

AUSTIN PORT AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEAR ENDED DECEMBER 31, 2022



CPAs | CONSULTANTS | WEALTH ADVISORS

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INTRODUCTION SECTION

**AUSTIN PORT AUTHORITY
ORGANIZATION SCHEDULE
DECEMBER 31, 2022**

BOARD OF COMMISSIONERS

| | | <u>Term Expires</u> |
|----------------|----------------|---------------------|
| Jerry McCarthy | President | December 31, 2026 |
| Jeff Austin | Vice-President | December 31, 2022 |
| Lee Bjorndal | Treasurer | December 31, 2023 |
| Tim Ruzek | Commissioner | December 31, 2024 |
| Michael Bednar | Commissioner | December 31, 2025 |
| Jason Baskin | Commissioner | December 31, 2022 |
| Chuck Moline | Commissioner | December 31, 2027 |

OFFICERS

| | | |
|-------------|--------------------|-----------|
| Craig Clark | Executive Director | Appointed |
| Tom Dankert | Secretary | Appointed |

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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

Board of Commissioners
Austin Port Authority
Austin, Minnesota

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Austin Port Authority (the Authority), a component unit of the City of Austin, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2022, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter – Change in Accounting Principle

As discussed in Note 1 to the financial statements, effective January 1, 2022, the Authority adopted new accounting guidance for leases. The guidance requires lessees to recognize a right-to-use lease asset and corresponding lease liability and lessors to recognize a lease receivable and corresponding deferred inflow of resources for all leases with lease terms greater than twelve months. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such 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. The 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 GAAS. In our opinion, the combining schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

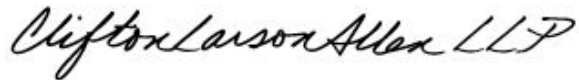
Management is responsible for the other information included in the annual report. The other information comprises the organization schedule but does not include the basic financial statements and our auditors' report thereon. Our opinion on the basic financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Board of Commissioners
Austin Port Authority

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated May 1, 2023, on our consideration of the Authority'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 results of that testing, and not to provide an opinion on the effectiveness of the 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 Authority's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Austin, Minnesota
May 1, 2023

REQUIRED SUPPLEMENTARY INFORMATION

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**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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 year ended December 31, 2022. 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 financial statements can be found on pages 9-12 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 financial statements. The notes to the financial statements can be found on pages 13-19 of this report.

Supplemental information. The combining and individual account statements and schedules can be found on pages 20-24 of this report.

FINANCIAL HIGHLIGHTS

The largest portion of the Austin Port Authority's net position (86%) is the investment in capital assets at December 31, 2022. There were no capital asset additions or retirements during 2022. However, the depreciation charge (primarily on the Hormel Institute Building) drove the net investment in capital assets down from the prior year. During 2022 the Austin Port Authority did not have any purchases or sales of property, however they entered into a new three-year lease with International Paper for the Walker Building. This new lease is effective for the years 2023-2025.

The fifth tax increment payment was received from the primary government in 2022. 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 2022 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, 2022**

AUSTIN PORT AUTHORITY'S NET POSITION

The following tables summarize the financial position of the Austin Port Authority as of December 31, 2022 and 2021:

Condensed Statement of Net Position

| | <u>2022</u> | <u>2021</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|------------------------------------|----------------------|----------------------|--------------------------|------------------------------|
| Current Assets | \$ 2,461,343 | \$ 2,943,993 | \$ (482,650) | (16.39%) |
| Noncurrent Assets | 1,741,052 | 1,175,115 | 565,937 | 48.16% |
| Net Capital Assets | 20,750,997 | 21,458,871 | (707,874) | (3.30%) |
| Total Assets | <u>\$ 24,953,392</u> | <u>\$ 25,577,979</u> | <u>\$ (624,587)</u> | (2.44%) |
| Current Liabilities | \$ 17,785 | \$ 75,629 | \$ (57,844) | (76.48%) |
| Noncurrent Liabilities | 578,670 | 642,733 | (64,063) | (9.97%) |
| Total Liabilities | <u>\$ 596,455</u> | <u>\$ 718,362</u> | <u>\$ (121,907)</u> | (16.97%) |
| Deferred Inflows of Resources | <u>\$ 310,529</u> | <u>\$ -</u> | <u>\$ 310,529</u> | N/A |
| Net Position: | | | | |
| Investment in Capital Assets | \$ 20,750,997 | \$ 21,458,871 | \$ (707,874) | (3.30%) |
| Restricted | 10,357 | 110,777 | (100,420) | (90.65%) |
| Designated | 546,250 | - | 546,250 | N/A |
| Unrestricted | 2,738,804 | 3,289,969 | (551,165) | (16.75%) |
| Total Net Position | <u>\$ 24,046,408</u> | <u>\$ 24,859,617</u> | <u>\$ (813,209)</u> | (3.27%) |
| Total Liabilities and Net Position | <u>\$ 24,953,392</u> | <u>\$ 25,577,979</u> | <u>\$ (624,587)</u> | (2.44%) |

