

AUSTIN PORT AUTHORITY

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2016 AND 2015

**AUSTIN PORT AUTHORITY
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INTRODUCTION SECTION

**AUSTIN PORT AUTHORITY
ORGANIZATION SCHEDULE
DECEMBER 31, 2016 AND 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, 2021
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, 2016 and 2015, 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, 2016 and 2015, 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

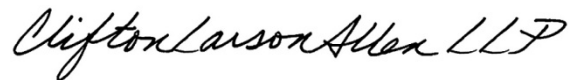
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Austin Port Authority, a component unit of the City of Austin, State of Minnesota's financial statements as a whole. The supplementary information is presented for purposes of additional 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, 2017, 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, 2017

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REQUIRED SUPPLEMENTARY INFORMATION

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**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

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, 2016 and 2015. 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 14-24 of this report.

Supplemental information. The combining and individual account statements and schedules can be found on pages 25-32 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, 2016. The Austin Port Authority completed construction on a \$27 million expansion of the Hormel Institute having spent over \$25 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. Final retainage payments will be made in 2017 as punch list items are resolved.

During 2016 the Austin Port Authority acquired two former bars in downtown Austin as part of some final downtown revitalization efforts. We are working with a few prospective developers on redeveloping these properties. Additionally, the Austin Port Authority continues to market a 1.14 acre parcel known as the Farmers Market lot for future development, and we continue to work with Hy-Vee on the redevelopment of their existing store property as they will be relocating in early 2017.

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 \$1,890,000 as of December 31, 2016.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

AUSTIN PORT AUTHORITY'S NET POSITION

The following tables summarize the financial position of the Austin Port Authority as of December 31, 2016 and 2015:

Condensed Statement of Net Position

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current Assets	\$ 4,115,257	\$ 5,328,204	\$ (1,212,947)	(22.76%)
Noncurrent Assets	1,559,064	3,339,000	(1,779,936)	(53.31%)
Net Capital Assets	<u>24,782,260</u>	<u>22,335,545</u>	<u>2,446,715</u>	10.95%
Total Assets	<u>\$ 30,456,581</u>	<u>\$ 31,002,749</u>	<u>\$ (546,168)</u>	(1.76%)
Current Liabilities	\$ 2,639,600	\$ 3,832,168	\$ (1,192,568)	(31.12%)
Noncurrent Liabilities	<u>884,900</u>	<u>2,889,195</u>	<u>(2,004,295)</u>	(69.37%)
Total Liabilities	<u>\$ 3,524,500</u>	<u>\$ 6,721,363</u>	<u>\$ (3,196,863)</u>	(47.56%)
Net Position:				
Net Investment in Capital Assets	\$ 24,782,260	\$ 22,335,545	\$ 2,446,715	10.95%
Restricted	309,525	460,199	(150,674)	(32.74%)
Unrestricted	<u>1,840,296</u>	<u>1,485,642</u>	<u>354,654</u>	23.87%
Total Net Position	<u>\$ 26,932,081</u>	<u>\$ 24,281,386</u>	<u>\$ 2,650,695</u>	10.92%
Total Liabilities and Net Position	<u>\$ 30,456,581</u>	<u>\$ 31,002,749</u>	<u>\$ (546,168)</u>	(1.76%)

Condensed statement of net position highlights are as follows for the year ended December 31, 2016:

- The assets of the Austin Port Authority exceeded liabilities by \$26,932,081 (Net Position). This is an increase of \$2,650,695 over the net position at the close of 2015.
- Current assets decreased by \$1,212,947, primarily due to 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 \$1,779,936, 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 \$2,446,715 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 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 \$1,192,568 primarily due to reduced balances in some year-end accounts payable related to the Hormel Institute building addition.
- Noncurrent liabilities decreased \$2,004,295 during 2016 primarily due to the bond payments associated with the Hormel Institute.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

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, 2016 AND 2015**

The following charts summarize operating revenues, expenses, and changes in net position of the Austin Port Authority for the years ended December 31, 2016 and 2015:

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

	<u>2016</u>	<u>2015</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues:				
Property Taxes	\$ 41,449	\$ 40,865	\$ 584	1.43%
Intergovernmental Revenues	3	7	(4)	(57.14%)
Lease Revenues	85,562	83,070	2,492	3.00%
Donations from Private Sources	-	413,065	(413,065)	(100.00%)
Interest on Loans	131,492	256,917	(125,425)	(48.82%)
Total Operating Revenues	<u>\$ 258,506</u>	<u>\$ 793,924</u>	<u>\$ (535,418)</u>	<u>(67.44%)</u>
Operating Expenses:				
Administrative and General	\$ 137,485	\$ 5,292,884	\$ (5,155,399)	(97.40%)
Depreciation and Amortization	586,016	8,114	577,902	7122.28%
Total Operating Expense	<u>\$ 723,501</u>	<u>\$ 5,300,998</u>	<u>\$ (4,577,497)</u>	<u>(86.35%)</u>
Operating Loss	\$ (464,995)	\$ (4,507,074)	\$ 4,042,079	89.68%
Non-Operating Revenues (Expenses)	3,115,690	17,013,205	(13,897,515)	(81.69%)
Change in Net Position	<u>\$ 2,650,695</u>	<u>\$ 12,506,131</u>	<u>\$ (9,855,436)</u>	<u>(78.80%)</u>
Beginning Net Position	\$ 24,281,386	\$ 11,775,255	\$ 12,506,131	106.21%
Change in Net Position	2,650,695	12,506,131	(9,855,436)	(78.80%)
Ending Net Position	<u>\$ 26,932,081</u>	<u>\$ 24,281,386</u>	<u>\$ 2,650,695</u>	10.92%

