

AUSTIN PORT AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2015 AND 2014

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INTRODUCTION SECTION

**AUSTIN PORT AUTHORITY
ORGANIZATION SCHEDULE
DECEMBER 31, 2015**

BOARD OF COMMISSIONERS

		<u>Term Expires</u>
Jerry McCarthy	President	December 31, 2020
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
Jeremy Carolan	Commissioner	December 31, 2017
Lee Bjorndal	Commissioner	December 31, 2017

OFFICERS

Craig Clark	Executive Director	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, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Austin Port Authority, a component unit of the City of Austin, State of Minnesota as of December 31, 2015 and 2014, 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 16, 2016, 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 16, 2016

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REQUIRED SUPPLEMENTARY INFORMATION

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**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

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, 2015 and 2014. 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 14-25 of this report.

Supplemental information. The combining and individual account statements and schedules can be found on pages 26-34 of this report.

FINANCIAL HIGHLIGHTS:

The largest portion of the Austin Port Authority's net position (92 percent) is the net investment in capital assets at December 31, 2015. The Austin Port Authority is in the final stages of construction on a \$27 million expansion of the Hormel Institute having spent over \$22 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.

The Austin Port Authority finalized the purchase of the Oak Park Mall facility and the subsequent sale of most of the property to Hy-Vee Foods for their new grocery store. The acquisition was paid for primarily with a contribution from The Hormel Foundation that was received in 2014. The Austin Port Authority retained the 1.14 acre parcel known as the Farmers Market lot for future development.

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 \$3,535,000 as of December 31, 2015.

The Austin Port Authority disposed of property in downtown Austin by contributing it to the Hormel Foods Corporation. The downtown site will be the location of the new SPAM Museum set to open in 2016.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

AUSTIN PORT AUTHORITY'S NET POSITION

The following tables summarize the financial position of the Austin Port Authority as of December 31, 2015 and 2014:

Condensed Statement of Net Position

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current Assets	\$ 5,328,204	\$ 9,996,120	\$ (4,667,916)	(46.70%)
Noncurrent Assets	3,339,000	5,144,808	(1,805,808)	(35.10%)
Net Capital Assets	22,335,545	5,401,077	16,934,468	313.54%
Total Assets	<u>\$ 31,002,749</u>	<u>\$ 20,542,005</u>	<u>\$ 10,460,744</u>	50.92%
Current Liabilities	\$ 3,832,168	\$ 4,251,103	\$ (418,935)	(9.85%)
Noncurrent Liabilities	2,889,195	4,515,647	(1,626,452)	(36.02%)
Total Liabilities	<u>\$ 6,721,363</u>	<u>\$ 8,766,750</u>	<u>\$ (2,045,387)</u>	(23.33%)
Net Position:				
Net Investment in Capital Assets	\$ 22,335,545	\$ 5,401,077	\$ 16,934,468	313.54%
Restricted	460,199	3,622,386	(3,162,187)	(87.30%)
Unrestricted	1,485,642	2,751,792	(1,266,150)	(46.01%)
Total Net Position	<u>\$ 24,281,386</u>	<u>\$ 11,775,255</u>	<u>\$ 12,506,131</u>	106.21%
Total Liabilities and Net Position	<u>\$ 31,002,749</u>	<u>\$ 20,542,005</u>	<u>\$ 10,460,744</u>	50.92%

Condensed statement of net position highlights are as follows for the year ended December 31, 2015:

- The assets of the Austin Port Authority exceeded liabilities by \$24,281,386 (Net Position). This is an increase of \$12,506,131 over the net position at the close of 2014.
- Current assets decreased by \$4,667,916, primarily due to the acquisition of Oak Park Mall, plus a reduction in the 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 receivable.
- Noncurrent assets decreased by \$1,805,808, 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 \$16,934,468 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 donation of our downtown fire site property for the SPAM Museum. The Hormel Institute expansion is at the final 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 decreased by \$418,935 primarily due to reduced balances in some year-end accounts payable related to the Hormel Institute building addition.
- Noncurrent liabilities decreased \$1,626,452 during 2015 primarily due to the bond payments associated with the Hormel Institute.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

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 assets 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, 2015 AND 2014**

The following charts summarize operating revenues, expenses, and changes in net position of the Austin Port Authority for the years ended December 31, 2015 and 2014:

