

**AUSTIN PORT AUTHORITY**  
**FINANCIAL STATEMENTS AND**  
**SUPPLEMENTARY INFORMATION**  
**YEARS ENDED DECEMBER 31, 2018 AND 2017**



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## **INTRODUCTORY SECTION**



**AUSTIN PORT AUTHORITY  
ORGANIZATION SCHEDULE  
DECEMBER 31, 2018 AND 2017**

**BOARD OF COMMISSIONERS**

		<u>Term Expires</u>
Jerry McCarthy	President	December 31, 2020
Jeff Austin	Vice-President	December 31, 2022
Lee Bjorndal	Treasurer	December 31, 2023
Jerry Mohrfeld	Commissioner	December 31, 2018
Michael Bednar	Commissioner	December 31, 2019
Laura Helle	Commissioner	December 31, 2023
Chuck Moline	Commissioner	December 31, 2021

**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, 2018 and 2017, 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, 2018 and 2017, 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 14, 2019, 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 14, 2019

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**REQUIRED SUPPLEMENTARY INFORMATION**

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**AUSTIN PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018 AND 2017**

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, 2018 and 2017. 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 14-22 of this report.

**Supplemental information.** The combining and individual account statements and schedules can be found on pages 23-30 of this report.

**FINANCIAL HIGHLIGHTS:**

The largest portion of the Austin Port Authority's net position (89 percent) is the investment in capital assets at December 31, 2018. No additional capital assets were added during 2018, only a depreciation charge. During 2018 the Austin Port Authority sold a portion of the land that was held for resale to a developer. The developer is currently remodeling the facility to add retail options to our community. This sale, plus an additional contribution from Hy-Vee for not having to tear the facility down increased the net assets for 2018. Additionally, the Austin Port Authority continues to work with developers on the marketing 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 first tax increment payment was received from the primary government in 2018. This \$70,000 annual payment is considered a Pay-As-You-Go tax increment district whereby if Hy-Vee makes the required annual tax payments, the Austin Port Authority will receive the first \$70,000 annually to reduce the outstanding balance that has been recorded to cover some of the costs that were associated with the demolition of the former Oak Park Mall facility. From the 2018 tax increment receipt, a \$5,000 payment was made to the Housing and Redevelopment Authority of Austin for funds they advanced for the Oak Park Mall demolition project.

**AUSTIN PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018 AND 2017**

**AUSTIN PORT AUTHORITY'S NET POSITION**

The following tables summarize the financial position of the Austin Port Authority as of December 31, 2018 and 2017:

**Condensed Statement of Net Position**

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Current Assets	\$ 2,559,425	\$ 1,959,404	\$ 600,021	30.62%
Noncurrent Assets	1,352,971	1,500,813	(147,842)	(9.85%)
Net Capital Assets	23,752,589	24,551,945	(799,356)	(3.26%)
Total Assets	<u>\$ 27,664,985</u>	<u>\$ 28,012,162</u>	<u>\$ (347,177)</u>	(1.24%)
Current Liabilities	\$ 17,259	\$ 11,231	\$ 6,028	53.67%
Noncurrent Liabilities	831,336	893,150	(61,814)	(6.92%)
Total Liabilities	<u>\$ 848,595</u>	<u>\$ 904,381</u>	<u>\$ (55,786)</u>	(6.17%)
Net Position:				
Investment in Capital Assets	\$ 23,752,589	\$ 24,551,945	\$ (799,356)	(3.26%)
Restricted	280,711	359,820	(79,109)	(21.99%)
Unrestricted	2,783,090	2,196,016	587,074	26.73%
Total Net Position	<u>\$ 26,816,390</u>	<u>\$ 27,107,781</u>	<u>\$ (291,391)</u>	(1.07%)
Total Liabilities and Net Position	<u>\$ 27,664,985</u>	<u>\$ 28,012,162</u>	<u>\$ (347,177)</u>	-(1.24%)

Condensed statement of net position highlights are as follows for the year ended December 31, 2018:

- The assets of the Austin Port Authority exceeded liabilities by \$26,816,390 (Net Position). This is a decrease of \$291,391 over the net position at the close of 2017.
- Current assets increased by \$600,021, primarily due to the sale of the former Hy-Vee grocery store to a private developer thereby increasing cash from the sale and a resulting accounts receivable from Hy-Vee for \$200,000 since they did not have to have the expense of tearing the old facility down. 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 \$147,842 due to the scheduled repayment of a note from the Development Corporation of Austin.
- Net capital assets decreased by \$799,356 due to the depreciation taken on all of our depreciable property. No capital additions or retirements were made during 2018.
- Current liabilities have a slight increase of \$6,028 based on a final payment being made on one of the Business Encouragement and Enhancement Program (BEEP) loans at year end.
- Noncurrent liabilities decreased by \$61,814 primarily due to the payment of some advances made by the primary government to cover the Oak Park Mall acquisition in 2015. The revenue received from the Pay-As-You-Go tax increment financing district is used to repay the primary government on this loan.