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2016:

- Property taxes and intergovernmental revenues continue to be the operating capital of the Austin Port Authority, with a levy of \$40,000 for both 2016 and 2015, 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 2016.
- Donations from private sources decreased (\$413,065) as 2015 had a large private contribution received for the acquisition of Oak Park Mall.
- The interest earnings on loans have decreased by \$125,425 from 2015 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 \$5,155,399 primarily as the result of costs associated with the acquisition of the Oak Park Mall facility and redevelopment by Hy-Vee Foods grocery store in 2015.
- Depreciation and amortization increased by \$577,902 as the new Hormel Institute project is being depreciated starting in 2016. This expansion is owned by the Austin Port Authority as part of the requirements of the State of Minnesota grant that was received.
- Non-operating revenues (expenses) decreased by \$13,897,515 for 2016. Contributions related to the Hormel Institute expansion accounted for the primary decrease as the project is in its final stages of completion.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

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, 2015 and 2014:

	<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)	17,013,205	5,469,499	11,543,706	211.06%
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 and state grants related to the Hormel Institute expansion accounted for the primary increase.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2016 AND 2015**

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, 2016, amounts to \$24,782,260 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements other than buildings, and machinery and equipment. The total increase in the Austin Port Authority's investment in capital assets (net of accumulated depreciation) was 10.96 percent and was attributable to the capitalized costs related to the Hormel Institute building.

AUSTIN PORT AUTHORITY'S CAPITAL ASSETS

	2016	2015
Buildings	\$ 23,240,784	\$ 258,554
Improvements Other Than Buildings	524,714	21,641
Machinery and Equipment	1,759,223	-
Total	\$ 25,524,721	\$ 280,195
Less: Accumulated Depreciation	(742,461)	(156,445)
Net	24,782,260	123,750
Construction in Progress	-	22,211,795
Net Capital Assets	\$ 24,782,260	\$ 22,335,545

Additional information on the Austin Port Authority's capital assets can be found in Note 4 on page 22 of this report.

Long-term debt. At the end of the current fiscal year, the Austin Port Authority had total debt outstanding of \$2,742,641. Of this amount \$834,900 is in the form of an advance from the primary government. The remainder of the Austin Port Authority's debt (\$1,907,741) represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

The Austin Port Authority's total debt decreased by \$1,741,554 (38.84 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 22 of this report.

NEXT YEAR'S RATES:

The Walker Building is leased to International Paper for 2017-2019 with a 3% increase in the lease rate annually.

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, 2016 AND 2015**

ASSETS	2016	2015
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,027,272	\$ 1,256,423
Taxes Receivable	1,688	1,377
Accounts Receivable	583,308	1,181,984
Due From Other Governments	483,776	1,064,389
Interest Receivable	44,664	83,097
Notes Receivable, Current Portion	1,974,549	1,740,934
Total Current Assets	\$ 4,115,257	\$ 5,328,204
NONCURRENT ASSETS		
Land Held for Resale	\$ 1,010,191	\$ 822,230
Notes Receivable	548,873	2,516,770
Total Noncurrent Assets	\$ 1,559,064	\$ 3,339,000
CAPITAL ASSETS		
Buildings	\$ 23,240,784	\$ 258,554
Improvements Other Than Building	524,714	21,641
Machinery and Equipment	1,759,223	-
Total	\$ 25,524,721	\$ 280,195
Less: Accumulated Depreciation	(742,461)	(156,445)
Net	\$ 24,782,260	\$ 123,750
Construction in Progress	-	22,211,795
Net Capital Assets	\$ 24,782,260	\$ 22,335,545
Total Assets	\$ 30,456,581	\$ 31,002,749

See accompanying Notes to Financial Statements.