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

	<u>2015</u>	<u>2014</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues:				
Property Taxes	\$ 40,865	\$ 25,253	\$ 15,612	61.82%
Intergovernmental Revenues	7	8	(1)	(12.50%)
Lease Revenues	83,070	118,338	(35,268)	(29.80%)
Donations from Private Sources	413,065	3,236,935	(2,823,870)	(87.24%)
Interest on Loans	256,917	312,417	(55,500)	(17.76%)
Total Operating Revenues	<u>\$ 793,924</u>	<u>\$ 3,692,951</u>	<u>\$ (2,899,027)</u>	<u>(78.50%)</u>
Operating Expenses:				
Administrative and General	\$ 5,292,884	\$ 889,224	\$ 4,403,660	495.23%
Depreciation and Amortization	8,114	13,835	(5,721)	(41.35%)
Total Operating Expense	<u>\$ 5,300,998</u>	<u>\$ 903,059</u>	<u>\$ 4,397,939</u>	<u>487.00%</u>
Operating (Loss) Income	<u>\$ (4,507,074)</u>	<u>\$ 2,789,892</u>	<u>\$ (7,296,966)</u>	<u>(261.55%)</u>
Non-Operating Revenues (Expenses)	<u>17,013,205</u>	<u>5,469,499</u>	<u>11,543,706</u>	<u>211.06%</u>
Change in Net Position	<u>\$ 12,506,131</u>	<u>\$ 8,259,391</u>	<u>\$ 4,246,740</u>	<u>51.42%</u>
Beginning Net Position	\$ 11,775,255	\$ 3,515,864	\$ 8,259,391	234.92%
Change in Net Position	12,506,131	8,259,391	4,246,740	51.42%
Ending Net Position	<u>\$ 24,281,386</u>	<u>\$ 11,775,255</u>	<u>\$ 12,506,131</u>	<u>106.21%</u>

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2015:

- Property taxes and intergovernmental revenues continue to be the operating capital of the Austin Port Authority, with a levy of \$40,000 and \$25,000 for 2015 and 2014, respectively, to support the operational needs of the Board of Commissioners. Delinquency collections increased the actual property tax revenue above the original levy amount for 2015.
- Donations from private sources decreased considerably (\$2,823,870) as 2014 had a large private contribution received for the acquisition of Oak Park Mall. This donation was expended in 2015.
- The interest earnings on loans have decreased by \$55,500 from 2014 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 \$4,403,660 primarily as the result of costs associated with the acquisition of the Oak Park Mall facility and redevelopment by Hy-Vee Foods grocery store.
- Non-operating revenues (expenses) increased by \$11,543,706 for 2015. Contributions related to the Hormel Institute expansion accounted for the primary increase.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

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

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:

	<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	<u>8,259,391</u>	<u>450,102</u>	<u>7,809,289</u>	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 acquisition and redevelopment costs associated with the Oak Park Mall facility.
- 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.
- 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.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2015 AND 2014**

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, 2015, amounts to \$22,335,545 (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 313.54 percent and was attributable to the capitalized costs related to the Hormel Institute building.

AUSTIN PORT AUTHORITY'S CAPITAL ASSETS

	<u>2015</u>	<u>2014</u>
Buildings	\$ 258,554	\$ 258,554
Improvements Other Than Buildings	21,641	21,641
Total	<u>\$ 280,195</u>	<u>\$ 280,195</u>
Less: Accumulated Depreciation	<u>(156,445)</u>	<u>(148,331)</u>
Net	123,750	131,864
Construction in Progress	<u>22,211,795</u>	<u>5,269,213</u>
Net Capital Assets	<u><u>\$ 22,335,545</u></u>	<u><u>\$ 5,401,077</u></u>

Additional information on the Austin Port Authority's capital assets can be found in Note 4 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 \$4,484,195. Of this amount \$825,000 is in the form of an advance from the primary government. The remainder of the Austin Port Authority's debt (\$3,659,195) represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The Austin Port Authority's total debt decreased by \$1,451,452 (24.45 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 page 24 of this report.

NEXT YEAR'S RATES:

The Walker Building is leased to International Paper for 2016 with a 3% increase in the lease rate.

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, 2015 AND 2014**

ASSETS	<u>2015</u>	<u>2014</u>
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,256,423	\$ 4,539,129
Taxes Receivable	1,377	1,559
Accounts Receivable	1,181,984	1,935,607
Due From Other Governments	1,064,389	1,900,263
Interest Receivable	83,097	102,112
Notes Receivable, Current Portion	1,740,934	1,517,450
Total Current Assets	<u>\$ 5,328,204</u>	<u>\$ 9,996,120</u>
NONCURRENT ASSETS		
Land Held for Resale	\$ 822,230	\$ 881,930
Notes Receivable	2,516,770	4,262,878
Total Noncurrent Assets	<u>\$ 3,339,000</u>	<u>\$ 5,144,808</u>
CAPITAL ASSETS		
Buildings	\$ 258,554	\$ 258,554
Improvements Other Than Building	21,641	21,641
Total	<u>\$ 280,195</u>	<u>\$ 280,195</u>
Less: Accumulated Depreciation	(156,445)	(148,331)
Net	<u>\$ 123,750</u>	<u>\$ 131,864</u>
Construction in Progress	22,211,795	5,269,213
Net Capital Assets	<u>\$ 22,335,545</u>	<u>\$ 5,401,077</u>
Total Assets	<u><u>\$ 31,002,749</u></u>	<u><u>\$ 20,542,005</u></u>

See accompanying Notes to Financial Statements.

