City of Austin, Texas

Financial Statements as of and for the
Year Ended September 30, 2010,
Single Audit Report for the
Year Ended September 30, 2010,
and Independent Auditors' Reports

CITY OF AUSTIN, TEXAS

TABLE OF CONTENTS

Deloitte & Touche LLP
400 West 15th Street
Suite 1600
Austin, TX 78701-1648
USA

Tel: +1 512 691 2330
Fax: +1 512 708 1035
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and
Members of the City Council,
City of Austin, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Austin, Texas (the "City"), as of and for the year ended September 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Notes 2 and 14, the City implemented Government Accounting Standards Board (GASB) Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments* and restated the beginning net assets of the Austin Water and Waster Fund and total Business-Type Activities to reflect the retroactive impact of implementing GASB Statement No. 51.

Management's Discussion and Analysis, the General Fund Schedule of Revenues, Expenditures, and Changes in Fund Balances–Budget and Actual-Budget Basis, the Retirement Plans — Trend Information, and the Other Post Employment Benefits — Trend Information as described in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. This supplementary information is the responsibility of the City's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming opinions on the basic financial statements that collectively comprise the City of Austin's basic financial statements. The accompanying supplemental schedule of expenditures of federal and state awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and the State of Texas Uniform Grant Management Standards and is not a required part of the basic financial statements. This schedule is the responsibility of the management of the City. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Deloitte & Touche LLP

March 30, 2011

The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2010.

The financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 53, and No. 55 through No. 58.

FINANCIAL HIGHLIGHTS

Government-wide financial statements
The assets of the City exceeded its liabilities at the end of the fiscal year 2010, resulting in $4.5 billion of net assets. Net assets associated with governmental activities are approximately $1.6 billion, or 35% of the total net assets of the City. Net assets associated with business-type activities are approximately $2.9 billion, or 65% of the total net assets of the City. The largest portion of net assets consists of investment in capital assets, net of related debt, which is $3.5 billion, or 79% of total net assets.

Unrestricted net assets, which may be used to meet the City's future obligations, are $345.3 million, or 8% of the City's total net assets. Unrestricted net assets for governmental activities are a deficit of $58.0 million, while unrestricted net assets for business-type activities are approximately $403.3 million, or 14% of total business-type net assets. The deficit in governmental unrestricted net assets is largely due to the recognition of $169.4 million in other post employment benefit liabilities for governmental activities in accordance with GASB Statement No. 45.

During fiscal year 2010, total net assets for the City of Austin decreased $11.3 million or 0.3% before a restatement of Water and Wastewater Fund water rights and accounting for regulated operations associated with the implementation of GASB Statement No. 51 (see Note 2). Of this amount, governmental activities decreased $25.3 million, or 1.6% from the previous year and business-type activities increased $14 million, or 0.5% from the previous year.

Total revenues for the City decreased $75.9 million; revenues for governmental activities decreased $2.8 million; revenues for business-type activities decreased $73.1 million. Total expenses for the City decreased $2.3 million; expenses for governmental activities increased $15.3 million; expenses for business-type activities decreased $17.6 million.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, consisting of three components:

- government-wide financial statements,
- fund financial statements, and
- notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements, including information on individual funds.

a -- Government-wide financial statements
The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner comparable to a private-sector business. The two government-wide financial statements are, as follows:

- The ***Statement of Net Assets*** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Austin is improving or deteriorating.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

- The ***Statement of Activities*** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues for uncollected taxes and expenses for future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City include general government; public safety; transportation, planning and sustainability; public health; public recreation and culture; and urban growth management. The business-type activities include electric, water, wastewater, airport, convention, environmental and health services, public recreation, and urban growth management.

The government-wide financial statements include the City as well as blended component units: the Austin Housing Finance Corporation (AHFC), the Austin Industrial Development Corporation (AIDC), and the Mueller Local Government Corporation (MLGC). The operations of AHFC, AIDC, and MLGC are included within the governmental activities of the government-wide financial statements. AHFC is reported as the Housing Assistance Fund. Although legally separate from the City, these component units are blended with the City because of their governance or financial relationships to the City.

b -- Fund financial statements

The fund financial statements are designed to report information about groupings of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental, proprietary, and fiduciary funds. Within the governmental and proprietary categories, the emphasis is on the major funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds. These funds focus on current sources and uses of liquid resources and on the balances of available resources at the end of the fiscal year. This information may be useful in determining what financial resources are available in the near term to finance the City's future obligations. Other governmental funds are referred to as nonmajor governmental funds and are presented as aggregated data.

Because the focus of governmental fund level statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements. In addition to the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level financial statements.

The City's General Fund is reported as a major fund and information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances. In addition, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects, and permanent funds). Data from these governmental funds are combined into a single column labeled nonmajor governmental funds. Individual fund data for the funds is provided in the form of combining statements in the supplementary section of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers – either outside customers or internal units or departments of the City. Proprietary fund statements provide the same type of information shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of three of the City's major funds, Electric, Water and Wastewater and Austin-Bergstrom International Airport (Airport), as well as the nonmajor enterprise funds.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

- Internal Service funds are used to report activities that provide supplies and services for many City programs and activities. The City's internal service funds include: Capital Projects Management; Combined Transportation, Emergency and Communications Center; Employee Benefits; Fleet Maintenance; Information Systems; Liability Reserve; Support Services; Wireless Communication; and Workers' Compensation. Because these services predominantly benefit governmental operations rather than business-type functions, they have been included in governmental activities in the government-wide financial statements.

The nonmajor enterprise funds and the internal service funds are combined into separately aggregated presentations in the proprietary fund financial statements. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside City government. Since the resources of fiduciary funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting policies applied to fiduciary funds are much like those used for proprietary funds.

Comparison of government-wide and fund financial components. The following chart compares how the City's funds are included in the government-wide and fund financial statements:

Fund Types / Other	Government-wide	Fund Financials
General Fund	Governmental	Governmental - Major
Special revenue funds	Governmental	Governmental - Nonmajor
Debt service funds	Governmental	Governmental - Nonmajor
Capital project funds	Governmental	Governmental - Nonmajor
Permanent funds	Governmental	Governmental - Nonmajor
Internal service funds	Governmental	Proprietary
Governmental capital assets, including infrastructure assets	Governmental	Excluded
Governmental liabilities not expected to be liquidated with available expendable financial resources	Governmental	Excluded
Electric	Business-type	Proprietary - Major
Water and wastewater	Business-type	Proprietary - Major
Airport	Business-type	Proprietary - Major
Convention	Business-type	Proprietary - Nonmajor
Environmental and health services	Business-type	Proprietary - Nonmajor
Public recreation	Business-type	Proprietary - Nonmajor
Urban growth management	Business-type	Proprietary - Nonmajor
Fiduciary funds	Excluded	Fiduciary

Basis of reporting - The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

c -- Notes to the financial statements
The notes to the financial statements provide additional information that is essential to fully understanding the data provided in the government-wide and fund financial statements.

d -- Other information
The Required Supplementary Information (RSI) section immediately follows the basic financial statements and related notes section of this report. The City adopts an annual appropriated budget for the General Fund. The RSI provides a comparison of revenues, expenditures and other financing sources and uses to budget and demonstrates budgetary compliance. In addition, trend information related to the City's retirement and other post employment benefits plans is presented in RSI. Following the RSI are other statements and schedules, including the combining statements for nonmajor governmental and enterprise funds, internal service funds, and fiduciary funds.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

a -- Net assets

The following table reflects a summary statement of net assets compared to prior year (in thousands):

Condensed Statement of Net Assets
as of September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	2009	2010	2009	2010	2009
Current assets	$ 606,064	674,926	1,094,991	1,463,251	1,701,055	2,138,177
Capital assets	2,372,210	2,303,263	6,576,192	6,339,459	8,948,402	8,642,722
Other noncurrent assets	10,566	5,669	848,606	507,636	859,172	513,305
Deferred outflows of resources	--	--	212,884	--	212,884	--
Total assets and deferred outflows	2,988,840	2,983,858	8,732,673	8,310,346	11,721,513	11,294,204
Current liabilities	279,013	272,454	618,289	479,524	897,302	751,978
Noncurrent liabilities	1,151,279	1,127,518	5,202,364	4,944,693	6,353,643	6,072,211
Deferred inflows of resources	--	--	7,710	--	7,710	--
Total liabilities and deferred inflows	1,430,292	1,399,972	5,828,363	5,424,217	7,258,655	6,824,189
Net assets:						
Invested in capital assets, net of related debt	1,544,834	1,545,216	1,998,753	1,902,398	3,543,587	3,447,614
Restricted	71,716	95,641	502,211	488,413	573,927	584,054
Unrestricted (deficit)	(58,002)	(56,971)	403,346	495,318	345,344	438,347
Total net assets	$ 1,558,548	1,583,886	2,904,310	2,886,129	4,462,858	4,470,015

In the current fiscal year, total assets and deferred outflows of the City increased by $427.3 million before restatement (see Note 2). Total liabilities and deferred inflows increased by $434.5 million. Governmental-type total assets increased by $5.0 million and business-type increased $422.3 million, while governmental-type liabilities increased by $30.3 million and business-type increased $404.2 million.

Significant factors in the increase of governmental total assets and deferred outflows include a decrease in cash and investments of $90.1 million, an increase in capital assets of $68.9 million, and the recognition of a net pension asset of $4.9 million. Factors in the increase of governmental-type liabilities and deferred inflows include increases in the pension obligation payable of $10.7 million and other post employment benefits of $59.6 million offset by a decrease in general obligation bonds payable of $53.2 million.

Significant factors in the increase of business-type total assets and deferred outflows include an increase in capital assets of $236.7 million and the addition of deferred outflows of resources of $212.9 million with the implementation of GASB Statement No. 53. Significant increases in total liabilities and deferred inflows include revenue bonds payable of $200 million, the addition of derivative instruments of $212.9 million with the implementation of GASB Statement No. 53, and other post employment benefits of $35.4 million. Significant decreases include commercial paper notes payable of $40.2 million, and capital appreciation bonds payable of $41.6 million.

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $4.5 billion at the end of the current fiscal year. However, the largest portion of the City's net assets are invested in capital assets, net of related debt (e.g. land, building, and equipment), which are $3.5 billion, or 79% of the total amount of the City's net assets. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, $573.9 million of the City's net assets, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance, $345.3 million of unrestricted net assets, may be used to meet the government's future obligations. Unrestricted net assets decreased $93.0 million in the current fiscal year. A significant portion of the decrease in unrestricted net assets is due to the recognition of $95.0 million in other post employment benefit expense in accordance with GASB Statement No. 45.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for business-type activities; however unrestricted net assets for governmental activities are a deficit of $58.0 million.

b -- Changes in net assets

Total net assets of the City decreased by $7.2 million in the current fiscal year after restatement (see Note 2). Governmental net assets decreased $25.3 million. The decrease is attributable to expenses exceeding revenues by $121.4 million before transfers from other funds of $96 million. Business-type net assets increased by $14.0 million due to revenues exceeding expenses by $110.1 million, before transfers to other funds of $96 million and restatement adjustment of $4.1 million.

Changes in Net Assets
September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Program revenues:						
Charges for services	$ 109,136	140,989	1,814,907	1,833,856	1,924,043	1,974,845
Operating grants and contributions	66,831	54,022	--	--	66,831	54,022
Capital grants and contributions	50,546	85,085	31,703	71,819	82,249	156,904
General revenues:						
Property tax	341,812	309,888	--	--	341,812	309,888
Sales tax	144,710	139,795	--	--	144,710	139,795
Franchise fees and gross receipts tax	87,996	85,183	--	--	87,996	85,183
Interest and other	31,960	20,827	13,935	27,938	45,895	48,765
Total revenues	832,991	835,789	1,860,545	1,933,613	2,693,536	2,769,402
Program expenses:						
General government	89,315	80,819	--	--	89,315	80,819
Public safety	455,760	442,690	--	--	455,760	442,690
Transportation, planning and sustainability	65,565	79,840	--	--	65,565	79,840
Public health	63,215	81,773	--	--	63,215	81,773
Public recreation and culture	91,732	90,307	--	--	91,732	90,307
Urban growth management	143,884	121,237	--	--	143,884	121,237
Interest on debt	44,889	42,435	--	--	44,889	42,435
Electric	--	--	1,086,470	1,089,632	1,086,470	1,089,632
Water	--	--	169,708	200,162	169,708	200,162
Wastewater	--	--	166,979	160,962	166,979	160,962
Airport	--	--	92,780	98,403	92,780	98,403
Convention	--	--	51,818	52,219	51,818	52,219
Environmental and health services	--	--	66,380	67,097	66,380	67,097
Public recreation	--	--	9,715	10,274	9,715	10,274
Urban growth management	--	--	106,618	89,306	106,618	89,306
Total expenses	954,360	939,101	1,750,468	1,768,055	2,704,828	2,707,156
Excess (deficiency) before transfers	(121,369)	(103,312)	110,077	165,558	(11,292)	62,246
Transfers	96,031	82,686	(96,031)	(82,686)	--	--
Increase (decrease) in net assets	(25,338)	(20,626)	14,046	82,872	(11,292)	62,246
Beginning net assets, as previously reported	1,583,886	1,604,512	2,886,129	2,882,151	4,470,015	4,486,663
Restatement adjustment	--	--	4,135	(78,894)	4,135	(78,894)
Beginning net assets, as restated	1,583,886	1,604,512	2,890,264	2,803,257	4,474,150	4,407,769
Ending net assets	$ 1,558,548	1,583,886	2,904,310	2,886,129	4,462,858	4,470,015

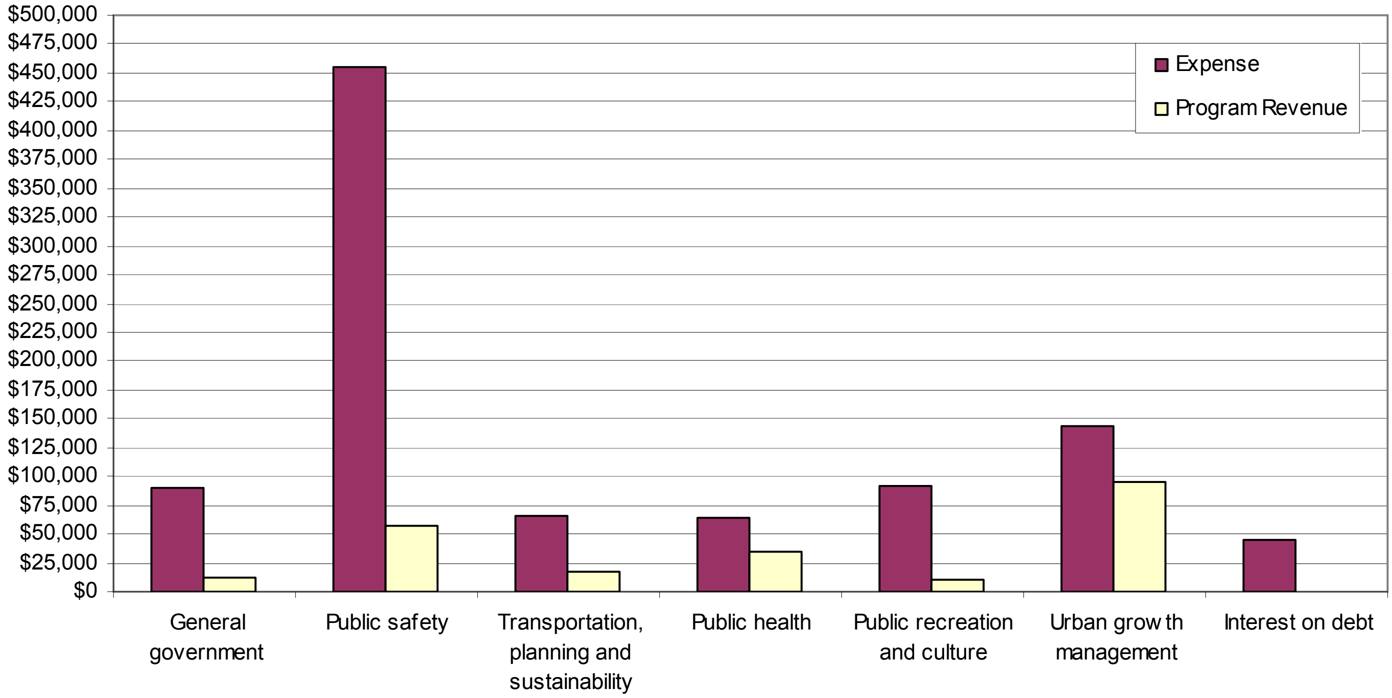
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

c -- Program revenues and expenses -- governmental activities
Governmental activities decreased the City's net assets by $25.3 million in fiscal year 2010, a 1.6% decrease of governmental net assets from the previous year. Key factors for the change from fiscal year 2009 to 2010 are as follows:

- Charges for services decreased $31.9 million primarily due to the transfer of hospital district activities to the Travis County Hospital District ($17.6 million). Capital grants and contributions decreased $34.5 million primarily due to decreases in contributed and annexed infrastructure.
- The City's property tax revenue increased by $31.9 million from the previous year as a result of an increase in assessed property values and an increase in the City's tax rate from 40.12 cents to 42.09 per $100 valuation.
- Sales tax collections for fiscal year 2010 were $4.9 million more than fiscal year 2009. Franchise fees and gross receipts taxes increased $2.8 million due largely to an increased service area for cable franchise fees.
- General government expenses increased $8.5 million primarily due to increases in payments to internal service funds for services provided and public safety expenses increased $13.1 million due to increases in salaries and contractual expenses. Transportation, planning and sustainability expenses decreased $14.3 million, while public health expenses decreased $18.6 million due to the transfer of hospital district activities to the Travis County Hospital District. Urban growth management expenses increased $22.6 million.