Condensed statement of net position highlights are as follows for the year ended December 31, 2022:

- The assets of the Austin Port Authority exceeded liabilities by \$24,046,408 (Net Position). This is a decrease of \$813,209 over the net position at the close of 2021.
- Current assets decreased by \$482,650, primarily due to the use of cash for downtown improvements, repayment of advances, and costs associated with a road extension at the Creekside Business Park. Current assets consist of cash and cash equivalents, taxes receivable, accounts receivable, interest receivable, and the current portion of notes and a lease receivable.
- Noncurrent assets increased by \$565,937 due to the issuance of additional notes receivable for a construction loan for two downtown properties and the recording of the new lease with International Paper in accordance with GASB (Governmental Accounting Standards Board) 87.
- Net capital assets decreased by \$707,874 due to the depreciation taken on all of our depreciable property. There were no capital additions or retirements made during 2022.
- Current liabilities decreased \$57,844 as the timing of some accounts payable related to downtown construction at properties located at 117 and 119 2nd Avenue NE existed in 2021.
- Noncurrent liabilities decreased by \$64,063 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, 2022**

AUSTIN PORT AUTHORITY'S 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, 2022 and 2021:

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

| | <u>2022</u> | <u>2021</u> | <u>Dollar Change</u> | <u>Percentage Change</u> |
|----------------------------------|-----------------------------|-----------------------------|----------------------------|------------------------------|
| Operating Revenues: | | | | |
| Lease Revenues | \$ 95,304 | \$ 96,321 | \$ (1,017) | (1.06%) |
| Operating Expenses: | | | | |
| Administrative and General | \$ 259,413 | \$ 227,007 | \$ 32,406 | 14.28% |
| Depreciation and Amortization | 707,874 | 730,364 | (22,490) | (3.08%) |
| Total Operating Expense | <u>\$ 967,287</u> | <u>\$ 957,371</u> | <u>\$ 9,916</u> | 1.04% |
| Operating Loss | <u>\$ (871,983)</u> | <u>\$ (861,050)</u> | <u>\$ (10,933)</u> | 1.27% |
| Nonoperating Revenues (Expenses) | <u>58,774</u> | <u>83,347</u> | <u>(24,573)</u> | (29.48%) |
| Change in Net Position | <u><u>\$ (813,209)</u></u> | <u><u>\$ (777,703)</u></u> | <u><u>\$ (35,506)</u></u> | 4.57% |
| Beginning Net Position | \$ 24,859,617 | \$ 25,637,320 | \$ (777,703) | (3.03%) |
| Change in Net Position | <u>(813,209)</u> | <u>(777,703)</u> | <u>(35,506)</u> | 4.57% |
| Ending Net Position | <u><u>\$ 24,046,408</u></u> | <u><u>\$ 24,859,617</u></u> | <u><u>\$ (813,209)</u></u> | (3.27%) |

Condensed statements of revenues, expenses, and changes in net position highlights are as follows for the year ended December 31, 2022:

- Property taxes continue to be the operating capital of the Austin Port Authority, with a levy of \$50,000 for both 2022 and 2021, to support the operational needs of the Board of Commissioners. Delinquency collections increased the actual property tax revenue above the levy amount.
- Administrative and general expenses increased by \$32,406 primarily as the result of some costs associated with costs associated with a road extension out in the Creekside Business Park.
- Nonoperating revenues (expenses) decreased by \$24,573 for 2022. The largest single issue for 2022 was the rapid change in the interest rate environment that required the Austin Port Authority to take a large charge for unrealized investment value losses on their portfolio. Accounting standards require the unrealized losses and gains to be recorded annually. However, if investments are held to maturity the gains and losses balance out over the long run to even out. It is the policy of the Austin Port Authority to hold investments until maturity, thereby eliminating the long-term unrealized gains and losses.
- Capital contributions from the primary government occurred in 2021. During 2021 the Austin Port Authority acquired the former Y.M.C.A. for redevelopment as a 91-unit market rate apartment building for \$650,000 plus some legal costs. Contemporaneously with the purchase, the Austin Port Authority then sold the property to a private developer for the construction of the new apartment building. No such activity occurred in 2022.

**AUSTIN PORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
DECEMBER 31, 2022**

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, 2022, amounts to \$20,750,997 (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 3.30% and was primarily attributable to the depreciation charge related to the Hormel Institute and Walker buildings. There were no capital asset acquisitions or retirements during 2022.