LIABILITIES AND NET POSITION	<u>2015</u>	<u>2014</u>
LIABILITIES		
CURRENT LIABILITIES		
Vouchers Payable	\$ 1,262,937	\$ 2,581,316
Accrued Interest Expense	82,483	101,417
Retainage Payable	841,748	141,447
Bonds Payable, Current Portion	1,645,000	1,420,000
Unearned Revenue	-	6,923
Total Current Liabilities	<u>\$ 3,832,168</u>	<u>\$ 4,251,103</u>
NONCURRENT LIABILITIES		
Advances from Primary Government	\$ 825,000	\$ 750,000
Due to Other Governments	50,000	-
Bonds Payable, Net	2,014,195	3,765,647
Total Noncurrent Liabilities	<u>\$ 2,889,195</u>	<u>\$ 4,515,647</u>
 Total Liabilities	 <u>\$ 6,721,363</u>	 <u>\$ 8,766,750</u>
NET POSITION		
Net Position:		
Net Investment in Capital Assets	\$ 22,335,545	\$ 5,401,077
Restricted	460,199	3,622,386
Unrestricted	1,485,642	2,751,792
Total Net Position	<u>\$ 24,281,386</u>	<u>\$ 11,775,255</u>
 Total Liabilities and Net Position	 <u>\$ 31,002,749</u>	 <u>\$ 20,542,005</u>

**AUSTIN PORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
OPERATING REVENUES		
Property Taxes	\$ 40,865	\$ 25,253
Intergovernmental Revenues	7	8
Lease Revenues	83,070	118,338
Donations from Private Sources	413,065	3,236,935
Interest Earnings on Loan	256,917	312,417
Total Operating Revenues	\$ 793,924	\$ 3,692,951
OPERATING EXPENSES		
Administrative and General	\$ 5,292,884	\$ 889,224
Depreciation and Amortization	8,114	13,835
Total Operating Expenses	\$ 5,300,998	\$ 903,059
OPERATING (LOSS) INCOME	\$ (4,507,074)	\$ 2,789,892
NON-OPERATING REVENUES (EXPENSES)		
Investment Earnings (Losses)	\$ 63,177	\$ 37,577
Interest Earnings on Loans	7,910	8,597
State Grants	8,471,291	2,551,269
Private Contributions	8,621,291	3,076,269
Miscellaneous Revenues	-	2,078
Interest Expense and Fiscal Agent Fees	(150,464)	(206,291)
Total Non-Operating Revenues (Expenses)	\$ 17,013,205	\$ 5,469,499
CHANGE IN NET POSITION	\$ 12,506,131	\$ 8,259,391
NET POSITION, BEGINNING	11,775,255	3,515,864
NET POSITION, ENDING	\$ 24,281,386	\$ 11,775,255

See accompanying Notes to Financial Statements.

**AUSTIN PORT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Users	\$ 787,183	\$ 3,693,559
Cash Paid to Suppliers for Goods and Services	(5,291,379)	(884,031)
Cash Paid to Employees	(1,505)	(3,115)
Net Cash (Used) Provided by Operating Activities	\$ (4,505,701)	\$ 2,806,413
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal Payments of Bonds	\$ (1,420,000)	\$ (1,225,000)
Interest Paid on Bonds and Notes	(275,850)	(329,077)
Principal Received on Note Receivable	1,420,000	1,225,000
Advances from Primary Government	75,000	750,000
Advances from Other Government	50,000	-
Repayment of Advances from Primary Government	-	(395,831)
Net Cash (Used) Provided by Non-Capital Financing Activities	\$ (150,850)	\$ 25,092
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Asset Acquisitions	\$ (17,560,660)	\$ (2,459,814)
Capital Contributions	18,741,779	1,977,701
Proceeds from Capital Asset Sales	-	260,612
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ 1,181,119	\$ (221,501)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	\$ 90,102	\$ 65,484
Payments from Issuance of Notes Receivable	-	(112,462)
Purchase of Land Held for Resale	-	(124,200)
Principal Received on Note Receivable	102,624	78,255
Principal Received on Lease Receivable	-	693,816
Net Cash Provided by Investing Activities	\$ 192,726	\$ 600,893
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	\$ (3,282,706)	\$ 3,210,897
Cash and Cash Equivalents - Beginning	4,539,129	1,328,232
CASH AND CASH EQUIVALENTS - ENDING	\$ 1,256,423	\$ 4,539,129
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH (USED) PROVIDED BY OPERATING ACTIVITIES		
Operating (Loss) Income	\$ (4,507,074)	\$ 2,789,892
Adjustments to Reconcile Operating (Loss) Income to Net Cash (Used) Provided by Operating Activities		
Depreciation and Amortization	8,114	13,835
Unearned Revenue	(6,923)	-
Miscellaneous Revenue	-	2,280
(Increase) Decrease in:		
Taxes Receivable	182	406
Net Cash (Used) Provided by Operating Activities	\$ (4,505,701)	\$ 2,806,413
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond Premium Amortization	\$ 106,452	\$ 106,453

See accompanying Notes to Financial Statements.