**AUSTIN PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018 AND 2017**

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, 2018:

- 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, 2018 AND 2017**

The following charts summarize operating revenues, expenses, and changes in net position of the Austin Port Authority for the years ended December 31, 2018 and 2017:

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

	<u>2018</u>	<u>2017</u>	<u>Dollar Change</u>	<u>Percentage Change</u>
Operating Revenues:				
Property Taxes	\$ 40,155	\$ 40,736	\$ (581)	(1.43%)
Intergovernmental Revenues	2	2	-	(0.00%)
Lease Revenues	90,772	88,129	2,643	3.00%
Interest on Loans	-	19,242	(19,242)	(100.00%)
Total Operating Revenues	<u>\$ 130,929</u>	<u>\$ 148,109</u>	<u>\$ (17,180)</u>	<u>(11.60%)</u>
Operating Expenses:				
Administrative and General	\$ 179,044	\$ 214,486	\$ (35,442)	(16.52%)
Depreciation and Amortization	799,356	799,378	(22)	0.00%
Total Operating Expense	<u>\$ 978,400</u>	<u>\$ 1,013,864</u>	<u>\$ (35,464)</u>	<u>(3.50%)</u>
Operating Loss	<u>\$ (847,471)</u>	<u>\$ (865,755)</u>	<u>\$ 18,284</u>	<u>(2.11%)</u>
Non-Operating Revenues (Expenses)	<u>525,580</u>	<u>822,983</u>	<u>(297,403)</u>	<u>(36.14%)</u>
Change in Net Position before				
Capital Contributions	(321,891)	(42,772)	(279,119)	(652.57%)
Capital Contributions	30,500	218,472	(187,972)	(86.04%)
Change in Net Position	<u>\$ (291,391)</u>	<u>\$ 175,700</u>	<u>\$ (467,091)</u>	<u>(265.85%)</u>
Beginning Net Position	\$ 27,107,781	\$ 26,932,081	\$ 175,700	0.65%
Change in Net Position	<u>(291,391)</u>	<u>175,700</u>	<u>(467,091)</u>	<u>(265.85%)</u>
Ending Net Position	<u>\$ 26,816,390</u>	<u>\$ 27,107,781</u>	<u>\$ (291,391)</u>	<u>(1.07%)</u>

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2018:

- Property taxes continue to be the operating capital of the Austin Port Authority, with a levy of \$40,000 for both 2018 and 2017, 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 \$19,242 from 2017 as the Hormel Foundation made the final debt service payments on the Development Bonds, Series 2006A in early 2017.
- Administrative and general expenses decreased by \$35,442 primarily as the result of lower costs associated with some downtown redevelopment projects to improve storefronts.
- Nonoperating revenues (expenses) decreased by \$297,403 for 2018. Final contributions related to the Hormel Institute expansion occurred in 2017 and thus decreased the non-operating revenues for 2018.
- Capital contributions from the primary government occurred in both 2018 and 2017. In both years the majority of the capital contributions were for economic development purposes, but 2017 included the closure of a fund at the primary government that had more excess cash available to contribute.

**AUSTIN PORT AUTHORITY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
DECEMBER 31, 2018 AND 2017**

**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, 2017 and 2016:

	<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>	<u>(42.71%)</u>
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>	<u>40.13%</u>
Operating Loss	<u>\$ (865,755)</u>	<u>\$ (464,995)</u>	<u>\$ (400,760)</u>	<u>86.19%</u>
Non-Operating Revenues (Expenses)	<u>822,983</u>	<u>3,115,690</u>	<u>(2,292,707)</u>	<u>(73.59%)</u>
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>	<u>(93.37%)</u>
Beginning Net Position	\$ 26,932,081	\$ 24,281,386	\$ 2,650,695	10.92%
Change in Net Position	<u>175,700</u>	<u>2,650,695</u>	<u>(2,474,995)</u>	<u>(93.37%)</u>
Ending Net Position	<u>\$ 27,107,781</u>	<u>\$ 26,932,081</u>	<u>\$ 175,700</u>	<u>0.65%</u>

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2018:

- 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, 2018 AND 2017**

**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, 2018, amounts to \$23,752,589 (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 3.26 percent and was primarily attributable to the depreciation charge related to the Hormel Institute building that was completed in 2018.

**AUSTIN PORT AUTHORITY'S CAPITAL ASSETS**

	<u>2018</u>	<u>2017</u>
Buildings	\$ 23,460,425	\$ 23,460,425
Improvements Other Than Buildings	524,714	524,714
Machinery and Equipment	2,108,645	2,108,645
Total	<u>\$ 26,093,784</u>	<u>\$ 26,093,784</u>
Less: Accumulated Depreciation	<u>(2,341,195)</u>	<u>(1,541,839)</u>
Net Capital Assets	<u>\$ 23,752,589</u>	<u>\$ 24,551,945</u>

Additional information on the Austin Port Authority's capital assets can be found in Note 4 on page 20 of this report.