The chart below illustrates the City's governmental expense and revenues by function: general government; public safety; transportation, planning and sustainability; public health; public recreation and culture; urban growth management; and interest on debt.

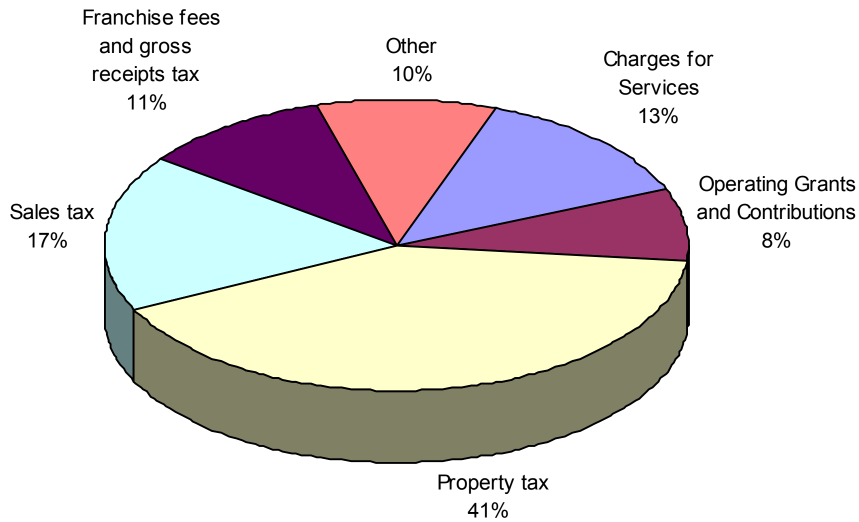
Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)



FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

General revenues such as property taxes, sales taxes, and franchise fees are not shown by program, but are used to support all governmental activities. Property taxes are the largest source of governmental revenues, followed by sales taxes and charges for goods and services.

Government-wide Revenues by Source -- Governmental Activities



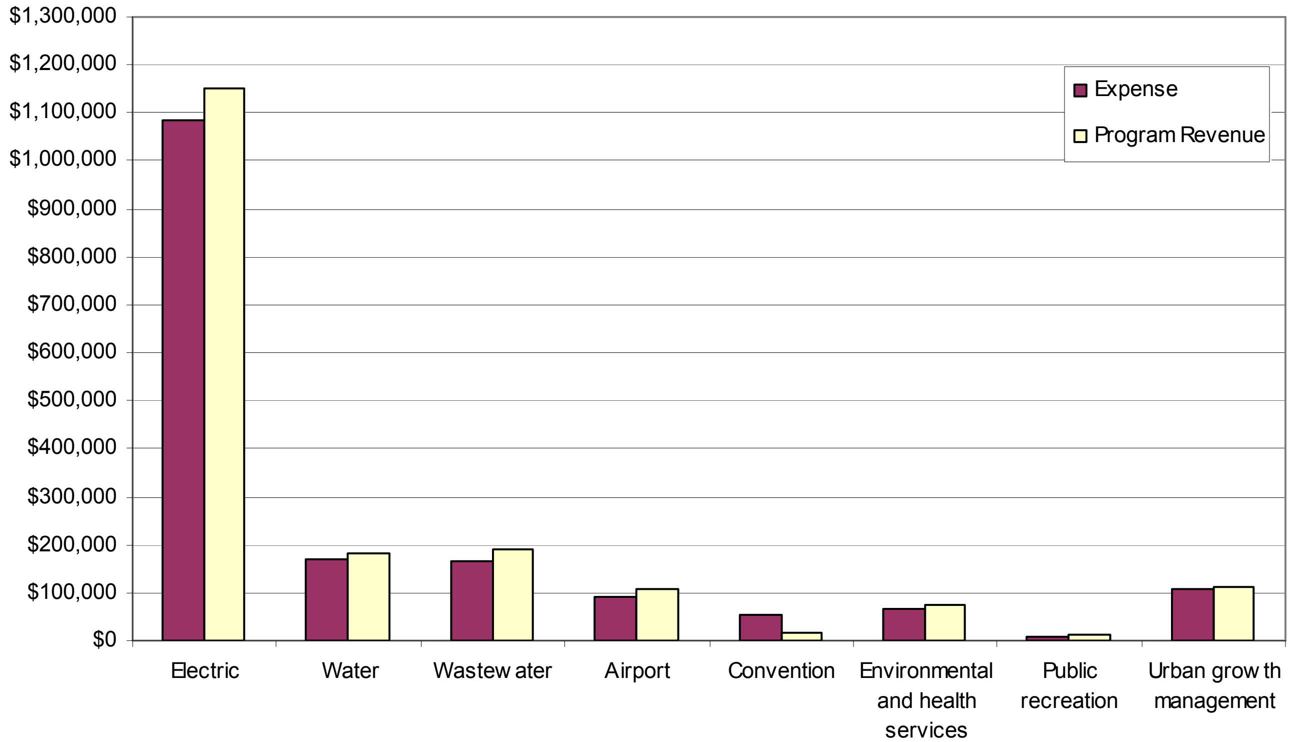
d -- Program revenues and expenses -- business-type activities
Business-type activities increased the City's net assets by approximately $14 million, accounting for a 0.3% increase in the City's total net assets. Key factors include:

- Electric net assets decreased approximately $25.2 million. Revenues decreased 1.3% largely due to lower fuel costs, which are passed through as fuel revenue. Expenses increased 2.1% as lower fuel costs were offset by an increase in other operating expenses.
- Water and Wastewater net assets increased approximately $1.7 million. Revenues decreased 8.0% due primarily to greater than usual rainfall and mandatory water conservation during the period of wastewater winter averaging. Water revenue for 2010 decreased by approximately 12.3% and Wastewater revenue decreased 3.7% from the prior year.
- Airport net assets increased approximately $16.7 million. Revenues increased 3.0% due to an increase in passenger traffic and expenses increased 6.2% due to an increase in operations and maintenance costs.
- Convention net assets decreased approximately $1.9 million. Revenues and transfers from the Hotel Occupancy Tax Fund decreased 9.3% due primarily to fewer events and the slowed economy. Expenses increased due to increases in operations and maintenance costs.
- Environmental and health services activities are comprised of nonmajor enterprise funds that include the Solid Waste Services Fund and Hospital Fund. Net assets increased by approximately $8.4 million. This increase is primarily attributed to increased revenues derived from an approved rate increase and customer growth.
- Public recreation activities are comprised of nonmajor enterprise funds that include the Golf Fund and Recreation Program Fund. Net assets increased by $3.0 million as a result of the transfer of a portion of the Golf Fund debt to governmental activities.
- Urban growth management activities are comprised of nonmajor enterprise funds that include the Drainage Fund and Transportation Fund. Net assets increased by approximately $9.8 million. Drainage revenues increased 6.6% primarily due to an approved rate increase while Drainage expenses remained steady.

As shown in the following chart, the electric utility, with expenses of $1.09 billion, is the City's largest business-type activity, followed by water ($170 million), wastewater ($167 million), urban growth management ($107 million), airport ($93 million), environmental and health services ($66 million), convention ($52 million), and public recreation ($10 million). For the fiscal year, operating revenues exceeded operating expenses for all business-type activities except convention.

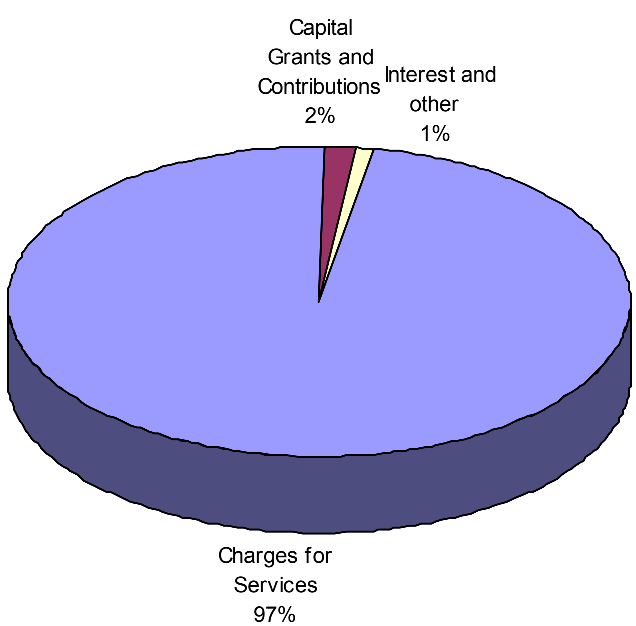
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

Government-wide Expenses and Program Revenues -- Business-type Activities
(Excludes General Revenues and Transfers)
(in thousands)



For all business-type activities, charges for services provide the largest percentage of revenues (97%), followed by capital grants and contributions (2%), and interest and other revenues (1%).

Government-wide Revenue by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

a -- Governmental funds

The City reports the following types of governmental funds: the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and available resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the fiscal year, the City of Austin's governmental funds reported combined ending fund balances of $370.4 million, a decrease of $81.5 million from the previous year. Approximately $191.5 million represents unreserved ending balance, which is available for future use. The remainder of fund balance is reserved and only available for commitments for the purchase of goods and services, receivables, property held for resale, legally restricted permanent fund resources, and certain debt service amounts. Reserved fund balance increased $40.3 million in comparison to the prior year, primarily due to an increase in the reservation for encumbrances of $37.0 million in capital projects funds authorized in 2006.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was $104.6 million, while total fund balance was $108.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 17.6% of total General Fund expenditures of $595.6 million, and total fund balance represents 18.3% of expenditures. The City's financial policies provide that surplus fund balance be designated for budget stabilization. This amount is a component of unreserved fund balance. The fund balance designated for budget stabilization was $58.6 million. The balance designated for budget stabilization may be appropriated to fund capital or other one-time expenditures in the subsequent fiscal year, but such appropriation will not normally exceed one-third of the total designated amount, with the other two-thirds designated for budget stabilization in future years.

The General Fund fund balance increased $16.5 million during the fiscal year, while unreserved fund balance increased $16.9 million. Significant differences from the previous year include:

- Property tax revenues increased $25.7 million due to an increase in assessed property values and the City's property tax rate increased from 40.12 cents to 42.09 cents per $100 valuation.
- Sales tax revenues increased $4.9 million, while licenses, permits and inspections decreased $4.8 million due to a decline in building permits.

General fund expenditures increased $24.7 million, due primarily to an increase in public safety expenditures of $13.8 million and general government expenditures of $13.1. The increase in public safety expenditures is primarily due to increases in salaries and contractual expenditures. The increase in general government expenditures is due to increases in payments to internal service funds for services provided.

b -- Proprietary funds

The City's proprietary funds provide the same type of information found in the business-type activities of the government-wide financial statements, but in more detail. Overall, net assets of the City's enterprise funds increased by $9.0 million before consolidation of the internal service funds activities.

Factors that contributed to the increase in net assets are discussed in the business-type activities section of the government-wide section.

OTHER INFORMATION

a -- General Fund budgetary highlights
The original expenditure budget of the General Fund was amended during fiscal year 2010 to increase public safety costs for the purchase of two ambulances.

During the year, revenues were $12.9 million more than budgeted. Sales tax collections were $12.7 million more than budgeted.

Actual General Fund budget-basis expenditures were $13.9 million less than budgeted. Transportation, planning and sustainability expenditures exceeded budget by $13 thousand and general city responsibilities exceeded budget by $66 thousand; while all other General Fund departments were under budget. The total budget-basis fund balance at year-end was $99.9 million.

b -- Capital assets
The City's capital assets for governmental and business-type activities as of September 30, 2010, total $8.9 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, equipment, vehicles, infrastructure, construction in progress, nuclear fuel, plant held for future use, and water rights. The total increase in the City's capital assets for the current fiscal year was $307 million (3.6%), with an increase of 3.0% for governmental activities and an increase of 3.8% for business-type activities. Additional information on capital assets can be found in Note 7. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation
September 30
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
Land and improvements	$ 332	324	464	449	796	773
Other assets not depreciated	20	20	1	1	21	21
Building and improvements	442	450	1,363	1,392	1,805	1,842
Equipment	64	73	3,867	3,555	3,931	3,628
Vehicles	35	36	63	58	98	94
Infrastructure	1,237	1,255	--	--	1,237	1,255
Construction in progress	242	145	667	747	909	892
Nuclear fuel, net of amortization	--	--	34	33	34	33
Plant held for future use	--	--	28	28	28	28
Water rights, net of amortization	--	--	89	75	89	75
Total net capital assets	$ 2,372	2,303	6,576	6,338	8,948	8,641

Major capital asset events during the current fiscal year include the following:

- Governmental capital assets increased $69 million primarily due to additions of new and on-going projects for facility and system improvements. Construction progressed on 2006 bond funded projects, which included flood mitigation, affordable housing, recreation center and park improvements, and a training facility for fire, police and EMS personnel. Other projects included a digital video system for police, street and pedestrian improvements, a new fire station, and infrastructure additions for the Mueller redevelopment.
- Business-type activities purchased or completed construction on capital assets of $238 million. The increase was largely due to plant and equipment additions and land acquisitions for the Electric, Water and Wastewater, Convention Center, Drainage and Transportation funds. The Electric fund added power plant improvements, improvements to electric distribution and metering systems, and various substations. The Water and Wastewater fund continued rehabilitation and replacement activities under the Austin Clean Water Program and continued work on the Water Treatment Plant #4 projects. The Water and Wastewater fund also received ARRA funds for biosolids management and compost operations projects. Wastewater improvements included service extensions to annexed areas. Work also continued on the Convention Center Waller Creek Tunnel project and the parking meter replacement program.

OTHER INFORMATION, continued

c -- Debt administration
At the end of the current fiscal year, the City reported $5.0 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 10.

Outstanding Debt
General Obligation and Revenue Debt
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
General obligation bonds and other tax supported debt, net	$ 900	953	125	131	1,025	1,084
Commercial paper notes, net	--	--	300	340	300	340
Revenue notes	--	--	28	28	28	28
Revenue bonds, net	--	--	3,643	3,443	3,643	3,443
Capital lease obligations	1	--	2	2	3	2
Total	$ 901	953	4,097	3,944	4,998	4,897

During fiscal year 2010, the City's total outstanding debt increased by $101 million. The City issued new debt and refinanced portions of existing debt to achieve lower borrowing costs. Debt issues include the following:

- Bond debt for governmental activities decreased $52 million due to debt service payments made during the year.
- Outstanding debt for business-type functions increased $153 million. The City issued $220.3 million of Electric Utility System separate lien revenue refunding bonds and $166.6 million of Water and Wastewater Fund separate lien revenue refunding bonds to refund commercial paper ($316 million) and existing debt ($74 million).

During the year, the City's general obligation bonds and other tax supported debt received favorable bond rating upgrades from Moody's Investors Services, Inc and Fitch, Inc. The Water and Wastewater Utility revenue bonds received favorable bond rating upgrades from Moody's Investors Services, Inc. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2010 and 2009 are as follows:

Debt	Moody's Investors Service, Inc		Standard & Poor's		Fitch, Inc.	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
General obligation bonds and other tax supported debt	Aaa	Aa1	AAA	AAA	AAA	AA+
Commercial paper notes	P-1	P-1	A-1+	A-1+	F1+	F1+
Commercial paper notes - taxable	P-1	P-1	A-1+	A-1+	F1+	F1+
Utility revenue bonds - prior lien	A1	A1	AA	AA	AA-	AA-
Utility revenue bonds - subordinate lien	A1	A1	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Electric	A1	A1	A+	A+	AA-	AA-
Water and Wastewater	Aa2	Aa3	AA	AA	AA-	AA-
Airport system revenue bonds	NUR(1)	NUR(1)	A-	A-	NUR(1)	NUR(1)
Airport variable rate bonds	NUR(1)	NUR(1)	A-	A-	NUR(1)	NUR(1)
Convention Center revenue bonds	A2	A2	A-	A-	NUR(1)	NUR(1)

(1) No underlying rating

OTHER INFORMATION, continued

d -- Economic factors and next year's budget and rates
The local economy experienced signs of recovery in 2010; a key indicator being an increase in sales tax revenues of 3.5 percent, compared to a 9.5 percent decline in the previous year. Austin's diverse economic base and national reputation as a great place to live continues to attract talented individuals and new employment opportunities. The Austin metro area ranked highest in employment growth of the five major metro areas in Texas, which includes Dallas-Fort Worth, Houston, San Antonio, El Paso, and Austin, and experienced the third highest growth rate in the state, gaining nearly 8,200 jobs in 2010.

