

AUSTIN PORT AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2014 AND 2013

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INTRODUCTION SECTION

**AUSTIN PORT AUTHORITY
ORGANIZATION SCHEDULE
DECEMBER 31, 2014**

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, 2019
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, 2014 and 2013, 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, 2014 and 2013, 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.

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, 2015, 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, 2015

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REQUIRED SUPPLEMENTARY INFORMATION

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**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013**

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, 2014 and 2013. 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:

The largest portion of the Austin Port Authority's net position (46 percent) is the net investment in capital assets at December 31, 2014. The Austin Port Authority is in the early stage of construction on a \$27 million expansion of the Hormel Institute having spent over \$5.2 million to date on this expansion. 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. The estimated completion date is estimated to be in mid-2016.

A large contribution was received by the Austin Port Authority during late 2014 to be used to acquire the Oak Park Mall facility as part of a redevelopment plan with Hy-Vee Foods grocery store. Negotiations for the purchase are still ongoing at December 31, 2014.

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 \$4,955,000 as of December 31, 2014.

The Walker Building locked up their tenant for another three-year period during 2014 that will provide a steady rent stream in 2015 through 2016. The Robinson Building was sold during 2014 as part of a property exchange to move the Spam Museum into downtown Austin.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013**

AUSTIN PORT AUTHORITY'S NET POSITION

The following tables summarize the financial position of the Austin Port Authority as of December 31, 2014 and 2013:

Condensed Statement of Net Position

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current Assets	\$ 9,996,120	\$ 3,638,948	\$ 6,357,172	174.70%
Noncurrent Assets	5,144,808	6,421,372	(1,276,564)	(19.88%)
Net Capital Assets	5,401,077	572,987	4,828,090	842.62%
Total Assets	<u>\$ 20,542,005</u>	<u>\$ 10,633,307</u>	<u>\$ 9,908,698</u>	93.19%
Current Liabilities	\$ 4,251,103	\$ 1,429,512	\$ 2,821,591	197.38%
Noncurrent Liabilities	4,515,647	5,687,931	(1,172,284)	(20.61%)
Total Liabilities	<u>\$ 8,766,750</u>	<u>\$ 7,117,443</u>	<u>\$ 1,649,307</u>	23.17%
Net Position:				
Net Investment in Capital Assets	\$ 5,401,077	\$ 572,987	\$ 4,828,090	842.62%
Restricted	3,622,386	802,541	2,819,845	351.36%
Unrestricted	2,751,792	2,140,336	611,456	28.57%
Total Net Position	<u>\$ 11,775,255</u>	<u>\$ 3,515,864</u>	<u>\$ 8,259,391</u>	234.92%
Total Liabilities and Net Position	<u>\$ 20,542,005</u>	<u>\$ 10,633,307</u>	<u>\$ 9,908,698</u>	93.19%

Condensed statement of net position highlights are as follows for the year ended December 31, 2014:

- The net position of the Austin Port Authority exceeded liabilities by \$11,775,255 (Net Position). This is an increase of \$8,259,391 over the net position at the close of 2013.
- Current assets increased by \$6,357,172, primarily due to an infusion of cash for the potential redevelopment of the Oak Park Mall, plus balances that are owed from The Hormel Foundation and the State of Minnesota related to the construction costs associated with the expansion of the Hormel Institute. 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 \$1,276,564, primarily due to the payment on the Hormel Foundation note from the first phased expansion of the Hormel Institute and the loan forgiveness on some of the downtown revitalization loans.
- Net capital assets increased by \$4,828,090 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, plus the sale of our Robinson Building warehouse facility. The Hormel Institute expansion is at the early 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 \$2,821,591 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 2015 for the existing Hormel Institute bonds.
- Noncurrent liabilities decreased \$1,172,284 during 2014 primarily due to the bond payments associated with the Hormel Institute.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013**

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, 2014 AND 2013**

The following charts summarize operating revenues, expenses, and changes in net position of the Austin Port Authority for the years ended December 31, 2014 and 2013:

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

	<u>2014</u>	<u>2013</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues:				
Property Taxes	\$ 25,253	\$ 25,480	\$ (227)	(0.89%)
Intergovernmental Revenues	8	30	(22)	(73.33%)
Lease Revenues	118,338	144,478	(26,140)	(18.09%)
Donations from Private Sources	3,236,935	-	3,236,935	N/A
Interest on Loans	312,417	405,893	(93,476)	(23.03%)
Total Operating Revenues	<u>\$ 3,692,951</u>	<u>\$ 575,881</u>	<u>\$ 3,117,070</u>	541.27%
Operating Expenses:				
Administrative and General	\$ 889,224	\$ 187,560	\$ 701,664	374.10%
Depreciation and Amortization	13,835	65,261	(51,426)	(78.80%)
Total Operating Expense	<u>\$ 903,059</u>	<u>\$ 252,821</u>	<u>\$ 650,238</u>	257.19%
Operating Income	<u>\$ 2,789,892</u>	<u>\$ 323,060</u>	<u>\$ 2,466,832</u>	763.58%
Non-Operating Revenues (Expenses)	5,469,499	96,842	5,372,657	5547.86%
Capital Contribution	-	30,200	(30,200)	(100.00%)
Change in Net Position	<u>\$ 8,259,391</u>	<u>\$ 450,102</u>	<u>\$ 7,809,289</u>	1735.00%
Beginning Net Position	\$ 3,515,864	\$ 3,065,762	\$ 450,102	14.68%
Change in Net Position	8,259,391	450,102	7,809,289	1735.00%
Ending Net Position	<u>\$ 11,775,255</u>	<u>\$ 3,515,864</u>	<u>\$ 8,259,391</u>	234.92%

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2014:

- Property taxes and intergovernmental revenues continue to be the operating capital of the Austin Port Authority, with a levy of \$25,000 for 2014 and 2013 to support the operational needs of the Board of Commissioners. Delinquency collections increased the actual property tax revenue above the original levy amount for 2014.
- Donations from private sources increased considerably (\$3,236,935) as we have been receiving contributions from The Hormel Foundation to cover part of the construction costs related to the Hormel Institute expansion.
- The interest earnings on loans have decreased by \$93,476 from 2013 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 increased by \$701,664 primarily as the result of costs associated with moving the Spam Museum into downtown Austin. Through a series of transactions the Port Authority was able to trade some land and incur some demolition costs in order to create a site ready for the relocation of the Spam Museum during 2015/2016. There were additional administration costs associated with the negotiations with the owners of Oak Park Mall and their tenants as the Port Authority attempts to redevelop the area in conjunction with a new Hy-Vee grocery store.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2014 AND 2013**

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

- Non-operating revenues (expenses) increased by \$5,372,657 for 2014. Contributions related to the Hormel Institute expansion, plus some additional downtown revitalization grants accounted for the primary increase.

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:

	<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, 2014 AND 2013**

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, 2014, amounts to \$5,401,077 (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 842.62 percent and was attributable to the capitalized costs related to the Hormel Institute building.

AUSTIN PORT AUTHORITY'S CAPITAL ASSETS

	<u>2014</u>	<u>2013</u>
Buildings	\$ 258,554	\$ 556,130
Improvements Other Than Buildings	21,641	21,641
Total	<u>\$ 280,195</u>	<u>\$ 577,771</u>
Less: Accumulated Depreciation	(148,331)	(171,460)
Net	131,864	406,311
Construction in Progress	5,269,213	166,676
Net Capital Assets	<u><u>\$ 5,401,077</u></u>	<u><u>\$ 572,987</u></u>

Additional information on the Austin Port Authority's capital assets can be found in Note 4 on page 23-24 of this report.

Long-term debt. At the end of the current fiscal year, the Austin Port Authority had total debt outstanding of \$5,935,647. Of this amount \$750,000 is in the form of an advance from the primary government. The remainder of the Austin Port Authority's debt (\$5,185,647) represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The Austin Port Authority's total debt decreased by \$977,284 (14.14 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 5 on pages 24-25 of this report.

NEXT YEAR'S RATES:

The Walker Building is leased to International Paper for 2015 with a 3% increase in the lease rate. An additional rate increase of 3% exists with this tenant 2016.

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, 2014 AND 2013**

ASSETS	<u>2014</u>	<u>2013</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 4,539,129	\$ 1,328,232
Taxes Receivable	1,559	1,965
Accounts Receivable	1,935,607	101,695
Due From Other Governments	1,900,263	84,338
Interest Receivable	102,112	121,422
Notes Receivable, Current Portion	1,517,450	1,307,480
Leases Receivable, Current Portion	-	693,816
Total Current Assets	<u>\$ 9,996,120</u>	<u>\$ 3,638,948</u>
NONCURRENT ASSETS		
Land Held for Resale	\$ 881,930	\$ 757,731
Notes Receivable	4,262,878	5,663,641
Total Noncurrent Assets	<u>\$ 5,144,808</u>	<u>\$ 6,421,372</u>
CAPITAL ASSETS		
Buildings	\$ 258,554	\$ 556,130
Improvements Other Than Building	21,641	21,641
Total	<u>\$ 280,195</u>	<u>\$ 577,771</u>
Less: Accumulated Depreciation	(148,331)	(171,460)
Net	<u>\$ 131,864</u>	<u>\$ 406,311</u>
Construction in Progress	5,269,213	166,676
Net Capital Assets	<u>\$ 5,401,077</u>	<u>\$ 572,987</u>
Total Assets	<u><u>\$ 20,542,005</u></u>	<u><u>\$ 10,633,307</u></u>

See accompanying Notes to Financial Statements.

LIABILITIES AND NET POSITION	<u>2014</u>	<u>2013</u>
LIABILITIES		
CURRENT LIABILITIES		
Vouchers Payable	\$ 2,581,316	\$ 80,041
Accrued Interest Expense	101,417	117,750
Retainage Payable	141,447	-
Bonds Payable, Current Portion	1,420,000	1,225,000
Unearned Revenue	6,923	6,721
Total Current Liabilities	<u>\$ 4,251,103</u>	<u>\$ 1,429,512</u>
NONCURRENT LIABILITIES		
Advances from Primary Government	\$ 750,000	\$ 395,831
Bonds Payable, Net	3,765,647	5,292,100
Total Noncurrent Liabilities	<u>\$ 4,515,647</u>	<u>\$ 5,687,931</u>
Total Liabilities	<u>\$ 8,766,750</u>	<u>\$ 7,117,443</u>
NET POSITION		
Net Position:		
Net Investment in Capital Assets	\$ 5,401,077	\$ 572,987
Restricted	3,622,386	802,541
Unrestricted	2,751,792	2,140,336
Total Net Position	<u>\$ 11,775,255</u>	<u>\$ 3,515,864</u>
Total Liabilities and Net Position	<u>\$ 20,542,005</u>	<u>\$ 10,633,307</u>

**AUSTIN PORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
OPERATING REVENUES		
Property Taxes	\$ 25,253	\$ 25,480
Intergovernmental Revenues	8	30
Lease Revenues	118,338	144,478
Donations from Private Sources	3,236,935	-
Interest Earnings on Loan	312,417	405,893
Total Operating Revenues	\$ 3,692,951	\$ 575,881
OPERATING EXPENSES		
Administrative and General	\$ 889,224	\$ 187,560
Depreciation and Amortization	13,835	65,261
Total Operating Expenses	\$ 903,059	\$ 252,821
OPERATING INCOME	\$ 2,789,892	\$ 323,060
NON-OPERATING REVENUES (EXPENSES)		
Investment Earnings (Losses)	\$ 37,577	\$ (19,484)
Interest Earnings on Loans	8,597	9,142
State Grants	2,551,269	-
Private Contributions	3,076,269	356,676
Miscellaneous Revenues	2,078	4,272
Interest Expense and Fiscal Agent Fees	(206,291)	(253,764)
Total Non-Operating Revenues (Expenses)	\$ 5,469,499	\$ 96,842
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTION	\$ 8,259,391	\$ 419,902
Capital Contribution	-	30,200
CHANGE IN NET POSITION	\$ 8,259,391	\$ 450,102
NET POSITION, BEGINNING	3,515,864	3,065,762
NET POSITION, ENDING	\$ 11,775,255	\$ 3,515,864

See accompanying Notes to Financial Statements.