AUSTIN PORT AUTHORITY'S CAPITAL ASSETS

| | 2022 | 2021 |
|-----------------------------------|---------------|---------------|
| Buildings | \$ 23,454,467 | \$ 23,454,467 |
| Improvements Other Than Buildings | 553,784 | 553,784 |
| Machinery and Equipment | 2,108,645 | 2,108,645 |
| Total | \$ 26,116,896 | \$ 26,116,896 |
| Less: Accumulated Depreciation | (5,365,899) | (4,658,025) |
| Net Capital Assets | \$ 20,750,997 | \$ 21,458,871 |

Additional information on the Austin Port Authority's capital assets can be found in Note 4 on page 19 of this report.

Long-term debt. At the end of the current fiscal year, the Austin Port Authority had total debt outstanding of \$553,670. 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 \$59,063 (9.64%) during the current fiscal year. A payment on the advance from the primary government was made in 2022 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 20 of this report.

NEXT YEAR'S RATES

The Walker Building is leased to International Paper for 2023 through 2025 with a 5.00% increase in the lease rate for 2023, and annual 2.00% increases in 2024 and 2025.

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
STATEMENT OF NET POSITION
DECEMBER 31, 2022**

ASSETS

CURRENT ASSETS

| | |
|-----------------------------------|--------------|
| Cash and Cash Equivalents | \$ 2,300,844 |
| Taxes Receivable | 1,370 |
| Accounts Receivable | 6,149 |
| Due From Other Governments | 514 |
| Interest Receivable | 496 |
| Notes Receivable, Current Portion | 51,299 |
| Lease Receivable, Current Portion | 100,671 |
| Total Current Assets | \$ 2,461,343 |

NONCURRENT ASSETS

| | |
|-------------------------|--------------|
| Land Held for Resale | \$ 840,265 |
| Notes Receivable | 690,929 |
| Lease Receivable | 209,858 |
| Total Noncurrent Assets | \$ 1,741,052 |

CAPITAL ASSETS

| | |
|----------------------------------|---------------|
| Buildings | \$ 23,454,467 |
| Improvements Other Than Building | 553,784 |
| Machinery and Equipment | 2,108,645 |
| Total | \$ 26,116,896 |
| Less: Accumulated Depreciation | (5,365,899) |
| Net Capital Assets | \$ 20,750,997 |

| | |
|--------------|---------------|
| Total Assets | \$ 24,953,392 |
|--------------|---------------|

See accompanying Notes to Financial Statements.

**AUSTIN PORT AUTHORITY
STATEMENT OF NET POSITION (CONTINUED)
DECEMBER 31, 2022**

LIABILITIES AND NET POSITION

LIABILITIES

CURRENT LIABILITIES

| | |
|---------------------------|------------------|
| Vouchers Payable | \$ 17,785 |
| Total Current Liabilities | <u>\$ 17,785</u> |

NONCURRENT LIABILITIES

| | |
|----------------------------------|-------------------|
| Advances from Primary Government | \$ 553,670 |
| Due to Other Governments | 25,000 |
| Total Noncurrent Liabilities | <u>\$ 578,670</u> |

| | |
|-------------------|-------------------|
| Total Liabilities | <u>\$ 596,455</u> |
|-------------------|-------------------|

DEFERRED INFLOWS OF RESOURCES

| | |
|-------------------------------------|-------------------|
| Lease Related | \$ 310,529 |
| Total Deferred Inflows of Resources | <u>\$ 310,529</u> |

NET POSITION

| | |
|--|----------------------|
| Net Position: | |
| Investment in Capital Assets | \$ 20,750,997 |
| Restricted for Downtown Revitalization | 10,357 |
| Designated for Infrastructure Improvements | 546,250 |
| Unrestricted | 2,738,804 |
| Total Net Position | <u>\$ 24,046,408</u> |

| | |
|------------------------------------|----------------------|
| Total Liabilities and Net Position | <u>\$ 24,953,392</u> |
|------------------------------------|----------------------|

See accompanying Notes to Financial Statements.

AUSTIN PORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022

| | |
|---|-----------------------------|
| OPERATING REVENUES | |
| Lease Revenues | \$ 95,304 |
| OPERATING EXPENSES | |
| Administrative and General | \$ 259,413 |
| Depreciation | 707,874 |
| Total Operating Expenses | <u>\$ 967,287</u> |
| OPERATING LOSS | <u>\$ (871,983)</u> |
| NONOPERATING REVENUES (EXPENSES) | |
| Property Taxes | \$ 50,749 |
| Intergovernmental Revenues | 2 |
| Investment Earnings | (59,997) |
| Interest Earnings on Loans | 3,897 |
| Contributions | - |
| Gain (Loss) on Sale of Land Held for Resale | - |
| Miscellaneous Revenues | 70,060 |
| Interest Expense and Fiscal Agent Fees | (5,937) |
| Total Nonoperating Revenues (Expenses) | <u>\$ 58,774</u> |
| CHANGE IN NET POSITION | \$ (813,209) |
| NET POSITION - BEGINNING | <u>24,859,617</u> |
| NET POSITION - ENDING | <u><u>\$ 24,046,408</u></u> |

See accompanying Notes to Financial Statements.