The City's 2011 budget was developed in a manner true to the City Manager's unwavering commitment to openness, transparency, and public engagement. Input from Council, City employees, and Citizens played a major role in the development of a variety of structural applications designed to positively affect our City's fiscal sustainability over the long term and present a balanced budget for the City Council's review. The Austin City Council has adopted a comprehensive set of financial policies to provide the foundation for long-range financial sustainability. These financial policies are directly aligned with the City Council's priority of budget stability while at the same time maintaining affordability, investment in future economic development, infrastructure needs, and quality of life. These policies are also crucial in maintaining the City's favorable bond ratings. City management will continue to monitor the economy and take corrective actions to help mitigate any unfavorable economic events. The assessed taxable property values within the City decreased by 3.8% for 2010. The property tax rate for fiscal year 2011 is 45.71 cents per $100 valuation, up from 42.09 cents per $100 valuation in 2010. The tax rate consists of 32.62 cents for the General Fund and 13.09 cents for debt service.

Each 1 cent of the 2010 (Fiscal Year 2011) property tax rate is equivalent to $7,789,686 of tax levy, as compared to $8,096,541 in the previous year. Fiscal Year 2011 rate increases for the Water and Wastewater Fund are: 5.4% for Water and 3.6% for Wastewater for a combined increase of 4.5%. Austin Energy customer base rates remain unchanged.

e -- Requests for Information
This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial and Administrative Services Department of the City of Austin, P.O. Box 2920, Austin, Texas 78768, or (512) 974-2600 or on the web at http://www.ci.austin.tx.us/controller/.

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)
ASSETS			
Current assets:			
Cash	$ 76	65	141
Pooled investments and cash	443,957	309,790	753,747
Pooled investments and cash - restricted	--	159,929	159,929
Total pooled investments and cash	443,957	469,719	913,676
Investments, at fair value	21,901	8,023	29,924
Investments, at fair value - restricted	--	231,561	231,561
Cash held by trustee - restricted	2,512	101	2,613
Working capital advances	--	6,554	6,554
Property taxes receivable	14,283	--	14,283
Less allowance for uncollectible taxes	(4,298)	--	(4,298)
Net property taxes receivable	9,985	--	9,985
Accounts and other receivables	181,671	205,840	387,511
Less allowance for doubtful accounts	(82,358)	(3,797)	(86,155)
Net accounts receivable	99,313	202,043	301,356
Receivables from other governments	15,359	--	15,359
Notes receivable, net of allowance of $22,263	12,367	--	12,367
Internal balances	(8,060)	32,663	24,603
Internal balances - restricted	(189)	(24,414)	(24,603)
Inventories, at cost	1,951	79,160	81,111
Real property held for resale	5,419	--	5,419
Prepaid items	244	2,825	3,069
Other assets	1,229	27,764	28,993
Other receivables	--	6,209	6,209
Deferred costs and expenses, net of amortization	--	52,718	52,718
Total current assets	606,064	1,094,991	1,701,055
Noncurrent assets:			
Pooled investments and cash - restricted	--	149,301	149,301
Investments, at fair value - restricted	--	161,150	161,150
Investments held by trustee - restricted	--	168,033	168,033
Interest receivable - restricted	--	1,121	1,121
Capital assets			
Land and other nondepreciable assets	352,760	465,609	818,369
Property, plant, and equipment in service	2,864,249	8,675,336	11,539,585
Less accumulated depreciation	(1,086,457)	(3,382,591)	(4,469,048)
Net property, plant, and equipment in service	1,777,792	5,292,745	7,070,537
Construction in progress	241,658	666,564	908,222
Nuclear fuel, net of amortization	--	34,355	34,355
Plant held for future use	--	27,783	27,783
Water rights, net of amortization	--	89,136	89,136
Total capital assets	2,372,210	6,576,192	8,948,402
Derivative instruments - energy risk management	--	7,710	7,710
Net pension asset	4,943	--	4,943
Other long-term assets	--	62	62
Deferred costs and expenses, net of amortization	5,623	361,229	366,852
Total noncurrent assets	2,382,776	7,424,798	9,807,574
Total assets	2,988,840	8,519,789	11,508,629
Deferred outflows of resources	--	212,884	212,884
Total assets and deferred outflows	$ 2,988,840	8,732,673	11,721,513

(†) After internal receivables and payables have been eliminated.

(Continued)

The accompanying notes are an integral part of the financial statements.

(In thousands)

	Governmental Activities	Business-type Activities	Total (†)
LIABILITIES			
Current liabilities:			
Accounts payable	$ 41,582	62,060	103,642
Accounts and retainage payable from restricted assets	--	45,852	45,852
Accrued payroll	32,010	17,951	49,961
Accrued compensated absences	47,127	23,021	70,148
Claims payable	17,865	--	17,865
Accrued interest payable from restricted assets	--	96,317	96,317
Interest payable on capital appreciation bonds and other debt	3,730	50,318	54,048
Commercial paper notes payable	--	44,377	44,377
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	66,233	11,493	77,726
General obligation bonds payable and other tax supported debt payable from restricted assets, net of discount and inclusive of premium	--	4,931	4,931
Revenue bonds payable from restricted assets	--	147,804	147,804
Capital lease obligations payable	283	369	652
Customer and escrow deposits payable from restricted assets	--	36,662	36,662
Accrued landfill closure and postclosure costs	--	765	765
Deferred credits and other current liabilities	70,183	76,369	146,552
Total current liabilities	279,013	618,289	897,302
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	65,371	1,338	66,709
Claims payable	15,570	--	15,570
Capital appreciation bond interest payable	--	103,295	103,295
Commercial paper notes payable, net of discount	--	255,420	255,420
Revenue notes payable	--	28,000	28,000
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	833,267	108,220	941,487
Revenue bonds payable, net of discount and inclusive of premium	--	3,495,307	3,495,307
Pension obligation payable	53,736	52,640	106,376
Other post employment benefits payable	169,432	100,716	270,148
Capital lease obligations payable	433	1,259	1,692
Accrued landfill closure and postclosure costs	--	7,175	7,175
Decommissioning liability payable from restricted assets	--	150,591	150,591
Derivative instruments - energy risk management	--	113,480	113,480
Derivative instruments - interest rate swaps	--	99,473	99,473
Deferred credits and other liabilities	13,470	684,519	697,989
Other liabilities payable from restricted assets	--	931	931
Total noncurrent liabilities	1,151,279	5,202,364	6,353,643
Total liabilities	1,430,292	5,820,653	7,250,945
Deferred inflows of resources	--	7,710	7,710
Total liabilities and deferred inflows	1,430,292	5,828,363	7,258,655
NET ASSETS			
Invested in capital assets, net of related debt	1,544,834	1,998,753	3,543,587
Restricted for:			
Debt service	18,228	87,404	105,632
Strategic reserve	--	148,519	148,519
Capital projects	29,559	154,435	183,994
Renewal and replacement	--	10,948	10,948
Bond Reserve	--	62,283	62,283
Passenger facility charges	--	26,808	26,808
Operating reserve	--	11,814	11,814
Perpetual Care:			
Expendable	764	--	764
Nonexpendable	1,040	--	1,040
Other purposes	22,125	--	22,125
Unrestricted (deficit)	(58,002)	403,346	345,344
Total net assets	$ 1,558,548	2,904,310	4,462,858

(†) After internal receivables and payables have been eliminated.

The accompanying notes are an integral part of the financial statements.

(In thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Total
Governmental activities							
General government	$ 89,315	7,902	169	3,760	(77,484)	--	(77,484)
Public safety	455,760	47,530	9,593	12	(398,625)	--	(398,625)
Transportation, planning, and sustainability	65,565	3,792	--	14,136	(47,637)	--	(47,637)
Public health	63,215	7,561	23,313	3,495	(28,846)	--	(28,846)
Public recreation and culture	91,732	3,456	1,473	4,607	(82,196)	--	(82,196)
Urban growth management	143,884	38,895	32,283	24,536	(48,170)	--	(48,170)
Interest on debt	44,889	--	--	--	(44,889)	--	(44,889)
Total governmental activities	954,360	109,136	66,831	50,546	(727,847)	--	(727,847)
Business-type activities							
Electric	1,086,470	1,147,676	--	4,856	--	66,062	66,062
Water	169,708	171,457	--	9,461	--	11,210	11,210
Wastewater	166,979	189,192	--	1,433	--	23,646	23,646
Airport	92,780	100,223	--	7,799	--	15,242	15,242
Convention	51,818	14,784	--	--	--	(37,034)	(37,034)
Environmental and health services	66,380	74,399	--	634	--	8,653	8,653
Public recreation	9,715	8,864	--	3,945	--	3,094	3,094
Urban growth management	106,618	108,312	--	3,575	--	5,269	5,269
Total business-type activities	1,750,468	1,814,907	--	31,703	--	96,142	96,142
Total	$ 2,704,828	1,924,043	66,831	82,249	(727,847)	96,142	(631,705)
General revenues:							
Property tax					341,812	--	341,812
Sales tax					144,710	--	144,710
Franchise fees and gross receipts tax					87,996	--	87,996
Interest and other					31,960	13,935	45,895
Transfers-internal activities					96,031	(96,031)	--
Total general revenues and transfers					702,509	(82,096)	620,413
Change in net assets					(25,338)	14,046	(11,292)
Beginning net assets, as restated (see Note 2)					1,583,886	2,890,264	4,474,150
Ending net assets					$ 1,558,548	2,904,310	4,462,858

The accompanying notes are an integral part of the financial statements.

September 30, 2010
(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 56	5	61
Pooled investments and cash	102,327	240,391	342,718
Investments, at fair value	--	21,901	21,901
Cash held by trustee-restricted	160	1,758	1,918
Property taxes receivable	9,025	5,258	14,283
Less allowance for uncollectible taxes	(2,789)	(1,509)	(4,298)
Net property taxes receivable	6,236	3,749	9,985
Accounts and other receivables	133,570	41,441	175,011
Less allowance for doubtful accounts	(82,099)	(259)	(82,358)
Net accounts receivable	51,471	41,182	92,653
Receivables from other governments	--	15,359	15,359
Notes receivable, net of allowance	--	12,367	12,367
Due from other funds	227	57,746	57,973
Advances to other funds	--	4,539	4,539
Inventories, at cost	916	--	916
Real property held for resale	--	5,419	5,419
Prepaid items	86	81	167
Other assets	60	1,169	1,229
Total assets	161,539	405,666	567,205
LIABILITIES AND FUND BALANCES			
Accounts payable	4,768	30,699	35,467
Accrued payroll	26,028	144	26,172
Accrued compensated absences	768	--	768
Due to other funds	--	57,984	57,984
Deferred revenue	18,664	6,779	25,443
Advances from other funds	--	407	407
Deposits and other liabilities	2,601	47,928	50,529
Total liabilities	52,829	143,941	196,770
Fund balances			
Reserved:			
Encumbrances	3,133	129,416	132,549
Inventories and prepaid items	1,002	81	1,083
Notes receivable	--	12,367	12,367
Advances receivable	--	4,539	4,539
Real property held for resale	--	5,419	5,419
Debt service	--	21,958	21,958
Permanent funds	--	1,040	1,040
Unreserved, designated:			
Emergencies	40,000	--	40,000
Contingencies	5,958	--	5,958
Budget stabilization	58,617	--	58,617
Unreserved, undesignated:			
Special revenue	--	57,694	57,694
Capital projects	--	28,447	28,447
Permanent funds	--	764	764
Total fund balances	108,710	261,725	370,435
Total liabilities and fund balances	$ 161,539	405,666	567,205

The accompanying notes are an integral part of the financial statements.

to the Statement of Net Assets
September 30, 2010
(In thousands)

Total fund balances - Governmental funds		$ 370,435
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	3,381,534	
Less: accumulated depreciation	(1,048,019)	
		2,333,515
Other long-term assets are not available as current-period resources and are not reported in the funds.		
Accounts and other taxes receivable	16,985	
Deferred revenue - property taxes and interest	5,804	
Deferred costs and expenses	5,619	
Net Pension Asset	4,943	
		33,351
Long-term liabilities are not payable in the current period and are not reported in the funds.		
Bonds and other tax supported debt payable, net	(894,434)	
Pension obligation payable	(53,736)	
Other post employment benefits payable	(169,432)	
Compensated absences	(104,444)	
Interest payable	(3,710)	
Deferred credits and other liabilities	(20,730)	
		(1,246,486)
Internal service funds are used by management to charge the costs of capital project management, combined emergency communication center, employee benefits, fleet maintenance, information systems, liability reserve, support services, wireless communication, and workers' compensation to individual funds.		
Certain assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.		67,733
Total net assets - Governmental activities		$ 1,558,548

The accompanying notes are an integral part of the financial statements.

(In thousands)

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 236,302	104,502	340,804
Sales taxes	144,710	--	144,710
Franchise fees and other taxes	41,013	47,308	88,321
Fines, forfeitures and penalties	18,692	5,879	24,571
Licenses, permits and inspections	15,716	--	15,716
Charges for services/goods	33,394	31,200	64,594
Intergovernmental	--	86,557	86,557
Property owners' participation and contributions	--	6,937	6,937
Interest and other	8,059	27,504	35,563
Total revenues	497,886	309,887	807,773
EXPENDITURES			
Current:			
General government	59,727	6,560	66,287
Public safety	417,798	4,160	421,958
Transportation, planning and sustainability	916	9,718	10,634
Public health	37,929	15,300	53,229
Public recreation and culture	61,311	12,778	74,089
Urban growth management	17,875	82,343	100,218
Debt service:			
Principal	--	70,424	70,424
Interest	--	44,590	44,590
Fees and commissions	--	17	17
Capital outlay-capital project funds	--	166,491	166,491
Total expenditures	595,556	412,381	1,007,937
Deficiency of revenues over expenditures	(97,670)	(102,494)	(200,164)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	15,000	15,000
Transfers in	130,233	67,436	197,669
Transfers out	(16,014)	(77,943)	(93,957)
Total other financing sources (uses)	114,219	4,493	118,712
Net change in fund balances	16,549	(98,001)	(81,452)
Fund balances at beginning of year	92,161	359,726	451,887
Fund balances at end of year	$ 108,710	261,725	370,435

The accompanying notes are an integral part of the financial statements.

Governmental Funds **City of Austin, Texas**
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities **Exhibit B-2.1**
For the year ended September 30, 2010
(In thousands)

Net change in fund balances - Governmental funds		$ (81,452)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay	171,734	
Depreciation expense	(93,994)	
Loss on disposal of capital assets	(24,725)	
		53,015
Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.		
Property taxes	1,008	
Charges for services	287	
Interest and other	(365)	
Capital assets contribution	14,999	
		15,929
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Issuance of long-term debt	(15,000)	
Principal repayment on long-term debt	70,424	
		55,424
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences	(3,082)	
Pension obligation	(5,741)	
Other post employment benefits	(59,581)	
Interest and other	3,099	
		(65,305)
Internal services. A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities.		(2,949)
Change in net assets - Governmental activities		$ (25,338)

The accompanying notes are an integral part of the financial statements.

Proprietary Funds
Statement of Net Assets
September 30, 2010
(In thousands)

	Electric	Water and Wastewater	Airport
ASSETS			
Current assets:			
Cash	$ 18	9	8
Pooled investments and cash	133,576	27,675	1,800
Pooled investments and cash - restricted	68,041	39,199	32,363
Total pooled investments and cash	201,617	66,874	34,163
Investments, at fair value	--	--	--
Investments, at fair value - restricted	100,568	106,247	14,174
Cash held by trustee - restricted	--	101	--
Working capital advances	6,554	--	--
Accounts receivable	134,988	53,040	3,638
Less allowance for doubtful accounts	(2,270)	(514)	(648)
Net accounts receivable	132,718	52,526	2,990
Due from other funds	442	--	--
Due from other funds - restricted	--	27	--
Inventories, at cost	75,011	1,565	1,396
Prepaid expenses	2,581	15	9
Other assets	27,764	--	--
Other receivables - restricted	1,670	423	1,612
Deferred costs and expenses, net of amortization	29,656	23,062	--
Total current assets	578,599	250,849	54,352
Noncurrent assets:			
Pooled investments and cash - restricted	14,874	--	134,427
Advances to other funds	26,876	--	--
Advances to other funds - restricted	--	--	107
Investments, at fair value - restricted	161,150	--	--
Investments held by trustee - restricted	168,033	--	--
Interest receivable - restricted	1,121	--	--
Capital assets			
Land and other nondepreciable assets	65,200	212,841	95,914
Property, plant, and equipment in service	4,019,644	3,439,485	690,294
Less accumulated depreciation	(1,895,660)	(1,121,365)	(191,785)
Net property, plant, and equipment in service	2,123,984	2,318,120	498,509
Construction in progress	328,196	253,410	29,133
Nuclear fuel, net of amortization	34,355	--	--
Plant held for future use	27,783	--	--
Water rights, net of amortization	--	89,136	--
Total capital assets	2,579,518	2,873,507	623,556
Derivative instruments - energy risk management	7,710	--	--
Other long-term assets	62	--	--
Deferred costs and expenses, net of amortization	170,713	183,280	2,929
Total noncurrent assets	3,130,057	3,056,787	761,019
Total assets	3,708,656	3,307,636	815,371
Deferred outflows of resources	113,411	34,606	48,227
Total assets and deferred outflows	$ 3,822,067	3,342,242	863,598

The accompanying notes are an integral part of the financial statements.