**AUSTIN PORT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Users	\$ 3,693,559	\$ 409,261
Cash Received from Others	-	356,676
Cash Paid to Suppliers for Goods and Services	(884,031)	(181,888)
Cash Paid to Employees	(3,115)	(1,400)
Net Cash Provided by Operating Activities	\$ 2,806,413	\$ 582,649
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal Payments of Bonds	\$ (1,225,000)	\$ (1,045,000)
Interest Paid on Bonds and Notes	(329,077)	(374,150)
Principal Received on Note Receivable	1,225,000	1,045,000
Advances from Primary Government	750,000	-
Repayment of Advances from Primary Government	(395,831)	(189,241)
Net Cash Provided (Used) by Non-Capital Financing Activities	\$ 25,092	\$ (563,391)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Asset Acquisitions	\$ (2,459,814)	\$ (103,847)
Capital Contributions	1,977,701	-
Proceeds from Capital Asset Sales	260,612	-
Net Cash Used by Capital and Related Financing Activities	\$ (221,501)	\$ (103,847)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	\$ 65,484	\$ 38,319
Cash Paid to Cover Investment Pool Loss	-	(33,977)
Payments from Issuance of Notes Receivable	(112,462)	(7,886)
Purchase of Land Held for Resale	(124,200)	-
Principal Received on Note Receivable	78,255	83,562
Principal Received on Lease Receivable	693,816	143,606
Net Cash Provided by Investing Activities	\$ 600,893	\$ 223,624
NET INCREASE IN CASH AND CASH EQUIVALENTS	\$ 3,210,897	\$ 139,035
Cash and Cash Equivalents - Beginning	1,328,232	1,189,197
CASH AND CASH EQUIVALENTS - ENDING	\$ 4,539,129	\$ 1,328,232
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 2,789,892	\$ 323,060
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities		
Depreciation and Amortization	13,835	65,261
Private Contributions	-	356,676
Miscellaneous Revenue	2,280	4,272
(Increase) Decrease in:		
Taxes Receivable	406	169
Accounts Receivable	-	(82,451)
Due From Other Governments	-	(84,338)
Net Cash Provided by Operating Activities	\$ 2,806,413	\$ 582,649
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond Premium Amortization	\$ 106,453	\$ 106,453

See accompanying Notes to Financial Statements.

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**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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, as amended.

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, Oak Park Mall, 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, 2014 AND 2013**

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 and Med City Mobility buildings 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, 2014 AND 2013**

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	
	2014	2013
4M Mutual Fund	\$ 22,508	\$ 22,498

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, 2014 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, 2014 AND 2013**

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, 2014 AND 2013**

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.

LWB Properties, LLC

On April 28, 2014, the Authority issued a note receivable in the amount of \$26,400 to LWB Properties, LLC (a CPA firm) to assist in the exterior renovation of their building. The note is secured by the building. The note is at zero percent, and \$5,280 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 LWB Properties, LLC.

Raymond James (Roger Kahle)

On April 22, 2014, the Authority issued a note receivable in the amount of \$35,750 to Roger Kahle to assist in the exterior renovation of his building. The note is secured by the building. The note is at zero percent, and \$7,150 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 Roger Kahle.

Rydjor Bike Shop (Pat Geraghty)

On April 29, 2014, the Authority issued a note receivable in the amount of \$2,094 to Pat Geraghty to assist in the exterior renovation of his building. The note is secured by the building. The note is at zero percent, and \$1,047 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 Pat Geraghty.

Salon Azteca

On April 26, 2014, the Authority issued a note receivable in the amount of \$21,400 to Juan Maldonado, Fabiola Vazquez, Cira Maldonado, and Alfredo Hernandez to assist in the exterior renovation of their building. The note is secured by the building. The note is at zero percent, and \$4,280 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 Juan Maldonado, Fabiola Vazquez, Cira Maldonado, and Alfredo Hernandez.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

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, 2014 AND 2013**

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.

VFW (Veterans of Foreign Wars of the United States, Post #1216)

On April 25, 2014, the Authority issued a note receivable in the amount of \$26,250 to the Olaf B. Damm Post #1216 Veterans of Foreign Wars of the United States to assist in the exterior renovation of a downtown building. The note is secured by the building. The note is at zero percent, and \$5,250 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 the Olaf B. Damm Post #1216 Veterans of Foreign Wars of the United States.

Med-City Mobility (RPE & R Investments LLC)

On August 14, 2014, the Authority issued a note receivable in the amount of \$8,400 to RPE & R Investments 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 \$1,680 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 RPE & R Investments LLC.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

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

	Grove Street, LLC #1	Nagle Building Exterior	LWB Properties LLC	Raymond James
2015	\$ 6,000	\$ 1,757	\$ 5,280	\$ 7,150
2016	6,000	1,757	5,280	7,150
2017	6,000	1,732	5,280	7,150
2018	6,000	-	5,280	7,150
2019	3,000	-	2,856	4,225
2020	-	-	-	-
Total Note Principal	\$ 27,000	\$ 5,246	\$ 23,976	\$ 32,825
Less Current Portion	(6,000)	(1,757)	(5,280)	(7,150)
Long-Term Portion	\$ 21,000	\$ 3,489	\$ 18,696	\$ 25,675