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**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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, 2015 AND 2014**

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, and 1.14 acres located on 18th Avenue NE near the current Hy-Vee grocery store. 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, 2015 AND 2014**

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	
	2015	2014
4M Mutual Fund	\$ 22,519	\$ 22,508

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, 2015 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, 2015 AND 2014**

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 September 1, 2016 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 March 4, 2017, and every anniversary date thereafter. The note is secured by a mortgage from the purchaser.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

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 \$6,000 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, 2015 AND 2014**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

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.

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 \$631 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.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

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, 2015 AND 2014**

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
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	\$ 21,000	\$ 3,489	\$ 18,696	\$ 25,675
Less Current Portion	(6,000)	(1,757)	(5,280)	(7,150)
Long-Term Portion	\$ 15,000	\$ 1,732	\$ 13,416	\$ 18,525

	Rydjor Bike Shop	Salon Azteca	Nemitz Building Interior	Marty's Building Interior
2016	\$ 1,047	\$ 4,280	\$ 2,372	\$ 22,057
2017	-	4,280	2,372	22,052
2018	-	4,280	2,372	-
2019	-	4,280	2,372	-
2020	-	1,797	2,369	-
Total Note Principal	\$ 1,047	\$ 18,917	\$ 11,857	\$ 44,109
Less Current Portion	(1,047)	(4,280)	(2,372)	(22,057)
Long-Term Portion	\$ -	\$ 14,637	\$ 9,485	\$ 22,052

	Austin Drug Exterior	Twice Is Nice Exterior	Baudler Law Office Exterior	Nagle Karate Studio Apartments
2016	\$ 5,300	\$ 1,960	\$ 631	\$ 10,339
2017	-	-	-	10,339
2018	-	-	-	10,339
2019	-	-	-	10,340
2020	-	-	-	-
Total Note Principal	\$ 5,300	\$ 1,960	\$ 631	\$ 41,357
Less Current Portion	(5,300)	(1,960)	(631)	(10,339)
Long-Term Portion	\$ -	\$ -	\$ -	\$ 31,018

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

	Nagle Karate Studio Exterior	VFW	Med-City Mobility	Downtown Revitalization Loans
2016	\$ 3,571	\$ 5,250	\$ 1,680	\$ 78,674
2017	3,571	5,250	1,680	69,706
2018	3,571	5,250	1,680	45,922
2019	3,513	5,250	1,680	37,516
2020	-	-	-	4,166
Total Note Principal	\$ 14,226	\$ 21,000	\$ 6,720	\$ 235,984
Less Current Portion	(3,571)	(5,250)	(1,680)	(78,674)
Long-Term Portion	\$ 10,655	\$ 15,750	\$ 5,040	\$ 157,310

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
2016	\$ 1,834,875	\$ 18,408	\$ -	\$ 5,926
2017	1,956,150	18,408	-	-
2018	-	18,408	150,000	-
2019	-	18,408	-	-
2020	-	18,408	-	-
2021-2025	-	92,040	-	-
2026-2028	-	45,943	-	-
Total Payments	3,791,025	230,023	150,000	5,926
Less Interest	256,025	49,181	-	48
Total Note Principal	\$ 3,535,000	\$ 180,842	\$ 150,000	\$ 5,878
Less Current Portion	(1,645,000)	(11,382)	-	(5,878)
Long-Term Portion	\$ 1,890,000	\$ 169,460	\$ 150,000	\$ -

	Grove Street LLC #3	Downtown Revitalization Loans	Total
2016	\$ -	\$ 78,674	\$ 1,937,883
2017	3,000	69,706	2,047,264
2018	6,000	45,922	220,330
2019	9,000	37,516	64,924
2020	12,000	4,166	34,574
2021-2025	93,000	-	185,040
2026-2028	27,000	-	72,943
Total Payments	150,000	235,984	4,562,958
Less Interest	-	-	305,254
Total Note Principal	\$ 150,000	\$ 235,984	\$ 4,257,704
Less Current Portion	-	(78,674)	(1,740,934)
Long-Term Portion	\$ 150,000	\$ 157,310	\$ 2,516,770

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2015 and 2014:

	12/31/14	Additions	Deletions	12/31/15
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 5,269,213	\$ 16,942,582	\$ -	\$ 22,211,795
Total Capital Assets, Not Being Depreciated	<u>5,269,213</u>	<u>16,942,582</u>	<u>-</u>	<u>22,211,795</u>
Capital Assets, Being Depreciated:				
Buildings	\$ 258,554	\$ -	\$ -	\$ 258,554
Improvements Other Than Building	21,641	-	-	21,641
Subtotal	280,195	-	-	280,195
Less: Accumulated Depreciation	148,331	8,114	-	156,445
Total Capital Assets, Being Depreciated	<u>131,864</u>	<u>(8,114)</u>	<u>-</u>	<u>123,750</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 5,401,077</u>	<u>\$ 16,934,468</u>	<u>\$ -</u>	<u>\$ 22,335,545</u>
	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	577,771	-	297,576	280,195
Less: Accumulated Depreciation	171,460	13,835	36,964	148,331
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>