LIABILITIES AND NET POSITION	<u>2016</u>	<u>2015</u>
LIABILITIES		
CURRENT LIABILITIES		
Vouchers Payable	\$ 85,519	\$ 1,262,937
Accrued Interest Expense	44,100	82,483
Retainage Payable	602,240	841,748
Bonds Payable, Current Portion	1,907,741	1,645,000
Total Current Liabilities	<u>\$ 2,639,600</u>	<u>\$ 3,832,168</u>
NONCURRENT LIABILITIES		
Advances from Primary Government	\$ 834,900	\$ 825,000
Due to Other Governments	50,000	50,000
Bonds Payable, Net	-	2,014,195
Total Noncurrent Liabilities	<u>\$ 884,900</u>	<u>\$ 2,889,195</u>
 Total Liabilities	 <u>\$ 3,524,500</u>	 <u>\$ 6,721,363</u>
NET POSITION		
Net Position:		
Net Investment in Capital Assets	\$ 24,782,260	\$ 22,335,545
Restricted	309,525	460,199
Unrestricted	1,840,296	1,485,642
Total Net Position	<u>\$ 26,932,081</u>	<u>\$ 24,281,386</u>
 Total Liabilities and Net Position	 <u>\$ 30,456,581</u>	 <u>\$ 31,002,749</u>

**AUSTIN PORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Property Taxes	\$ 41,449	\$ 40,865
Intergovernmental Revenues	3	7
Lease Revenues	85,562	83,070
Donations from Private Sources	-	413,065
Interest Earnings on Loan	131,492	256,917
Total Operating Revenues	<u>\$ 258,506</u>	<u>\$ 793,924</u>
OPERATING EXPENSES		
Administrative and General	\$ 137,485	\$ 5,292,884
Depreciation	586,016	8,114
Total Operating Expenses	<u>\$ 723,501</u>	<u>\$ 5,300,998</u>
OPERATING LOSS	<u>\$ (464,995)</u>	<u>\$ (4,507,074)</u>
NON-OPERATING REVENUES (EXPENSES)		
Investment Earnings (Losses)	\$ 5,293	\$ 63,177
Interest Earnings on Loans	7,005	7,910
State Grants	1,470,811	8,471,291
Private Contributions	1,590,811	8,621,291
Miscellaneous Revenues	96,709	-
Interest Expense and Fiscal Agent Fees	(54,939)	(150,464)
Total Non-Operating Revenues (Expenses)	<u>\$ 3,115,690</u>	<u>\$ 17,013,205</u>
CHANGE IN NET POSITION	\$ 2,650,695	\$ 12,506,131
NET POSITION, BEGINNING	<u>24,281,386</u>	<u>11,775,255</u>
NET POSITION, ENDING	<u>\$ 26,932,081</u>	<u>\$ 24,281,386</u>

See accompanying Notes to Financial Statements.

**AUSTIN PORT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Users	\$ 258,195	\$ 787,183
Cash Paid to Suppliers for Goods and Services	(136,365)	(5,291,379)
Cash Paid to Employees	(1,120)	(1,505)
Net Cash Provided (Used) by Operating Activities	<u>\$ 120,710</u>	<u>\$ (4,505,701)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal Payments of Bonds	\$ (1,645,000)	\$ (1,420,000)
Interest Paid on Bonds and Notes	(189,874)	(275,850)
Principal Received on Note Receivable	1,645,000	1,420,000
Advances from Primary Government	9,900	75,000
Advances from Other Government	-	50,000
Net Cash Used by Non-Capital Financing Activities	<u>\$ (179,974)</u>	<u>\$ (150,850)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Asset Acquisitions	\$ (4,449,657)	\$ (17,560,660)
Capital Contributions	4,327,718	18,741,779
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>\$ (121,939)</u>	<u>\$ 1,181,119</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	\$ 50,731	\$ 90,102
Purchase of Land Held for Resale	(187,961)	-
Principal Received on Note Receivable	89,282	102,624
Net Cash Provided (Used) by Investing Activities	<u>\$ (47,948)</u>	<u>\$ 192,726</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS	\$ (229,151)	\$ (3,282,706)
Cash and Cash Equivalents - Beginning	<u>1,256,423</u>	<u>4,539,129</u>
CASH AND CASH EQUIVALENTS - ENDING	<u>\$ 1,027,272</u>	<u>\$ 1,256,423</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (464,995)	\$ (4,507,074)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	586,016	8,114
Unearned Revenue	-	(6,923)
(Increase) Decrease in:		
Taxes Receivable	(311)	182
Net Cash Provided (Used) by Operating Activities	<u>\$ 120,710</u>	<u>\$ (4,505,701)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond Premium Amortization	\$ 106,454	\$ 106,452

See accompanying Notes to Financial Statements.

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**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

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 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, 2016 AND 2015**

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, 1.14 acres located on 18th Avenue NE, near the current Hy-Vee grocery store, and two parcels in downtown Austin along 2nd Avenue NW. 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, 2016 AND 2015**

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. Additional information about the investment pool can be found in the City of Austin’s Comprehensive Annual Financial Report (CAFR). 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:

	Amortized Cost	
	2016	2015
4M Fund	\$ 2,823	\$ 22,519

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

The 4M Fund is an external investment pool (Pool) that is not registered with the SEC. The Pool is managed to maintain a dollar-weighted average portfolio maturity of not greater than one year and seeks to maintain a constant net asset value (NAV) per share of \$1.00. The Pool elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board.

