

AUSTIN PORT AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED DECEMBER 31, 2017 AND 2016

**AUSTIN PORT AUTHORITY
TABLE OF CONTENTS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

INTRODUCTION SECTION

ORGANIZATION SCHEDULE

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT 1

REQUIRED SUPPLEMENTARY INFORMATION

MANAGEMENT'S DISCUSSION AND ANALYSIS 4

BASIC FINANCIAL STATEMENTS

STATEMENTS OF NET POSITION 10

**STATEMENTS OF REVENUES, EXPENSES, AND
CHANGES IN NET POSITION** 12

STATEMENTS OF CASH FLOWS 13

NOTES TO FINANCIAL STATEMENTS 14

SUPPLEMENTARY INFORMATION

COMBINING STATEMENT OF NET POSITION 24

**COMBINING SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN
NET POSITION** 26

PROPERTY MANAGEMENT FUND

SUPPLEMENTARY COMBINING STATEMENTS OF NET POSITION 28

GENERAL

**SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION** 30

WALKER BUILDING

**SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION** 31

OTHER REQUIRED REPORTS

**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*** 32

INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE 34

INTRODUCTION SECTION

**AUSTIN PORT AUTHORITY
ORGANIZATION SCHEDULE
DECEMBER 31, 2017 AND 2016**

BOARD OF COMMISSIONERS

		<u>Term Expires</u>
Jerry McCarthy	President	December 31, 2020
Jeff Austin	Vice-President	December 31, 2022
Larry Maus	Treasurer	December 31, 2021
Jerry Mohrfeld	Commissioner	December 31, 2018
Michael Bednar	Commissioner	December 31, 2019
Laura Helle	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, 2017 and 2016, 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, 2017 and 2016, 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

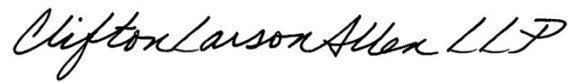
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Austin Port Authority, a component unit of the City of Austin, state of Minnesota's financial statements as a whole. The supplementary information is presented for purposes of additional 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 19, 2018, 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 solely 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 the effectiveness of the Austin Port Authority's 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 19, 2018

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REQUIRED SUPPLEMENTARY INFORMATION

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**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

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, 2017 and 2016. 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 14-23 of this report.

Supplemental information. The combining and individual account statements and schedules can be found on pages 24-31 of this report.

FINANCIAL HIGHLIGHTS:

The largest portion of the Austin Port Authority's net position (91 percent) is the net investment in capital assets at December 31, 2017. The Austin Port Authority completed construction on a \$27 million expansion of the Hormel Institute during 2016, with only a few additional costs being added to this facility. A full year of depreciation was taken on The Hormel Institute during 2017 for the first time. Additionally, the grants with the state of Minnesota and The Hormel Foundation were closed out during 2017.

During 2017 the Austin Port Authority acquired the remaining acreage in the Cook Farm Business Park, now renamed to the Creekside Business Park. This additional 125 acres will now be under the control of the Port Authority for future economic development consideration. Additionally, the Austin Port Authority continues to work with developers on the marketing and sale of a 1.14-acre parcel known as the Farmers Market lot for future development and the redevelopment of the former Hy-Vee store.

The Austin Port Authority and the Hormel Foundation made the final payments to eliminate the debt (and notes receivable, respectively) related to the expansion of the Hormel Institute. This original \$10,000,000 bond issue had the outstanding balance of \$1,890,000 paid off in March of 2017.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

AUSTIN PORT AUTHORITY'S NET POSITION

The following tables summarize the financial position of the Austin Port Authority as of December 31, 2017 and 2016:

Condensed Statement of Net Position

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current Assets	\$ 1,959,404	\$ 4,115,257	\$ (2,155,853)	(52.39%)
Noncurrent Assets	1,500,813	1,559,064	(58,251)	(3.74%)
Net Capital Assets	24,551,945	24,782,260	(230,315)	(0.93%)
Total Assets	<u>\$28,012,162</u>	<u>\$30,456,581</u>	<u>\$ (2,444,419)</u>	(8.03%)
Current Liabilities	\$ 11,231	\$ 2,639,600	\$ (2,628,369)	(99.57%)
Noncurrent Liabilities	893,150	884,900	8,250	0.93%
Total Liabilities	<u>\$ 904,381</u>	<u>\$ 3,524,500</u>	<u>\$ (2,620,119)</u>	(74.34%)
Net Position:				
Net Investment in Capital Assets	\$24,551,945	\$24,782,260	\$ (230,315)	(0.93%)
Restricted	359,820	309,525	50,295	16.25%
Unrestricted	2,196,016	1,840,296	355,720	19.33%
Total Net Position	<u>\$27,107,781</u>	<u>\$26,932,081</u>	<u>\$ 175,700</u>	0.65%
Total Liabilities and Net Position	<u>\$28,012,162</u>	<u>\$30,456,581</u>	<u>\$ (2,444,419)</u>	(8.03%)