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	\$ 3,535,000
Total Bonds Payable				3,535,000
Add: Unamortized Bond Premium				124,195
Net Long-Term Debt				3,659,195
Less: Current Portion				(1,645,000)
Long-Term Debt				<u>\$ 2,014,195</u>

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Changes in long-term liabilities are as follows for the years ended December 31, 2015 and 2014:

	12/31/14	Increases	Decreases	12/31/15	Due Within One Year
Bonds Payable					
Developmental Bonds	\$ 4,955,000	\$ -	\$ 1,420,000	\$ 3,535,000	\$ 1,645,000
Add Unamortized Bond Premium	230,647	-	106,452	124,195	-
Advances with City of Austin	750,000	75,000	-	825,000	-
Long-Term Liabilities	<u>\$ 5,935,647</u>	<u>\$ 75,000</u>	<u>\$ 1,526,452</u>	<u>\$ 4,484,195</u>	<u>\$ 1,645,000</u>
	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>

Annual requirements to retire bonds payable are as follows:

	Total	Development Bonds	
		Principal	Interest
2016	\$ 1,834,875	\$ 1,645,000	\$ 189,875
2017	1,956,150	1,890,000	66,150
	<u>\$ 3,791,025</u>	<u>\$ 3,535,000</u>	<u>\$ 256,025</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 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 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 \$6,923 per month, or \$83,070 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 \$85,562 in 2016.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015 AND 2014**

NOTE 6 OPERATING LEASE (CONTINUED)

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

Year Ended December 31,	Walker Building
2016	\$ 85,562
Total Future Minimum Rentals	\$ 85,562

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 \$460,199 and \$385,451 at December 31, 2015 and 2014 respectively. There is also restricted net position in the Oak Park Mall Fund for economic development. The balances of the restricted net position are \$0 and \$3,236,935 at December 31, 2015 and 2014, 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, 2015. The project relates to the expansion of the Hormel Institute. At year-end the Authority spent to date \$22,211,795 and has \$1,697,205 remaining commitments with contractors. The commitment is being funded by the Hormel Foundation and the State of Minnesota.

SUPPLEMENTARY INFORMATION

**AUSTIN PORT AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2015 AND 2014**

	APC Debt Service		Hormel Institute	
	2015	2014	2015	2014
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ -	\$ 22,519	\$ 22,508
Taxes Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
Interest Receivable	-	-	82,483	101,417
Notes Receivable, Current Portion	-	-	1,645,000	1,420,000
Total Current Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750,002</u>	<u>\$ 1,543,925</u>
NONCURRENT ASSETS				
Land Held for Resale	\$ -	\$ -	\$ -	\$ -
Notes Receivable	-	-	1,890,000	3,535,000
Total Noncurrent Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,890,000</u>	<u>\$ 3,535,000</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>\$ -</u></u>	<u><u>\$ 3,640,002</u></u>	<u><u>\$ 5,078,925</u></u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current				
Vouchers Payable	\$ -	\$ -	\$ -	\$ -
Accrued Interest Expense	-	-	82,483	101,417
Retainage Payable	-	-	-	-
Bonds Payable, Current Portion	-	-	1,645,000	1,420,000
Unearned Revenue	-	-	-	-
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,727,483</u>	<u>\$ 1,521,417</u>
NONCURRENT LIABILITIES				
Advances from Primary Government	\$ -	\$ -	\$ -	\$ -
Due to Other Governments	-	-	-	-
Bonds Payable, Net	-	-	2,014,195	3,765,647
Total Noncurrent Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,014,195</u>	<u>\$ 3,765,647</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,741,678</u>	<u>\$ 5,287,064</u>
NET POSITION				
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	-	-	(101,676)	(208,139)
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101,676)</u>	<u>\$ (208,139)</u>
Total Liabilities and Net Position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 3,640,002</u></u>	<u><u>\$ 5,078,925</u></u>