The Authority reports its investments in the Pools at the NAV per share, the fair value established by the Pool.

The Authority participates in the Liquid Asset class, which has no redemption requirements.

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, 2016 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.

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.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Development Corporation of Austin (Continued)

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.

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.

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.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

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.

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.

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 Apartments (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.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

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.

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
2017	\$ 6,000	\$ 1,731	\$ 5,280	\$ 7,150
2018	6,000	-	5,280	7,150
2019	3,000	-	2,856	4,225
2020	-	-	-	-
2021	-	-	-	-
Total Note Principal	<u>\$ 15,000</u>	<u>\$ 1,731</u>	<u>\$ 13,416</u>	<u>\$ 18,525</u>
Less Current Portion	<u>(6,000)</u>	<u>(1,731)</u>	<u>(5,280)</u>	<u>(7,150)</u>
Long-Term Portion	<u>\$ 9,000</u>	<u>\$ -</u>	<u>\$ 8,136</u>	<u>\$ 11,375</u>
	Salon Azteca	Nemitz Building Interior	Marty's Building Interior	Nagle Karate Studio Apartments
2017	\$ 4,280	\$ 2,372	\$ 22,051	\$ 10,339
2018	4,280	2,372	-	10,339
2019	4,280	2,372	-	10,340
2020	4,280	2,372	-	-
2021	1,797	2,369	-	-
Total Note Principal	<u>\$ 18,917</u>	<u>\$ 11,857</u>	<u>\$ 22,051</u>	<u>\$ 31,018</u>
Less Current Portion	<u>(4,280)</u>	<u>(2,372)</u>	<u>(22,051)</u>	<u>(10,339)</u>
Long-Term Portion	<u>\$ 14,637</u>	<u>\$ 9,485</u>	<u>\$ -</u>	<u>\$ 20,679</u>

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

	Nagle Karate Studio Exterior	VFW	Med-City Mobility	Downtown Revitalization Loans
2017	\$ 3,571	\$ 5,250	\$ 1,680	\$ 69,704
2018	3,571	5,250	1,680	45,922
2019	3,513	5,250	1,680	37,516
2020	-	-	-	6,652
2021	-	-	-	4,166
Total Note Principal	\$ 10,655	\$ 15,750	\$ 5,040	\$ 163,960
Less Current Portion	(3,571)	(5,250)	(1,680)	(69,704)
Long-Term Portion	\$ 7,084	\$ 10,500	\$ 3,360	\$ 94,256

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

	Hormel Foundation	DCA Loan #1	DCA Loan #2
2017	\$ 1,956,150	\$ 18,408	\$ -
2018	-	18,408	150,000
2019	-	18,408	-
2020	-	18,408	-
2021	-	18,408	-
2022-2026	-	92,040	-
2027-2028	-	27,537	-
Total Payments	1,956,150	211,617	150,000
Less Interest	66,150	42,155	-
Total Note Principal	\$ 1,890,000	\$ 169,462	\$ 150,000
Less Current Portion	(1,890,000)	(11,845)	-
Long-Term Portion	\$ -	\$ 157,617	\$ 150,000

	Grove Street LLC #3	Downtown Revitalization Loans	Total
2017	\$ 3,000	\$ 69,704	\$ 2,047,262
2018	6,000	45,922	220,330
2019	9,000	37,516	64,924
2020	12,000	6,652	37,060
2021	15,000	4,166	37,574
2022-2026	105,000	-	197,040
2027-2028	-	-	27,537
Total Payments	150,000	163,960	2,631,727
Less Interest	-	-	108,305
Total Note Principal	\$ 150,000	\$ 163,960	\$ 2,523,422
Less Current Portion	(3,000)	(69,704)	(1,974,549)
Long-Term Portion	\$ 147,000	\$ 94,256	\$ 548,873

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2016 and 2015:

	12/31/15	Additions	Deletions	12/31/16
Capital Assets, Not Being Depreciated:				
Construction in Progress	\$ 22,211,795	\$ 3,032,731	\$ 25,244,526	\$ -
Total Capital Assets, Not Being Depreciated	<u>22,211,795</u>	<u>3,032,731</u>	<u>25,244,526</u>	<u>-</u>
Capital Assets, Being Depreciated:				
Buildings	\$ 258,554	\$ 22,982,230	\$ -	\$ 23,240,784
Improvements Other Than Building	21,641	503,073	-	524,714
Machinery and Equipment	-	1,759,223	-	1,759,223
Subtotal	<u>280,195</u>	<u>25,244,526</u>	<u>-</u>	<u>25,524,721</u>
Less: Accumulated Depreciation	156,445	586,016	-	742,461
Total Capital Assets, Being Depreciated	<u>123,750</u>	<u>24,658,510</u>	<u>-</u>	<u>24,782,260</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>\$ 22,335,545</u>	<u>\$ 27,691,241</u>	<u>\$ 25,244,526</u>	<u>\$ 24,782,260</u>
	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	<u>280,195</u>	<u>-</u>	<u>-</u>	<u>280,195</u>
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>