Condensed statement of net position highlights are as follows for the year ended December 31, 2017:

- The assets of the Austin Port Authority exceeded liabilities by \$27,107,781 (Net Position). This is an increase of \$175,700 over the net position at the close of 2016.
- Current assets decreased by \$2,155,853, 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 an 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 \$58,251 due to the loan forgiveness on some of the downtown revitalization loans.
- Net capital assets decreased by \$230,315 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. 2017 marked the first full-year of a depreciation charge on the Hormel Institute expansion.
- Current liabilities decreased by \$2,628,369 primarily due to reduced balances in some year-end retainage payable accounts and the final debt service payment related to a 2006 expansion at the Hormel Institute.
- Noncurrent liabilities increased \$8,250 during 2017 primarily due to the interest charge on some advances from the primary government for some economic development costs related to the 2015 acquisition and transfer of the former Oak Park Mall shopping center.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

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	24,782,260	22,335,545	2,446,715	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	884,900	2,889,195	(2,004,295)	(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	1,840,296	1,485,642	354,654	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, 2017 AND 2016**

The following charts summarize operating revenues, expenses, and changes in net position of the Austin Port Authority for the years ended December 31, 2017 and 2016:

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

	<u>2017</u>	<u>2016</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues:				
Property Taxes	\$ 40,736	\$ 41,449	\$ (713)	(1.72%)
Intergovernmental Revenues	2	3	(1)	(33.33%)
Lease Revenues	88,129	85,562	2,567	3.00%
Interest on Loans	19,242	131,492	(112,250)	(85.37%)
Total Operating Revenues	<u>\$ 148,109</u>	<u>\$ 258,506</u>	<u>\$ (110,397)</u>	(42.71%)
Operating Expenses:				
Administrative and General	\$ 214,486	\$ 137,485	\$ 77,001	56.01%
Depreciation and Amortization	799,378	586,016	213,362	36.41%
Total Operating Expense	<u>\$ 1,013,864</u>	<u>\$ 723,501</u>	<u>\$ 290,363</u>	40.13%
Operating Loss	<u>\$ (865,755)</u>	<u>\$ (464,995)</u>	<u>\$ (400,760)</u>	86.19%
Non-Operating Revenues (Expenses)	<u>822,983</u>	<u>3,115,690</u>	<u>(2,292,707)</u>	(73.59%)
Change in Net Position before				
Capital Contributions	(42,772)	2,650,695	(2,693,467)	(101.61%)
Capital Contributions	218,472	-	218,472	N/A
Change in Net Position	<u>\$ 175,700</u>	<u>\$ 2,650,695</u>	<u>\$ (2,474,995)</u>	(93.37%)
Beginning Net Position	\$ 26,932,081	\$ 24,281,386	\$ 2,650,695	10.92%
Change in Net Position	175,700	2,650,695	(2,474,995)	(93.37%)
Ending Net Position	<u>\$ 27,107,781</u>	<u>\$ 26,932,081</u>	<u>\$ 175,700</u>	0.65%

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2017:

- Property taxes continue to be the operating capital of the Austin Port Authority, with a levy of \$40,000 for both 2017 and 2016, respectively, to support the operational needs of the Board of Commissioners. Delinquency collections increased the actual property tax revenue above the levy amount.
- The interest earnings on loans decreased by \$112,250 from 2016 as the Hormel Foundation made the final debt service payments on the Development Bonds, Series 2006A in early 2017.
- Administrative and general expenses increased by \$77,001 primarily as the result of costs associated with some downtown redevelopment projects to improve storefronts.
- Depreciation and amortization increased by \$213,362 as the new Hormel Institute project (\$27 million) had its first full year of depreciation in 2017. This expansion is owned by the Austin Port Authority as part of the requirements of the State of Minnesota grant that was received.
- Nonoperating revenues (expenses) decreased by \$2,292,707 for 2017. Contributions related to the Hormel Institute expansion accounted for the primary decrease as the project was in its final stages of completion.
- Capital contributions from the primary government occurred in 2017. These contributions included some land with a cost of \$6,000 and another contribution of \$212,472 of cash for future economic development purposes.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2017 AND 2016**

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, 2016 and 2015:

	<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	<u>\$ (464,995)</u>	<u>\$ (4,507,074)</u>	<u>\$ 4,042,079</u>	<u>89.68%</u>
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>	<u>10.92%</u>

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, 2017 AND 2016**

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, 2017, amounts to \$24,551,945 (net of accumulated depreciation). This investment in capital assets includes buildings, improvements other than buildings, and machinery and equipment. The total decrease in the Austin Port Authority's investment in capital assets (net of accumulated depreciation) was 0.93 percent and was attributable to the depreciation charge related to the Hormel Institute building that was completed in 2016.

