ 9,120 | \$ 11,574 |
| NET POSITION | | | | |
| Net Investment in Capital Assets | \$ 166,676 | \$ - | \$ 139,978 | \$ 148,091 |
| Restricted | 501,587 | 411,865 | - | - |
| Unrestricted | 1,976,137 | 1,946,194 | 526,174 | 462,569 |
| Total Net Position | \$ 2,644,400 | \$ 2,358,059 | \$ 666,152 | \$ 610,660 |
| Total Liabilities and Net Position | \$ 2,704,757 | \$ 2,360,059 | \$ 675,272 | \$ 622,234 |

| Robinson Building | | Total | |
|-------------------|-------------------|---------------------|---------------------|
| 2013 | 2012 | 2013 | 2012 |
| \$ - | \$ - | \$ 1,305,734 | \$ 1,166,710 |
| - | - | 1,965 | 2,134 |
| 17,000 | 16,084 | 101,695 | 19,244 |
| - | - | 84,338 | - |
| - | - | 203 | 236 |
| - | - | 47,588 | 67,634 |
| - | - | 82,480 | 90,262 |
| <u>\$ 17,000</u> | <u>\$ 16,084</u> | <u>\$ 1,624,003</u> | <u>\$ 1,346,220</u> |
| \$ - | \$ - | \$ 757,731 | \$ 727,531 |
| - | - | 708,641 | 776,535 |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,466,372</u> | <u>\$ 1,504,066</u> |
| \$ 297,576 | \$ 297,576 | \$ 556,130 | \$ 556,130 |
| - | - | 21,641 | 21,641 |
| <u>\$ 297,576</u> | <u>\$ 297,576</u> | <u>\$ 577,771</u> | <u>\$ 577,771</u> |
| (31,243) | (19,705) | (171,460) | (151,809) |
| <u>\$ 266,333</u> | <u>\$ 277,871</u> | <u>\$ 406,311</u> | <u>\$ 425,962</u> |
| - | - | 166,676 | - |
| <u>\$ 266,333</u> | <u>\$ 277,871</u> | <u>\$ 572,987</u> | <u>\$ 425,962</u> |
| <u>\$ 283,333</u> | <u>\$ 293,955</u> | <u>\$ 3,663,362</u> | <u>\$ 3,276,248</u> |
| \$ 16,785 | \$ 10,359 | \$ 79,541 | \$ 17,212 |
| 47,588 | 67,634 | 47,588 | 67,634 |
| - | - | 6,721 | 6,721 |
| <u>\$ 64,373</u> | <u>\$ 77,993</u> | <u>\$ 133,850</u> | <u>\$ 91,567</u> |
| \$ 266,333 | \$ 277,871 | \$ 572,987 | \$ 425,962 |
| - | - | 501,587 | 411,865 |
| <u>(47,373)</u> | <u>(61,909)</u> | <u>2,454,938</u> | <u>2,346,854</u> |
| <u>\$ 218,960</u> | <u>\$ 215,962</u> | <u>\$ 3,529,512</u> | <u>\$ 3,184,681</u> |
| <u>\$ 283,333</u> | <u>\$ 293,955</u> | <u>\$ 3,663,362</u> | <u>\$ 3,276,248</u> |

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
GENERAL
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012**

| | 2013 | 2012 |
|---|--------------|--------------|
| OPERATING REVENUES | | |
| Property Taxes | \$ 25,480 | \$ 25,247 |
| Intergovernmental Revenues | 30 | - |
| Total Operating Revenues | \$ 25,510 | \$ 25,247 |
| OPERATING EXPENSES | | |
| ADMINISTRATIVE AND GENERAL | | |
| Board Member Compensation | \$ 1,400 | \$ 980 |
| Professional Services and Consulting | 46,250 | 41,078 |
| Legal and Appraisals | 2,469 | 4,093 |
| Insurance | 288 | 288 |
| Office Supplies | - | 149 |
| Property Taxes | 487 | 163 |
| Improvements Other Than Buildings | 70,278 | 137,366 |
| Miscellaneous | 1,344 | 96 |
| Total Administrative and General | \$ 122,516 | \$ 184,213 |
| OPERATING LOSS | \$ (97,006) | \$ (158,966) |
| NON-OPERATING REVENUES | | |
| Interest Earnings | \$ (12,671) | \$ 11,786 |
| Interest Earnings on Loans | 9,142 | 9,666 |
| Private Contributions | 356,676 | 202,000 |
| Total Non-Operating Revenues | \$ 353,147 | \$ 223,452 |
| CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTION | \$ 256,141 | \$ 64,486 |
| Capital Contribution from Primary Government | 30,200 | - |
| CHANGE IN NET POSITION | \$ 286,341 | \$ 64,486 |
| NET POSITION, BEGINNING | 2,358,059 | 2,293,573 |
| NET POSITION, ENDING | \$ 2,644,400 | \$ 2,358,059 |