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	\$ 1,890,000
Total Bonds Payable				1,890,000
Add: Unamortized Bond Premium				17,741
Net Long-Term Debt				1,907,741
Less: Current Portion				(1,907,741)
Long-Term Debt				<u>\$ -</u>

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 5 LONG-TERM DEBT (CONTINUED)

Changes in long-term liabilities are as follows for the years ended December 31, 2016 and 2015:

	12/31/15	Increases	Decreases	12/31/16	Due Within One Year
Bonds Payable					
Developmental Bonds	\$ 3,535,000	\$ -	\$ 1,645,000	\$ 1,890,000	\$ 1,890,000
Add Unamortized Bond Premium	124,195	-	106,454	17,741	17,741
Advances with City of Austin	825,000	9,900	-	834,900	-
Long-Term Liabilities	<u>\$ 4,484,195</u>	<u>\$ 9,900</u>	<u>\$ 1,751,454</u>	<u>\$ 2,742,641</u>	<u>\$ 1,907,741</u>
	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>

Annual requirements to retire bonds payable are as follows:

	Total	Development Bonds	
		Principal	Interest
2017	<u>\$ 1,956,150</u>	<u>\$ 1,890,000</u>	<u>\$ 66,150</u>
	<u>\$ 1,956,150</u>	<u>\$ 1,890,000</u>	<u>\$ 66,150</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 2017 maturity.

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 one percent interest.

NOTE 6 OPERATING LEASE

Walker Building

The Authority leases space in an industrial building to International Paper. The Authority receives \$7,130 per month, or \$85,562 annually, for the building under the terms of a lease agreement that is in effect through December 31, 2016. Under the terms of a new three-year lease agreement, International Paper will pay annual rent including 3% annual increase in 2017 through 2019.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2016 AND 2015**

NOTE 6 OPERATING LEASE (CONTINUED)

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

<u>Year Ended December 31,</u>	<u>Walker Building</u>
2017	\$ 88,129
2018	90,773
2019	<u>93,496</u>
Total Future Minimum Rentals	<u><u>\$ 272,398</u></u>

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 \$309,525 and \$460,199 at December 31, 2016 and 2015, 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, 2016. The project relates to the expansion of the Hormel Institute. At year-end the Authority spent to date \$26,254,716 (including recorded retainage) and has \$66,160 of remaining commitments with contractors. The commitment is being funded 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, 2016 AND 2015**

	Hormel Institute		Oak Park Mall	
	2016	2015	2016	2015
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 2,585	\$ 22,519	\$ 94,037	\$ 103,310
Taxes Receivable	-	-	-	-
Accounts Receivable	-	-	-	4,300
Due From Other Governments	-	-	-	-
Interest Receivable	44,100	82,483	-	-
Notes Receivable, Current Portion	1,890,000	1,645,000	-	-
Total Current Assets	<u>\$ 1,936,685</u>	<u>\$ 1,750,002</u>	<u>\$ 94,037</u>	<u>\$ 107,610</u>
NONCURRENT ASSETS				
Land Held for Resale	\$ -	\$ -	\$ 267,200	\$ 267,200
Notes Receivable	-	1,890,000	-	-
Total Noncurrent Assets	<u>\$ -</u>	<u>\$ 1,890,000</u>	<u>\$ 267,200</u>	<u>\$ 267,200</u>
CAPITAL ASSETS				
Buildings	\$ -	\$ -	\$ -	\$ -
Improvements Other Than Building	-	-	-	-
Machinery and Equipment	-	-	-	-
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>\$ 1,936,685</u>	<u>\$ 3,640,002</u>	<u>\$ 361,237</u>	<u>\$ 374,810</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current				
Vouchers Payable	\$ -	\$ -	\$ -	\$ -
Accrued Interest Expense	44,100	82,483	-	-
Retainage Payable	-	-	-	-
Bonds Payable, Current Portion	1,907,741	1,645,000	-	-
Total Current Liabilities	<u>\$ 1,951,841</u>	<u>\$ 1,727,483</u>	<u>\$ -</u>	<u>\$ -</u>
NONCURRENT LIABILITIES				
Advances from Primary Government	\$ -	\$ -	\$ 834,900	\$ 825,000
Due to Other Governments	-	-	50,000	50,000
Bonds Payable, Net	-	2,014,195	-	-
Total Noncurrent Liabilities	<u>\$ -</u>	<u>\$ 2,014,195</u>	<u>\$ 884,900</u>	<u>\$ 875,000</u>
Total Liabilities	<u>\$ 1,951,841</u>	<u>\$ 3,741,678</u>	<u>\$ 884,900</u>	<u>\$ 875,000</u>
NET POSITION				
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	(15,156)	(101,676)	(523,663)	(500,190)
Total Net Position	<u>\$ (15,156)</u>	<u>\$ (101,676)</u>	<u>\$ (523,663)</u>	<u>\$ (500,190)</u>
Total Liabilities and Net Position	<u>\$ 1,936,685</u>	<u>\$ 3,640,002</u>	<u>\$ 361,237</u>	<u>\$ 374,810</u>