AUSTIN PORT AUTHORITY'S CAPITAL ASSETS

	<u>2017</u>	<u>2016</u>
Buildings	\$ 23,460,425	\$ 23,240,784
Improvements Other Than Buildings	524,714	524,714
Machinery and Equipment	2,108,645	1,759,223
Total	<u>\$ 26,093,784</u>	<u>\$ 25,524,721</u>
Less: Accumulated Depreciation	(1,541,839)	(742,461)
Net Capital Assets	<u><u>\$ 24,551,945</u></u>	<u><u>\$ 24,782,260</u></u>

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 \$843,150. The outstanding balance represents an advance from the primary government related to the acquisition and demolition of the former Oak Park Mall shopping center.

The Austin Port Authority's total debt decreased by \$1,899,491 (69.26 percent) during the current fiscal year. The payoff of the debt 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 23 of this report.

NEXT YEAR'S RATES:

The Walker Building is leased to International Paper for 2018 and 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, 2017 AND 2016**

ASSETS	2017	2016
CURRENT ASSETS		
Cash and Cash Equivalents	\$ 1,892,634	\$ 1,027,272
Taxes Receivable	1,639	1,688
Accounts Receivable	-	583,308
Due From Other Governments	356	483,776
Interest Receivable	525	44,664
Notes Receivable, Current Portion	64,250	1,974,549
Total Current Assets	\$ 1,959,404	\$ 4,115,257
NONCURRENT ASSETS		
Land Held for Resale	\$ 1,016,191	\$ 1,010,191
Notes Receivable	484,622	548,873
Total Noncurrent Assets	\$ 1,500,813	\$ 1,559,064
CAPITAL ASSETS		
Buildings	\$ 23,460,425	\$ 23,240,784
Improvements Other Than Building	524,714	524,714
Machinery and Equipment	2,108,645	1,759,223
Total	\$ 26,093,784	\$ 25,524,721
Less: Accumulated Depreciation	(1,541,839)	(742,461)
Net Capital Assets	\$ 24,551,945	\$ 24,782,260
Total Assets	\$ 28,012,162	\$ 30,456,581

See accompanying Notes to Financial Statements.

LIABILITIES AND NET POSITION	<u>2017</u>	<u>2016</u>
LIABILITIES		
CURRENT LIABILITIES		
Vouchers Payable	\$ 3,667	\$ 85,519
Accrued Interest Expense	-	44,100
Retainage Payable	-	602,240
Unearned Revenue	7,564	-
Bonds Payable, Current Portion	-	1,907,741
Total Current Liabilities	<u>\$ 11,231</u>	<u>\$ 2,639,600</u>
NONCURRENT LIABILITIES		
Advances from Primary Government	\$ 843,150	\$ 834,900
Due to Other Governments	50,000	50,000
Total Noncurrent Liabilities	<u>\$ 893,150</u>	<u>\$ 884,900</u>
Total Liabilities	<u>\$ 904,381</u>	<u>\$ 3,524,500</u>
NET POSITION		
Net Position:		
Net Investment in Capital Assets	\$ 24,551,945	\$ 24,782,260
Restricted	359,820	309,525
Unrestricted	2,196,016	1,840,296
Total Net Position	<u>\$ 27,107,781</u>	<u>\$ 26,932,081</u>
Total Liabilities and Net Position	<u>\$ 28,012,162</u>	<u>\$ 30,456,581</u>

**AUSTIN PORT AUTHORITY
STATEMENTS OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
OPERATING REVENUES		
Property Taxes	\$ 40,736	\$ 41,449
Intergovernmental Revenues	2	3
Lease Revenues	88,129	85,562
Interest Earnings on Loan	19,242	131,492
Total Operating Revenues	\$ 148,109	\$ 258,506
OPERATING EXPENSES		
Administrative and General	\$ 214,486	\$ 137,485
Depreciation	799,378	586,016
Total Operating Expenses	\$ 1,013,864	\$ 723,501
OPERATING LOSS	\$ (865,755)	\$ (464,995)
NON-OPERATING REVENUES (EXPENSES)		
Investment Earnings	\$ 19,538	\$ 5,293
Interest Earnings on Loans	6,523	7,005
State Grants	281,007	1,470,811
Private Contributions	399,953	1,590,811
Gain on Sale of Land Held for Resale	122,000	-
Miscellaneous Revenues	6,521	96,709
Interest Expense and Fiscal Agent Fees	(12,559)	(54,939)
Total Non-Operating Revenues (Expenses)	\$ 822,983	\$ 3,115,690
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	\$ (42,772)	\$ 2,650,695
Capital Contribution from Primary Government	218,472	-
CHANGE IN NET POSITION	\$ 175,700	\$ 2,650,695
NET POSITION, BEGINNING	26,932,081	24,281,386
NET POSITION, ENDING	\$ 27,107,781	\$ 26,932,081

See accompanying Notes to Financial Statements.