**AUSTIN PORT AUTHORITY
STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2022**

CASH FLOWS FROM OPERATING ACTIVITIES

| | |
|---|--------------|
| Cash Received from Customers and Users | \$ 89,277 |
| Cash Paid to Suppliers for Goods and Services | (316,067) |
| Cash Paid to Employees | (1,190) |
| Net Cash Used by Operating Activities | \$ (227,980) |

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

| | |
|--|------------|
| Interest Paid on Bonds and Notes | \$ (5,937) |
| Advances from Primary Government | 5,937 |
| Property Taxes Received | 50,749 |
| Cash Received from Miscellaneous Sources | 70,062 |
| Repayment of Advances from Primary Government | (65,000) |
| Repayment of Advances from Other Government | (5,000) |
| Net Cash Provided by Noncapital Financing Activities | \$ 50,811 |

CASH FLOWS FROM INVESTING ACTIVITIES

| | |
|--|--------------|
| Interest Received on Investments | \$ (56,245) |
| Payments from Issuance of Notes Receivable | (404,097) |
| Principal Received on Note Receivable | 33,605 |
| Net Cash Used by Investing Activities | \$ (426,737) |

NET DECREASE IN CASH AND CASH EQUIVALENTS

\$ (603,906)

Cash and Cash Equivalents - Beginning

2,904,750

CASH AND CASH EQUIVALENTS - ENDING

\$ 2,300,844

**RECONCILIATION OF OPERATING LOSS TO NET CASH
USED BY OPERATING ACTIVITIES**

| | |
|---|--------------|
| Operating Loss | \$ (871,983) |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities | |
| Depreciation | 707,874 |
| (Increase) Decrease in: | |
| Taxes Receivable | 35 |
| Accounts Receivable | (6,139) |
| Due From Other Governments | 77 |
| Increase (Decrease) in: | |
| Vouchers Payable | (57,844) |
| Net Cash Used by Operating Activities | \$ (227,980) |

See accompanying Notes to Financial Statements.

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**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

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.

B. Financial Reporting Entity

Austin Port Authority (the 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 Authority 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 Oak Park Mall and Property Management activities.

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, 2022**

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 GAAP. 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. All revenues and expenses not meeting this definition are reported as other revenues and expenses.

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 154.8 acres of land located in the Cook Farm site in the northwest area of Austin, 13.55 acres located on I-90 at the 11th Drive NE exit, 1.05 acres located along 18th Avenue NE (behind former Hy-Vee grocery store), and 25 acres on 14th Street NE. The land is available for purchase for commercial development. Land held for resale is valued at the lower of cost or net realizable 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, 2022**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

I. Property Taxes

Property taxes attach as an enforceable lien on real property and are levied as of January 1st. The tax levy is divided into two billings: the first-half billing is due May 15; the second-half billing is due October 15. The billings are considered past due if payment does not occur on or before the 15th of either May or October of each year, at which time the applicable property is subject to lien, penalties and interest are assessed.

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 cash 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

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 0%, and \$4,280 will be forgiven annually as long as during the preceding year, the property has been occupied by the business. If the forgiveness does not occur, then the balance shall be carried forward to the next year, or it may be paid off by Juan Maldonado, Fabiola Vazquez, Cira Maldonado, and Alfredo Hernandez.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

Downtown Revitalization Loans (Continued)

HPW, LLC Sprinkler Loan #1 (401 Main Street North)

On May 18, 2021, the Port Authority issued a note receivable in the amount of \$62,850 to HPW, LLC to install a sprinkler system in a downtown building. The note is secured by the building. The note is at 0%, and once completed the payments equate to 1/240th of the outstanding loan balance per month with a balloon payment due after 10 years.

HPW, LLC (117/119 2nd Avenue NE)

On October 14, 2020, the Port Authority issued a note receivable in the amount of \$185,000 to HPW, LLC to assist in the interior renovation of a downtown building. On April 11, 2022, the Port Authority amended this agreement to increase this loan amount to \$435,000. The note is secured by the building. The note is at 0%, and once completed the payments equate to 1/240th of the outstanding loan balance per month with a balloon payment due after 10 years.