	Nonmajor Enterprise Funds	Total	Governmental Activities- Internal Service Funds
ASSETS			
Current assets:			
Cash	30	65	15
Pooled investments and cash	146,739	309,790	101,239
Pooled investments and cash - restricted	20,326	159,929	--
Total pooled investments and cash	167,065	469,719	101,239
Investments, at fair value	8,023	8,023	--
Investments, at fair value - restricted	10,572	231,561	--
Cash held by trustee - restricted	--	101	594
Working capital advances	--	6,554	--
Accounts receivable	14,174	205,840	2,015
Less allowance for doubtful accounts	(365)	(3,797)	--
Net accounts receivable	13,809	202,043	2,015
Due from other funds	717	1,159	11
Due from other funds - restricted	--	27	--
Inventories, at cost	1,188	79,160	1,035
Prepaid expenses	220	2,825	77
Other assets	--	27,764	--
Other receivables - restricted	2,504	6,209	--
Deferred costs and expenses, net of amortization	--	52,718	--
Total current assets	204,128	1,087,928	104,986
Noncurrent assets:			
Pooled investments and cash - restricted	--	149,301	--
Advances to other funds	30	26,906	34
Advances to other funds - restricted	55	162	--
Investments, at fair value - restricted	--	161,150	--
Investments held by trustee - restricted	--	168,033	--
Interest receivable - restricted	--	1,121	--
Capital assets			
Land and other nondepreciable assets	91,654	465,609	751
Property, plant, and equipment in service	525,913	8,675,336	74,782
Less accumulated depreciation	(173,781)	(3,382,591)	(38,438)
Net property, plant, and equipment in service	352,132	5,292,745	36,344
Construction in progress	55,825	666,564	1,600
Nuclear fuel, net of amortization	--	34,355	--
Plant held for future use	--	27,783	--
Water rights, net of amortization	--	89,136	--
Total capital assets	499,611	6,576,192	38,695
Derivative instruments - energy risk management	--	7,710	--
Other long-term assets	--	62	--
Deferred costs and expenses, net of amortization	4,307	361,229	4
Total noncurrent assets	504,003	7,451,866	38,733
Total assets	708,131	8,539,794	143,719
Deferred outflows of resources	16,640	212,884	--
Total assets and deferred outflows	724,771	8,752,678	143,719

The accompanying notes are an integral part of the financial statements. (Continued)

Proprietary Funds
Statement of Net Assets
September 30, 2010
(In thousands)

	Business-Type Activities		
	Electric	**Water and Wastewater**	**Airport**
LIABILITIES			
Current liabilities:			
Accounts payable	$ 52,528	3,082	1,724
Accounts and retainage payable from restricted assets	11,425	27,521	3,763
Accrued payroll	8,181	4,011	1,179
Accrued compensated absences	10,681	5,520	1,500
Claims payable	--	--	--
Due to other funds	--	--	--
Accrued interest payable from restricted assets	49,594	42,698	1,851
Interest payable on capital appreciation bonds and other debt	29,690	20,000	1
Commercial paper notes payable	8,603	35,774	--
General obligation bonds payable and other tax supported debt	--	--	28
General obligation bonds payable and other tax supported debt payable from restricted assets	152	4,779	--
Revenue bonds payable from restricted assets	75,084	50,660	13,515
Capital lease obligations payable	38	--	331
Customer and escrow deposits payable from restricted assets	24,686	8,405	417
Accrued landfill closure and postclosure costs	--	--	--
Deferred credits and other liabilities	51,003	24,252	1,071
Total current liabilities	321,665	226,702	25,380
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	895	--	61
Claims payable	--	--	--
Advances from other funds	--	3,505	--
Advances from other funds payable from restricted assets	--	24,603	--
Capital appreciation bond interest payable	18,717	84,578	--
Commercial paper notes payable, net of discount	76,552	178,868	--
Revenue notes payable	--	--	28,000
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	1,040	22,600	234
Revenue bonds payable, net of discount and inclusive of premium	1,251,199	1,761,237	281,768
Pension obligation payable	23,617	11,823	3,570
Other post employment benefits payable	41,078	25,386	7,477
Capital lease obligations payable	1,259	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	150,591	--	--
Derivative instruments - energy risk management	113,480	--	--
Derivative instruments - interest rate swaps	--	34,606	48,227
Deferred credits and other liabilities	214,709	465,587	--
Other liabilities payable from restricted assets	--	307	62
Total noncurrent liabilities	1,893,137	2,613,100	369,399
Total liabilities	2,214,802	2,839,802	394,779
Deferred inflows of resources	7,710	--	--
Total liabilities and deferred inflows	$ 2,222,512	2,839,802	394,779

The accompanying notes are an integral part of the financial statements.

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
LIABILITIES			
Current liabilities:			
Accounts payable	4,726	62,060	6,115
Accounts and retainage payable from restricted assets	3,143	45,852	--
Accrued payroll	4,580	17,951	5,838
Accrued compensated absences	5,320	23,021	6,725
Claims payable	--	--	17,865
Due to other funds	1,023	1,023	163
Accrued interest payable from restricted assets	2,174	96,317	--
Interest payable on capital appreciation bonds and other debt	627	50,318	20
Commercial paper notes payable	--	44,377	--
General obligation bonds payable and other tax supported debt	11,465	11,493	480
General obligation bonds payable and other tax supported debt payable from restricted assets	--	4,931	--
Revenue bonds payable from restricted assets	8,545	147,804	--
Capital lease obligations payable	--	369	283
Customer and escrow deposits payable from restricted assets	3,154	36,662	--
Accrued landfill closure and postclosure costs	765	765	--
Deferred credits and other liabilities	43	76,369	5,095
Total current liabilities	45,565	619,312	42,584
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	382	1,338	561
Claims payable	--	--	15,570
Advances from other funds	2,640	6,145	486
Advances from other funds payable from restricted assets	--	24,603	--
Capital appreciation bond interest payable	--	103,295	--
Commercial paper notes payable, net of discount	--	255,420	--
Revenue notes payable	--	28,000	--
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	84,346	108,220	4,586
Revenue bonds payable, net of discount and inclusive of premium	201,103	3,495,307	--
Pension obligation payable	13,630	52,640	--
Other post employment benefits payable	26,775	100,716	--
Capital lease obligations payable	--	1,259	433
Accrued landfill closure and postclosure costs	7,175	7,175	--
Decommissioning liability payable from restricted assets	--	150,591	--
Derivative instruments - energy risk management	--	113,480	--
Derivative instruments - interest rate swaps	16,640	99,473	--
Deferred credits and other liabilities	4,223	684,519	--
Other liabilities payable from restricted assets	562	931	--
Total noncurrent liabilities	357,476	5,233,112	21,636
Total liabilities	403,041	5,852,424	64,220
Deferred inflows of resources	--	7,710	--
Total liabilities and deferred inflows	403,041	5,860,134	64,220

The accompanying notes are an integral part of the financial statements. (Continued)

Proprietary Funds
Statement of Net Assets
September 30, 2010
(In thousands)

	Electric	Water and Wastewater	Airport
NET ASSETS			
Invested in capital assets, net of related debt	$ 1,118,770	379,995	302,606
Restricted for:			
Debt service	50,974	20,721	13,634
Strategic reserve	141,695	--	--
Capital projects	33,534	--	110,397
Renewal and replacement	64	--	10,000
Bond reserve	19,455	42,828	--
Passenger facility charges	--	--	26,808
Operating reserve	--	--	9,158
Unrestricted	235,063	58,896	(3,784)
Total net assets	$ 1,599,555	502,440	468,819
Reconciliation to government-wide Statement of Net Assets			
Adjustment to consolidate internal service activities	5,309	2,480	1,006
Total net assets - Business-type activities	$ 1,604,864	504,920	469,825

The accompanying notes are an integral part of the financial statements.

	Nonmajor Enterprise Funds	Total	
NET ASSETS			
Invested in capital assets, net of related debt	197,382	1,998,753	32,917
Restricted for:			
Debt service	2,075	87,404	--
Strategic reserve	6,824	148,519	--
Capital projects	10,504	154,435	1,952
Renewal and replacement	884	10,948	--
Bond reserve	--	62,283	--
Passenger facility charges	--	26,808	--
Operating reserve	2,656	11,814	--
Unrestricted	101,405	391,580	44,630
Total net assets	321,730	2,892,544	79,499
Reconciliation to government-wide Statement of Net Assets			
Adjustment to consolidate internal service activities	2,971	11,766	
Total net assets - Business-type activities	324,701	2,904,310	

The accompanying notes are an integral part of the financial statements.

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the year ended September 30, 2010
(In thousands)

	Electric	Water and Wastewater	Airport
OPERATING REVENUES			
Utility services	$ 1,147,676	360,649	--
User fees and rentals	--	--	83,277
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,147,676	360,649	83,277
OPERATING EXPENSES			
Operating expenses before depreciation	887,152	171,171	60,843
Depreciation and amortization	121,570	85,705	19,154
Total operating expenses	1,008,722	256,876	79,997
Operating income (loss)	138,954	103,773	3,280
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	9,740	287	1,452
Interest on revenue bonds and other debt	(80,029)	(94,468)	(14,396)
Interest capitalized during construction	--	--	1,370
Passenger facility charges	--	--	16,946
Amortization of bond issue cost	(1,027)	(717)	(229)
Cost (recovered) to be recovered in future years	(428)	18,375	--
Other nonoperating revenue (expense)	1,593	(4,057)	235
Total nonoperating revenues (expenses)	(70,151)	(80,580)	5,378
Income (loss) before contributions and transfers	68,803	23,193	8,658
Capital contributions	4,856	10,894	7,799
Transfers in	--	--	--
Transfers out	(101,000)	(33,429)	--
Change in net assets	(27,341)	658	16,457
Total net assets - beginning, as restated (See Note 2)	1,626,896	501,782	452,362
Total net assets - ending	$ 1,599,555	502,440	468,819
Reconciliation to government-wide Statement of Activities			
Change in net assets	(27,341)	658	16,457
Adjustment to consolidate internal service activities	2,143	1,056	237
Change in net assets - Business-type activities	$ (25,198)	1,714	16,694

The accompanying notes are an integral part of the financial statements.

	Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
OPERATING REVENUES			
Utility services	--	1,508,325	--
User fees and rentals	206,359	289,636	--
Billings to departments	--	--	291,411
Employee contributions	--	--	36,888
Operating revenues from other governments	--	--	2,643
Other operating revenues	--	--	3,478
Total operating revenues	206,359	1,797,961	334,420
OPERATING EXPENSES			
Operating expenses before depreciation	195,132	1,314,298	312,912
Depreciation and amortization	22,054	248,483	8,516
Total operating expenses	217,186	1,562,781	321,428
Operating income (loss)	(10,827)	235,180	12,992
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	2,456	13,935	409
Interest on revenue bonds and other debt	(14,367)	(203,260)	(299)
Interest capitalized during construction	2,559	3,929	--
Passenger facility charges	--	16,946	--
Amortization of bond issue cost	(304)	(2,277)	8
Cost (recovered) to be recovered in future years	--	17,947	--
Other nonoperating revenue (expense)	(6,834)	(9,063)	(6,921)
Total nonoperating revenues (expenses)	(16,490)	(161,843)	(6,803)
Income (loss) before contributions and transfers	(27,317)	73,337	6,189
Capital contributions	8,154	31,703	3,580
Transfers in	41,928	41,928	--
Transfers out	(3,530)	(137,959)	(7,681)
Change in net assets	19,235	9,009	2,088
Total net assets - beginning, as restated (See Note 2)	302,495	2,883,535	77,411
Total net assets - ending	321,730	2,892,544	79,499
Reconciliation to government-wide Statement of Activities			
Change in net assets	19,235	9,009	
Adjustment to consolidate internal service activities	1,601	5,037	
Change in net assets - Business-type activities	20,836	14,046	

The accompanying notes are an integral part of the financial statements.

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2010
(In thousands)

	Electric	Water and Wastewater	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 1,203,742	359,640	85,838
Cash payments to suppliers for goods and services	(728,298)	(81,894)	(34,843)
Cash payments to employees for services	(151,914)	(77,059)	(22,427)
Cash payments to claimants/beneficiaries	--	--	--
Taxes collected and remitted to other governments	(35,269)	--	--
Net cash provided by operating activities	288,261	200,687	28,568
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	--	--	--
Transfers out	(101,000)	(33,429)	--
Interest paid on revenue notes and other debt	(221)	--	--
Increase in deferred assets	(970)	--	--
Loans to other funds	(12)	--	--
Loans from other funds	--	24,603	--
Loan repayments to other funds	--	(380)	--
Loan repayments from other funds	442	27	11
Collections from other governments	--	--	724
Net cash provided (used) by noncapital financing activities	(101,761)	(9,179)	735
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	94,130	181,350	--
Proceeds from the sale of revenue bonds	--	10,840	--
Principal paid on long-term debt	(66,073)	(59,753)	(13,449)
Purchased interest received	1,157	710	--
Interest paid on revenue bonds and other debt	(99,910)	(104,438)	(13,632)
Passenger facility charges	--	--	16,946
Acquisition and construction of capital assets	(205,299)	(199,435)	(13,885)
Contributions to municipality	--	--	--
Contributions in aid of construction	4,856	5,635	7,799
Bond issuance costs	(2,205)	(1,476)	--
Bond discounts	(59)	--	--
Bond premiums	7,620	6,695	--
Bonds issued for advanced refundings of debt	220,245	166,575	--
Cash paid for bond refunding escrow	(226,150)	(171,795)	--
Cash paid for nuclear fuel inventory	(14,801)	--	--
Net cash provided (used) by capital and related financing activities	$ (286,489)	(165,092)	(16,221)

The accompanying notes are an integral part of the financial statements.

	Nonmajor Enterprise Funds	Total	Governmental Activities-Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	206,260	1,855,480	334,943
Cash payments to suppliers for goods and services	(102,647)	(947,682)	(71,230)
Cash payments to employees for services	(90,335)	(341,735)	(107,114)
Cash payments to claimants/beneficiaries	--	--	(130,783)
Taxes collected and remitted to other governments	--	(35,269)	--
Net cash provided by operating activities	13,278	530,794	25,816
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	41,928	41,928	--
Transfers out	(3,530)	(137,959)	(7,681)
Interest paid on revenue notes and other debt	(4)	(225)	--
Increase in deferred assets	--	(970)	--
Loans to other funds	(7)	(19)	--
Loans from other funds	40	24,643	--
Loan repayments to other funds	(898)	(1,278)	(253)
Loan repayments from other funds	85	565	--
Collections from other governments	24	748	--
Net cash provided (used) by noncapital financing activities	37,638	(72,567)	(7,934)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	275,480	--
Proceeds from the sale of revenue bonds	--	10,840	--
Principal paid on long-term debt	(18,608)	(157,883)	280
Purchased interest received	--	1,867	--
Interest paid on revenue bonds and other debt	(13,206)	(231,186)	(301)
Passenger facility charges	--	16,946	--
Acquisition and construction of capital assets	(39,048)	(457,667)	(8,619)
Contributions to municipality	(15)	(15)	--
Contributions in aid of construction	1,897	20,187	--
Bond issuance costs	--	(3,681)	--
Bond discounts	--	(59)	--
Bond premiums	--	14,315	--
Bonds issued for advanced refundings of debt	--	386,820	--
Cash paid for bond refunding escrow	--	(397,945)	--
Cash paid for nuclear fuel inventory	--	(14,801)	--
Net cash provided (used) by capital and related financing activities	(68,980)	(536,782)	(8,640)

The accompanying notes are an integral part of the financial statements.

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2010
(In thousands)

	Electric	Water and Wastewater	Airport
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	$ (464,157)	(158,182)	(30,298)
Proceeds from sale and maturities of investment securities	391,201	131,957	30,692
Interest on investments	8,269	287	1,452
Net cash provided (used) by investing activities	(64,687)	(25,938)	1,846
Net increase (decrease) in cash and cash equivalents	(164,676)	478	14,928
Cash and cash equivalents, October 1	381,185	66,506	153,670
Cash and cash equivalents, September 30	216,509	66,984	168,598
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	138,954	103,773	3,280
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	121,570	84,717	19,154
Amortization	--	988	--
Change in assets and liabilities:			
Increase in working capital advances	(3,161)	--	--
(Increase) decrease in accounts receivable	(982)	(226)	1,736
Increase (decrease) in allowance for doubtful accounts	55	(201)	121
Decrease in due from other funds	--	--	--
(Increase) decrease in inventory	13,693	219	213
Decrease in prepaid expenses and other assets	5,668	(2)	19
(Increase) decrease in deferred costs and other expenses	(8,491)	25	--
(Increase) decrease in other long-term assets	5	--	--
Increase (decrease) in accounts payable	(5,482)	4	(379)
Increase in accrued payroll and compensated absences	885	197	135
Decrease in claims payable	--	--	--
Increase in pension obligations payable	5,793	2,843	835
Increase in other post employment benefits payable	14,445	8,927	2,629
Increase (decrease) in deferred credits and other liabilities	2,154	(1,766)	846
Increase (decrease) in customer deposits	3,155	1,189	(21)
Total adjustments	149,307	96,914	25,288
Net cash provided by operating activities	$ 288,261	200,687	28,568

The accompanying notes are an integral part of the financial statements.