**AUSTIN PORT AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Customers and Users	\$ 155,722	\$ 258,195
Cash Paid to Suppliers for Goods and Services	(206,635)	(136,365)
Cash Paid to Employees	(1,330)	(1,120)
Net Cash Provided (Used) by Operating Activities	\$ (52,243)	\$ 120,710
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES		
Principal Payments of Bonds	\$ (1,890,000)	\$ (1,645,000)
Interest Paid on Bonds and Notes	(74,400)	(189,874)
Principal Received on Note Receivable	1,890,000	1,645,000
Advances from Primary Government	8,250	9,900
Net Cash Used by Non-Capital Financing Activities	\$ (66,150)	\$ (179,974)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Capital Asset Acquisitions	\$ (1,253,155)	\$ (4,449,657)
Capital Contributions	1,960,160	4,327,718
Net Cash Provided (Used) by Capital and Related Financing Activities	\$ 707,005	\$ (121,939)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received on Investments	\$ 70,200	\$ 50,731
Purchase of Land Held for Resale	-	(187,961)
Sale of Land Held for Resale	122,000	-
Principal Received on Note Receivable	84,550	89,282
Net Cash Provided (Used) by Investing Activities	\$ 276,750	\$ (47,948)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	\$ 865,362	\$ (229,151)
Cash and Cash Equivalents - Beginning	1,027,272	1,256,423
CASH AND CASH EQUIVALENTS - ENDING	\$ 1,892,634	\$ 1,027,272
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES		
Operating Loss	\$ (865,755)	\$ (464,995)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	799,378	586,016
Miscellaneous Revenue	6,521	-
(Increase) Decrease in:		
Taxes Receivable	49	(311)
Increase (Decrease) in:		
Unearned Revenue	7,564	-
Net Cash Provided (Used) by Operating Activities	\$ (52,243)	\$ 120,710
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES		
Bond Premium Amortization	\$ 17,741	\$ 106,454

See accompanying Notes to Financial Statements.

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**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 accounting principles generally accepted in the United States of America (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 accounting principles generally accepted in the United States of America 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, 2017 AND 2016**

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 161.5 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, 6.1 acres located along 18th Avenue NE (former Hy-Vee grocery store), 1.14 acres located on 18th Avenue NE, near the former 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. 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."

H. 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, 2017 AND 2016**

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	
	2017	2016
4M Fund	\$ -	\$ 2,823

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 elects to measure its investments at amortized cost in accordance with accounting statements issued by the Government Accounting Standards Board.

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, 2017 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

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.

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, 2017 AND 2016**

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.

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.

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.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

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 Apartments 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, 2017 AND 2016**

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	LWB Properties LLC	Raymond James	Salon Azteca
2018	\$ 6,000	\$ 5,280	\$ 7,150	\$ 4,280
2019	3,000	2,856	4,225	4,280
2020	-	-	-	4,280
2021	-	-	-	1,798
Total Note Principal	<u>\$ 9,000</u>	<u>\$ 8,136</u>	<u>\$ 11,375</u>	<u>\$ 14,638</u>
Less Current Portion	<u>(6,000)</u>	<u>(5,280)</u>	<u>(7,150)</u>	<u>(4,280)</u>
Long-Term Portion	<u><u>\$ 3,000</u></u>	<u><u>\$ 2,856</u></u>	<u><u>\$ 4,225</u></u>	<u><u>\$ 10,358</u></u>
	Nemitz Building Interior	Nagle Karate Studio Apartments	Nagle Karate Studio Exterior	VFW
2018	\$ 2,372	\$ 10,339	\$ 3,571	\$ 5,250
2019	2,372	10,340	3,512	5,250
2020	2,372	-	-	-
2021	2,369	-	-	-
Total Note Principal	<u>\$ 9,485</u>	<u>\$ 20,679</u>	<u>\$ 7,083</u>	<u>\$ 10,500</u>
Less Current Portion	<u>(2,372)</u>	<u>(10,339)</u>	<u>(3,571)</u>	<u>(5,250)</u>
Long-Term Portion	<u><u>\$ 7,113</u></u>	<u><u>\$ 10,340</u></u>	<u><u>\$ 3,512</u></u>	<u><u>\$ 5,250</u></u>
	Med-City Mobility	Downtown Revitalization Loans		
2018	\$ 1,680	\$ 45,922		
2019	1,680	37,515		
2020	-	6,652		
2021	-	4,167		
Total Note Principal	<u>\$ 3,360</u>	<u>\$ 94,256</u>		
Less Current Portion	<u>(1,680)</u>	<u>(45,922)</u>		
Long-Term Portion	<u><u>\$ 1,680</u></u>	<u><u>\$ 48,334</u></u>		