	Rydjor Bike Shop	Salon Azteca	Grove Street LLC #2	Nemitz Building Interior
2015	\$ 1,047	\$ 4,280	\$ 3,000	\$ 2,372
2016	1,047	4,280	-	2,372
2017	-	4,280	-	2,372
2018	-	4,280	-	2,372
2019	-	1,797	-	2,369
2020	-	-	-	-
Total Note Principal	\$ 2,094	\$ 18,917	\$ 3,000	\$ 11,857
Less Current Portion	(1,047)	(4,280)	(3,000)	(2,372)
Long-Term Portion	\$ 1,047	\$ 14,637	\$ -	\$ 9,485

	Marty's Building Interior	Austin Drug Exterior	Twice Is Nice Exterior	Baudler Law Office Exterior
2015	\$ 22,057	\$ 5,300	\$ 1,960	\$ 860
2016	22,057	5,300	1,960	631
2017	22,052	-	-	-
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
Total Note Principal	\$ 66,166	\$ 10,600	\$ 3,920	\$ 1,491
Less Current Portion	(22,057)	(5,300)	(1,960)	(860)
Long-Term Portion	\$ 44,109	\$ 5,300	\$ 1,960	\$ 631

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

	Nagle Karate Studio Apartments	Nagle Karate Studio Exterior	VFW	Med-City Mobility
2015	\$ 10,339	\$ 3,571	\$ 5,250	\$ 1,680
2016	10,339	3,571	5,250	1,680
2017	10,339	3,571	5,250	1,680
2018	10,339	3,571	5,250	1,680
2019	10,340	3,514	5,250	1,680
2020	-	-	-	-
Total Note Principal	<u>\$ 51,696</u>	<u>\$ 17,798</u>	<u>\$ 26,250</u>	<u>\$ 8,400</u>
Less Current Portion	<u>(10,339)</u>	<u>(3,571)</u>	<u>(5,250)</u>	<u>(1,680)</u>
Long-Term Portion	<u><u>\$ 41,357</u></u>	<u><u>\$ 14,227</u></u>	<u><u>\$ 21,000</u></u>	<u><u>\$ 6,720</u></u>

	Downtown Revitalization Loans
2015	\$ 81,903
2016	78,674
2017	69,706
2018	45,922
2019	35,031
2020	-
Total Note Principal	<u>\$ 311,236</u>
Less Current Portion	<u>(81,903)</u>
Long-Term Portion	<u><u>\$ 229,333</u></u>

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
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	-	18,408	-	3,043
2020-2024	-	92,040	-	-
2025-2028	-	64,351	-	-
Total Payments	<u>5,486,875</u>	<u>248,431</u>	<u>150,000</u>	<u>23,911</u>
Less Interest	<u>531,875</u>	<u>56,652</u>	<u>-</u>	<u>1,598</u>
Total Note Principal	<u>\$ 4,955,000</u>	<u>\$ 191,779</u>	<u>\$ 150,000</u>	<u>\$ 22,313</u>
Less Current Portion	<u>(1,420,000)</u>	<u>(10,936)</u>	<u>-</u>	<u>(4,611)</u>
Long-Term Portion	<u><u>\$ 3,535,000</u></u>	<u><u>\$ 180,843</u></u>	<u><u>\$ 150,000</u></u>	<u><u>\$ 17,702</u></u>

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

	Grove Street LLC #3	Downtown Revitalization Loans	Total
2015	\$ -	\$ 81,903	\$ 1,801,378
2016	-	78,674	1,937,174
2017	3,000	69,706	2,052,481
2018	6,000	45,922	225,547
2019	9,000	35,031	65,482
2020-2024	81,000	-	173,040
2025-2028	51,000	-	115,351
Total Payments	<u>150,000</u>	<u>311,236</u>	<u>6,370,453</u>
Less Interest	-	-	590,125
Total Note Principal	<u>\$ 150,000</u>	<u>\$ 311,236</u>	<u>\$ 5,780,328</u>
Less Current Portion	-	(81,903)	(1,517,450)
Long-Term Portion	<u>\$ 150,000</u>	<u>\$ 229,333</u>	<u>\$ 4,262,878</u>

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2014 and 2013:

	12/31/13	Additions	Deletions	12/31/14
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 166,676	\$ 5,102,537	\$ -	\$ 5,269,213
Total Capital Assets, Not Being Depreciated	<u>166,676</u>	<u>5,102,537</u>	<u>-</u>	<u>5,269,213</u>
Capital Assets, Being Depreciated:				
Buildings	\$ 556,130	\$ -	\$ 297,576	\$ 258,554
Improvements Other Than Building	21,641	-	-	21,641
Subtotal	<u>577,771</u>	<u>-</u>	<u>297,576</u>	<u>280,195</u>
Less: Accumulated Depreciation	<u>171,460</u>	<u>13,835</u>	<u>36,964</u>	<u>148,331</u>
Total Capital Assets, Being Depreciated	<u>406,311</u>	<u>(13,835)</u>	<u>260,612</u>	<u>131,864</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 572,987</u>	<u>\$ 5,088,702</u>	<u>\$ 260,612</u>	<u>\$ 5,401,077</u>

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	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	<u>-</u>	<u>166,676</u>	<u>-</u>	<u>166,676</u>
Capital Assets, Being Depreciated:				
Buildings	\$ 556,130	\$ -	\$ -	\$ 556,130
Improvements Other Than Building	21,641	-	-	21,641
Subtotal	<u>577,771</u>	<u>-</u>	<u>-</u>	<u>577,771</u>
Less: Accumulated Depreciation	151,809	19,651	-	171,460
Total Capital Assets, Being Depreciated	<u>425,962</u>	<u>(19,651)</u>	<u>-</u>	<u>406,311</u>
 Total Capital Assets, Net of Accumulated Depreciation	 <u>\$ 425,962</u>	 <u>\$ 147,025</u>	 <u>\$ -</u>	 <u>\$ 572,987</u>