	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(20,810)	(673,447)	--
Proceeds from sale and maturities of investment securities	19,294	573,144	--
Interest on investments	2,456	12,464	409
Net cash provided (used) by investing activities	940	(87,839)	409
Net increase (decrease) in cash and cash equivalents	(17,124)	(166,394)	9,651
Cash and cash equivalents, October 1	184,219	785,580	92,197
Cash and cash equivalents, September 30	167,095	619,186	101,848
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(10,827)	235,180	12,992
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	22,054	247,495	8,516
Amortization	--	988	--
Change in assets and liabilities:			
Increase in working capital advances	--	(3,161)	--
(Increase) decrease in accounts receivable	(118)	410	138
Increase (decrease) in allowance for doubtful accounts	74	49	(222)
Decrease in due from other funds	--	--	11
(Increase) decrease in inventory	(758)	13,367	179
Decrease in prepaid expenses and other assets	488	6,173	461
(Increase) decrease in deferred costs and other expenses	--	(8,466)	276
(Increase) decrease in other long-term assets	--	5	--
Increase (decrease) in accounts payable	(13)	(5,870)	(622)
Increase in accrued payroll and compensated absences	284	1,501	655
Decrease in claims payable	--	--	3,158
Increase in pension obligations payable	3,210	12,681	--
Increase in other post employment benefits payable	9,416	35,417	--
Increase (decrease) in deferred credits and other liabilities	(10,564)	(9,330)	274
Increase (decrease) in customer deposits	32	4,355	--
Total adjustments	24,105	295,614	12,824
Net cash provided by operating activities	13,278	530,794	25,816

The accompanying notes are an integral part of the financial statements.

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2010
(In thousands)

	Electric	Water and Wastewater	Airport
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
(Increase) decrease in deferred assets/expenses	$ (9,807)	6,142	--
Capital appreciation bonds interest accreted	7,304	11,970	--
Capital assets contributed from other funds	--	--	--
Increase in contributed facilities	--	5,259	--
Increase (decrease) in the fair value of investments	(1,238)	(406)	427
Amortization of bond issue costs	1,027	(717)	(229)
Amortization of bond discounts and premiums	(5,077)	(3,709)	260
Amortization of deferred gain (loss) on refundings	9,986	3,804	(1,085)
Gain (loss) on disposal of assets	1,593	(4,057)	(490)
Deferred gain (loss) on bond refunding	(2,792)	--	--
Bond issuance costs, discounts, premiums, and accrued interest written off due to refunding	1,357	--	--
Deferred costs (recovered) to be recovered	3,487	18,375	--
Increase (decrease) in deferred credits and other liabilities	150,705	(32,999)	--
Capital lease obligations	1,258	--	486
Bonds assumed with debt transfer	--	(8,046)	--
Contributions	--	--	--
Debt obligations transferred to other funds	--	--	--

The accompanying notes are an integral part of the financial statements.

	Nonmajor Enterprise Funds	Total	
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
(Increase) decrease in deferred assets/expenses	221	(3,444)	--
Capital appreciation bonds interest accreted	--	19,274	--
Capital assets contributed from other funds	173	173	2,254
Increase in contributed facilities	--	5,259	--
Increase (decrease) in the fair value of investments	(967)	(2,184)	--
Amortization of bond issue costs	(304)	(223)	4
Amortization of bond discounts and premiums	(789)	(9,315)	--
Amortization of deferred gain (loss) on refundings	1,612	14,317	--
Gain (loss) on disposal of assets	(2,748)	(5,702)	(102)
Deferred gain (loss) on bond refunding	--	(2,792)	--
Bond issuance costs, discounts, premiums, and accrued interest written off due to refunding	--	1,357	--
Deferred costs (recovered) to be recovered	--	21,862	--
Increase (decrease) in deferred credits and other liabilities	--	117,706	323
Capital lease obligations	--	1,744	--
Bonds assumed with debt transfer	(4,522)	(12,568)	--
Contributions	375	375	--
Debt obligations transferred to other funds	3,339	3,339	--

The accompanying notes are an integral part of the financial statements.

(In thousands)

	Private-purpose Trust	Agency
ASSETS		
Pooled investments and cash	$ 1,410	3,644
Other assets	121	--
Total assets	1,531	3,644
LIABILITIES		
Accounts payable	--	11
Due to other governments	--	2,799
Deposits and other liabilities	663	834
Total liabilities	663	3,644
NET ASSETS		
Held in trust	868	
Total net assets	$ 868	

The accompanying notes are an integral part of the financial statements.

	Private-purpose Trust
ADDITIONS	
Contributions	$ 431
Interest and other	19
Total additions	450
DEDUCTIONS	
Benefit payments	396
Total deductions	396
Net additions (deductions)	54
Total net assets - beginning	814
Total net assets - ending	$ 868

The accompanying notes are an integral part of the financial statements.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Austin, Texas (the City) is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government. The City Council is composed of a Mayor and six Councilmembers, all of whom are elected at large for three-year staggered terms and may serve a maximum of two consecutive terms. A petition signed by 5% of the registered voters waives the term limit for a Councilmember.

The City's major activities or programs include general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; and urban growth management. In addition, the City owns and operates certain major enterprise activities including an electric utility, water and wastewater utility, airport, and non-major enterprise activities including convention, environmental and health services, public recreation, and urban growth management activities. These activities are included in the accompanying financial statements.

The City of Austin's charter requires an annual audit by an independent certified public accountant. These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB). The City has implemented GASB Statements No. 1 through No. 53, and No. 55 through No. 58. In fiscal year 2010, the City implemented GASB Statement No. 51 entitled "*Accounting and Financial Reporting for Intangible Assets*" (see Note 2 for impact), GASB Statement No. 53 entitled "*Accounting and Financial Reporting for Derivative Instruments*" (see Note 14 for impact), GASB Statement No. 57 entitled "*OPEB Measurements by Agent Employers and Agent Multiple Employer Plans*", and GASB Statement No. 58 entitled "*Accounting and Financial Reporting for Chapter 9 Bankruptcies*". Implementation of the GASB Statement No. 57 and No. 58 did not have a significant impact on the City's financial statements. The more significant accounting and reporting policies and practices used by the City are described below.

As a local government, the City is not subject to federal income taxes, under the Internal Revenue Code Section 115. Furthermore, it is not subject to state sales tax.

a -- Reporting Entity

As required by GAAP, these financial statements present the City's primary government, its component units, and other entities for which the City is considered financially accountable. Blended component units, although legally separate entities, are, in substance, part of the City's operations; therefore, data from these units are combined with data of the City.

Blended Component Units -- The Austin Housing Finance Corporation (AHFC) and Austin Industrial Development Corporation (AIDC) are legally separate entities from the City. AHFC and AIDC serve all the citizens of Austin and are governed by a board composed of the City Councilmembers. The activities are reported in the Housing Assistance Fund and Austin Industrial Development Corporation Fund, which are nonmajor special revenue funds.

The Mueller Local Government Corporation (MLGC) is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. MLGC was created for the purpose of financing infrastructure projects required for the development of the former site of Mueller Airport. The Austin City Council acts as the board of directors of the corporation and members of the City staff serve as officers of the corporation. The entity is reported as a nonmajor special revenue fund in the City's financial statements.

Related Organizations -- The City Council appoints board members, but the City has no significant financial accountability for the following related organizations:

- Capital Metropolitan Transit Authority (Capital Metro) - The City's accountability for this organization does not extend beyond appointing board members.
- Austin-Bergstrom International Airport (ABIA) Development Corporation - City Councilmembers appoint themselves as members of the board, but their function on the board is ministerial rather than substantive.
- Austin-Bergstrom Landhost Enterprises, Inc. and Austin Convention Enterprises, Inc. - City Councilmembers appoint members of these boards. Debt issues by these entities do not constitute a debt or pledge of the faith and credit of the City.
- Austin Travis County Mental Health Mental Retardation Center - The nine board members are appointed by the City, Travis County, and the Austin Independent School District.
- Urban Renewal Agency - The Mayor, with consent of the City Council, appoints the board of commissioners for this agency, whose primary responsibility is to oversee the implementation and compliance of urban renewal plans adopted by the City Council.
- Austin Housing Authority - The Mayor appoints the persons to serve as commissioners of this organization.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
a -- Reporting Entity, continued

- Travis County Hospital District - City Councilmembers appoint four board managers, Travis County appoints four board managers, and the City and County mutually appoint one board manager. Travis County reports the Hospital District as a component unit on their financial statements.

All of these entities are separate from the operating activities of the City. Related organizations are not included in the City's reporting entity.

The City of Austin retirement plans (described in Note 8) and the City of Austin Deferred Compensation Plan are not included in the City's reporting entity since the City does not exercise substantial control over these plans.

b -- Government-wide and Fund Financial Statements

The basic financial statements include both government-wide and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all governmental and business-type activities of the primary government and its component units. Fiduciary activities are not included in the government-wide statements. Internal service fund asset and liability balances that are not eliminated in the statement of net assets are reported in the governmental activities column on the government-wide statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers.

The statement of activities demonstrates the degree to which the direct expenses of a function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Certain indirect costs are included in the program expenses of most business-type activities. Program revenues include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported as general revenues.

The accounts of the City are organized on the basis of funds. The fund level statements focus on the governmental, proprietary, and fiduciary funds. Each fund was established to account for specific activities in accordance with applicable regulations, restrictions, or limitations. Major funds are determined by criteria specified by GASB Statement No. 34; the City has elected to present the Airport Fund as a major fund even though it does not meet the minimum criteria. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are aggregated into nonmajor governmental, nonmajor enterprise, or internal service fund groupings.

The City's fiduciary funds are presented in the fund financial statements by type (private-purpose and agency). By definition, fiduciary fund assets are held for the benefit of a third party and cannot be used to address activities or obligations of the primary government; therefore, they are not included in the government-wide statements. Reconciliation of the fund financial statements to the government-wide financial statements is provided in the financial statements to explain the differences created by the integrated approach of GASB Statement No. 34.

c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements have been met.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual (i.e. both measurable and available). Revenues, other than grants, are considered available when they are collectible within the current period or soon enough thereafter to liquidate liabilities of the current period (defined by the City as collected within 60 days of the end of the fiscal year). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed or when all eligibility requirements of the provider have been met, and they are considered to be available if expected to be collected within one year. Expenditures generally are recorded when a liability is due. However, expenditures related to compensated absences and arbitrage are recorded when payment is due. Debt service expenditures are recognized when payment is due. The reported fund balance of governmental funds is considered a measure of available spendable resources.

Property taxes, sales taxes, franchise taxes, hotel occupancy taxes, vehicle rental taxes, municipal court fines, development permits and inspections, building safety permits and inspections, public health charges, emergency medical service charges, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. All other revenue items are considered measurable and available in the fiscal period the City receives cash.

Governmental Funds: Consist of the general fund, special revenue funds, debt service funds, capital projects funds, and permanent funds.

The City reports the following major governmental fund:

> General Fund: The primary operating fund of the City. It is used to account for all financial resources that are not required to be accounted for in another fund. It includes the following activities: general government; public safety; transportation, planning, and sustainability; public health; public recreation and culture; and urban growth management.

In addition, the City reports the following nonmajor governmental funds:

> Special Revenue Funds: Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, including grant funds.
>
> Debt Service Funds: Account for the accumulation of resources for, and the payment of, general long-term debt and HUD Section 108 loan principal, interest, and related costs.
>
> Capital Projects Funds: Account for financial resources for the acquisition or construction of major capital facilities (other than those reported within proprietary funds); they are funded primarily by general obligation debt, other tax supported debt, interest income, and other intergovernmental revenues. A 1981 ordinance requires the establishment of a separate fund for each bond proposition approved in each bond election.
>
> Permanent Funds: Account for resources that are legally restricted to the extent that only earnings (not principal) may be used for purposes that support the City's programs. Permanent funds account for the public recreation and culture activity.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing electric or water-wastewater services. Other revenues or expenses are nonoperating items.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
c -- Measurement Focus, Basis of Accounting, and Financial Statement Presentation, continued

Proprietary Funds: Consist of enterprise funds and internal service funds.

Enterprise Funds: Account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. In accordance with GASB Statement No. 20, the City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The City reports the following major enterprise funds:

Electric Fund: Accounts for the activities of the City-owned electric utility, doing business as Austin Energy™.

Water and Wastewater Fund: Accounts for the activities of the City-owned water and wastewater utility, doing business as Austin Water™.

Airport Fund: Accounts for the operations of the Austin-Bergstrom International Airport (ABIA).

The City reports the following nonmajor business-type activities in Exhibit A-2:

Convention: Accounts for convention center and public events activities.
Environmental and health services: Accounts for hospital and solid waste services activities.
Public recreation: Accounts for golf and parks and recreation activities.
Urban growth management: Accounts for drainage and transportation activities.

Internal Service Funds: Account for the financing of goods or services provided by one city department or agency to other city departments or to other governmental units on a cost-reimbursement basis. These activities include, but are not limited to, capital projects management, combined emergency center operations, employee health benefits, fleet services, information services, liability reserve (city-wide self insurance) services, support services, wireless communication services, and workers' compensation coverage.

Fiduciary Funds: Account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, or other governments:

Private-purpose Trust Funds: Account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments. Private-purpose trust funds account for various purposes: general government, transportation, public recreation and culture, and urban growth management.

Agency Funds: Account for resources held by the City in a custodial capacity for permit fees; campaign financing donations and fees; Municipal Court service fees; and escrow deposits and payments to loan recipients.

d -- Budget

The City Manager is required by the City Charter to present a proposed operating and capital budget to the City Council no later than thirty days before the beginning of the new fiscal year. The final budget shall be adopted no later than the twenty-seventh day of the last month of the preceding fiscal year. During the final adoption process, the City Council passes an appropriation ordinance and a tax-levying ordinance.

Annual budgets are legally adopted for the General Fund, certain special revenue funds, and debt service funds. Additional information related to special revenue funds with legally adopted budgets can be found in Exhibit E-13. Annual budgets are also adopted for enterprise and internal service funds, although they are not legally required. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the project, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment. Certain payroll accruals, employee training, and other fund-level expenditures are budgeted as general city responsibilities.

Formal budgetary control is employed during the year at the fund and department level as a management control device for annually budgeted funds.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
d -- Budget, continued

Budgets are modified throughout the year. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council approves amendments to the budget and transfers of appropriations from one fund and department to another. The original and final budgets for the General Fund are reported in the required supplementary information. Unencumbered appropriations for annual budgets lapse at fiscal year end.

e -- Financial Statement Elements

Pooled Investments and Cash -- Cash balances of all city funds (except for certain funds shown in Note 5 as having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of U.S. government obligations and U.S. agency obligations, are stated at fair value. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that carry a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments -- Certain investments are required to be reported at fair value, based on quoted market prices. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments in U.S. government and agency debt securities and money market mutual funds at fair value as of September 30, 2010. Investments in local government investment pools are carried at amortized cost, which approximates fair value.

Accounts Receivable -- Balances of accounts receivable, reported on the government-wide statement of net assets, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of September 30, 2010 (in thousands):

	Charges for Services	Fines	Taxes	Other Govern-ments	Other	Total
Governmental activities						
General Fund	$ 79,001	25,907	33,307	–	--	138,215
Nonmajor governmental funds	599	16	11,751	28,356	719	41,441
Internal service funds	2,015	–	–	–	--	2,015
Allowance for doubtful accounts	(70,487)	(11,612)	–	(259)	--	(82,358)
Total	$ 11,128	14,311	45,058	28,097	719	99,313

Receivables reported in business-type activities are primarily comprised of charges for services.

Elimination of Internal Activities -- The elimination of internal service fund activity is needed in order to eliminate duplicate activity in making the transition from the fund level financial statements to the government-wide financial statements. In addition, the elimination of internal service fund activity requires the City to “look back” and adjust the internal service funds' internal charges. A positive change in net assets derived from internal service fund activity results in a pro-rata reduction in the charges made to the participatory funds. A deficit change in net assets of internal service funds requires a pro-rata increase in the amounts charged to the participatory funds.

Internal Balances -- In the government-wide statement of net assets, internal balances are the receivables and payables between the governmental and business-type activities.

Interfund Receivables and Payables -- During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as “due from other funds” or “due to other funds” on the fund-level statements when they are expected to be liquidated within one year. If receivables or payables are not expected to be liquidated within one year, they are classified as “advances to other funds” or “advances from other funds.”

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Inventories -- Inventories are valued at cost, which is determined as follows:

Fund	Inventory Valuation Method
General Fund	Average cost; postage first-in, first-out
Electric:	
Fuel oil and coal	Last-in, first-out
Other inventories	Average cost
All others	Average cost

Inventories for all funds are accounted for using the consumption method and expenditures are recorded when issued. Inventories reported in the General Fund and certain special revenue funds are offset by a fund balance reserve, which indicates that they do not represent "available spendable resources."