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

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

	DCA Loan #1	DCA Loan #2	Grove Street LLC #3
2018	\$ 18,408	\$ 150,000	\$ 6,000
2019	18,408	-	9,000
2020	18,408	-	12,000
2021	18,408	-	15,000
2022	18,408	-	15,000
2023-2027	92,040	-	90,000
2028	9,127	-	-
Total Payments	193,207	150,000	147,000
Less Interest	35,591	-	-
Total Note Principal	\$ 157,616	\$ 150,000	\$ 147,000
Less Current Portion	(12,328)	-	(6,000)
Long-Term Portion	<u>\$ 145,288</u>	<u>\$ 150,000</u>	<u>\$ 141,000</u>
	Downtown Revitalization Loans		
	Loans	Total	
2018	\$ 45,922	\$ 220,330	
2019	37,515	64,923	
2020	6,652	37,060	
2021	4,167	37,575	
2022	-	33,408	
2023-2027	-	182,040	
2028	-	9,127	
Total Payments	94,256	584,463	
Less Interest	-	35,591	
Total Note Principal	\$ 94,256	\$ 548,872	
Less Current Portion	(45,922)	(64,250)	
Long-Term Portion	<u>\$ 48,334</u>	<u>\$ 484,622</u>	

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2017 and 2016:

	12/31/16	Additions	Deletions	12/31/17
Capital Assets, Being Depreciated:				
Buildings	\$ 23,240,784	\$ 219,641	\$ -	\$ 23,460,425
Improvements Other Than Building	524,714	-	-	524,714
Machinery and Equipment	1,759,223	349,422	-	2,108,645
Subtotal	25,524,721	569,063	-	26,093,784
Less: Accumulated Depreciation	742,461	799,378	-	1,541,839
Total Capital Assets, Being Depreciated	24,782,260	(230,315)	-	24,551,945
Total Capital Assets, Net of Accumulated Depreciation	\$ 24,782,260	\$ (230,315)	\$ -	\$ 24,551,945
	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	22,211,795	3,032,731	25,244,526	-
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	280,195	25,244,526	-	25,524,721
Less: Accumulated Depreciation	156,445	586,016	-	742,461
Total Capital Assets, Being Depreciated	123,750	24,658,510	-	24,782,260
Total Capital Assets, Net of Accumulated Depreciation	\$ 22,335,545	\$ 27,691,241	\$ 25,244,526	\$ 24,782,260

NOTE 5 LONG-TERM DEBT

Changes in long-term liabilities are as follows for the years ended December 31, 2017 and 2016:

	12/31/16	Increases	Decreases	12/31/17	Due Within One Year
Bonds Payable					
Developmental Bonds	\$ 1,890,000	\$ -	\$ 1,890,000	\$ -	\$ -
Add Unamortized Bond Premium	17,741	-	17,741	-	-
Advances with City of Austin	834,900	8,250	-	843,150	-
Long-Term Liabilities	\$ 2,742,641	\$ 8,250	\$ 1,907,741	\$ 843,150	\$ -
	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	\$ 4,484,195	\$ 9,900	\$ 1,751,454	\$ 2,742,641	\$ 1,907,741

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2017 AND 2016**

NOTE 5 LONG-TERM DEBT (CONTINUED)

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 \$7,344 per month, or \$88,129 annually, for the building under the terms of a lease agreement that is in effect through December 31, 2019. Under the terms of the existing three-year lease agreement, International Paper will pay annual rent including 3% annual increase in 2018 and 2019.

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

Year Ended December 31,	Walker Building
2018	\$ 90,773
2019	93,496
Total Future Minimum Rentals	\$ 184,269

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 \$359,820 and \$309,525 at December 31, 2017 and 2016, 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.

SUPPLEMENTARY INFORMATION

AUSTIN PORT AUTHORITY
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2017 AND 2016

	Hormel Institute		Oak Park Mall	
	2017	2016	2017	2016
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ -	\$ 2,585	\$ 71,929	\$ 94,037
Taxes Receivable	-	-	-	-
Accounts Receivable	-	-	-	-
Due From Other Governments	-	-	-	-
Interest Receivable	-	44,100	-	-
Notes Receivable, Current Portion	-	1,890,000	-	-
Total Current Assets	<u>\$ -</u>	<u>\$ 1,936,685</u>	<u>\$ 71,929</u>	<u>\$ 94,037</u>
NONCURRENT ASSETS				
Land Held for Resale	\$ -	\$ -	\$ 267,200	\$ 267,200
Notes Receivable	-	-	-	-
Total Noncurrent Assets	<u>\$ -</u>	<u>\$ -</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 Capital Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Assets	<u>\$ -</u>	<u>\$ 1,936,685</u>	<u>\$ 339,129</u>	<u>\$ 361,237</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current				
Vouchers Payable	\$ -	\$ -	\$ 2,377	\$ -
Accrued Interest Expense	-	44,100	-	-
Retainage Payable	-	-	-	-
Unearned Revenue	-	-	-	-
Bonds Payable, Current Portion	-	1,907,741	-	-
Total Current Liabilities	<u>\$ -</u>	<u>\$ 1,951,841</u>	<u>\$ 2,377</u>	<u>\$ -</u>
NONCURRENT LIABILITIES				
Advances from Primary Government	\$ -	\$ -	\$ 843,150	\$ 834,900
Due to Other Governments	-	-	50,000	50,000
Total Noncurrent Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 893,150</u>	<u>\$ 884,900</u>
Total Liabilities	<u>\$ -</u>	<u>\$ 1,951,841</u>	<u>\$ 895,527</u>	<u>\$ 884,900</u>
NET POSITION				
Net Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	-	(15,156)	(556,398)	(523,663)
Total Net Position	<u>\$ -</u>	<u>\$ (15,156)</u>	<u>\$ (556,398)</u>	<u>\$ (523,663)</u>
Total Liabilities and Net Position	<u>\$ -</u>	<u>\$ 1,936,685</u>	<u>\$ 339,129</u>	<u>\$ 361,237</u>