NOTE 5 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	\$ 4,955,000
Total Bonds Payable				4,955,000
Add: Unamortized Bond Premium				230,647
Net Long-Term Debt				5,185,647
Less: Current Portion				(1,420,000)
Long-Term Debt				<u>\$ 3,765,647</u>

Changes in long-term liabilities are as follows for the years ended December 31, 2014 and 2013:

	12/31/13	Increases	Decreases	12/31/14	Due Within One Year
Bonds Payable					
Developmental Bonds	\$ 6,180,000	\$ -	\$ 1,225,000	\$ 4,955,000	\$ 1,420,000
Add Unamortized Bond Premium	337,100	-	106,453	230,647	-
Advances with City of Austin	395,831	750,000	395,831	750,000	-
Long-Term Liabilities	<u>\$ 6,912,931</u>	<u>\$ 750,000</u>	<u>\$ 1,727,284</u>	<u>\$ 5,935,647</u>	<u>\$ 1,420,000</u>
	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>

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Annual requirements to retire bonds payable are as follows:

	Total	Development Bonds	
		Principal	Interest
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>\$ 5,486,875</u>	<u>\$ 4,955,000</u>	<u>\$ 531,875</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 2015 maturity, and a stated rate of 7.00% for the 2016 and 2017 maturities.

Advances

The Port Authority received advances from the primary government for a portion of the estimated demolition costs related to the currently being negotiated purchase of the Oak Park Mall. This arrangement is at zero percent interest.

NOTE 6 OPERATING LEASE

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, 2016. Under the terms of the lease agreement, International Paper will pay annual rent of \$83,070 in 2015 and \$85,562 in 2016.

The annual future minimum rentals on the operating lease are as follows:

<u>Year Ended December 31,</u>	<u>Walker Building</u>
2015	\$ 83,070
2016	85,562
Total Future Minimum Rentals	<u>\$ 168,632</u>

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2014 AND 2013**

NOTE 7 RESTRICTED NET POSITION

There is restricted net position in the Property Management Fund for downtown revitalization, as stipulated by the primary government. The balances of the restricted net position are \$385,451 and \$501,587 at December 31, 2014 and 2013 respectively. There is also restricted net position in the APC Debt Service Fund for debt retirements. The balances of the restricted net position are \$0 and \$300,954 at December 31, 2014 and 2013, respectively. There is also restricted net position in the Oak Park Mall Fund for economic development. The balances of the restricted net position are \$3,236,935 and \$0 at December 31, 2014 and 2013, respectively.

NOTE 8 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 9 COMMITMENTS

The Authority has an active construction project as of December 31, 2014. The project relates to the expansion of the Hormel Institute. At year-end the Authority spent to date \$2,828,925 and has \$9,081,495 remaining commitments with contractors. The commitment is being funded primarily by the Hormel Foundation and the State of Minnesota.

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SUPPLEMENTARY INFORMATION

AUSTIN PORT AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2014 AND 2013

	APC Debt Service		Hormel Institute	
	2014	2013	2014	2013
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 22,508	\$ 22,498
Taxes Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
Interest Receivable	-	3,469	101,417	117,750
Notes Receivable, Current Portion	-	-	1,420,000	1,225,000
Leases Receivable, Current Portion	-	693,816	-	-
Total Current Assets	<u>\$ -</u>	<u>\$ 697,285</u>	<u>\$ 1,543,925</u>	<u>\$ 1,365,248</u>
NONCURRENT ASSETS				
Land Held for Resale	\$ -	\$ -	\$ -	\$ -
Notes Receivable	-	-	3,535,000	4,955,000
Total Noncurrent Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,535,000</u>	<u>\$ 4,955,000</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>
Total Assets	<u><u>\$ -</u></u>	<u><u>\$ 697,285</u></u>	<u><u>\$ 5,078,925</u></u>	<u><u>\$ 6,320,248</u></u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current				
Vouchers Payable	\$ -	\$ 500	\$ -	\$ -
Accrued Interest Expense	-	-	101,417	117,750
Retainage Payable	-	-	-	-
Bonds Payable, Current Portion	-	-	1,420,000	1,225,000
Unearned Revenue	-	-	-	-
Total Current Liabilities	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ 1,521,417</u>	<u>\$ 1,342,750</u>
NONCURRENT LIABILITIES				
Advances from Primary Government	\$ -	\$ 395,831	\$ -	\$ -
Bonds Payable, Net	-	-	3,765,647	5,292,100
Total Noncurrent Liabilities	<u>\$ -</u>	<u>\$ 395,831</u>	<u>\$ 3,765,647</u>	<u>\$ 5,292,100</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 396,331</u>	<u>\$ 5,287,064</u>	<u>\$ 6,634,850</u>
NET POSITION				
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -
Restricted	-	300,954	-	-
Unrestricted	-	-	(208,139)	(314,602)
Total Net Position	<u>\$ -</u>	<u>\$ 300,954</u>	<u>\$ (208,139)</u>	<u>\$ (314,602)</u>
Total Liabilities and Net Position	<u><u>\$ -</u></u>	<u><u>\$ 697,285</u></u>	<u><u>\$ 5,078,925</u></u>	<u><u>\$ 6,320,248</u></u>