**Long-term debt.** At the end of the current fiscal year, the Austin Port Authority had total debt outstanding of \$786,336. 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 \$56,814 (6.74 percent) during the current fiscal year. A payment on the advance from the primary government was made in 2018 upon the receipt of the tax increment rebate.

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 21 of this report.

**NEXT YEAR'S RATES:**

The Walker Building is leased to International Paper for 2019 with a 3% increase in the lease rate from 2018.

**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 4<sup>th</sup> Avenue NE, Austin, Minnesota, 55912.

## **BASIC FINANCIAL STATEMENTS**

**AUSTIN PORT AUTHORITY  
STATEMENTS OF NET POSITION  
DECEMBER 31, 2018 AND 2017**

<b>ASSETS</b>	2018	2017
<b>CURRENT ASSETS</b>		
Cash and Cash Equivalents	\$ 2,296,434	\$ 1,892,634
Taxes Receivable	1,812	1,639
Accounts Receivable	200,000	-
Due From Other Governments	1,350	356
Interest Receivable	484	525
Notes Receivable, Current Portion	59,345	64,250
Total Current Assets	\$ 2,559,425	\$ 1,959,404
<b>NONCURRENT ASSETS</b>		
Land Held for Resale	\$ 1,077,694	\$ 1,016,191
Notes Receivable	275,277	484,622
Total Noncurrent Assets	\$ 1,352,971	\$ 1,500,813
<b>CAPITAL ASSETS</b>		
Buildings	\$ 23,460,425	\$ 23,460,425
Improvements Other Than Building	524,714	524,714
Machinery and Equipment	2,108,645	2,108,645
Total	\$ 26,093,784	\$ 26,093,784
Less: Accumulated Depreciation	(2,341,195)	(1,541,839)
Net Capital Assets	\$ 23,752,589	\$ 24,551,945
Total Assets	\$ 27,664,985	\$ 28,012,162

See accompanying Notes to Financial Statements.

<b>LIABILITIES AND NET POSITION</b>	<u>2018</u>	<u>2017</u>
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Vouchers Payable	\$ 9,468	\$ 3,667
Unearned Revenue	7,791	7,564
Total Current Liabilities	<u>\$ 17,259</u>	<u>\$ 11,231</u>
<b>NONCURRENT LIABILITIES</b>		
Advances from Primary Government	\$ 786,336	\$ 843,150
Due to Other Governments	45,000	50,000
Total Noncurrent Liabilities	<u>\$ 831,336</u>	<u>\$ 893,150</u>
Total Liabilities	<u>\$ 848,595</u>	<u>\$ 904,381</u>
<b>NET POSITION</b>		
Net Position:		
Investment in Capital Assets	\$ 23,752,589	\$ 24,551,945
Restricted	280,711	359,820
Unrestricted	2,783,090	2,196,016
Total Net Position	<u>\$ 26,816,390</u>	<u>\$ 27,107,781</u>
Total Liabilities and Net Position	<u><u>\$ 27,664,985</u></u>	<u><u>\$ 28,012,162</u></u>

**AUSTIN PORT AUTHORITY  
STATEMENTS OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>OPERATING REVENUES</b>		
Property Taxes	\$ 40,155	\$ 40,736
Intergovernmental Revenues	2	2
Lease Revenues	90,772	88,129
Interest Earnings on Loan	-	19,242
Total Operating Revenues	\$ 130,929	\$ 148,109
<b>OPERATING EXPENSES</b>		
Administrative and General	\$ 179,044	\$ 214,486
Depreciation	799,356	799,378
Total Operating Expenses	\$ 978,400	\$ 1,013,864
<b>OPERATING LOSS</b>	\$ (847,471)	\$ (865,755)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Investment Earnings	\$ 31,908	\$ 19,538
Interest Earnings on Loans	6,039	6,523
State Grants	-	281,007
Private Contributions	-	399,953
Gain on Sale of Land Held for Resale	446,503	122,000
Miscellaneous Revenues	109,316	6,521
Interest Expense and Fiscal Agent Fees	(8,186)	(12,559)
Payment to Primary Government	(60,000)	-
Total Non-Operating Revenues (Expenses)	\$ 525,580	\$ 822,983
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS</b>	\$ (321,891)	\$ (42,772)
Capital Contribution from Primary Government	30,500	218,472
<b>CHANGE IN NET POSITION</b>	\$ (291,391)	\$ 175,700
<b>NET POSITION, BEGINNING</b>	27,107,781	26,932,081
<b>NET POSITION, ENDING</b>	\$ 26,816,390	\$ 27,107,781

See accompanying Notes to Financial Statements.