Property Management		Total	
2016	2015	2016	2015
\$ 930,650	\$ 1,130,594	\$ 1,027,272	\$ 1,256,423
1,688	1,377	1,688	1,377
583,308	1,177,684	583,308	1,181,984
483,776	1,064,389	483,776	1,064,389
564	614	44,664	83,097
84,549	95,934	1,974,549	1,740,934
<u>\$ 2,084,535</u>	<u>\$ 3,470,592</u>	<u>\$ 4,115,257</u>	<u>\$ 5,328,204</u>
\$ 742,991	\$ 555,030	\$ 1,010,191	\$ 822,230
548,873	626,770	548,873	2,516,770
<u>\$ 1,291,864</u>	<u>\$ 1,181,800</u>	<u>\$ 1,559,064</u>	<u>\$ 3,339,000</u>
\$ 23,240,784	\$ 258,554	\$ 23,240,784	\$ 258,554
524,714	21,641	524,714	21,641
1,759,223	-	1,759,223	-
<u>\$ 25,524,721</u>	<u>\$ 280,195</u>	<u>\$ 25,524,721</u>	<u>\$ 280,195</u>
(742,461)	(156,445)	(742,461)	(156,445)
24,782,260	123,750	24,782,260	123,750
-	22,211,795	-	22,211,795
<u>\$ 24,782,260</u>	<u>\$ 22,335,545</u>	<u>\$ 24,782,260</u>	<u>\$ 22,335,545</u>
<u>\$ 28,158,659</u>	<u>\$ 26,987,937</u>	<u>\$ 30,456,581</u>	<u>\$ 31,002,749</u>
\$ 85,519	\$ 1,262,937	\$ 85,519	\$ 1,262,937
-	-	44,100	82,483
602,240	841,748	602,240	841,748
-	-	1,907,741	1,645,000
<u>\$ 687,759</u>	<u>\$ 2,104,685</u>	<u>\$ 2,639,600</u>	<u>\$ 3,832,168</u>
\$ -	\$ -	\$ 834,900	\$ 825,000
-	-	50,000	50,000
-	-	-	2,014,195
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 884,900</u>	<u>\$ 2,889,195</u>
<u>\$ 687,759</u>	<u>\$ 2,104,685</u>	<u>\$ 3,524,500</u>	<u>\$ 6,721,363</u>
\$ 24,782,260	\$ 22,335,545	\$ 24,782,260	\$ 22,335,545
309,525	460,199	309,525	460,199
2,379,115	2,087,508	1,840,296	1,485,642
<u>\$ 27,470,900</u>	<u>\$ 24,883,252</u>	<u>\$ 26,932,081</u>	<u>\$ 24,281,386</u>
<u>\$ 28,158,659</u>	<u>\$ 26,987,937</u>	<u>\$ 30,456,581</u>	<u>\$ 31,002,749</u>

**AUSTIN PORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>Hormel Institute</u>		<u>Oak Park Mall</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
OPERATING REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-
Lease Revenues	-	-	-	-
Donations from Private Sources	-	-	-	413,065
Interest Earnings on Loan	131,492	256,917	-	-
Total Operating Revenues	<u>\$ 131,492</u>	<u>\$ 256,917</u>	<u>\$ -</u>	<u>\$ 413,065</u>
OPERATING EXPENSES				
Administrative and General	\$ -	\$ -	\$ 14,347	\$ 4,852,730
Depreciation	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,347</u>	<u>\$ 4,852,730</u>
OPERATING INCOME (LOSS)	<u>\$ 131,492</u>	<u>\$ 256,917</u>	<u>\$ (14,347)</u>	<u>\$ (4,439,665)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Earnings	\$ 67	\$ 10	\$ 774	\$ 61,929
Interest Earnings on Loans	-	-	-	-
State Grants	-	-	-	-
Private Contributions	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Interest Expense and Fiscal Agent Fees	(45,039)	(150,464)	(9,900)	-
Total Non-Operating Revenues (Expenses)	<u>\$ (44,972)</u>	<u>\$ (150,454)</u>	<u>\$ (9,126)</u>	<u>\$ 61,929</u>
CHANGE IN NET POSITION BEFORE TRANSFERS	<u>\$ 86,520</u>	<u>\$ 106,463</u>	<u>\$ (23,473)</u>	<u>\$ (4,377,736)</u>
Transfers In	-	-	-	250,000
Transfers Out	-	-	-	-
CHANGE IN NET POSITION	<u>\$ 86,520</u>	<u>\$ 106,463</u>	<u>\$ (23,473)</u>	<u>\$ (4,127,736)</u>
Net Position - Beginning of Year	<u>(101,676)</u>	<u>(208,139)</u>	<u>(500,190)</u>	<u>3,627,546</u>
NET POSITION - END OF YEAR	<u><u>\$ (15,156)</u></u>	<u><u>\$ (101,676)</u></u>	<u><u>\$ (523,663)</u></u>	<u><u>\$ (500,190)</u></u>