Oak Park Mall		Property Management		Total	
2014	2013	2014	2013	2014	2013
\$ 4,377,546	\$ -	\$ 139,075	\$ 1,305,734	\$ 4,539,129	\$ 1,328,232
-	-	1,559	1,965	1,559	1,965
-	-	1,935,607	101,695	1,935,607	101,695
-	-	1,900,263	84,338	1,900,263	84,338
-	-	695	203	102,112	121,422
-	-	97,450	82,480	1,517,450	1,307,480
-	-	-	-	-	693,816
<u>\$ 4,377,546</u>	<u>\$ -</u>	<u>\$ 4,074,649</u>	<u>\$ 1,576,415</u>	<u>\$ 9,996,120</u>	<u>\$ 3,638,948</u>
\$ -	\$ -	\$ 881,930	\$ 757,731	\$ 881,930	\$ 757,731
-	-	727,878	708,641	4,262,878	5,663,641
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,609,808</u>	<u>\$ 1,466,372</u>	<u>\$ 5,144,808</u>	<u>\$ 6,421,372</u>
\$ -	\$ -	\$ 258,554	\$ 556,130	\$ 258,554	\$ 556,130
-	-	21,641	21,641	21,641	21,641
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,195</u>	<u>\$ 577,771</u>	<u>\$ 280,195</u>	<u>\$ 577,771</u>
-	-	(148,331)	(171,460)	(148,331)	(171,460)
-	-	131,864	406,311	131,864	406,311
-	-	5,269,213	166,676	5,269,213	166,676
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,401,077</u>	<u>\$ 572,987</u>	<u>\$ 5,401,077</u>	<u>\$ 572,987</u>
<u>\$ 4,377,546</u>	<u>\$ -</u>	<u>\$ 11,085,534</u>	<u>\$ 3,615,774</u>	<u>\$ 20,542,005</u>	<u>\$ 10,633,307</u>
\$ -	\$ -	\$ 2,581,316	\$ 79,541	\$ 2,581,316	\$ 80,041
-	-	-	-	101,417	117,750
-	-	141,447	-	141,447	-
-	-	-	-	1,420,000	1,225,000
-	-	6,923	6,721	6,923	6,721
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,729,686</u>	<u>\$ 86,262</u>	<u>\$ 4,251,103</u>	<u>\$ 1,429,512</u>
\$ 750,000	\$ -	\$ -	\$ -	\$ 750,000	\$ 395,831
-	-	-	-	3,765,647	5,292,100
<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,515,647</u>	<u>\$ 5,687,931</u>
\$ 750,000	\$ -	\$ 2,729,686	\$ 86,262	\$ 8,766,750	\$ 7,117,443
\$ -	\$ -	\$ 5,401,077	\$ 572,987	\$ 5,401,077	\$ 572,987
3,236,935	-	385,451	501,587	3,622,386	802,541
390,611	-	2,569,320	2,454,938	2,751,792	2,140,336
<u>\$ 3,627,546</u>	<u>\$ -</u>	<u>\$ 8,355,848</u>	<u>\$ 3,529,512</u>	<u>\$ 11,775,255</u>	<u>\$ 3,515,864</u>
<u>\$ 4,377,546</u>	<u>\$ -</u>	<u>\$ 11,085,534</u>	<u>\$ 3,615,774</u>	<u>\$ 20,542,005</u>	<u>\$ 10,633,307</u>

**AUSTIN PORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	APC Debt Service		Hormel Institute	
	2014	2013	2014	2013
OPERATING REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-
Lease Revenues	-	-	-	-
Donations from Private Sources	-	-	-	-
Interest Earnings on Loan	-	45,676	312,417	360,217
Total Operating Revenues	<u>\$ -</u>	<u>\$ 45,676</u>	<u>\$ 312,417</u>	<u>\$ 360,217</u>
OPERATING EXPENSES				
Administrative and General	\$ -	\$ 5,531	\$ -	\$ -
Depreciation and Amortization	-	-	-	45,610
Total Operating Expenses	<u>\$ -</u>	<u>\$ 5,531</u>	<u>\$ -</u>	<u>\$ 45,610</u>
OPERATING INCOME (LOSS)	<u>\$ -</u>	<u>\$ 40,145</u>	<u>\$ 312,417</u>	<u>\$ 314,607</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Earnings (Expense)	\$ -	\$ -	\$ 10	\$ 11
Interest Earnings on Loans	-	-	-	-
State Grants	-	-	-	-
Private Contributions	-	-	-	-
Miscellaneous Revenues (Expenses)	(1,572)	4,272	-	-
Interest Expense and Fiscal Agent Fees	-	-	(205,964)	(253,764)
Total Non-Operating Revenues (Expenses)	<u>\$ (1,572)</u>	<u>\$ 4,272</u>	<u>\$ (205,954)</u>	<u>\$ (253,753)</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTION AND TRANSFERS	<u>\$ (1,572)</u>	<u>\$ 44,417</u>	<u>\$ 106,463</u>	<u>\$ 60,854</u>
Transfers In	-	-	-	-
Transfers Out	(299,382)	-	-	-
Capital Contribution	-	-	-	-
CHANGE IN NET POSITION	<u>\$ (300,954)</u>	<u>\$ 44,417</u>	<u>\$ 106,463</u>	<u>\$ 60,854</u>
NET POSITION, BEGINNING	<u>300,954</u>	<u>256,537</u>	<u>(314,602)</u>	<u>(375,456)</u>
NET POSITION, ENDING	<u>\$ -</u>	<u>\$ 300,954</u>	<u>\$ (208,139)</u>	<u>\$ (314,602)</u>