**AUSTIN PORT AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash Received from Customers and Users	\$ 199,989	\$ 155,722
Cash Paid to Suppliers for Goods and Services	(132,702)	(206,635)
Cash Paid to Employees	(1,225)	(1,330)
Net Cash Provided (Used) by Operating Activities	\$ 66,062	\$ (52,243)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</b>		
Capital Contribution	\$ 30,500	\$ -
Principal Payments of Bonds	-	(1,890,000)
Interest Paid on Bonds and Notes	(8,186)	(74,400)
Principal Received on Note Receivable	-	1,890,000
Advances from Primary Government	8,186	8,250
Repayment of Advances from Primary Government	(65,000)	-
Repayment of Advances from Other Government	(5,000)	-
Net Cash Used by Non-Capital Financing Activities	\$ (39,500)	\$ (66,150)
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Capital Asset Acquisitions	\$ -	\$ (1,253,155)
Capital Contributions	-	1,960,160
Net Cash Provided by Capital and Related Financing Activities	\$ -	\$ 707,005
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received on Investments	\$ 37,988	\$ 70,200
Purchase of Land Held for Resale	(275,000)	-
Sale of Land Held for Resale	460,000	122,000
Principal Received on Note Receivable	214,250	84,550
Payment to Primary Government	(60,000)	-
Net Cash Provided by Investing Activities	\$ 377,238	\$ 276,750
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	\$ 403,800	\$ 865,362
Cash and Cash Equivalents - Beginning	1,892,634	1,027,272
<b>CASH AND CASH EQUIVALENTS - ENDING</b>	\$ 2,296,434	\$ 1,892,634
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>		
Operating Loss	\$ (847,471)	\$ (865,755)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities		
Depreciation	799,356	799,378
Miscellaneous Revenue	109,316	6,521
(Increase) Decrease in:		
Taxes Receivable	(173)	49
Due From Other Governments	(994)	-
Increase (Decrease) in:		
Vouchers Payable	5,801	-
Unearned Revenue	227	7,564
Net Cash Provided (Used) by Operating Activities	\$ 66,062	\$ (52,243)
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Bond Premium Amortization	\$ -	\$ 17,741

See accompanying Notes to Financial Statements.

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**AUSTIN PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**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, 2018 AND 2017**

**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.

**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 11<sup>th</sup> Drive NE exit, 2.65 acres located along 18<sup>th</sup> Avenue NE (former Hy-Vee grocery store), 25 acres on 14<sup>th</sup> Street NE, and two parcels in downtown Austin along 2<sup>nd</sup> 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. 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. It is the Authority's policy to apply restricted resources and then unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**AUSTIN PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**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).

**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.

**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.

**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.

**AUSTIN PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 3 NOTES RECEIVABLE (CONTINUED)**

**Downtown Revitalization Loans**

**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.

**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.

**AUSTIN PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 3 NOTES RECEIVABLE (CONTINUED)**

**Downtown Revitalization Loans (Continued)**

**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, 2018 AND 2017**

**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
2019	\$ 3,000	\$ 2,856	\$ 4,225	\$ 4,280
2020	-	-	-	4,280
2021	-	-	-	1,798
Total Note Principal	\$ 3,000	\$ 2,856	\$ 4,225	\$ 10,358
Less Current Portion	(3,000)	(2,856)	(4,225)	(4,280)
Long-Term Portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,078</u>
	Nemitz Building Interior	Nagle Karate Studio Apartments	Nagle Karate Studio Exterior	VFW
2019	\$ 2,372	\$ 10,340	\$ 3,512	\$ 5,250
2020	2,372	-	-	-
2021	2,368	-	-	-
Total Note Principal	\$ 7,112	\$ 10,340	\$ 3,512	\$ 5,250
Less Current Portion	(2,372)	(10,340)	(3,512)	(5,250)
Long-Term Portion	<u>\$ 4,740</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
	Med-City Mobility	Downtown Revitalization Loans		
2019	\$ 1,680	\$ 37,515		
2020	-	6,652		
2021	-	4,166		
Total Note Principal	\$ 1,680	\$ 48,333		
Less Current Portion	(1,680)	(37,515)		
Long-Term Portion	<u>\$ -</u>	<u>\$ 10,818</u>		

**AUSTIN PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 3 NOTES RECEIVABLE (CONTINUED)**

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

	DCA Loan #1	Grove Street LLC #3	Downtown Revitalization Loans	Total
2019	\$ 18,408	\$ 9,000	\$ 37,515	\$ 64,923
2020	18,408	12,000	6,652	37,060
2021	18,408	15,000	4,166	37,574
2022	18,408	15,000	-	33,408
2023	18,408	18,000	-	36,408
2024-2028	82,759	72,000	-	154,759
Total Payments	<u>174,799</u>	<u>141,000</u>	<u>48,333</u>	<u>364,132</u>
Less Interest	29,510	-	-	29,510
Total Note Principal	<u>\$ 145,289</u>	<u>\$ 141,000</u>	<u>\$ 48,333</u>	<u>\$ 334,622</u>
Less Current Portion	(12,830)	(9,000)	(37,515)	(59,345)
Long-Term Portion	<u><u>\$ 132,459</u></u>	<u><u>\$ 132,000</u></u>	<u><u>\$ 10,818</u></u>	<u><u>\$ 275,277</u></u>