Restricted assets -- Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Since the Electric Fund and Water and Wastewater Fund report in accordance with accounting for regulated operations (formerly FASB Statement No. 71), enabling legislation also includes restrictions on asset use established by its governing board which is the City Council.

The balance of restricted assets in the enterprise funds are as follows (in thousands):

	Electric	Water and Wastewater	Airport	Nonmajor Enterprise	Total Restricted Assets
Strategic reserve	$ 141,695	--	--	--	141,695
Capital projects	44,960	31,038	121,054	10,154	207,206
Customer and escrow deposits	24,686	8,405	417	3,154	36,662
Debt service	100,568	106,247	13,634	2,130	222,579
Federal grants	--	307	1,612	2,480	4,399
Plant decommissioning	184,029	--	--	--	184,029
Revenue bond reserve	19,455	--	--	8,497	27,952
Operating reserve account	--	--	9,158	6,158	15,316
Passenger facility charge account	--	--	26,808	--	26,808
Renewal and replacement account	64	--	10,000	884	10,948
	$ 515,457	145,997	182,683	33,457	877,594

Capital assets -- Capital assets, which primarily include land and improvements, buildings and improvements, plant and equipment, vehicles, water rights, and infrastructure assets, are reported in the proprietary funds and the applicable governmental or business-type activity columns of the government-wide statement of net assets; related depreciation or amortization is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of $1,000 or more and an estimated useful life of greater than one year. Assets purchased, internally generated, or constructed are capitalized at historical cost. Contributed or annexed capital assets are recorded at estimated fair value at the time received. Capital outlay is recorded as an expenditure in the General Fund and other governmental funds and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred. Improvements and betterments that extend the useful lives of capital assets are capitalized in the government-wide and proprietary statement of net assets and expended in governmental funds.

The City obtains public domain capital assets (infrastructure) through capital improvement projects (CIP) construction or through annexation or developer contribution. Infrastructure assets include streets and roads, bridges, pedestrian facilities, drainage systems, and traffic signal systems acquired after September 30, 1980.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Interest is not capitalized on governmental capital assets. Enterprise funds, with the exception of the Electric Fund and Water and Wastewater Fund, capitalize interest paid on long-term debt when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by the bond proceeds issued to fund the project. Interest is not capitalized on Electric Fund and Water and Wastewater Fund assets in accordance with accounting for regulated operations.

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

		Business-type Activities			
Assets	Governmental Activities (1)	Electric	Water and Wastewater	Airport	Nonmajor Enterprise
Buildings	5-40	15-50	15-50	15-40	12-40
Plant and equipment	5-50	6-40	5-60	4-50	5-40
Vehicles	3-20	3-40	3-20	3-20	3-30
Communication equipment	7-15	7-18	7	7	7
Furniture and fixtures	7-12	12-40	12	10-12	7-12
Computers and EDP equipment	3-7	3-7	3-7	3-7	3-7
Water rights	--	--	101	--	--
Infrastructure					
Streets and roads	30	--	--	--	--
Bridges	50	--	--	--	--
Drainage systems	50	--	--	--	--
Pedestrian facilities	20	--	--	--	--
Traffic signals	25	--	--	--	--

(1) Includes internal service funds

Depreciation of assets is classified by functional component. The City considers land, arts and treasures, and library collections to be inexhaustible; therefore, these assets are reported as nondepreciable. The true value of arts, treasures, and library collections is expected to be maintained over time and, thus, is not depreciated.

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets.

Water rights represent the amortized cost of a $100 million contract, net of accumulated amortization of $10.9 million between the City and the Lower Colorado River Authority (LCRA) for a fifty-one year assured water supply agreement, with an option to extend another fifty years. The City and LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

Deferred Expenses or Credits -- In accordance with accounting for regulated operations, certain utility expenses that do not currently require funding are deferred to future periods in which they are intended to be recovered by rates. Likewise, certain credits to income are deferred to periods in which they are matched with related costs. These expenses or credits include changes in fair value of investments, contributions, and debt issuance costs, pension, other post employment benefits, interest, decommission, fuel recovery, etc. Deferred expenses will be recovered in these future periods by setting rates sufficient to provide funds for the requirements. If deferred expenses are not recoverable in future rates, the deferred expenses will be subject to write off. Retail deregulation of electric rates in the future may affect the City’s current accounting treatment of its electric utility revenues, expenses, and deferred amounts.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Deferred (Inflows) Outflows of Resources -- In accordance with GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, derivative instruments are reported in the statement of net assets at fair value, as either assets or liabilities. Changes in fair value of hedging derivative instruments are recognized through the application of hedge accounting as either deferred inflows or outflows in the statement of net assets, as an offset to the related hedging derivative instrument.

Compensated Absences -- The amounts owed to employees for unpaid vacation, exception vacation and sick leave liabilities, including the City's share of employment-related taxes, are reported on the accrual basis of accounting in the applicable governmental or business-type activity columns of the government-wide statements and in the proprietary activities of the fund financial statements. The liabilities and expenditures are reported on the modified accrual basis in the governmental fund financial statements; the estimated liability for governmental funds is the amount of sick and vacation paid at termination within 60 days of fiscal year-end.

Accumulated leave payouts are limited to the lower of actual accumulated hours or the hours listed below:

	Work-week	Non-Civil Service Employees (1)	Civil Service Police (2)	Civil Service Fire (3)
Vacation	0-40	240	240	240
	42	270	N/A	N/A
	48	309	N/A	N/A
	53	N/A	N/A	360
Exception vacation (4)	0-40	160	160	176
	42	160	N/A	N/A
	48	160	N/A	N/A
	53	N/A	N/A	264
Sick leave	0-40	720	1,400	720
	42	756	N/A	N/A
	48	926	N/A	N/A
	53	N/A	N/A	1080

(1) Non-civil service employees are eligible for accumulated sick leave payout if hired before October 1, 1986.
(2) Civil service police employees with 10 years of actual service are eligible for accumulated sick leave payout.
(3) Civil service fire employees are eligible for accumulated sick leave payout regardless of hire date.
(4) Exception vacation hours are hours accumulated by an employee when the employee works on a City holiday.

Other Post Employment Benefits -- The City provides certain health care benefits for its retired employees and their families as more fully described in Note 16. The City implemented GASB Statement No. 45 and reports the actuarially determined cost of these post-employment benefits, other than pensions. At September 30, 2010, the City's total actuarial accrued liability for these retiree benefits was approximately $1.1 billion. The City funds the costs of these benefits on a pay-as-you-go basis.

Long-Term Debt -- The debt service for general obligation bonds and other general obligation debt (including loans), issued to fund general government capital projects, is paid from tax revenues, interfund transfers, and intergovernmental revenues. Such general obligation debt is reported in the government-wide statements under governmental activities.

The debt service for general obligation bonds and other general obligation debt issued to finance proprietary fund capital projects is normally paid from net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principles and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds issued to finance capital projects of certain enterprise funds are to be repaid from net revenues of these funds. The corresponding debt is recorded in the applicable fund. Operating revenues and interest income that are used as security for revenue bonds are reported separately from other revenues.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

The City has certain contractual commitments with several municipal utility districts (MUDs) for the construction of additions and improvements to the City's water and wastewater system that serve the MUDs and surrounding areas. These additions and improvements are funded by contract revenue bonds, whose principal and interest are payable primarily from the net revenues of the Water and Wastewater Fund.

For proprietary funds and for governmental activities in the government-wide financial statements, the City defers and amortizes gains and losses realized on refundings of debt and reports both the new debt liability and the related deferred amount on the statement of net assets. The Electric Fund and Water and Wastewater Fund recognize gains and losses on debt defeasance in accordance with accounting for regulated operations.

Other Long-Term Liabilities -- Capital appreciation bonds are recorded at net accreted value. Annual accretion of the bonds is recorded as interest expense during the life of the bonds. The cumulative accretion of capital appreciation bonds, net of interest payments on the bonds, is recorded as capital appreciation bond interest payable.

Landfill Closure and Postclosure Care Costs -- Municipal solid waste landfill costs are reported in accordance with GASB Statement No. 18, *"Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs"*. The liability for landfill closure and postclosure costs is reported in the Solid Waste Services Fund, a nonmajor enterprise fund.

Operating Revenues -- Revenues are recorded net of allowances, including bad debt, in the government-wide and proprietary fund-level statements. The funds listed below report revenues net of bad debt expense, as follows (in thousands):

	Bad Debt Expense
Electric	$ 4,166
Water and Wastewater	1,469
Airport	120
Nonmajor Enterprise	1,184

Electric, water, and wastewater revenue is recorded when earned. Customers' electric and water meters are read and bills are rendered on a cycle basis by billing district. Electric rate schedules include a fuel cost adjustment clause that permits recovery of fuel costs in the month incurred or in future months. The City reports fuel costs on the same basis as it recognizes revenue. Unbilled revenue is recorded in the Electric Fund by estimating the daily power generation and allocating by each billing district meter read dates as of September 30, 2010. The amount of unbilled revenue recorded, as of September 30, 2010, for the Electric Fund was $40.4 million. The Water and Wastewater Fund records unbilled revenue as earned based upon the percentage of October's billing that represented water usage through September 30, 2010. The amount of unbilled revenue recorded as of September 30, 2010 was $11.2 million for water and $10.7 million for wastewater.

Interfund Revenues, Expenses, and Transfers -- Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved, such as billing for utility services. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Transfers between funds are reported in the operations of governmental and proprietary funds. In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the chargeback of services, such as utilities or vehicle maintenance, and charges for central administrative costs. Elimination of these charges would distort the direct costs and program revenues of the various functions reported. The City recovers indirect costs that are incurred in the Support Services Fund, which is reported as an internal service fund. Indirect costs are calculated in a citywide cost allocation plan or through indirect cost rates, which are based on the cost allocation plan.

Intergovernmental Revenues, Receivables, and Liabilities -- Intergovernmental revenues and related receivables arise primarily through funding received from Federal and State grants. Revenues are earned through expenditure of money for grant purposes. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local governmental units.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued
e -- Financial Statement Elements, continued

Federal and State Grants, Entitlements, and Shared Revenues -- Grants, entitlements, and shared revenues may be accounted for within any City fund. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the appropriate fund statement and revenue category in which to report the related transactions. Grants, entitlements, and shared revenues received for activities normally recorded in a particular fund may be accounted for in that fund, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally accounted for within the nonmajor governmental fund groupings include: Federal grant funds, State grant funds, and other special revenue grant funds. Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary type funds, are accounted for in the applicable capital projects funds. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenditures are recognized in the applicable proprietary fund.

Restricted Resources -- If both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and unrestricted resources as needed.

Reservations of Fund Equity -- Reservation of fund balances of the governmental funds indicate the portion of fund equity that is not available for appropriation for expenditure or is legally restricted by outside parties for use for a specific purpose. Designations of fund balance are the representations of management for the utilization of resources in future periods.

Cash and Cash Equivalents -- For purposes of the statement of cash flows, the City considers cash and cash equivalents to be currency on hand, cash held by trustee, demand deposits with banks, and all amounts included in pooled investments and cash accounts. The City considers the investment pool to be highly liquid, similar to a mutual fund.

Pension Costs -- State law governs pension contribution requirements and benefits. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (see Note 8).

Risk Management -- The City is exposed to employee-related risks for health benefits and workers' compensation, as well as to various risks of loss related to torts; theft of, damage to, or destruction of assets; fraud; and natural disasters. The City is self-insured for legal liabilities, workers' compensation claims, and employee health benefits.

The City does not participate in a risk pool but purchases commercial insurance for coverage for property loss or damage, commercial crime, fidelity bonds, airport operations, and contractors working at selected capital improvement project sites. It complies with GASB Statement No. 10, *"Accounting and Reporting for Risk Financing and Related Insurance Issues"* (see Note 15).

Austin Energy has established an energy risk management program. This program was authorized by City Council and led by the risk oversight committee. Under this program, Austin Energy enters into futures contracts, options, and swaps to reduce exposure to natural gas and energy price fluctuations. For additional details see Note 14.

f -- Comparative Data

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A). Comparative data has been utilized within the MD&A to more fully understand the City's financial statements for the current period.

g -- Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2 – RESTATEMENT AS A RESULT OF THE IMPLEMENTATION OF A NEW ACCOUNTING STANDARD

During fiscal year 2010, the City implemented a new accounting standard, GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets,* which established standards of accounting and reporting for intangible assets. GASB Statement No. 51 requires a restatement of prior financial statements for prior period impacts of implementation. The statement addresses the basis of the useful life of an intangible asset. The City assessed the useful life of the Water and Wastewater Fund's water rights agreement and determined that the useful life should be adjusted from 40 years to 101.25 years to reflect the time period of the contract, including the renewal period. In accordance with accounting for regulated operations, the City also assessed the effect of the implementation of GASB Statement No. 51 on the regulatory accounting for the portion of the water rights funded by debt. The City has restated the beginning net assets in 2010 for the Water and Wastewater Fund and Business-type activities to reflect this implementation as follows:

	Exhibit A-2	Exhibit C-2	
	Business-Type Activities	Water and Wastewater	Business-Type Activities
Net assets at September 30, 2009, as previously reported	$ 2,886,129	497,647	2,879,400
Adjustments to properly record:			
Implementation of GASB Statement No. 51	15,125	15,125	15,125
Implementation effect on accounting for regulated operations	(10,990)	(10,990)	(10,990)
Net assets at September 30, 2009, as restated	$ 2,890,264	501,782	2,883,535

3 – DEFICITS IN FUND BALANCES AND NET ASSETS

At September 30, 2010, the following funds reported deficits in fund balances/net assets (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issues.

Nonmajor Governmental	**Deficit**
Special Revenue Funds:	
Medicaid Administrative Claims	$ 696
PARD Police Asset Forfeitures	2
Senior Nutrition	10
Performance Contracting	1,051
City Hall	117
Mueller Tax Increment Financing	212
One Texas Center	600
RMMA Reimbursement	18
Rutherford Lane Facility	792
Capital Projects Funds:	
Street & traffic signals	8
Parks and recreation facilities	288
Libraries	17
Radio Trunking	537
Affordable Housing	22,038
Central Library	225
TPSD general improvements	1,916
Build Austin	281
CMTA Mobility	458
Police and courts	5,584
Public Works	184
Watershed Protection	663
City Hall, plaza, parking garage	7,055
Conservation Land	15
Nonmajor Enterprise	
Parks and recreation	326

4 – POOLED INVESTMENTS AND CASH

The following summarizes the amounts of pooled investments and cash by fund at September 30, 2010 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	**Restricted**
General Fund	$ 102,327	--
Nonmajor governmental funds	240,391	--
Electric	133,576	82,915
Water and Wastewater	27,675	39,199
Airport	1,800	166,790
Nonmajor enterprise funds	146,739	20,326
Internal service funds	101,239	--
Fiduciary funds	5,054	--
Subtotal pooled investments and cash	758,801	309,230
Total pooled investments and cash	$ 1,068,031	

5 – INVESTMENTS AND DEPOSITS
a -- Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal and liquidity; addresses investment diversification, yield, and maturity; and addresses the quality and capability of investment personnel. The investment policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under chapter 2256 of the Texas Government Code.

The City's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the City Council. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment, and the maximum average dollar weighted maturity allowed for pooled fund groups. In addition, it includes an "Investment Strategy Statement" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation, and safety of principal, liquidity, marketability, diversification, and yield. Additionally, the soundness of financial institutions in which the City will deposit funds is addressed.

The City Treasurer submits an investment report each quarter to the investment committee. The report details the investment position of the City and the compliance of the investment portfolio as it relates to both the adopted investment strategy statements and Texas state law.

The City is authorized to invest in the following investment instruments if they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
4. Obligations of other states, cities, counties or other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent;
5. Bankers' acceptances so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, is eligible collateral for borrowing from a Federal Reserve Bank and is accepted by a domestic bank whose short-term obligations are rated at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated;
6. Commercial paper with a stated maturity of 270 days or less from the date of its issuance that is either rated not less than A-1, P-1 or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1 or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;

5 – INVESTMENTS AND DEPOSITS, continued
a -- Investments, continued

7. Collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy;
8. Certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or as further described in the Investment Policy;
9. Certificates of deposit issued by savings banks domiciled in Texas;
10. Share certificates issued by a state or federal credit unions domiciled in Texas;
11. Money market mutual funds; and
12. Local government investment pools (LGIPs).

The City participates in three local government investment pools: TexPool, TexasDAILY, and TexStar. The State Comptroller oversees TexPool, with Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexasDAILY, an advisory board consisting of participants or their designees maintains oversight responsibility for TexasDAILY. PFM Asset Management LLC manages the daily operations of the pool under a contract with the advisory board. JPMorgan Investment Management, Inc. and First Southwest Asset Management, Inc. serve as co-administrators for TexStar under an agreement with the TexStar board of directors.

The City invests in TexPool, TexasDAILY, and TexStar to provide its liquidity needs. TexPool, TexasDAILY, and TexStar are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, TexasDAILY, and TexStar are 2(a)7-like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of $1.00, although this cannot be fully guaranteed. TexPool, TexasDAILY, and TexStar are rated AAAm and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2010, TexPool, TexasDAILY, and TexStar had a weighted average maturity of 30 days, 52 days and 46 days, respectively. The City considers the holdings in these funds to have a weighted average maturity of one day, due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

The City did not participate in any reverse repurchase agreements or security lending agreements during fiscal year 2010.