Oak Park Mall		Property Management		Total	
2015	2014	2015	2014	2015	2014
\$ 103,310	\$ 4,377,546	\$ 1,130,594	\$ 139,075	\$ 1,256,423	\$ 4,539,129
-	-	1,377	1,559	1,377	1,559
4,300	-	1,177,684	1,935,607	1,181,984	1,935,607
-	-	1,064,389	1,900,263	1,064,389	1,900,263
-	-	614	695	83,097	102,112
-	-	95,934	97,450	1,740,934	1,517,450
<u>\$ 107,610</u>	<u>\$ 4,377,546</u>	<u>\$ 3,470,592</u>	<u>\$ 4,074,649</u>	<u>\$ 5,328,204</u>	<u>\$ 9,996,120</u>
\$ 267,200	\$ -	\$ 555,030	\$ 881,930	\$ 822,230	\$ 881,930
-	-	626,770	727,878	2,516,770	4,262,878
<u>\$ 267,200</u>	<u>\$ -</u>	<u>\$ 1,181,800</u>	<u>\$ 1,609,808</u>	<u>\$ 3,339,000</u>	<u>\$ 5,144,808</u>
\$ -	\$ -	\$ 258,554	\$ 258,554	\$ 258,554	\$ 258,554
-	-	21,641	21,641	21,641	21,641
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,195</u>	<u>\$ 280,195</u>	<u>\$ 280,195</u>	<u>\$ 280,195</u>
-	-	(156,445)	(148,331)	(156,445)	(148,331)
-	-	123,750	131,864	123,750	131,864
-	-	22,211,795	5,269,213	22,211,795	5,269,213
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,335,545</u>	<u>\$ 5,401,077</u>	<u>\$ 22,335,545</u>	<u>\$ 5,401,077</u>
<u>\$ 374,810</u>	<u>\$ 4,377,546</u>	<u>\$ 26,987,937</u>	<u>\$ 11,085,534</u>	<u>\$ 31,002,749</u>	<u>\$ 20,542,005</u>
\$ -	\$ -	\$ 1,262,937	\$ 2,581,316	\$ 1,262,937	\$ 2,581,316
-	-	-	-	82,483	101,417
-	-	841,748	141,447	841,748	141,447
-	-	-	-	1,645,000	1,420,000
-	-	-	6,923	-	6,923
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,104,685</u>	<u>\$ 2,729,686</u>	<u>\$ 3,832,168</u>	<u>\$ 4,251,103</u>
\$ 825,000	\$ 750,000	\$ -	\$ -	\$ 825,000	\$ 750,000
50,000	-	-	-	50,000	-
-	-	-	-	2,014,195	3,765,647
<u>\$ 875,000</u>	<u>\$ 750,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,889,195</u>	<u>\$ 4,515,647</u>
<u>\$ 875,000</u>	<u>\$ 750,000</u>	<u>\$ 2,104,685</u>	<u>\$ 2,729,686</u>	<u>\$ 6,721,363</u>	<u>\$ 8,766,750</u>
\$ -	\$ -	\$ 22,335,545	\$ 5,401,077	\$ 22,335,545	\$ 5,401,077
-	3,236,935	460,199	385,451	460,199	3,622,386
(500,190)	390,611	2,087,508	2,569,320	1,485,642	2,751,792
<u>\$ (500,190)</u>	<u>\$ 3,627,546</u>	<u>\$ 24,883,252</u>	<u>\$ 8,355,848</u>	<u>\$ 24,281,386</u>	<u>\$ 11,775,255</u>
<u>\$ 374,810</u>	<u>\$ 4,377,546</u>	<u>\$ 26,987,937</u>	<u>\$ 11,085,534</u>	<u>\$ 31,002,749</u>	<u>\$ 20,542,005</u>

**AUSTIN PORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	APC Debt Service		Hormel Institute	
	2015	2014	2015	2014
OPERATING REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-
Lease Revenues	-	-	-	-
Donations from Private Sources	-	-	-	-
Interest Earnings on Loan	-	-	256,917	312,417
Total Operating Revenues	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,917</u>	<u>\$ 312,417</u>
OPERATING EXPENSES				
Administrative and General	\$ -	\$ -	\$ -	\$ -
Depreciation and Amortization	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING INCOME (LOSS)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 256,917</u>	<u>\$ 312,417</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Earnings	\$ -	\$ -	\$ 10	\$ 10
Interest Earnings on Loans	-	-	-	-
State Grants	-	-	-	-
Private Contributions	-	-	-	-
Miscellaneous Revenues (Expenses)	-	(1,572)	-	-
Interest Expense and Fiscal Agent Fees	-	-	(150,464)	(205,964)
Total Non-Operating Revenues (Expenses)	<u>\$ -</u>	<u>\$ (1,572)</u>	<u>\$ (150,454)</u>	<u>\$ (205,954)</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	\$ -	\$ (1,572)	\$ 106,463	\$ 106,463
Transfers In	-	-	-	-
Transfers Out	-	(299,382)	-	-
CHANGE IN NET POSITION	\$ -	\$ (300,954)	\$ 106,463	\$ 106,463
NET POSITION, BEGINNING	<u>-</u>	<u>300,954</u>	<u>(208,139)</u>	<u>(314,602)</u>
NET POSITION, ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (101,676)</u></u>	<u><u>\$ (208,139)</u></u>