**NOTE 4 CAPITAL ASSETS**

The following is a summary of changes in capital assets for the years ended December 31, 2018 and 2017:

	12/31/17	Additions	Deletions	12/31/18
Capital Assets, Being Depreciated:				
Buildings	\$ 23,460,425	\$ -	\$ -	\$ 23,460,425
Improvements Other Than Building	524,714	-	-	524,714
Machinery and Equipment	2,108,645	-	-	2,108,645
Subtotal	<u>26,093,784</u>	<u>-</u>	<u>-</u>	<u>26,093,784</u>
Less: Accumulated Depreciation	1,541,839	799,356	-	2,341,195
Total Capital Assets, Being Depreciated	<u>24,551,945</u>	<u>(799,356)</u>	<u>-</u>	<u>23,752,589</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 24,551,945</u></u>	<u><u>\$ (799,356)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 23,752,589</u></u>
	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	<u>25,524,721</u>	<u>569,063</u>	<u>-</u>	<u>26,093,784</u>
Less: Accumulated Depreciation	742,461	799,378	-	1,541,839
Total Capital Assets, Being Depreciated	<u>24,782,260</u>	<u>(230,315)</u>	<u>-</u>	<u>24,551,945</u>
Total Capital Assets, Net of Accumulated Depreciation	<u><u>\$ 24,782,260</u></u>	<u><u>\$ (230,315)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 24,551,945</u></u>

**AUSTIN PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**NOTE 5 LONG-TERM DEBT**

Changes in long-term liabilities are as follows for the years ended December 31, 2018 and 2017:

	12/31/17	Increases	Decreases	12/31/18	Due Within One Year
Advances with City of Austin	\$ 843,150	\$ 8,186	\$ 65,000	\$ 786,336	\$ -
Long-Term Liabilities	<u>\$ 843,150</u>	<u>\$ 8,186</u>	<u>\$ 65,000</u>	<u>\$ 786,336</u>	<u>\$ -</u>
	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	<u>\$ 2,742,641</u>	<u>\$ 8,250</u>	<u>\$ 1,907,741</u>	<u>\$ 843,150</u>	<u>\$ -</u>

**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 \$7,564 per month, or \$90,772 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 2019.

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

Year Ended December 31,	Walker Building
2019	\$ 93,496
Total Future Minimum Rentals	<u>\$ 93,496</u>

**AUSTIN PORT AUTHORITY  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2018 AND 2017**

**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 \$280,711 and \$359,820 at December 31, 2018 and 2017, 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.

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## **SUPPLEMENTARY INFORMATION**

**AUSTIN PORT AUTHORITY  
COMBINING STATEMENT OF NET POSITION  
DECEMBER 31, 2018 AND 2017**

	Hormel Institute		Oak Park Mall	
	2018	2017	2018	2017
<b>ASSETS</b>				
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ -	\$ -	\$ 468,435	\$ 71,929
Taxes Receivable	-	-	-	-
Accounts Receivable	-	-	200,000	-
Due From Other Governments	-	-	-	-
Interest Receivable	-	-	-	-
Notes Receivable, Current Portion	-	-	-	-
Total Current Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 668,435</u>	<u>\$ 71,929</u>
<b>NONCURRENT ASSETS</b>				
Land Held for Resale	\$ -	\$ -	\$ 59,703	\$ 267,200
Notes Receivable	-	-	-	-
Total Noncurrent Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,703</u>	<u>\$ 267,200</u>
<b>CAPITAL ASSETS</b>				
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></u>	<u><u>\$ -</u></u>	<u><u>\$ 728,138</u></u>	<u><u>\$ 339,129</u></u>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current				
Vouchers Payable	\$ -	\$ -	\$ 5,158	\$ 2,377
Unearned Revenue	-	-	-	-
Total Current Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,158</u>	<u>\$ 2,377</u>
<b>NONCURRENT LIABILITIES</b>				
Advances from Primary Government	\$ -	\$ -	\$ 786,336	\$ 843,150
Due to Other Governments	-	-	45,000	50,000
Total Noncurrent Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 831,336</u>	<u>\$ 893,150</u>
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 836,494</u>	<u>\$ 895,527</u>
<b>NET POSITION</b>				
Investment in Capital Assets	\$ -	\$ -	\$ -	\$ -
Restricted	-	-	-	-
Unrestricted	-	-	(108,356)	(556,398)
Total Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (108,356)</u>	<u>\$ (556,398)</u>
Total Liabilities and Net Position	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 728,138</u></u>	<u><u>\$ 339,129</u></u>