HPW, LLC Sprinkler Loan #2 (117/119 2nd Avenue NE)

On September 23, 2020, the Port Authority issued a note receivable in the amount of \$60,000 to HPW, LLC to install a sprinkler system in a downtown building. The note is secured by the building. The note is at 0%, and once completed the payments equate to 1/240th of the outstanding loan balance per month with a balloon payment due after 10 years. The loan was accessed in 2022.

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

| <u>Year Ending December 31,</u> | Salon Azteca | HPW, LLC Sprinkler Loan #1 | HPW, LLC | HPW, LLC Sprinkler Loan #2 | Downtown Revitalization Loans |
|---------------------------------|-----------------|----------------------------------|-------------------|----------------------------------|-------------------------------------|
| 2023 | \$ 4,280 | \$ 3,143 | \$ 10,824 | \$ 3,000 | \$ 21,247 |
| 2024 | 4,280 | 3,143 | 21,647 | 3,000 | 32,070 |
| 2025 | 1,797 | 3,143 | 21,647 | 3,000 | 29,587 |
| 2026 | - | 3,143 | 21,647 | 3,000 | 27,790 |
| 2027 | - | 3,143 | 21,647 | 3,000 | 27,790 |
| 2028 - 2032 | - | 43,469 | 335,529 | 44,000 | 422,998 |
| Total Note Principal | \$ 10,357 | \$ 59,184 | \$ 432,941 | \$ 59,000 | \$ 561,482 |
| Less: Current Portion | (4,280) | (3,143) | (10,824) | (3,000) | (21,247) |
| Long-Term Portion | <u>\$ 6,077</u> | <u>\$ 56,041</u> | <u>\$ 422,117</u> | <u>\$ 56,000</u> | <u>\$ 540,235</u> |

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 3 NOTES RECEIVABLE (CONTINUED)

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

| <u>Year Ending December 31,</u> | DCA Loan #1 | Grove Street LLC #3 | Downtown Revitalization Loans | Total |
|---------------------------------|------------------|------------------------|-------------------------------------|-------------------|
| 2023 | \$ 18,408 | \$ 18,000 | \$ 21,247 | \$ 57,655 |
| 2024 | 18,408 | 21,000 | 32,070 | 71,478 |
| 2025 | 18,408 | 24,000 | 29,587 | 71,995 |
| 2026 | 18,408 | 27,000 | 27,790 | 73,198 |
| 2027 | 18,408 | - | 27,790 | 46,198 |
| 2028 - 2032 | 9,127 | - | 422,998 | 432,125 |
| Total Payments | 101,167 | 90,000 | 561,482 | 752,649 |
| Less: Interest | 10,421 | - | - | 10,421 |
| Total Note Principal | \$ 90,746 | \$ 90,000 | \$ 561,482 | \$ 742,228 |
| Less: Current Portion | (15,052) | (15,000) | (21,247) | (51,299) |
| Long-Term Portion | <u>\$ 75,694</u> | <u>\$ 75,000</u> | <u>\$ 540,235</u> | <u>\$ 690,929</u> |

NOTE 4 CAPITAL ASSETS

The following is a summary of changes in capital assets for the years ended December 31, 2022:

| | 12/31/21 | Additions | Deletions | 12/31/22 |
|--|----------------------|---------------------|-------------|----------------------|
| Capital Assets, Being Depreciated: | | | | |
| Buildings | \$ 23,454,467 | \$ - | \$ - | \$ 23,454,467 |
| Improvements Other Than Building | 553,784 | - | - | 553,784 |
| Machinery and Equipment | 2,108,645 | - | - | 2,108,645 |
| Subtotal | 26,116,896 | - | - | 26,116,896 |
| Less: Accumulated Depreciation | 4,658,025 | 707,874 | - | 5,365,899 |
| Total Capital Assets, Being Depreciated | <u>21,458,871</u> | <u>(707,874)</u> | <u>-</u> | <u>20,750,997</u> |
| Total Capital Assets, Net of Accumulated Depreciation | <u>\$ 21,458,871</u> | <u>\$ (707,874)</u> | <u>\$ -</u> | <u>\$ 20,750,997</u> |

NOTE 5 LONG-TERM DEBT

Changes in long-term liabilities are as follows for the years ended December 31, 2022:

| | 12/31/21 | Increases | Decreases | 12/31/22 | Due Within One Year |
|------------------------------|-------------------|-----------------|------------------|-------------------|------------------------|
| Advances with City of Austin | \$ 612,733 | \$ 5,937 | \$ 65,000 | \$ 553,670 | \$ - |
| Long-Term Liabilities | <u>\$ 612,733</u> | <u>\$ 5,937</u> | <u>\$ 65,000</u> | <u>\$ 553,670</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 1% interest.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 6 WALKER BUILDING LEASE

The Authority leases space in an industrial building to International Paper. The Authority receives \$8,147 per month, or \$97,766 annually, for the building under the terms of a lease agreement that expired December 31, 2022. A new lease was agreed to for 2023 through 2025 with annual lease increases of 5.00% in 2023, 2.00% in 2024, and 2.00% in 2025.