Oak Park Mall		Property Management		Total	
2015	2014	2015	2014	2015	2014
\$ -	\$ -	\$ 40,865	\$ 25,253	\$ 40,865	\$ 25,253
-	-	7	8	7	8
-	-	83,070	118,338	83,070	118,338
413,065	3,236,935	-	-	413,065	3,236,935
-	-	-	-	256,917	312,417
<u>\$ 413,065</u>	<u>\$ 3,236,935</u>	<u>\$ 123,942</u>	<u>\$ 143,599</u>	<u>\$ 793,924</u>	<u>\$ 3,692,951</u>
\$ 4,852,730	\$ 109,062	\$ 440,154	\$ 780,162	\$ 5,292,884	\$ 889,224
-	-	8,114	13,835	8,114	13,835
<u>\$ 4,852,730</u>	<u>\$ 109,062</u>	<u>\$ 448,268</u>	<u>\$ 793,997</u>	<u>\$ 5,300,998</u>	<u>\$ 903,059</u>
<u>\$ (4,439,665)</u>	<u>\$ 3,127,873</u>	<u>\$ (324,326)</u>	<u>\$ (650,398)</u>	<u>\$ (4,507,074)</u>	<u>\$ 2,789,892</u>
\$ 61,929	\$ -	\$ 1,238	\$ 37,567	\$ 63,177	\$ 37,577
-	-	7,910	8,597	7,910	8,597
-	-	8,471,291	2,551,269	8,471,291	2,551,269
-	-	8,621,291	3,076,269	8,621,291	3,076,269
-	-	-	3,650	-	2,078
-	(327)	-	-	(150,464)	(206,291)
<u>\$ 61,929</u>	<u>\$ (327)</u>	<u>\$ 17,101,730</u>	<u>\$ 5,677,352</u>	<u>\$ 17,013,205</u>	<u>\$ 5,469,499</u>
\$ (4,377,736)	\$ 3,127,546	\$ 16,777,404	\$ 5,026,954	\$ 12,506,131	\$ 8,259,391
250,000	500,000	-	299,382	250,000	799,382
-	-	(250,000)	(500,000)	(250,000)	(799,382)
<u>\$ (4,127,736)</u>	<u>\$ 3,627,546</u>	<u>\$ 16,527,404</u>	<u>\$ 4,826,336</u>	<u>\$ 12,506,131</u>	<u>\$ 8,259,391</u>
<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>\$ (500,190)</u>	<u>\$ 3,627,546</u>	<u>\$ 24,883,252</u>	<u>\$ 8,355,848</u>	<u>\$ 24,281,386</u>	<u>\$ 11,775,255</u>

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
SUPPLEMENTARY COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2015 AND 2014**

ASSETS	General		Walker Building	
	2015	2014	2015	2014
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 711,107	\$ -	\$ 419,487	\$ 139,075
Taxes Receivable	1,377	1,559	-	-
Accounts Receivable	1,177,684	1,935,607	-	-
Due From Other Governments	1,064,389	1,900,263	-	-
Interest Receivable	614	695	-	-
Due from Other Funds	-	-	-	470,277
Notes Receivable, Current Portion	95,934	97,450	-	-
Total Current Assets	\$ 3,051,105	\$ 3,935,574	\$ 419,487	\$ 609,352
NONCURRENT ASSETS				
Land Held for Resale	\$ 555,030	\$ 881,930	\$ -	\$ -
Notes Receivable	626,770	727,878	-	-
Total Noncurrent Assets	\$ 1,181,800	\$ 1,609,808	\$ -	\$ -
CAPITAL ASSETS				
Buildings	\$ -	\$ -	\$ 258,554	\$ 258,554
Improvements Other Than Building	-	-	21,641	21,641
Total	\$ -	\$ -	\$ 280,195	\$ 280,195
Less: Accumulated Depreciation	-	-	(156,445)	(148,331)
Net	\$ -	\$ -	\$ 123,750	\$ 131,864
Construction in Progress	22,211,795	5,269,213	-	-
Net Capital Assets	\$ 22,211,795	\$ 5,269,213	\$ 123,750	\$ 131,864
Total Assets	\$ 26,444,700	\$ 10,814,595	\$ 543,237	\$ 741,216
LIABILITIES AND NET POSITION				
LIABILITIES				
Current				
Vouchers Payable	\$ 1,262,931	\$ 2,581,310	\$ 6	\$ 6
Retainage Payable	841,748	141,447	-	-
Due to Other Funds	-	470,277	-	-
Unearned Revenue	-	-	-	6,923
Total Current Liabilities	\$ 2,104,679	\$ 3,193,034	\$ 6	\$ 6,929
NET POSITION				
Net Investment in Capital Assets	\$ 22,211,795	\$ 5,269,213	\$ 123,750	\$ 131,864
Restricted	460,199	385,451	-	-
Unrestricted	1,668,027	1,966,897	419,481	602,423
Total Net Position	\$ 24,340,021	\$ 7,621,561	\$ 543,231	\$ 734,287
Total Liabilities and Net Position	\$ 26,444,700	\$ 10,814,595	\$ 543,237	\$ 741,216