Property Management		Total	
2018	2017	2018	2017
\$ 1,827,999	\$ 1,820,705	\$ 2,296,434	\$ 1,892,634
1,812	1,639	1,812	1,639
-	-	200,000	-
1,350	356	1,350	356
484	525	484	525
59,345	64,250	59,345	64,250
<u>\$ 1,890,990</u>	<u>\$ 1,887,475</u>	<u>\$ 2,559,425</u>	<u>\$ 1,959,404</u>
\$ 1,017,991	\$ 748,991	\$ 1,077,694	\$ 1,016,191
275,277	484,622	275,277	484,622
<u>\$ 1,293,268</u>	<u>\$ 1,233,613</u>	<u>\$ 1,352,971</u>	<u>\$ 1,500,813</u>
\$ 23,460,425	\$ 23,460,425	\$ 23,460,425	\$ 23,460,425
524,714	524,714	524,714	524,714
2,108,645	2,108,645	2,108,645	2,108,645
<u>\$ 26,093,784</u>	<u>\$ 26,093,784</u>	<u>\$ 26,093,784</u>	<u>\$ 26,093,784</u>
(2,341,195)	(1,541,839)	(2,341,195)	(1,541,839)
<u>\$ 23,752,589</u>	<u>\$ 24,551,945</u>	<u>\$ 23,752,589</u>	<u>\$ 24,551,945</u>
<u>\$ 26,936,847</u>	<u>\$ 27,673,033</u>	<u>\$ 27,664,985</u>	<u>\$ 28,012,162</u>
\$ 4,310	\$ 1,290	\$ 9,468	\$ 3,667
7,791	7,564	7,791	7,564
<u>\$ 12,101</u>	<u>\$ 8,854</u>	<u>\$ 17,259</u>	<u>\$ 11,231</u>
\$ -	\$ -	\$ 786,336	\$ 843,150
-	-	45,000	50,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 831,336</u>	<u>\$ 893,150</u>
<u>\$ 12,101</u>	<u>\$ 8,854</u>	<u>\$ 848,595</u>	<u>\$ 904,381</u>
\$ 23,752,589	\$ 24,551,945	\$ 23,752,589	\$ 24,551,945
280,711	359,820	280,711	359,820
2,891,446	2,752,414	2,783,090	2,196,016
<u>\$ 26,924,746</u>	<u>\$ 27,664,179</u>	<u>\$ 26,816,390</u>	<u>\$ 27,107,781</u>
<u>\$ 26,936,847</u>	<u>\$ 27,673,033</u>	<u>\$ 27,664,985</u>	<u>\$ 28,012,162</u>

**AUSTIN PORT AUTHORITY  
COMBINING SCHEDULE OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	Hormel Institute		Oak Park Mall	
	2018	2017	2018	2017
<b>OPERATING REVENUES</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	-	-	-
Lease Revenues	-	-	-	-
Interest Earnings on Loan	-	19,242	-	-
Total Operating Revenues	<u>\$ -</u>	<u>\$ 19,242</u>	<u>\$ -</u>	<u>\$ -</u>
<b>OPERATING EXPENSES</b>				
Administrative and General	\$ -	\$ -	\$ 8,925	\$ 26,115
Depreciation	-	-	-	-
Total Operating Expenses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,925</u>	<u>\$ 26,115</u>
<b>OPERATING INCOME (LOSS)</b>	<u>\$ -</u>	<u>\$ 19,242</u>	<u>\$ (8,925)</u>	<u>\$ (26,115)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>				
Interest Earnings	\$ -	\$ 223	\$ 186	\$ 1,630
Interest Earnings on Loans	-	-	-	-
State Grants	-	-	-	-
Private Contributions	-	-	-	-
Gain on Sale of Land Held for Resale	-	-	392,503	-
Miscellaneous Revenues	-	-	72,464	-
Interest Expense and Fiscal Agent Fees	-	(4,309)	(8,186)	(8,250)
Payment to Primary Government	-	-	-	-
Total Non-Operating Revenues (Expenses)	<u>\$ -</u>	<u>\$ (4,086)</u>	<u>\$ 456,967</u>	<u>\$ (6,620)</u>
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS</b>	<u>\$ -</u>	<u>\$ 15,156</u>	<u>\$ 448,042</u>	<u>\$ (32,735)</u>
Capital Contribution from Primary Government	-	-	-	-
<b>CHANGE IN NET POSITION</b>	<u>\$ -</u>	<u>\$ 15,156</u>	<u>\$ 448,042</u>	<u>\$ (32,735)</u>
Net Position - Beginning of Year	<u>-</u>	<u>(15,156)</u>	<u>(556,398)</u>	<u>(523,663)</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ (108,356)</u></u>	<u><u>\$ (556,398)</u></u>