Property Management		Total	
2016	2015	2016	2015
\$ 41,449	\$ 40,865	\$ 41,449	\$ 40,865
3	7	3	7
85,562	83,070	85,562	83,070
-	-	-	413,065
-	-	131,492	256,917
<u>\$ 127,014</u>	<u>\$ 123,942</u>	<u>\$ 258,506</u>	<u>\$ 793,924</u>
\$ 123,138	\$ 440,154	\$ 137,485	\$ 5,292,884
586,016	8,114	586,016	8,114
<u>\$ 709,154</u>	<u>\$ 448,268</u>	<u>\$ 723,501</u>	<u>\$ 5,300,998</u>
<u>\$ (582,140)</u>	<u>\$ (324,326)</u>	<u>\$ (464,995)</u>	<u>\$ (4,507,074)</u>
\$ 4,452	\$ 1,238	\$ 5,293	\$ 63,177
7,005	7,910	7,005	7,910
1,470,811	8,471,291	1,470,811	8,471,291
1,590,811	8,621,291	1,590,811	8,621,291
96,709	-	96,709	-
-	-	(54,939)	(150,464)
<u>\$ 3,169,788</u>	<u>\$ 17,101,730</u>	<u>\$ 3,115,690</u>	<u>\$ 17,013,205</u>
\$ 2,587,648	\$ 16,777,404	\$ 2,650,695	\$ 12,506,131
-	-	-	250,000
-	(250,000)	-	(250,000)
<u>\$ 2,587,648</u>	<u>\$ 16,527,404</u>	<u>\$ 2,650,695</u>	<u>\$ 12,506,131</u>
<u>24,883,252</u>	<u>8,355,848</u>	<u>24,281,386</u>	<u>11,775,255</u>
<u>\$ 27,470,900</u>	<u>\$ 24,883,252</u>	<u>\$ 26,932,081</u>	<u>\$ 24,281,386</u>

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
SUPPLEMENTARY COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2016 AND 2015**

ASSETS	General		Walker Building	
	2016	2015	2016	2015
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 448,551	\$ 711,107	\$ 482,099	\$ 419,487
Taxes Receivable	1,688	1,377	-	-
Accounts Receivable	577,708	1,177,684	5,600	-
Due From Other Governments	483,776	1,064,389	-	-
Interest Receivable	564	614	-	-
Notes Receivable, Current Portion	84,549	95,934	-	-
Total Current Assets	<u>\$ 1,596,836</u>	<u>\$ 3,051,105</u>	<u>\$ 487,699</u>	<u>\$ 419,487</u>
NONCURRENT ASSETS				
Land Held for Resale	\$ 742,991	\$ 555,030	\$ -	\$ -
Notes Receivable	548,873	626,770	-	-
Total Noncurrent Assets	<u>\$ 1,291,864</u>	<u>\$ 1,181,800</u>	<u>\$ -</u>	<u>\$ -</u>
CAPITAL ASSETS				
Buildings	\$ 22,982,230	\$ -	\$ 258,554	\$ 258,554
Improvements Other Than Building	503,073	-	21,641	21,641
Machinery and Equipment	1,759,223	-	-	-
Total	<u>\$ 25,244,526</u>	<u>\$ -</u>	<u>\$ 280,195</u>	<u>\$ 280,195</u>
Less: Accumulated Depreciation	(577,880)	-	(164,581)	(156,445)
Net	<u>\$ 24,666,646</u>	<u>\$ -</u>	<u>\$ 115,614</u>	<u>\$ 123,750</u>
Construction in Progress	-	22,211,795	-	-
Net Capital Assets	<u>\$ 24,666,646</u>	<u>\$ 22,211,795</u>	<u>\$ 115,614</u>	<u>\$ 123,750</u>
Total Assets	<u><u>\$ 27,555,346</u></u>	<u><u>\$ 26,444,700</u></u>	<u><u>\$ 603,313</u></u>	<u><u>\$ 543,237</u></u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current				
Vouchers Payable	\$ 84,368	\$ 1,262,931	\$ 1,151	\$ 6
Retainage Payable	602,240	841,748	-	-
Total Current Liabilities	<u>\$ 686,608</u>	<u>\$ 2,104,679</u>	<u>\$ 1,151</u>	<u>\$ 6</u>
NET POSITION				
Net Investment in Capital Assets	\$ 24,666,646	\$ 22,211,795	\$ 115,614	\$ 123,750
Restricted	309,525	460,199	-	-
Unrestricted	1,892,567	1,668,027	486,548	419,481
Total Net Position	<u>\$ 26,868,738</u>	<u>\$ 24,340,021</u>	<u>\$ 602,162</u>	<u>\$ 543,231</u>
Total Liabilities and Net Position	<u><u>\$ 27,555,346</u></u>	<u><u>\$ 26,444,700</u></u>	<u><u>\$ 603,313</u></u>	<u><u>\$ 543,237</u></u>