Robinson Building		Total	
2015	2014	2015	2014
\$ -	\$ -	\$ 1,130,594	\$ 139,075
-	-	1,377	1,559
-	-	1,177,684	1,935,607
-	-	1,064,389	1,900,263
-	-	614	695
-	-	-	470,277
-	-	95,934	97,450
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,470,592</u>	<u>\$ 4,544,926</u>
\$ -	\$ -	\$ 555,030	\$ 881,930
-	-	626,770	727,878
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,181,800</u>	<u>\$ 1,609,808</u>
\$ -	\$ -	\$ 258,554	\$ 258,554
-	-	21,641	21,641
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 280,195</u>	<u>\$ 280,195</u>
-	-	(156,445)	(148,331)
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 123,750</u>	<u>\$ 131,864</u>
-	-	22,211,795	5,269,213
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,335,545</u>	<u>\$ 5,401,077</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,987,937</u>	<u>\$ 11,555,811</u>
\$ -	\$ -	\$ 1,262,937	\$ 2,581,316
-	-	841,748	141,447
-	-	-	470,277
-	-	-	6,923
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,104,685</u>	<u>\$ 3,199,963</u>
\$ -	\$ -	\$ 22,335,545	\$ 5,401,077
-	-	460,199	385,451
-	-	2,087,508	2,569,320
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,883,252</u>	<u>\$ 8,355,848</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,987,937</u>	<u>\$ 11,555,811</u>

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
GENERAL
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	2015	2014
OPERATING REVENUES		
Property Taxes	\$ 40,865	\$ 25,253
Intergovernmental Revenues	7	8
Total Operating Revenues	\$ 40,872	\$ 25,261
OPERATING EXPENSES		
ADMINISTRATIVE AND GENERAL		
Board Member Compensation	\$ 1,505	\$ 3,115
Professional Services and Consulting	7,828	21,900
Legal and Appraisals	7,903	17,940
Insurance	288	288
Office Supplies	36	194
Property Taxes	3,068	1,185
Improvements Other Than Buildings	402,152	572,537
Miscellaneous	124	300
Total Administrative and General	\$ 422,904	\$ 617,459
OPERATING LOSS	\$ (382,032)	\$ (592,198)
NON-OPERATING REVENUES		
Interest Earnings	\$ -	\$ 22,916
Interest Earnings on Loans	7,910	8,597
State Grants	8,471,291	2,551,269
Private Contributions	8,621,291	3,076,269
Total Non-Operating Revenues	\$ 17,100,492	\$ 5,659,051
CHANGE IN NET POSITION BEFORE TRANSFERS	\$ 16,718,460	\$ 5,066,853
Transfers In	-	410,308
Transfers Out	-	(500,000)
CHANGE IN NET POSITION	\$ 16,718,460	\$ 4,977,161
NET POSITION, BEGINNING	7,621,561	2,644,400
NET POSITION, ENDING	\$ 24,340,021	\$ 7,621,561

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
WALKER BUILDING
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Lease Revenues	\$ 83,070	\$ 80,992
OPERATING EXPENSES		
ADMINISTRATIVE AND GENERAL		
Maintenance and Repair of Building	\$ 2,782	\$ 9,793
Legal and Appraisals	-	225
Insurance	1,500	1,500
Property Taxes	12,968	11,526
Total Administrative and General Expenses	\$ 17,250	\$ 23,044
Depreciation	8,114	8,114
Total Operating Expenses	\$ 25,364	\$ 31,158
OPERATING INCOME	\$ 57,706	\$ 49,834
NON-OPERATING REVENUES		
Interest Earnings	\$ 1,238	\$ 14,651
Miscellaneous Revenue	-	3,650
Total Non-Operating Revenues	\$ 1,238	\$ 18,301
CHANGE IN NET POSITION BEFORE TRANSFER	\$ 58,944	\$ 68,135
Transfer Out	(250,000)	-
CHANGE IN NET POSITION	\$ (191,056)	\$ 68,135
NET POSITION, BEGINNING	734,287	666,152
NET POSITION, ENDING	<u>\$ 543,231</u>	<u>\$ 734,287</u>

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
ROBINSON BUILDING
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2015 AND 2014**

	<u>2015</u>	<u>2014</u>
OPERATING REVENUES		
Lease Revenues	\$ -	\$ 37,346
OPERATING EXPENSES		
ADMINISTRATIVE AND GENERAL		
Maintenance and Repair of Building	\$ -	\$ 121,284
Legal and Appraisals	-	463
Cleaning and Waste Removal	-	736
Utilities	-	11,493
Insurance	-	750
Property Taxes	-	4,933
Total Administrative and General Expenses	<u>\$ -</u>	<u>\$ 139,659</u>
Depreciation	<u>-</u>	<u>5,721</u>
Total Operating Expenses	<u>\$ -</u>	<u>\$ 145,380</u>
CHANGE IN NET POSITION BEFORE TRANSFER	\$ -	\$ (108,034)
Transfer Out	<u>-</u>	<u>(110,926)</u>
CHANGE IN NET POSITION	\$ -	\$ (218,960)
NET POSITION, BEGINNING	<u>-</u>	<u>218,960</u>
NET POSITION, ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</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, 2015 and 2014, 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 16, 2016.

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.

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 16, 2016

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, 2015 and the related notes to the financial statements and have issued our report thereon dated March 16, 2016.

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*. 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 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 16, 2016