Property Management		Total	
2018	2017	2018	2017
\$ 40,155	\$ 40,736	\$ 40,155	\$ 40,736
2	2	2	2
90,772	88,129	90,772	88,129
-	-	-	19,242
<u>\$ 130,929</u>	<u>\$ 128,867</u>	<u>\$ 130,929</u>	<u>\$ 148,109</u>
\$ 170,119	\$ 188,371	\$ 179,044	\$ 214,486
799,356	799,378	799,356	799,378
<u>\$ 969,475</u>	<u>\$ 987,749</u>	<u>\$ 978,400</u>	<u>\$ 1,013,864</u>
\$ (838,546)	\$ (858,882)	\$ (847,471)	\$ (865,755)
\$ 31,722	\$ 17,685	\$ 31,908	\$ 19,538
6,039	6,523	6,039	6,523
-	281,007	-	281,007
-	399,953	-	399,953
54,000	122,000	446,503	122,000
36,852	6,521	109,316	6,521
-	-	(8,186)	(12,559)
(60,000)	-	(60,000)	-
<u>\$ 68,613</u>	<u>\$ 833,689</u>	<u>\$ 525,580</u>	<u>\$ 822,983</u>
\$ (769,933)	\$ (25,193)	\$ (321,891)	\$ (42,772)
<u>30,500</u>	<u>218,472</u>	<u>30,500</u>	<u>218,472</u>
\$ (739,433)	\$ 193,279	\$ (291,391)	\$ 175,700
<u>27,664,179</u>	<u>27,470,900</u>	<u>27,107,781</u>	<u>26,932,081</u>
<u>\$ 26,924,746</u>	<u>\$ 27,664,179</u>	<u>\$ 26,816,390</u>	<u>\$ 27,107,781</u>

**AUSTIN PORT AUTHORITY  
PROPERTY MANAGEMENT FUND  
SUPPLEMENTARY COMBINING STATEMENTS OF NET POSITION  
DECEMBER 31, 2018 AND 2017**

<b>ASSETS</b>	General		Walker Building	
	2018	2017	2018	2017
<b>CURRENT ASSETS</b>				
Cash and Cash Equivalents	\$ 1,449,153	\$ 1,245,235	\$ 378,846	\$ 575,470
Taxes Receivable	1,812	1,639	-	-
Due From Other Governments	1,350	356	-	-
Interest Receivable	484	525	-	-
Notes Receivable, Current Portion	59,345	64,250	-	-
Total Current Assets	\$ 1,512,144	\$ 1,312,005	\$ 378,846	\$ 575,470
<b>NONCURRENT ASSETS</b>				
Land Held for Resale	\$ 1,017,991	\$ 748,991	\$ -	\$ -
Notes Receivable	275,277	484,622	-	-
Total Noncurrent Assets	\$ 1,293,268	\$ 1,233,613	\$ -	\$ -
<b>CAPITAL ASSETS</b>				
Buildings	\$ 23,201,871	\$ 23,201,871	\$ 258,554	\$ 258,554
Improvements Other Than Building	503,073	503,073	21,641	21,641
Machinery and Equipment	2,108,645	2,108,645	-	-
Total	\$ 25,813,589	\$ 25,813,589	\$ 280,195	\$ 280,195
Less: Accumulated Depreciation	(2,160,410)	(1,369,145)	(180,785)	(172,694)
Net Capital Assets	\$ 23,653,179	\$ 24,444,444	\$ 99,410	\$ 107,501
Total Assets	\$ 26,458,591	\$ 26,990,062	\$ 478,256	\$ 682,971
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
Current				
Vouchers Payable	\$ 4,303	\$ 200	\$ 7	\$ 1,090
Unearned Revenue	-	-	7,791	7,564
Total Current Liabilities	\$ 4,303	\$ 200	\$ 7,798	\$ 8,654
<b>NET POSITION</b>				
Investment in Capital Assets	\$ 23,653,179	\$ 24,444,444	\$ 99,410	\$ 107,501
Restricted	280,711	359,820	-	-
Unrestricted	2,520,398	2,185,598	371,048	566,816
Total Net Position	\$ 26,454,288	\$ 26,989,862	\$ 470,458	\$ 674,317
Total Liabilities and Net Position	\$ 26,458,591	\$ 26,990,062	\$ 478,256	\$ 682,971