All city investments are insured, registered, or held by an agent in the City's name; therefore, the City is not exposed to custodial credit risk.

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2010 (in thousands):

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 21,901	291,270	--	313,171
Money Market Funds	--	54,276	--	54,276
US Treasury Notes	--	79,344	--	79,344
US Agency Bonds	--	138,882	--	138,882
US Agency Bonds-Step	--	4,995	--	4,995
Total non-pooled investments	21,901	568,767	--	590,668
Pooled investments:				
Local Government Investment Pools	204,394	284,992	2,327	491,713
US Agency Bonds	239,453	333,921	2,680	576,054
US Agency Bonds-Step	4,156	5,794	47	9,997
Total pooled investments	448,003	624,707	5,054	1,077,764
Total investments	$ 469,904	1,193,474	5,054	1,668,432

5 – INVESTMENTS AND DEPOSITS, continued
a -- Investments, continued

Concentration of Credit Risk
At September 30, 2010, the City of Austin was exposed to concentration of credit risk since it held investments with more than five percent of the total investment portfolio balances of the City in securities of the following issuers (in millions): Federal Farm Credit Bank ($176.6 or 11%), Federal Home Loan Bank ($166.6 or 10%), Federal Home Loan Mortgage Corporation ($205.3 or 12%), and Federal National Mortgage Association ($181.4 or 11%).

b -- Investment categories

The risk exposures for governmental and business-type activities, individual major funds, nonmajor funds in the aggregate, and fiduciary fund types of the City are not significantly greater than the deposit and investment risk of the primary government. The Investment Policy segregates the portfolios into strategic categories including:

1. Operating funds excluding a special project fund;
2. Debt service funds;
3. Special project fund;
4. Special purpose funds.

Complying with the City's Investment Policy, which includes qualification of the brokers and financial institutions with whom the City will transact, sufficient collateralization, portfolio diversification, and maturity limitations, controls the City's credit risk.

Operating Funds
As of September 30, 2010, the City operating funds had the following investments:

	Fair Value (in thousands)				
Investment Type	**Governmental Activities**	**Business-type Activities**	**Fiduciary Funds**	**Total**	**Weighted Average Maturity (days)**
Local Government Investment Pools	$ 204,394	284,992	2,327	491,713	1
US Agency Bonds	239,453	333,921	2,680	576,054	538
US Agency Bonds-Step	4,156	5,794	47	9,997	1,057
Total	$ 448,003	624,707	5,054	1,077,764	296

Credit Risk
None of the portfolio consists of direct obligations of the US government. As of September 30, 2010, Standard and Poor's issued the following ratings for other investments:

Local Government Investment Pools	46%	AAAm
US Agencies	54%	AAA

Concentration of Credit Risk
At September 30, 2010, the operating funds held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank ($141.5 or 13%), Federal Home Loan Bank ($117.1 or 11%), Federal Home Loan Mortgage Corporation ($166.2 or 15%), and Federal National Mortgage Association ($161.3 or 15%).

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements. Three years is the maximum period before maturity.

At September 30, 2010, less than half of the Investment Pool was invested in AAAm rated LGIPS (2(a) 7-like pools), with the remainder invested in short-to-medium term US Agency obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity of all securities was 296 days, which was less than the threshold of 365 days.

5 – INVESTMENTS AND DEPOSITS, continued
b -- Investment categories, continued

Debt Service Funds
As of September 30, 2010, the City's debt service funds had the following investments:

Investment Type	Fair Value (in thousands) Governmental Activities	Business-type Activities	Final Maturity
General Obligation Debt Service			
Local Government Investment Pools	$ 21,901	--	N/A
Enterprise-Utility (1)			
Local Government Investment Pools	--	182,213	N/A
Enterprise-Airport			
Local Government Investment Pools	--	14,097	N/A
Nonmajor Enterprise-Convention Center			
Local Government Investment Pools	--	18,596	N/A
Total	$ 21,901	214,906	

(1) Includes combined pledge debt service

Credit Risk
As of September 30, 2010, Standard and Poor's rated TexPool AAAm.

Interest Rate Risk
Investment strategies for debt service funds have as the primary objective the assurance of investment liquidity adequate to cover the debt service obligation on the required payment date. As a means of minimizing risk of loss due to interest rate fluctuations, securities purchased cannot have a stated final maturity date which exceeds the debt service payment date.

Special Project Fund
Airport Construction
As of September 30, 2010, the City's special project fund had the following investments:

Investment Type	Fair Value (in thousands) Business-type Activities	Final Maturity
Local Government Investment Pools	$ 76	N/A

Credit Risk
As of September 30, 2010, Standard and Poor's rated TexPool AAAm.

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities in this category not exceed the anticipated cash flow requirements of the funds.

Special Purpose Funds
Austin Energy Strategic Reserve Fund
As of September 30, 2010, the City's Special Purpose Fund (Austin Energy Strategic Reserve Fund) had the following investments:

Investment Type	Fair Value (in thousands)	Weighted Average Maturity (days)
Local Government Investment Pools	$ 32,231	1
US Treasury Notes	32,719	1,030
US Agency Bonds	71,747	1,002
US Agency Bonds-Step	4,998	990
Total	$ 141,695	773

5 – INVESTMENTS AND DEPOSITS, continued
b -- Investment categories, continued

Credit Risk
At September 30, 2010, the Austin Energy Strategic Reserve Fund held an investment in TexPool, an LGIP rated AAAm by Standard and Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Standard and Poor's rated the US Agency Bonds AAA. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk
At September 30, 2010, the Austin Energy Strategic Reserve Fund held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank ($15.2 or 11%), Federal Home Loan Bank ($21.4 or 15%), Federal Home Loan Mortgage Corporation ($20.0 or 14%), and Federal National Mortgage Association ($20.1 or 14%).

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities in this category not exceed the anticipated cash flow requirements of the funds.

At September 30, 2010, the portfolios held investments in TexPool (AAAm rated LGIP), US Treasuries, and US Agencies with maturities that will meet anticipated cash flow requirements and an overall dollar weighted average maturity of 773 days (2.12 years).

Austin Energy Nuclear Decommissioning Trust Funds
As of September 30, 2010, the City's Special Purpose Fund (Nuclear Decommissioning Trust Funds, NDTF) had the following investments:

Investment Type	Fair Value (in thousands)	Weighted Average Maturity (years)
US Treasury Notes	$ 46,625	4.06
US Agency Bonds	67,132	3.14
Money Market Funds	54,276	1 day
Total	$ 168,033	2.52

Credit Risk
As of September 30, 2010, Standard and Poor's rated the US Agency Bonds AAA and the Money Market Fund AAAm. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk
At September 30, 2010, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank ($19.8 or 12%), Federal Home Loan Bank ($28.2 or 17%), and Federal Home Loan Mortgage Corporation ($19.1 or 11%).

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy for the Nuclear Decommissioning Trust Funds portfolios requires that the dollar weighted average maturity, using final stated maturity dates, shall not exceed seven years, although the portfolio's weighted average maturity may be substantially shorter if market conditions so dictate. At September 30, 2010, the dollar weighted average maturity was 2.52 years.

Combined Utility Reserve
As of September 30, 2010, the City's special project fund had the following investments:

Investment Type	Fair Value (in thousands) Business-type Activities	Final Maturity
Local Government Investment Pools	$ 44,057	N/A

Credit Risk
As of September 30, 2010, Standard and Poor's rated TexPool AAAm.

5 – INVESTMENTS AND DEPOSITS, continued
b -- Investment categories, continued

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities in this category not exceed the anticipated cash flow requirements of the funds.

c -- Investments and Deposits

Investments and deposits portfolio balances at September 30, 2010, are as follows (in thousands):

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Non-pooled investments and cash	$ 24,489	568,933	--	593,422
Pooled investments and cash	451,379	629,415	5,054	1,085,848
Total investments and cash	475,868	1,198,348	5,054	1,679,270
Unrestricted cash	76	65	--	141
Restricted cash	2,512	101	--	2,613
Pooled investments and cash	451,379	629,415	5,054	1,085,848
Investments	21,901	568,767	--	590,668
Total investments and cash	$ 475,868	1,198,348	5,054	1,679,270

A difference of $17.8 million exists between portfolio balance and book balance, primarily due to deposits in transit offset by outstanding checks.

Deposits
The September 30, 2010, carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	Governmental Activities	Business-Type Activities	Total
Cash			
Unrestricted	$ 76	65	141
Cash held by trustee			
Restricted	2,512	101	2,613
Pooled cash	3,376	4,708	8,084
Total deposits	$ 5,964	4,874	10,838

All bank accounts were either insured or collateralized with securities held by the City or its agents in the City's name at September 30, 2010.

6 – PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 2009, upon which the 2010 levy was based, was $80,960,540,976.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2010, 98.97% of the current tax levy (October 1, 2009) was collected. The statutory lien date is January 1.

The methods of property assessment and tax collection are determined by Texas statutes. The statutes provide for a property tax code, countywide appraisal districts, a State property tax board, and certain exemptions from taxation, such as intangible personal property, household goods, and family-owned automobiles.

6 – PROPERTY TAXES, continued

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District, the Williamson Central Appraisal District, and the Hays Central Appraisal District. The appraisal districts are required under the Property Tax Code to assess all real and personal property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every two years; however, the City may require more frequent reviews of appraised values at its own expense. The Travis Central Appraisal District and the Hays Central Appraisal District have chosen to review the value of property in their respective districts every two years, while the Williamson Central Appraisal District has chosen to review the value of property on an annual basis. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The City is authorized to set tax rates on property within the city limits. However, if the effective tax rate, excluding tax rates for bonds, certificates of obligation, and other contractual obligations, as adjusted for new improvements and revaluation, exceeds the rate for the previous year by more than 8%, State statute allows qualified voters of the City to petition for an election to determine whether to limit the tax rate increase to no more than 8%.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Under the city charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at $1.00 per $100 assessed valuation. A practical limitation on taxes levied for debt service of $1.50 per $100 of assessed valuation is established by state statute and city charter limitations. Through contractual arrangements, Travis, Williamson, and Hays Counties bill and collect property taxes for the City.

The tax rate to finance general governmental functions, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2010, was $.2950 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $.7050 per $100 assessed valuation, and could levy approximately $570,771,814 in additional taxes from the assessed valuation of $80,960,540,976 before the legislative limit is reached.

The City has reserved a portion of the taxes collected for lawsuits filed by certain taxpayers against the appraisal districts challenging assessed values in the government-wide financial statements.

7 – CAPITAL ASSETS AND INFRASTRUCTURE

The City has recorded capitalized interest for fiscal year 2010 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

Enterprise Funds	
Major fund:	
Airport	$ 1,370
Nonmajor enterprise funds:	
Convention Center	962
Drainage	1,278
Golf	3
Solid Waste Services	220
Transportation	96

Interest is not capitalized on governmental capital assets. In accordance with accounting for regulated operations, interest is also not capitalized on electric and water and wastewater capital assets.

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Governmental Activities

Capital asset activity for the year ended September 30, 2010, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 324,546	13,262	(5,351)	332,457
Arts and treasures	5,724	201	(11)	5,914
Library collections	14,069	340	(20)	14,389
Total	344,339	13,803	(5,382)	352,760
Depreciable property, plant, and equipment in service				
Building and improvements	633,147	14,719	(3,221)	644,645
Plant and equipment	153,341	9,427	(6,187)	156,581
Vehicles	94,017	6,730	(7,485)	93,262
Infrastructure	1,930,110	39,833	(182)	1,969,761
Total	2,810,615	70,709	(17,075)	2,864,249
Less accumulated depreciation for				
Building and improvements	(183,644)	(18,901)	5	(202,540)
Plant and equipment	(80,293)	(17,933)	5,188	(93,038)
Vehicles	(57,522)	(8,096)	7,089	(58,529)
Infrastructure	(674,838)	(57,580)	68	(732,350)
Total	(996,297)	(102,510) (2)	12,350	(1,086,457)
Net property, plant, and equipment in service	1,814,318	(31,801)	(4,725)	1,777,792
Other capital assets				
Construction in progress	144,606	170,095	(73,043)	241,658
Total capital assets	$ 2,303,263	152,097	(83,150)	2,372,210

(1) Increases and decreases do not include transfers (at net book value) between Governmental Activities.

(2) Depreciation expense was charged to functions and internal service funds as follows (in thousands):

Governmental activities:	
General government	$ 5,489
Public safety	12,574
Transportation, planning, and sustainability	48,704
Public health	1,327
Public recreation and culture	9,974
Urban growth management	15,926
Internal service funds	8,516
Total increases in accumulated depreciation	$ 102,510

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Electric Fund

Capital asset activity for the year ended September 30, 2010, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 64,007	1,193	--	65,200
Total	64,007	1,193	--	65,200
Depreciable property, plant, and equipment in service				
Building and improvements	652,394	2,981	(102)	655,273
Plant and equipment	3,111,288	251,791	(27,877)	3,335,202
Vehicles	28,190	3,081	(2,102)	29,169
Total	3,791,872	257,853	(30,081)	4,019,644
Less accumulated depreciation for				
Building and improvements	(343,288)	(17,826)	98	(361,016)
Plant and equipment	(1,438,308)	(101,136)	21,756	(1,517,688)
Vehicles	(16,385)	(2,608)	2,037	(16,956)
Total	(1,797,981)	(121,570) (1)	23,891	(1,895,660)
Net property, plant, and equipment in service	1,993,891	136,283	(6,190)	2,123,984
Other capital assets				
Construction in progress	385,600	201,877	(259,281)	328,196
Nuclear fuel, net of amortization	33,117	14,800	(13,562)	34,355
Plant held for future use	27,783	--	--	27,783
Total capital assets	$ 2,504,398	354,153	(279,033)	2,579,518

(1) Components of accumulated depreciation increases:	
Current year depreciation	$ 121,570

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Water and Wastewater Fund

Capital asset activity for the year ended September 30, 2010, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 205,569	7,375	(103)	212,841
Total	205,569	7,375	(103)	212,841
Depreciable property, plant, and equipment in service				
Building and improvements	536,428	11,089	(180)	547,337
Plant and equipment	2,629,053	235,230	(5,173)	2,859,110
Vehicles	30,923	3,738	(1,623)	33,038
Total	3,196,404	250,057	(6,976)	3,439,485
Less accumulated depreciation for				
Building and improvements	(174,704)	(12,041)	--	(186,745)
Plant and equipment	(848,338)	(70,038)	2,782	(915,594)
Vehicles	(17,879)	(2,638)	1,491	(19,026)
Total	(1,040,921)	(84,717) (2)	4,273	(1,121,365)
Net property, plant, and equipment in service	2,155,483	165,340	(2,703)	2,318,120
Other capital assets				
Construction in progress	288,694	210,681	(245,965)	253,410
Water rights, net of amortization	90,124	--	(988) (3)	89,136
Total capital assets	$ 2,739,870	383,396	(249,759)	2,873,507

(1) Increases and decreases do not include transfers (at net book value) between Water and Wastewater activities.

(2) Components of accumulated depreciation increases:

Current year depreciation	
Water	$ 35,566
Wastewater	49,151
	$ 84,717

(3) Components of water rights, net of amortization decreases:

Current year amortization - Water	$ 988

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport Fund

Capital asset activity for the year ended September 30, 2010, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 94,155	937	--	95,092
Arts and treasures	822	--	--	822
Total	94,977	937	--	95,914
Depreciable property, plant, and equipment in service				
Building and improvements	649,650	12,473	--	662,123
Plant and equipment	23,341	1,476	(2,187)	22,630
Vehicles	5,678	473	(610)	5,541
Total	678,669	14,422	(2,797)	690,294
Less accumulated depreciation for				
Building and improvements	(160,720)	(17,175)	--	(177,895)
Plant and equipment	(10,160)	(1,587)	886	(10,861)
Vehicles	(3,108)	(392)	471	(3,029)
Total	(173,988)	(19,154) (1)	1,357	(191,785)
Net property, plant, and equipment in service	504,681	(4,732)	(1,440)	498,509
Other capital assets				
Construction in progress	27,054	15,315	(13,236)	29,133
Total capital assets	$ 626,712	11,520	(14,676)	623,556

(1) Components of accumulated depreciation increases:	
Current year depreciation	$ 19,154

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2010, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 84,922	6,120	--	91,042
Arts and treasures	612	--	--	612
Total	85,534	6,120	--	91,654
Depreciable property, plant, and equipment in service				
Building and improvements	320,777	301	(315)	320,763
Plant and equipment	121,709	13,321	(2,247)	132,783
Vehicles	65,682	10,674	(3,989)	72,367
Total	508,168	24,296	(6,551)	525,913
Less accumulated depreciation for				
Building and improvements	(88,058)	(9,392)	134	(97,316)
Plant and equipment	(33,151)	(5,615)	519	(38,247)
Vehicles	(34,840)	(7,047)	3,669	(38,218)
Total	(156,049)	(22,054) (2)	4,322	(173,781)
Net property, plant, and equipment in service	352,119	2,242	(2,229)	352,132
Other capital assets				
Construction in progress	45,950	37,578	(27,703)	55,825
Total capital assets	$ 483,603	45,940	(29,932)	499,611

(1) Increases and decreases do not include transfers (at net book value) between nonmajor enterprise funds.