Oak Park Mall		Property Management		Total	
2014	2013	2014	2013	2014	2013
\$ -	\$ -	\$ 25,253	\$ 25,480	\$ 25,253	\$ 25,480
-	-	8	30	8	30
-	-	118,338	144,478	118,338	144,478
3,236,935	-	-	-	3,236,935	-
-	-	-	-	312,417	405,893
<u>\$ 3,236,935</u>	<u>\$ -</u>	<u>\$ 143,599</u>	<u>\$ 169,988</u>	<u>\$ 3,692,951</u>	<u>\$ 575,881</u>
\$ 109,062	\$ -	\$ 780,162	\$ 182,029	\$ 889,224	\$ 187,560
-	-	13,835	19,651	13,835	65,261
<u>\$ 109,062</u>	<u>\$ -</u>	<u>\$ 793,997</u>	<u>\$ 201,680</u>	<u>\$ 903,059</u>	<u>\$ 252,821</u>
\$ 3,127,873	\$ -	\$ (650,398)	\$ (31,692)	\$ 2,789,892	\$ 323,060
\$ -	\$ -	\$ 37,567	\$ (19,495)	\$ 37,577	\$ (19,484)
-	-	8,597	9,142	8,597	9,142
-	-	2,551,269	-	2,551,269	-
-	-	3,076,269	356,676	3,076,269	356,676
-	-	3,650	-	2,078	4,272
(327)	-	-	-	(206,291)	(253,764)
<u>\$ (327)</u>	<u>\$ -</u>	<u>\$ 5,677,352</u>	<u>\$ 346,323</u>	<u>\$ 5,469,499</u>	<u>\$ 96,842</u>
\$ 3,127,546	\$ -	\$ 5,026,954	\$ 314,631	\$ 8,259,391	\$ 419,902
500,000	-	299,382	-	799,382	-
-	-	(500,000)	-	(799,382)	-
-	-	-	30,200	-	30,200
<u>\$ 3,627,546</u>	<u>\$ -</u>	<u>\$ 4,826,336</u>	<u>\$ 344,831</u>	<u>\$ 8,259,391</u>	<u>\$ 450,102</u>
-	-	3,529,512	3,184,681	3,515,864	3,065,762
<u>\$ 3,627,546</u>	<u>\$ -</u>	<u>\$ 8,355,848</u>	<u>\$ 3,529,512</u>	<u>\$ 11,775,255</u>	<u>\$ 3,515,864</u>

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
SUPPLEMENTARY COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2014 AND 2013**

ASSETS	General		Walker Building	
	2014	2013	2014	2013
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ 818,385	\$ 139,075	\$ 487,349
Taxes Receivable	1,559	1,965	-	-
Accounts Receivable	1,935,607	84,338	-	357
Due From Other Governments	1,900,263	84,338	-	-
Interest Receivable	695	203	-	-
Due from Other Funds	-	-	470,277	47,588
Notes Receivable, Current Portion	97,450	82,480	-	-
Total Current Assets	\$ 3,935,574	\$ 1,071,709	\$ 609,352	\$ 535,294
NONCURRENT ASSETS				
Land Held for Resale	\$ 881,930	\$ 757,731	\$ -	\$ -
Notes Receivable	727,878	708,641	-	-
Total Noncurrent Assets	\$ 1,609,808	\$ 1,466,372	\$ -	\$ -
CAPITAL ASSETS				
Buildings	\$ -	\$ -	\$ 258,554	\$ 258,554
Improvements Other Than Building	-	-	21,641	21,641
Total	\$ -	\$ -	\$ 280,195	\$ 280,195
Less: Accumulated Depreciation	-	-	(148,331)	(140,217)
Net	\$ -	\$ -	\$ 131,864	\$ 139,978
Construction in Progress	5,269,213	166,676	-	-
Net Capital Assets	\$ 5,269,213	\$ 166,676	\$ 131,864	\$ 139,978
Total Assets	\$ 10,814,595	\$ 2,704,757	\$ 741,216	\$ 675,272
LIABILITIES AND NET POSITION				
LIABILITIES				
Current				
Vouchers Payable	\$ 2,581,310	\$ 60,357	\$ 6	\$ 2,399
Retainage Payable	141,447	-	-	-
Due to Other Funds	470,277	-	-	-
Unearned Revenue	-	-	6,923	6,721
Total Current Liabilities	\$ 3,193,034	\$ 60,357	\$ 6,929	\$ 9,120
NET POSITION				
Net Investment in Capital Assets	\$ 5,269,213	\$ 166,676	\$ 131,864	\$ 139,978
Restricted	385,451	501,587	-	-
Unrestricted	1,966,897	1,976,137	602,423	526,174
Total Net Position	\$ 7,621,561	\$ 2,644,400	\$ 734,287	\$ 666,152
Total Liabilities and Net Position	\$ 10,814,595	\$ 2,704,757	\$ 741,216	\$ 675,272

Robinson Building		Total	
2014	2013	2014	2013
\$ -	\$ -	\$ 139,075	\$ 1,305,734
-	-	1,559	1,965
-	17,000	1,935,607	101,695
-	-	1,900,263	84,338
-	-	695	203
-	-	470,277	47,588
-	-	97,450	82,480
<u>\$ -</u>	<u>\$ 17,000</u>	<u>\$ 4,544,926</u>	<u>\$ 1,624,003</u>
\$ -	\$ -	\$ 881,930	\$ 757,731
-	-	727,878	708,641
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,609,808</u>	<u>\$ 1,466,372</u>
\$ -	\$ 297,576	\$ 258,554	\$ 556,130
-	-	21,641	21,641
<u>\$ -</u>	<u>\$ 297,576</u>	<u>\$ 280,195</u>	<u>\$ 577,771</u>
-	(31,243)	(148,331)	(171,460)
<u>\$ -</u>	<u>\$ 266,333</u>	<u>\$ 131,864</u>	<u>\$ 406,311</u>
-	-	5,269,213	166,676
<u>\$ -</u>	<u>\$ 266,333</u>	<u>\$ 5,401,077</u>	<u>\$ 572,987</u>
<u>\$ -</u>	<u>\$ 283,333</u>	<u>\$ 11,555,811</u>	<u>\$ 3,663,362</u>
\$ -	\$ 16,785	\$ 2,581,316	\$ 79,541
-	-	141,447	-
-	47,588	470,277	47,588
-	-	6,923	6,721
<u>\$ -</u>	<u>\$ 64,373</u>	<u>\$ 3,199,963</u>	<u>\$ 133,850</u>
\$ -	\$ 266,333	\$ 5,401,077	\$ 572,987
-	-	385,451	501,587
-	(47,373)	2,569,320	2,454,938
<u>\$ -</u>	<u>\$ 218,960</u>	<u>\$ 8,355,848</u>	<u>\$ 3,529,512</u>
<u>\$ -</u>	<u>\$ 283,333</u>	<u>\$ 11,555,811</u>	<u>\$ 3,663,362</u>