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

| <u>Year Ending December 31,</u> | <u>Walker Building</u> |
|---------------------------------|----------------------------|
| 2023 | \$ 102,655 |
| 2024 | 104,708 |
| 2025 | <u>106,802</u> |
| Total Payments | 314,165 |
| Less: Interest | <u>(3,636)</u> |
| Total Lease Principal | 310,529 |
| Less: Current Portion | <u>(100,671)</u> |
| Noncurrent Portion | <u><u>\$ 209,858</u></u> |

NOTE 7 RESTRICTED NET POSITION

There is restricted net position in the Property Management for downtown revitalization, as stipulated by the primary government. The balances of the restricted net position are \$10,357 at December 31, 2022.

NOTE 8 DESIGNATED NET POSITION

There is designated net position in the Property Management for a matching grant contribution for infrastructure in the Creekside Business Park. The balances of the designated net position are \$546,250 at December 31, 2022.

NOTE 9 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.

**AUSTIN PORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022**

NOTE 10 COMMITMENTS AND CONTINGENT LIABILITIES

The Port Authority has also approved a loan of \$185,000 for interior renovations to the building located at 117 and 119 2nd Avenue NE. The undrawn balance of \$2,059 exists as of December 31, 2022.

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SUPPLEMENTARY INFORMATION

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**AUSTIN PORT AUTHORITY
COMBINING SCHEDULES OF NET POSITION
DECEMBER 31, 2022**

| ASSETS | <u>Oak Park Mall</u> | <u>Property Management</u> | <u>Total</u> |
|--------------------------------------|----------------------|----------------------------|----------------------|
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | \$ 922,050 | \$ 1,378,794 | \$ 2,300,844 |
| Taxes Receivable | - | 1,370 | 1,370 |
| Accounts Receivable | - | 6,149 | 6,149 |
| Due From Other Governments | - | 514 | 514 |
| Interest Receivable | - | 496 | 496 |
| Notes Receivable, Current Portion | - | 51,299 | 51,299 |
| Lease Receivable, Current Portion | - | 100,671 | 100,671 |
| Total Current Assets | <u>\$ 922,050</u> | <u>\$ 1,539,293</u> | <u>\$ 2,461,343</u> |
| NONCURRENT ASSETS | | | |
| Land Held for Resale | \$ 23,656 | \$ 816,609 | \$ 840,265 |
| Notes Receivable | - | 690,929 | 690,929 |
| Lease Receivable | - | 209,858 | 209,858 |
| Total Noncurrent Assets | <u>\$ 23,656</u> | <u>\$ 1,717,396</u> | <u>\$ 1,741,052</u> |
| CAPITAL ASSETS | | | |
| Buildings | \$ - | \$ 23,454,467 | \$ 23,454,467 |
| Improvements Other Than Building | - | 553,784 | 553,784 |
| Machinery and Equipment | - | 2,108,645 | 2,108,645 |
| Total | <u>\$ -</u> | <u>\$ 26,116,896</u> | <u>\$ 26,116,896</u> |
| Less: Accumulated Depreciation | - | (5,365,899) | (5,365,899) |
| Net Capital Assets | <u>\$ -</u> | <u>\$ 20,750,997</u> | <u>\$ 20,750,997</u> |
| Total Assets | <u>\$ 945,706</u> | <u>\$ 24,007,686</u> | <u>\$ 24,953,392</u> |
| LIABILITIES AND NET POSITION | | | |
| LIABILITIES | | | |
| Current | | | |
| Vouchers Payable | \$ 7 | \$ 17,778 | \$ 17,785 |
| Total Current Liabilities | <u>\$ 7</u> | <u>\$ 17,778</u> | <u>\$ 17,785</u> |
| NONCURRENT LIABILITIES | | | |
| Advances from Primary Government | \$ 553,670 | \$ - | \$ 553,670 |
| Due to Other Governments | 25,000 | - | 25,000 |
| Total Noncurrent Liabilities | <u>\$ 578,670</u> | <u>\$ -</u> | <u>\$ 578,670</u> |
| Total Liabilities | <u>\$ 578,677</u> | <u>\$ 17,778</u> | <u>\$ 596,455</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Lease Related | \$ - | \$ 310,529 | \$ 310,529 |
| Total Deferred Inflows of Resources | <u>\$ -</u> | <u>\$ 310,529</u> | <u>\$ 310,529</u> |
| NET POSITION | | | |
| Investment in Capital Assets | \$ - | \$ 20,750,997 | \$ 20,750,997 |
| Restricted | - | 10,357 | 10,357 |
| Designated | - | 546,250 | 546,250 |
| Unrestricted | 367,029 | 2,371,775 | 2,738,804 |
| Total Net Position | <u>\$ 367,029</u> | <u>\$ 23,679,379</u> | <u>\$ 24,046,408</u> |
| Total Liabilities and Net Position | <u>\$ 945,706</u> | <u>\$ 24,007,686</u> | <u>\$ 24,953,392</u> |