Property Management		Total	
2017	2016	2017	2016
\$ 1,820,705	\$ 930,650	\$ 1,892,634	\$ 1,027,272
1,639	1,688	1,639	1,688
-	583,308	-	583,308
356	483,776	356	483,776
525	564	525	44,664
64,250	84,549	64,250	1,974,549
<u>\$ 1,887,475</u>	<u>\$ 2,084,535</u>	<u>\$ 1,959,404</u>	<u>\$ 4,115,257</u>
\$ 748,991	\$ 742,991	\$ 1,016,191	\$ 1,010,191
484,622	548,873	484,622	548,873
<u>\$ 1,233,613</u>	<u>\$ 1,291,864</u>	<u>\$ 1,500,813</u>	<u>\$ 1,559,064</u>
\$ 23,460,425	\$ 23,240,784	\$ 23,460,425	\$ 23,240,784
524,714	524,714	524,714	524,714
2,108,645	1,759,223	2,108,645	1,759,223
\$ 26,093,784	\$ 25,524,721	\$ 26,093,784	\$ 25,524,721
(1,541,839)	(742,461)	(1,541,839)	(742,461)
<u>\$ 24,551,945</u>	<u>\$ 24,782,260</u>	<u>\$ 24,551,945</u>	<u>\$ 24,782,260</u>
<u>\$ 27,673,033</u>	<u>\$ 28,158,659</u>	<u>\$ 28,012,162</u>	<u>\$ 30,456,581</u>
\$ 1,290	\$ 85,519	\$ 3,667	\$ 85,519
-	-	-	44,100
-	602,240	-	602,240
7,564	-	7,564	-
-	-	-	1,907,741
<u>\$ 8,854</u>	<u>\$ 687,759</u>	<u>\$ 11,231</u>	<u>\$ 2,639,600</u>
\$ -	\$ -	\$ 843,150	\$ 834,900
-	-	50,000	50,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 893,150</u>	<u>\$ 884,900</u>
<u>\$ 8,854</u>	<u>\$ 687,759</u>	<u>\$ 904,381</u>	<u>\$ 3,524,500</u>
\$ 24,551,945	\$ 24,782,260	\$ 24,551,945	\$ 24,782,260
359,820	309,525	359,820	309,525
2,752,414	2,379,115	2,196,016	1,840,296
<u>\$ 27,664,179</u>	<u>\$ 27,470,900</u>	<u>\$ 27,107,781</u>	<u>\$ 26,932,081</u>
<u>\$ 27,673,033</u>	<u>\$ 28,158,659</u>	<u>\$ 28,012,162</u>	<u>\$ 30,456,581</u>

**AUSTIN PORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	Hormel Institute		Oak Park Mall	
	2017	2016	2017	2016
OPERATING REVENUES				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-
Lease Revenues	-	-	-	-
Interest Earnings on Loan	19,242	131,492	-	-
Total Operating Revenues	<u>\$ 19,242</u>	<u>\$ 131,492</u>	<u>\$ -</u>	<u>\$ -</u>
OPERATING EXPENSES				
Administrative and General	\$ -	\$ -	\$ 26,115	\$ 14,347
Depreciation	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,115</u>	<u>\$ 14,347</u>
OPERATING INCOME (LOSS)	<u>\$ 19,242</u>	<u>\$ 131,492</u>	<u>\$ (26,115)</u>	<u>\$ (14,347)</u>
NON-OPERATING REVENUES (EXPENSES)				
Interest Earnings	\$ 223	\$ 67	\$ 1,630	\$ 774
Interest Earnings on Loans	-	-	-	-
State Grants	-	-	-	-
Private Contributions	-	-	-	-
Gain on Sale of Land Held for Resale	-	-	-	-
Miscellaneous Revenues	-	-	-	-
Interest Expense and Fiscal Agent Fees	(4,309)	(45,039)	(8,250)	(9,900)
Total Non-Operating Revenues (Expenses)	<u>\$ (4,086)</u>	<u>\$ (44,972)</u>	<u>\$ (6,620)</u>	<u>\$ (9,126)</u>
CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS	<u>\$ 15,156</u>	<u>\$ 86,520</u>	<u>\$ (32,735)</u>	<u>\$ (23,473)</u>
Capital Contribution from Primary Government	-	-	-	-
CHANGE IN NET POSITION	<u>\$ 15,156</u>	<u>\$ 86,520</u>	<u>\$ (32,735)</u>	<u>\$ (23,473)</u>
Net Position - Beginning of Year	<u>(15,156)</u>	<u>(101,676)</u>	<u>(523,663)</u>	<u>(500,190)</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>	<u><u>\$ (15,156)</u></u>	<u><u>\$ (556,398)</u></u>	<u><u>\$ (523,663)</u></u>