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
GENERAL
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
OPERATING REVENUES		
Property Taxes	\$ 25,253	\$ 25,480
Intergovernmental Revenues	8	30
Total Operating Revenues	\$ 25,261	\$ 25,510
OPERATING EXPENSES		
ADMINISTRATIVE AND GENERAL		
Board Member Compensation	\$ 3,115	\$ 1,400
Professional Services and Consulting	21,900	46,250
Legal and Appraisals	17,940	2,469
Insurance	288	288
Office Supplies	194	-
Property Taxes	1,185	487
Improvements Other Than Buildings	572,537	70,278
Miscellaneous	300	1,344
Total Administrative and General	\$ 617,459	\$ 122,516
OPERATING LOSS	\$ (592,198)	\$ (97,006)
NON-OPERATING REVENUES		
Interest Earnings	\$ 22,916	\$ (12,671)
Interest Earnings on Loans	8,597	9,142
State Grants	2,551,269	-
Private Contributions	3,076,269	356,676
Total Non-Operating Revenues	\$ 5,659,051	\$ 353,147
CHANGE IN NET POSITION BEFORE TRANSFERS AND CAPITAL CONTRIBUTION	\$ 5,066,853	\$ 256,141
Capital Contribution from Primary Government	-	30,200
Transfers In	410,308	-
Transfers Out	(500,000)	-
CHANGE IN NET POSITION	\$ 4,977,161	\$ 286,341
NET POSITION, BEGINNING	2,644,400	2,358,059
NET POSITION, ENDING	\$ 7,621,561	\$ 2,644,400

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
WALKER BUILDING
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	2014	2013
OPERATING REVENUES		
Lease Revenues	\$ 80,992	\$ 88,400
OPERATING EXPENSES		
ADMINISTRATIVE AND GENERAL		
Maintenance and Repair of Building	\$ 9,793	\$ 4,056
Legal and Appraisals	225	-
Insurance	1,500	1,500
Property Taxes	11,526	12,414
Total Administrative and General Expenses	\$ 23,044	\$ 17,970
Depreciation	8,114	8,114
Total Operating Expenses	\$ 31,158	\$ 26,084
OPERATING INCOME	\$ 49,834	\$ 62,316
NON-OPERATING REVENUES		
Interest Earnings	\$ 14,651	\$ (6,824)
Miscellaneous Revenue	3,650	-
Total Non-Operating Revenues	\$ 18,301	\$ (6,824)
CHANGE IN NET POSITION	\$ 68,135	\$ 55,492
NET POSITION, BEGINNING	666,152	610,660
NET POSITION, ENDING	\$ 734,287	\$ 666,152

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
ROBINSON BUILDING
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2014 AND 2013**

	<u>2014</u>	<u>2013</u>
OPERATING REVENUES		
Lease Revenues	\$ 37,346	\$ 56,078
OPERATING EXPENSES		
ADMINISTRATIVE AND GENERAL		
Maintenance and Repair of Building	\$ 121,284	\$ 9,613
Legal and Appraisals	463	894
Professional Services	-	14,535
Cleaning and Waste Removal	736	1,599
Utilities	11,493	2,704
Insurance	750	1,500
Property Taxes	4,933	10,654
Miscellaneous	-	44
Total Administrative and General Expenses	<u>\$ 139,659</u>	<u>\$ 41,543</u>
Depreciation	<u>5,721</u>	<u>11,537</u>
Total Operating Expenses	<u>\$ 145,380</u>	<u>\$ 53,080</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	\$ (108,034)	\$ 2,998
Transfers Out	<u>(110,926)</u>	<u>-</u>
CHANGE IN NET POSITION	\$ (218,960)	\$ 2,998
NET POSITION, BEGINNING	<u>218,960</u>	<u>215,962</u>
NET POSITION, ENDING	<u><u>\$ -</u></u>	<u><u>\$ 218,960</u></u>

OTHER REQUIRED REPORTS

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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, 2014 and 2013, 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, 2015.

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, 2015

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

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

We have audited, 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 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 year ended December 31, 2014 and the related notes to the financial statements and have issued our report thereon dated March 25, 2015.

The *Minnesota Legal Compliance Audit Guide for Political Subdivisions* covers seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our study included all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the Authority failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Political Subdivisions*, except as noted in the Schedule of Findings and Responses as item 2014-001. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the Authority's noncompliance with the above-referenced provisions.

The Authority's response to the finding identified in our audit is described in the accompanying Schedule of Findings and Responses. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.


CliftonLarsonAllen LLP

Austin, Minnesota
March 25, 2015

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**AUSTIN PORT AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEARS ENDED DECEMBER 31, 2014 AND 2013**

FINDING: 2014-001: MINNESOTA LEGAL COMPLIANCE – RETENTION OF BID FILES

Condition: For the three bid files that were selected for testing, the Authority did not have on file the bids that were submitted by the contractors and the appropriate retention period for the bid files had not yet expired.

Criteria: Minnesota State Statute 15.17 states that bid files should be preserved and on file if the appropriate retention period has not expired.

Effect: The Authority is not in compliance with this state statute.

Cause: The bids were misplaced and unable to be found.

Recommendation: We recommend the Authority follow their retention policy that is in place.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Findings

There is no disagreement with the audit finding.

Actions Planned in Response to Finding

The Authority will be more careful when handling and filing their bid files.

Official Responsible for Ensuring CAP

Tom Dankert, Secretary, is the official responsible for ensuring corrective action of the deficiency.

Planned Completion Date for CAP

Immediately

Plan to Monitor Completion of CAP

Craig Clark, Executive Director, will be monitoring this corrective action plan.