**AUSTIN PORT AUTHORITY
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

| | <u>Oak Park Mall</u> | <u>Property Management</u> | <u>Total</u> |
|--|----------------------|----------------------------|----------------------|
| OPERATING REVENUES | | | |
| Lease Revenues | \$ - | \$ 95,304 | \$ 95,304 |
| OPERATING EXPENSES | | | |
| Administrative and General | \$ - | \$ 259,413 | \$ 259,413 |
| Depreciation | - | 707,874 | 707,874 |
| Total Operating Expenses | <u>\$ -</u> | <u>\$ 967,287</u> | <u>\$ 967,287</u> |
| OPERATING LOSS | <u>\$ -</u> | <u>\$ (871,983)</u> | <u>\$ (871,983)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | |
| Property Taxes | \$ - | \$ 50,749 | \$ 50,749 |
| Intergovernmental Revenues | - | 2 | 2 |
| Investment Earnings | (26,336) | (33,661) | (59,997) |
| Interest Earnings on Loans | - | 3,897 | 3,897 |
| Contributions | - | - | - |
| Gain (Loss) on Sale of Land Held for Resale | - | - | - |
| Miscellaneous Revenues | 70,000 | 60 | 70,060 |
| Interest Expense and Fiscal Agent Fees | (5,937) | - | (5,937) |
| Total Nonoperating Revenues (Expenses) | <u>\$ 37,727</u> | <u>\$ 21,047</u> | <u>\$ 58,774</u> |
| CHANGE IN NET POSITION | <u>\$ 37,727</u> | <u>\$ (850,936)</u> | <u>\$ (813,209)</u> |
| Net Position - Beginning of Year | <u>329,302</u> | <u>24,530,315</u> | <u>24,859,617</u> |
| NET POSITION - END OF YEAR | <u>\$ 367,029</u> | <u>\$ 23,679,379</u> | <u>\$ 24,046,408</u> |

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT
COMBINING SCHEDULE OF NET POSITION
DECEMBER 31, 2022**

| ASSETS | <u>General</u> | <u>Walker Building</u> | <u>Total</u> |
|--------------------------------------|-----------------------------|----------------------------|-----------------------------|
| CURRENT ASSETS | | | |
| Cash and Cash Equivalents | \$ 730,668 | \$ 648,126 | \$ 1,378,794 |
| Taxes Receivable | 1,370 | - | 1,370 |
| Accounts Receivable | - | 6,149 | 6,149 |
| Due From Other Governments | 514 | - | 514 |
| Interest Receivable | 302 | 194 | 496 |
| Notes Receivable, Current Portion | 51,299 | - | 51,299 |
| Lease Receivable, Current Portion | - | 100,671 | 100,671 |
| Total Current Assets | <u>\$ 784,153</u> | <u>\$ 755,140</u> | <u>\$ 1,539,293</u> |
| NONCURRENT ASSETS | | | |
| Land Held for Resale | \$ 816,609 | \$ - | \$ 816,609 |
| Notes Receivable | 690,929 | - | 690,929 |
| Lease Receivable | - | 209,858 | 209,858 |
| Total Noncurrent Assets | <u>\$ 1,507,538</u> | <u>\$ 209,858</u> | <u>\$ 1,717,396</u> |
| CAPITAL ASSETS | | | |
| Buildings | \$ 23,201,871 | \$ 252,596 | \$ 23,454,467 |
| Improvements Other Than Building | 517,099 | 36,685 | 553,784 |
| Machinery and Equipment | 2,108,645 | - | 2,108,645 |
| Total | <u>\$ 25,827,615</u> | <u>\$ 289,281</u> | <u>\$ 26,116,896</u> |
| Less: Accumulated Depreciation | (5,169,652) | (196,247) | (5,365,899) |
| Net Capital Assets | <u>\$ 20,657,963</u> | <u>\$ 93,034</u> | <u>\$ 20,750,997</u> |
| Total Assets | <u><u>\$ 22,949,654</u></u> | <u><u>\$ 1,058,032</u></u> | <u><u>\$ 24,007,686</u></u> |
| LIABILITIES AND NET POSITION | | | |
| LIABILITIES | | | |
| Current | | | |
| Vouchers Payable | \$ 16,746 | \$ 1,032 | \$ 17,778 |
| Total Current Liabilities | <u>\$ 16,746</u> | <u>\$ 1,032</u> | <u>\$ 17,778</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Lease Related | \$ - | \$ 310,529 | \$ 310,529 |
| Total Deferred Inflows of Resources | <u>\$ -</u> | <u>\$ 310,529</u> | <u>\$ 310,529</u> |
| NET POSITION | | | |
| Investment in Capital Assets | \$ 20,657,963 | \$ 93,034 | \$ 20,750,997 |
| Restricted | 10,357 | - | 10,357 |
| Designated | 546,250 | - | 546,250 |
| Unrestricted | 1,718,338 | 653,437 | 2,371,775 |
| Total Net Position | <u>\$ 22,932,908</u> | <u>\$ 746,471</u> | <u>\$ 23,679,379</u> |
| Total Liabilities and Net Position | <u><u>\$ 22,949,654</u></u> | <u><u>\$ 1,058,032</u></u> | <u><u>\$ 24,007,686</u></u> |