Total	
2018	2017
\$ 1,827,999	\$ 1,820,705
1,812	1,639
1,350	356
484	525
59,345	64,250
<u>\$ 1,890,990</u>	<u>\$ 1,887,475</u>
\$ 1,017,991	\$ 748,991
275,277	484,622
<u>\$ 1,293,268</u>	<u>\$ 1,233,613</u>
\$ 23,460,425	\$ 23,460,425
524,714	524,714
2,108,645	2,108,645
<u>\$ 26,093,784</u>	<u>\$ 26,093,784</u>
(2,341,195)	(1,541,839)
<u>\$ 23,752,589</u>	<u>\$ 24,551,945</u>
<u>\$ 26,936,847</u>	<u>\$ 27,673,033</u>
\$ 4,310	\$ 1,290
7,791	7,564
<u>\$ 12,101</u>	<u>\$ 8,854</u>
\$ 23,752,589	\$ 24,551,945
280,711	359,820
2,891,446	2,752,414
<u>\$ 26,924,746</u>	<u>\$ 27,664,179</u>
<u>\$ 26,936,847</u>	<u>\$ 27,673,033</u>

**AUSTIN PORT AUTHORITY  
PROPERTY MANAGEMENT FUND  
GENERAL  
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	2018	2017
<b>OPERATING REVENUES</b>		
Property Taxes	\$ 40,155	\$ 40,736
Intergovernmental Revenues	2	2
Total Operating Revenues	\$ 40,157	\$ 40,738
<b>OPERATING EXPENSES</b>		
<b>ADMINISTRATIVE AND GENERAL</b>		
Board Member Compensation	\$ 1,225	\$ 1,330
Professional Services and Consulting	14,789	17,512
Legal and Appraisals	12,606	6,594
Insurance	288	288
Office Supplies	34	87
Property Taxes	174	2,442
Improvements Other Than Buildings	82,442	141,684
Miscellaneous	35,824	55
Total Administrative and General	\$ 147,382	\$ 169,992
Depreciation	791,265	791,265
Total Operating Expenses	\$ 938,647	\$ 961,257
<b>OPERATING LOSS</b>	\$ (898,490)	\$ (920,519)
<b>NON-OPERATING REVENUES (EXPENSES)</b>		
Interest Earnings	\$ 21,571	\$ 8,488
Interest Earnings on Loans	6,039	6,523
State Grants	-	281,007
Private Contributions	-	399,953
Gain on Sale of Land Held for Resale	54,000	122,000
Miscellaneous Revenue	35,806	5,200
Payment to Primary Government	(60,000)	-
Total Non-Operating Revenues Expenses	\$ 57,416	\$ 823,171
<b>CHANGE IN NET POSITION BEFORE CAPITAL CONTRIBUTION AND TRANSFERS</b>	\$ (841,074)	\$ (97,348)
Capital Contributions from Primary Government	30,500	218,472
Transfer In	275,000	-
<b>CHANGE IN NET POSITION</b>	\$ (535,574)	\$ 121,124
Net Position - Beginning of Year	26,989,862	26,868,738
<b>NET POSITION - END OF YEAR</b>	\$ 26,454,288	\$ 26,989,862

**AUSTIN PORT AUTHORITY  
PROPERTY MANAGEMENT FUND  
WALKER BUILDING  
SUPPLEMENTARY SCHEDULES OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION  
YEARS ENDED DECEMBER 31, 2018 AND 2017**

	<u>2018</u>	<u>2017</u>
<b>OPERATING REVENUES</b>		
Lease Revenues	\$ 90,772	\$ 88,129
<b>OPERATING EXPENSES</b>		
<b>ADMINISTRATIVE AND GENERAL</b>		
Maintenance and Repair of Building	\$ 9,623	\$ 4,793
Legal and Appraisals	-	32
Insurance	1,650	1,650
Property Taxes	11,464	11,904
Total Administrative and General Expenses	<u>\$ 22,737</u>	<u>\$ 18,379</u>
Depreciation	<u>8,091</u>	<u>8,113</u>
Total Operating Expenses	<u>\$ 30,828</u>	<u>\$ 26,492</u>
<b>OPERATING INCOME</b>	<u>\$ 59,944</u>	<u>\$ 61,637</u>
<b>NON-OPERATING REVENUES</b>		
Interest Earnings	\$ 10,151	\$ 9,197
Miscellaneous Revenue	1,046	1,321
Total Non-Operating Revenues	<u>\$ 11,197</u>	<u>\$ 10,518</u>
<b>CHANGE IN NET POSITION BEFORE TRANSFER</b>		
Transfer Out	<u>\$ (275,000)</u>	<u>\$ -</u>
<b>CHANGE IN NET POSITION</b>	<u>\$ (203,859)</u>	<u>\$ 72,155</u>
Net Position - Beginning of Year	<u>674,317</u>	<u>602,162</u>
<b>NET POSITION - END OF YEAR</b>	<u><u>\$ 470,458</u></u>	<u><u>\$ 674,317</u></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, 2018 and 2017, 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 14, 2019.

**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 14, 2019



## 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, 2018 and the related notes to the financial statements and have issued our report thereon dated March 14, 2019.

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, insofar as they relate to accounting matters.

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*

**CliftonLarsonAllen LLP**

Austin, Minnesota  
March 14, 2019