Property Management		Total		
2017	2016	2017	201	2016
\$ 40,736	\$ 41,449	\$ 40,736	\$ 41,449	
2	3	2	3	
88,129	85,562	88,129	85,562	
-	-	19,242	131,492	
<u>\$ 128,867</u>	<u>\$ 127,014</u>	<u>\$ 148,109</u>	<u>\$ 258,506</u>	
\$ 188,371	\$ 123,138	\$ 214,486	\$ 137,485	
799,378	586,016	799,378	586,016	
<u>\$ 987,749</u>	<u>\$ 709,154</u>	<u>\$ 1,013,864</u>	<u>\$ 723,501</u>	
<u>\$ (858,882)</u>	<u>\$ (582,140)</u>	<u>\$ (865,755)</u>	<u>\$ (464,995)</u>	
\$ 17,685	\$ 4,452	\$ 19,538	\$ 5,293	
6,523	7,005	6,523	7,005	
281,007	1,470,811	281,007	1,470,811	
399,953	1,590,811	399,953	1,590,811	
122,000	-	122,000	-	
6,521	96,709	6,521	96,709	
-	-	(12,559)	(54,939)	
<u>\$ 833,689</u>	<u>\$ 3,169,788</u>	<u>\$ 822,983</u>	<u>\$ 3,115,690</u>	
\$ (25,193)	\$ 2,587,648	\$ (42,772)	\$ 2,650,695	
218,472	-	218,472	-	
<u>\$ 193,279</u>	<u>\$ 2,587,648</u>	<u>\$ 175,700</u>	<u>\$ 2,650,695</u>	
<u>27,470,900</u>	<u>24,883,252</u>	<u>26,932,081</u>	<u>24,281,386</u>	
<u>\$ 27,664,179</u>	<u>\$ 27,470,900</u>	<u>\$ 27,107,781</u>	<u>\$ 26,932,081</u>	

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
SUPPLEMENTARY COMBINING STATEMENTS OF NET POSITION
DECEMBER 31, 2017 AND 2016**

ASSETS	General		Walker Building	
	2017	2016	2017	2016
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,245,235	\$ 448,551	\$ 575,470	\$ 482,099
Taxes Receivable	1,639	1,688	-	-
Accounts Receivable	-	577,708	-	5,600
Due From Other Governments	356	483,776	-	-
Interest Receivable	525	564	-	-
Notes Receivable, Current Portion	64,250	84,549	-	-
Total Current Assets	<u>\$ 1,312,005</u>	<u>\$ 1,596,836</u>	<u>\$ 575,470</u>	<u>\$ 487,699</u>
NONCURRENT ASSETS				
Land Held for Resale	\$ 748,991	\$ 742,991	\$ -	\$ -
Notes Receivable	484,622	548,873	-	-
Total Noncurrent Assets	<u>\$ 1,233,613</u>	<u>\$ 1,291,864</u>	<u>\$ -</u>	<u>\$ -</u>
CAPITAL ASSETS				
Buildings	\$ 23,201,871	\$ 22,982,230	\$ 258,554	\$ 258,554
Improvements Other Than Building	503,073	503,073	21,641	21,641
Machinery and Equipment	2,108,645	1,759,223	-	-
Total	<u>\$ 25,813,589</u>	<u>\$ 25,244,526</u>	<u>\$ 280,195</u>	<u>\$ 280,195</u>
Less: Accumulated Depreciation	(1,369,145)	(577,880)	(172,694)	(164,581)
Net Capital Assets	<u>\$ 24,444,444</u>	<u>\$ 24,666,646</u>	<u>\$ 107,501</u>	<u>\$ 115,614</u>
Total Assets	<u>\$ 26,990,062</u>	<u>\$ 27,555,346</u>	<u>\$ 682,971</u>	<u>\$ 603,313</u>
LIABILITIES AND NET POSITION				
LIABILITIES				
Current				
Vouchers Payable	\$ 200	\$ 84,368	\$ 1,090	\$ 1,151
Retainage Payable	-	602,240	-	-
Unearned Revenue	-	-	7,564	-
Total Current Liabilities	<u>\$ 200</u>	<u>\$ 686,608</u>	<u>\$ 8,654</u>	<u>\$ 1,151</u>
NET POSITION				
Net Investment in Capital Assets	\$ 24,444,444	\$ 24,666,646	\$ 107,501	\$ 115,614
Restricted	359,820	309,525	-	-
Unrestricted	2,185,598	1,892,567	566,816	486,548
Total Net Position	<u>\$ 26,989,862</u>	<u>\$ 26,868,738</u>	<u>\$ 674,317</u>	<u>\$ 602,162</u>
Total Liabilities and Net Position	<u>\$ 26,990,062</u>	<u>\$ 27,555,346</u>	<u>\$ 682,971</u>	<u>\$ 603,313</u>