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT
GENERAL
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

| | | |
|--|----|--------------------------|
| OPERATING REVENUES | \$ | - |
| OPERATING EXPENSES | | |
| ADMINISTRATIVE AND GENERAL | | |
| Board Member Compensation | \$ | 1,190 |
| Professional Services and Consulting | | 40,812 |
| Legal and Appraisals | | 12,370 |
| Insurance | | 2,520 |
| Improvements Other Than Buildings | | 180,642 |
| Miscellaneous | | 602 |
| Total Administrative and General | \$ | <u>238,136</u> |
| Depreciation | | <u>700,497</u> |
| Total Operating Expenses | \$ | <u>938,633</u> |
| OPERATING LOSS | \$ | <u>(938,633)</u> |
| NONOPERATING REVENUES (EXPENSES) | | |
| Property Taxes | \$ | 50,749 |
| Intergovernmental Revenues | | 2 |
| Interest Earnings | | (25,422) |
| Interest Earnings on Loans | | 3,897 |
| Loss on Sale of Land Held for Resale | | - |
| Building and Land Donated to HRA | | - |
| Miscellaneous Revenue | | 60 |
| Total Nonoperating Revenues (Expenses) | \$ | <u>29,286</u> |
| LOSS BEFORE CAPITAL CONTRIBUTIONS | \$ | <u>(909,347)</u> |
| Capital Contributions | | <u>-</u> |
| CHANGE IN NET POSITION | \$ | <u>(909,347)</u> |
| Net Position - Beginning of Year | | <u>23,842,255</u> |
| NET POSITION - END OF YEAR | \$ | <u><u>22,932,908</u></u> |

**AUSTIN PORT AUTHORITY
PROPERTY MANAGEMENT
WALKER BUILDING
SCHEDULE OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
YEAR ENDED DECEMBER 31, 2022**

| | | |
|---|----|-----------------------|
| OPERATING REVENUES | | |
| Lease Revenues | \$ | 95,304 |
| OPERATING EXPENSES | | |
| ADMINISTRATIVE AND GENERAL | | |
| Maintenance and Repair of Building | \$ | 8,962 |
| Legal and Appraisals | | 219 |
| Insurance | | 804 |
| Property Taxes | | 11,292 |
| Total Administrative and General Expenses | \$ | <u>21,277</u> |
| Depreciation | | <u>7,377</u> |
| Total Operating Expenses | \$ | <u>28,654</u> |
| OPERATING INCOME | \$ | <u>66,650</u> |
| NONOPERATING REVENUES | | |
| Interest Earnings | \$ | (8,239) |
| Total Nonoperating Revenues | \$ | <u>(8,239)</u> |
| CHANGE IN NET POSITION | \$ | 58,411 |
| Net Position - Beginning of Year | | <u>688,060</u> |
| NET POSITION - END OF YEAR | \$ | <u><u>746,471</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
Austin Port Authority
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 (the Authority), a component unit of the City of Austin, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated May 1, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion 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 Authority'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 and significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 results of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Austin, Minnesota
May 1, 2023



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Board of Commissioners
Austin Port Authority
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 (the Authority), a component unit of the City of Austin, State of Minnesota, as of and for the year ended December 31, 2022 and the related notes to the financial statements and have issued our report thereon dated May 1, 2023.

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 contracting–bid laws depositories of public funds and public investments, conflicts of interest, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters. 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 relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Other Political Subdivisions* and the results of that testing, and not to provide an opinion on compliance. Accordingly, this report is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Austin, Minnesota
May 1, 2023



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