Total	
2016	2015
\$ 930,650	\$ 1,130,594
1,688	1,377
583,308	1,177,684
483,776	1,064,389
564	614
84,549	95,934
<u>\$ 2,084,535</u>	<u>\$ 3,470,592</u>
\$ 742,991	\$ 555,030
548,873	626,770
<u>\$ 1,291,864</u>	<u>\$ 1,181,800</u>
\$ 23,240,784	\$ 258,554
524,714	21,641
1,759,223	-
<u>\$ 25,524,721</u>	<u>\$ 280,195</u>
(742,461)	(156,445)
<u>\$ 24,782,260</u>	<u>\$ 123,750</u>
-	22,211,795
<u>\$ 24,782,260</u>	<u>\$ 22,335,545</u>
<u>\$ 28,158,659</u>	<u>\$ 26,987,937</u>
\$ 85,519	\$ 1,262,937
602,240	841,748
<u>\$ 687,759</u>	<u>\$ 2,104,685</u>
\$ 24,782,260	\$ 22,335,545
309,525	460,199
2,379,115	2,087,508
<u>\$ 27,470,900</u>	<u>\$ 24,883,252</u>
<u>\$ 28,158,659</u>	<u>\$ 26,987,937</u>

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
GENERAL
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	2016	2015
OPERATING REVENUES		
Property Taxes	\$ 41,449	\$ 40,865
Intergovernmental Revenues	3	7
Total Operating Revenues	\$ 41,452	\$ 40,872
OPERATING EXPENSES		
ADMINISTRATIVE AND GENERAL		
Board Member Compensation	\$ 1,120	\$ 1,505
Professional Services and Consulting	7,033	7,828
Legal and Appraisals	4,913	7,903
Insurance	288	288
Office Supplies	104	36
Property Taxes	-	3,068
Improvements Other Than Buildings	83,810	402,152
Miscellaneous	127	124
Total Administrative and General	\$ 97,395	\$ 422,904
Depreciation	577,880	-
Total Operating Expenses	\$ 675,275	\$ 422,904
OPERATING LOSS	\$ (633,823)	\$ (382,032)
NON-OPERATING REVENUES		
Interest Earnings	\$ 2,804	\$ -
Interest Earnings on Loans	7,005	7,910
State Grants	1,470,811	8,471,291
Private Contributions	1,590,811	8,621,291
Miscellaneous Revenue	91,109	-
Total Non-Operating Revenues	\$ 3,162,540	\$ 17,100,492
CHANGE IN NET POSITION	\$ 2,528,717	\$ 16,718,460
Net Position - Beginning of Year	24,340,021	7,621,561
NET POSITION - END OF YEAR	\$ 26,868,738	\$ 24,340,021

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
WALKER BUILDING
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2016 AND 2015**

	<u>2016</u>	<u>2015</u>
OPERATING REVENUES		
Lease Revenues	\$ 85,562	\$ 83,070
OPERATING EXPENSES		
ADMINISTRATIVE AND GENERAL		
Maintenance and Repair of Building	\$ 12,121	\$ 2,782
Legal and Appraisals	250	-
Insurance	1,500	1,500
Property Taxes	11,872	12,968
Total Administrative and General Expenses	\$ 25,743	\$ 17,250
Depreciation	8,136	8,114
Total Operating Expenses	\$ 33,879	\$ 25,364
OPERATING INCOME	\$ 51,683	\$ 57,706
NON-OPERATING REVENUES		
Interest Earnings	\$ 1,648	\$ 1,238
Miscellaneous Revenue	5,600	-
Total Non-Operating Revenues	\$ 7,248	\$ 1,238
CHANGE IN NET POSITION BEFORE TRANSFER	\$ 58,931	\$ 58,944
Transfer Out	-	(250,000)
CHANGE IN NET POSITION	\$ 58,931	\$ (191,056)
Net Position - Beginning of Year	543,231	734,287
NET POSITION - END OF YEAR	<u>\$ 602,162</u>	<u>\$ 543,231</u>

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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, 2016 and 2015, 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, 2017.

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, 2017

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, 2016 and the related notes to the financial statements and have issued our report thereon dated March 16, 2017.

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, 2017