Total	
2017	2016
\$ 1,820,705	\$ 930,650
1,639	1,688
-	583,308
356	483,776
525	564
64,250	84,549
<u>\$ 1,887,475</u>	<u>\$ 2,084,535</u>
\$ 748,991	\$ 742,991
484,622	548,873
<u>\$ 1,233,613</u>	<u>\$ 1,291,864</u>
\$ 23,460,425	\$ 23,240,784
524,714	524,714
2,108,645	1,759,223
<u>\$ 26,093,784</u>	<u>\$ 25,524,721</u>
(1,541,839)	(742,461)
<u>\$ 24,551,945</u>	<u>\$ 24,782,260</u>
<u>\$ 27,673,033</u>	<u>\$ 28,158,659</u>
\$ 1,290	\$ 85,519
-	602,240
7,564	-
<u>\$ 8,854</u>	<u>\$ 687,759</u>
\$ 24,551,945	\$ 24,782,260
359,820	309,525
2,752,414	2,379,115
<u>\$ 27,664,179</u>	<u>\$ 27,470,900</u>
<u>\$ 27,673,033</u>	<u>\$ 28,158,659</u>

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
GENERAL
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
OPERATING REVENUES		
Property Taxes	\$ 40,736	\$ 41,449
Intergovernmental Revenues	2	3
Total Operating Revenues	\$ 40,738	\$ 41,452
OPERATING EXPENSES		
ADMINISTRATIVE AND GENERAL		
Board Member Compensation	\$ 1,330	\$ 1,120
Professional Services and Consulting	17,512	7,033
Legal and Appraisals	6,594	4,913
Insurance	288	288
Office Supplies	87	104
Property Taxes	2,442	-
Improvements Other Than Buildings	141,684	83,810
Miscellaneous	55	127
Total Administrative and General	\$ 169,992	\$ 97,395
Depreciation	791,265	577,880
Total Operating Expenses	\$ 961,257	\$ 675,275
OPERATING LOSS	\$ (920,519)	\$ (633,823)
NON-OPERATING REVENUES		
Interest Earnings	\$ 8,488	\$ 2,804
Interest Earnings on Loans	6,523	7,005
State Grants	281,007	1,470,811
Private Contributions	399,953	1,590,811
Gain on Sale of Land Held for Resale	122,000	-
Miscellaneous Revenue	5,200	91,109
Total Non-Operating Revenues	\$ 823,171	\$ 3,162,540
CHANGE IN NET ASSETS BEFORE CAPITAL CONTRIBUTION	\$ (97,348)	\$ 2,528,717
Capital Contributions from Primary Government	218,472	-
CHANGE IN NET ASSETS	\$ 121,124	\$ 2,528,717
Net Position - Beginning of Year	26,868,738	24,340,021
NET POSITION - END OF YEAR	\$ 26,989,862	\$ 26,868,738

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT FUND
WALKER BUILDING
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2017 AND 2016**

	2017	2016
OPERATING REVENUES		
Lease Revenues	\$ 88,129	\$ 85,562
OPERATING EXPENSES		
ADMINISTRATIVE AND GENERAL		
Maintenance and Repair of Building	\$ 4,793	\$ 12,121
Legal and Appraisals	32	250
Insurance	1,650	1,500
Property Taxes	11,904	11,872
Total Administrative and General Expenses	\$ 18,379	\$ 25,743
Depreciation	8,113	8,136
Total Operating Expenses	\$ 26,492	\$ 33,879
OPERATING INCOME	\$ 61,637	\$ 51,683
NON-OPERATING REVENUES		
Interest Earnings	\$ 9,197	\$ 1,648
Miscellaneous Revenue	1,321	5,600
Total Non-Operating Revenues	\$ 10,518	\$ 7,248
CHANGE IN NET POSITION	\$ 72,155	\$ 58,931
Net Position - Beginning of Year	602,162	543,231
NET POSITION - END OF YEAR	\$ 674,317	\$ 602,162

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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, 2017 and 2016, 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 19, 2018.

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 19, 2018

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, 2017 and the related notes to the financial statements and have issued our report thereon dated March 19, 2018.

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 19, 2018