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
WALKER BUILDING
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012**

| | 2013 | 2012 |
|---|------------|------------|
| OPERATING REVENUES | | |
| Lease Revenues | \$ 88,400 | \$ 85,722 |
| OPERATING EXPENSES | | |
| ADMINISTRATIVE AND GENERAL | | |
| Maintenance and Repair of Building | \$ 4,056 | \$ 1,086 |
| Insurance | 1,500 | 1,500 |
| Property Taxes | 12,414 | 9,670 |
| Total Administrative and General Expenses | \$ 17,970 | \$ 12,256 |
| Depreciation | 8,114 | 8,136 |
| Total Operating Expenses | \$ 26,084 | \$ 20,392 |
| OPERATING INCOME | \$ 62,316 | \$ 65,330 |
| NON-OPERATING REVENUES | | |
| Interest Earnings | \$ (6,824) | \$ 5,297 |
| Total Non-Operating Revenues | \$ (6,824) | \$ 5,297 |
| CHANGE IN NET POSITION | \$ 55,492 | \$ 70,627 |
| NET POSITION, BEGINNING | 610,660 | 540,033 |
| NET POSITION, ENDING | \$ 666,152 | \$ 610,660 |

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
ROBINSON BUILDING
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2013 AND 2012**

| | <u>2013</u> | <u>2012</u> |
|--|--------------------------|--------------------------|
| OPERATING REVENUES | | |
| Lease Revenues | \$ 56,078 | \$ 50,165 |
| OPERATING EXPENSES | | |
| ADMINISTRATIVE AND GENERAL | | |
| Maintenance and Repair of Building | \$ 9,613 | \$ 7,582 |
| Legal and Appraisals | 894 | 2,819 |
| Professional Services | 14,535 | 9,829 |
| Cleaning and Waste Removal | 1,599 | 1,669 |
| Utilities | 2,704 | 7,298 |
| Insurance | 1,500 | 1,500 |
| Property Taxes | 10,654 | 10,092 |
| Miscellaneous | 44 | 18 |
| Total Administrative and General Expenses | <u>\$ 41,543</u> | <u>\$ 40,807</u> |
| Depreciation | <u>11,537</u> | <u>9,137</u> |
| Total Operating Expenses | <u>\$ 53,080</u> | <u>\$ 49,944</u> |
| OPERATING INCOME | <u>\$ 2,998</u> | <u>\$ 221</u> |
| NON-OPERATING REVENUES | | |
| Miscellaneous Revenues | <u>\$ -</u> | <u>\$ 470</u> |
| Total Non-Operating Revenues | <u>\$ -</u> | <u>\$ 470</u> |
| CHANGE IN NET POSITION BEFORE TRANSFER AND CAPITAL CONTRIBUTION | <u>\$ 2,998</u> | <u>\$ 691</u> |
| Capital Contribution | <u>-</u> | <u>48,788</u> |
| CHANGE IN NET POSITION | <u>\$ 2,998</u> | <u>\$ 49,479</u> |
| NET POSITION, BEGINNING | <u>215,962</u> | <u>166,483</u> |
| NET POSITION, ENDING | <u><u>\$ 218,960</u></u> | <u><u>\$ 215,962</u></u> |

OTHER REQUIRED REPORT

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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**

Board of Commissioners
The Port Authority of the City of Austin
City of Austin, Minnesota

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 Austin Port Authority, a component unit of the City of Austin, State of Minnesota, as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated March 25, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Austin Port Authority'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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 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.

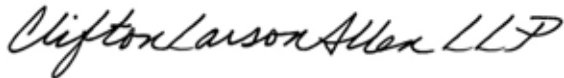
Board of Commissioners
The Port Authority of the City of Austin

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Austin Port Authority'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 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
March 25, 2014