(2) Components of accumulated depreciation increases:

Current year depreciation	
Convention Center	$ 8,307
Environmental and health services	6,157
Public recreation	669
Urban growth management	6,921
Total increases in accumulated depreciation	$ 22,054

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2010, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 448,653	15,625	(103)	464,175
Arts and treasures	1,434	--	--	1,434
Total	450,087	15,625	(103)	465,609
Depreciable property, plant, and equipment in service				
Building and improvements	2,159,249	26,844	(597)	2,185,496
Plant and equipment	5,885,391	501,803	(37,469)	6,349,725
Vehicles	130,473	17,951	(8,309)	140,115
Total	8,175,113	546,598	(46,375)	8,675,336
Less accumulated depreciation for				
Building and improvements	(766,770)	(56,434)	232	(822,972)
Plant and equipment	(2,329,957)	(178,376)	25,943	(2,482,390)
Vehicles	(72,212)	(12,685)	7,668	(77,229)
Total	(3,168,939)	(247,495) (2)	33,843	(3,382,591)
Net property, plant, and equipment in service	5,006,174	299,103	(12,532)	5,292,745
Other capital assets				
Construction in progress	747,298	465,451	(546,185)	666,564
Nuclear fuel, net of amortization	33,117	14,800	(13,562)	34,355
Plant held for future use	27,783	--	--	27,783
Water rights, net of amortization	90,124	--	(988) (3)	89,136
Total capital assets	$ 6,354,583	794,979	(573,370)	6,576,192

(1) Increases and decreases do not include transfers (at net book value) between business-type activities.

(2) Depreciation expense was charged to functions as follows (in thousands):

Business-type activities:	
Electric	$ 121,570
Water	35,566
Wastewater	49,151
Airport	19,154
Convention Center	8,307
Environmental and health services	6,157
Public recreation	669
Urban growth management	6,921
Total increases in accumulated depreciation	$ 247,495

(3) Components of water rights, net of amortization decreases:

Current year amortization - Water	$ 988

8 – RETIREMENT PLANS

a -- Description

The City participates in funding three contributory, defined benefit retirement plans: City of Austin Employees' Retirement and Pension Fund, City of Austin Police Officers' Retirement and Pension Fund, and Fire Fighters' Relief and Retirement Fund of Austin, Texas. An independent board of trustees administers each plan. These plans are Citywide single employer funded plans that cover substantially all full-time employees. The fiscal year of each pension fund ends December 31. The most recently available financial statements of the pension funds are for the year ended December 31, 2009. Membership in the plans at December 31, 2009, is as follows:

	City Employees	Police Officers	Fire Fighters	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	5,061	534	539	6,134
Current employees	8,142	1,651	1,025	10,818
Total	13,203	2,185	1,564	16,952

Each plan provides service retirement, death, disability, and withdrawal benefits. State law governs benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas.

Financial reports that include financial statements and supplementary information for each plan are publicly available at the locations shown below.

Plan	Address	Telephone
Employees' Retirement and Pension Fund	418 E. Highland Mall Blvd. Austin, Texas 78752 www.coaers.org	(512)458-2551
Police Officers' Retirement and Pension Fund	2520 S. IH 35, Ste. 205 Austin, Texas 78704 www.ausprs.org	(512)416-7672
Fire Fighters' Relief and Retirement Fund	4101 Parkstone Heights Dr., Ste. 270 Austin, Texas 78746 www.afrs.org	(512)454-9567

b -- Funding Policy

	City of Austin Employees' Retirement And Pension Fund	City of Austin Police Officers' Retirement and Pension Fund	Fire Fighters' Relief and Retirement Fund
Authority establishing contributions obligation	State Legislation	State Legislation	State Legislation
Frequency of contribution	Biweekly	Biweekly	Biweekly
Employee's contribution (percent of earnings)	8.0%	13.0%	15.7%
City's contribution (percent of earnings)	12% (1)	18.63% (2)	18.05% (3)

(1) The City contribution includes an 8% employee match plus a subsidy contribution of 4%. The City contributes two-thirds of the cost of prior service benefit payments.
(2) A rate of 18.63% was effective October 1, 2009. This rate increased to 19.63% effective October 1, 2010.
(3) This rate increased to 19.05% effective October 1, 2010.

8 – RETIREMENT PLANS, continued
b -- Funding Policy, continued

While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted. Contributions for fiscal year ended September 30, 2010, are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
City	$ 50,877	22,878	13,621	87,376
Employees	33,784	15,959	11,847	61,590
Total contributions	$ 84,661	38,837	25,468	148,966

c -- Annual Pension Cost and Net Pension Obligation (Asset)

The City's annual pension cost of $109,226,000 for fiscal year ended September 30, 2010, was $21,850,000 more than the City's actual contributions. Three-year trend information is as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
City's Annual Pension Cost (APC):				
2008	$ 56,848	19,872	14,835	91,555
2009	59,067	19,909	10,102	89,078
2010	78,559	20,609	10,058	109,226
Percentage of APC contributed:				
2008	65%	100%	87%	N/A
2009	69%	97%	135%	N/A
2010	69%	112%	133%	N/A
Net Pension Obligation (Asset):				
2008	$ 63,740	--	3,709	67,449
2009	82,146	646	218	83,010
2010	106,376	(1,799)	(3,144)	101,433

The Net Pension Obligation associated with the City Employees' Retirement and Pension Fund, the Police Officers' Retirement and Pension Fund, and the Fire Fighters' Relief and Retirement Fund is as follows (in thousands):

	City Employees	Police Officers	Fire Fighters
Annual required contribution	$ 77,163	20,600	10,051
Interest in net pension obligation	6,099	37	32
Adjustment to annual required contribution	(4,703)	(28)	(25)
Annual pension cost	78,559	20,609	10,058
Employer contributions	(54,329)	(23,054)	(13,420)
Change in net pension obligation	24,230	(2,445)	(3,362)
Beginning net pension obligation	82,146	646	218
Net pension obligation (asset)	$ 106,376	(1,799)	(3,144)

8 – RETIREMENT PLANS, continued
c -- Annual Pension Cost and Net Pension Obligation, continued

The latest actuarial valuations for the City Employees' Retirement and Pension Fund, the Police Officers' Retirement and Pension Fund, and the Austin Fire Fighters' Relief and Retirement Fund were completed as of December 31, 2009. The actuarial cost method and significant assumptions underlying the actuarial calculations are as follows:

	City Employees	Police Officers	Fire Fighters
Actuarial Cost Method	Entry Age Normal	Entry Age	Entry Age Normal
Asset Valuation Basis	5-year smoothed market	5-year adjusted market value	20% of market value plus 80% of expected actuarial value
Inflation Rate	3.25%	4%	3.5%
Projected Annual Salary Increases	5% to 6%	6.8% average	1% to 13.1%
Post retirement benefit increase	None	None	1% per year
Assumed Rate of Return on Investments	7.75%	8%	7.75%
Amortization method	Level percent of projected pay, open	Level percent of projected payroll, open	Level percent of projected pay, open
Remaining Amortization Period	30 years	30 years	30 years

d -- Schedule of funding progress

Information pertaining to the schedule of funding progress for each plan is as follows (in thousands):

Valuation Date, December 31st	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
City Employees						
2009	$ 1,672,470	2,330,937	658,467	71.8%	442,539	148.8%
Police Officers						
2009	518,112	733,635	215,523	70.6%	122,928	175.3%
Fire Fighters (2)						
2009	589,261	664,185	74,924	88.7%	78,980	94.9%

(1) UAAL – Unfunded Actuarial Accrued Liability
(2) The actuarial study for the Fire Fighters' plan is performed biannually.

The schedule of funding progress, presented as RSI, presents multiyear trend information regarding the ratio of the actuarial value of assets and actuarial accrued liabilities.

9 – SELECTED REVENUES

a -- Major enterprise funds

Electric and Water and Wastewater

The Texas Public Utility Commission (PUC) has jurisdiction over electric utility wholesale transmission rates. On June 9, 2006, the PUC approved the City's most recent wholesale transmission rate of $1.002466/kW. Transmission revenues totaled approximately $60.7 million in 2010. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council determines electric utility and water and wastewater utility rates based on the cost of operations and a debt service coverage approach.

Under a bill passed by the Texas Legislature in 1999, municipally-owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. As of September 30, City management has elected not to enter the retail market, as allowed by State law.

Electric rates include a fixed rate and a fuel recovery cost-adjustment factor that allows recovery of coal, gas, purchased power, and other fuel costs. If actual fuel costs differ from amounts billed to customers, deferred or unbilled revenues are recorded by the electric utility. Any over- or under-collections are applied to the cost-adjustment factor. The fuel factor is reviewed annually on a calendar year basis or when over- or under-recovery is more than 10% of expected fuel costs.

Airport

The City has entered into certain lease agreements as lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In fiscal year 2010, the Airport Fund revenues included minimum concession guarantees of $8,458,468.

The following is a schedule by year of minimum future rentals on noncancelable operating leases with remaining terms of up to fifteen years for the Airport Fund as of September 30, 2010 (in thousands):

Fiscal Year Ended September 30	Enterprise Airport Lease Receipts
2011	$ 11,568
2012	11,425
2013	11,420
2014	8,745
2015	3,559
2016-2020	5,152
2021-2023	209
Totals	$ 52,078

Projection of minimum future rentals for the Austin-Bergstrom Landhost Enterprises, Inc. is based on the current adjusted minimum rent for the period May 1, 2009 through April 30, 2014. The minimum rent is adjusted every five years commensurate with the percentage increase in the Consumer Price Index – Urban Wage Earners and Clerical Workers, U.S. Owner Average, (CPI) published by the U.S. Department of Labor Bureau of Labor Statistics over the five-year period.

10 – DEBT AND NON-DEBT LIABILITIES

a -- Long-Term Liabilities

Payments on bonds for governmental activities will be made from the general obligation debt service funds. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, and internal service funds. Claims payable will be liquidated by internal service funds. Deferred revenue and other liabilities that pertain to governmental activities will be liquidated by the General Fund, special revenue funds, general governmental capital improvement projects funds, and internal service funds.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all limitations and restrictions.

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included in governmental activities.

10 – DEBT AND NON-DEBT LIABILITIES, continued
a -- Long-Term Liabilities, continued

The following is a summary of changes in long-term obligations. Certain long-term obligations provide financing to both governmental and business-type activities. Balances at September 30, 2010 (in thousands):

Description	October 1, 2009	Increases	Decreases	September 30, 2010	Amounts Due Within One Year
Governmental activities (1)					
General obligation bonds, net	$ 845,741	--	(56,122)	789,619	53,247
Certificates of obligation, net	78,525	--	(6,939)	71,586	7,750
Contractual obligations, net	28,456	15,000	(5,161)	38,295	5,236
General obligation bonds and other tax supported debt total	952,722	15,000	(68,222)	899,500	66,233
Capital lease obligations	468	248	--	716	283
Debt service requirements total	953,190	15,248	(68,222)	900,216	66,516
Other long-term obligations					
Accrued compensated absences	109,460	3,258	(220)	112,498	47,127
Claims payable	30,277	4,162	(1,004)	33,435	17,865
Pension obligation payable	43,052	10,684	--	53,736	--
Other post employment benefits	109,851	59,581	--	169,432	--
Other liabilities	90,266	1,644	(8,257)	83,653	70,183
Governmental activities total	1,336,096	94,577	(77,703)	1,352,970	201,691
Business-type activities:					
Electric activities					
General obligation bonds, net	1,186	--	(73)	1,113	73
Contractual obligations	231	--	(152)	79	79
General obligation bonds and other tax supported debt total	1,417	--	(225)	1,192	152
Commercial paper notes, net	140,707	94,448	(150,000)	85,155	8,603
Revenue bonds, net	1,236,140	220,245	(130,102)	1,326,283	75,084
Capital lease obligations	1,164	133	-	1,297	38
Debt service requirements total	1,379,428	314,826	(280,327)	1,413,927	83,877
Other long-term obligations					
Accrued compensated absences	11,644	776	(844)	11,576	10,681
Decommissioning expense payable	167,001	--	(16,410)	150,591	--
Pension obligation payable	17,824	5,793	--	23,617	--
Other post employment benefits	26,633	14,445	--	41,078	--
Deferred credits and other liabilities	231,569	58,829	--	290,398	75,689
Electric activities total	1,834,099	394,669	(297,581)	1,931,187	170,247
Water and Wastewater activities					
General obligation bonds, net	1,682	--	(503)	1,179	569
Contractual obligations, net	15,312	--	(2,941)	12,371	3,189
Other tax supported debt, net	6,650	8,122	(943)	13,829	1,021
General obligation bonds and other tax supported debt total	23,644	8,122	(4,387)	27,379	4,779
Commercial paper notes, net	199,292	181,350	(166,000)	214,642	35,774
Revenue bonds, net	1,682,182	177,415	(47,700)	1,811,897	50,660
Contract revenue bonds, net	914	--	(914)	--	--
Debt service requirements total	1,906,032	366,887	(219,001)	2,053,918	91,213
Other long-term obligations					
Accrued compensated absences	5,701	464	(645)	5,520	5,520
Pension obligation payable	8,980	2,843	--	11,823	--
Other post employment benefits	16,459	8,927	--	25,386	--
Deferred credits and other liabilities	515,393	17,621	(34,463)	498,551	32,657
Water and Wastewater activities total	2,452,565	396,742	(254,109)	2,595,198	129,390

(1) Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included in governmental activities.

10 – DEBT AND NON-DEBT LIABILITIES, continued
a -- Long-Term Liabilities, continued

Business-type activities (continued):

Description	October 1, 2009	Increases	Decreases	September 30, 2010	Amounts Due Within One Year
Airport activities					
General obligation bonds, net	289	--	(27)	262	28
General obligation bonds and other tax supported debt total	289	--	(27)	262	28
Revenue notes	28,000	--	--	28,000	--
Revenue bonds, net	307,365	--	(12,082)	295,283	13,515
Capital lease obligations	817	--	(486)	331	331
Debt service requirements total	336,471	--	(12,595)	323,876	13,874
Other long-term obligations					
Accrued compensated absences	1,572	114	(125)	1,561	1,500
Pension obligation payable	2,736	834	--	3,570	--
Other post employment benefits	4,848	2,629	--	7,477	--
Deferred credits and other liabilities	746	846	(42)	1,550	1,488
Airport activities total	346,373	4,423	(12,762)	338,034	16,862
Nonmajor activities					
General obligation bonds, net	18,353	--	(4,674)	13,679	1,546
Certificates of obligation, net	42,877	--	(2,708)	40,169	2,319
Contractual obligations	44,652	--	(7,038)	37,614	7,360
Other tax supported debt, net	--	4,564	(215)	4,349	240
General obligation bonds and other tax supported debt total	105,882	4,564	(14,635)	95,811	11,465
Revenue bonds, net	216,655	--	(7,007)	209,648	8,545
Debt service requirements total	322,537	4,564	(21,642)	305,459	20,010
Other long-term obligations					
Accrued compensated absences	5,811	265	(374)	5,702	5,320
Accrued landfill closure and postclosure costs	18,212	--	(10,272)	7,940	765
Pension obligation payable	10,418	3,212	--	13,630	--
Other post employment benefits	17,360	9,415	--	26,775	--
Deferred credits and other liabilities	7,682	698	(398)	7,982	3,197
Nonmajor activities total	382,020	18,154	(32,686)	367,488	29,292
Total business-type activities					
General obligation bonds, net	21,510	--	(5,277)	16,233	2,216
Certificates of obligation, net	42,877	--	(2,708)	40,169	2,319
Contractual obligations, net	60,195	--	(10,131)	50,064	10,628
Other tax supported debt, net	6,650	12,686	(1,158)	18,178	1,261
General obligation bonds and other tax supported debt total	131,232	12,686	(19,274)	124,644	16,424
Commercial paper notes, net	339,999	275,798	(316,000)	299,797	44,377
Revenue notes	28,000	--	--	28,000	--
Revenue bonds, net	3,442,342	397,660	(196,891)	3,643,111	147,804
Contract revenue bonds, net	914	--	(914)	--	--
Capital lease obligations	1,981	133	(486)	1,628	369
Debt service requirements total	3,944,468	686,277	(533,565)	4,097,180	208,974
Other long-term obligations					
Accrued compensated absences	24,728	1,619	(1,988)	24,359	23,021
Accrued landfill closure and postclosure costs	18,212	--	(10,272)	7,940	765
Decommissioning expense payable	167,001	--	(16,410)	150,591	--
Pension obligation payable	39,958	12,682	--	52,640	--
Other post employment benefits	65,300	35,416	--	100,716	--
Deferred credits and other liabilities	755,390	77,994	(34,903)	798,481	113,031
Business-type activities total	5,015,057	813,988	(597,138)	5,231,907	345,791
Total liabilities (2)	$ 6,351,153	908,565	(674,841)	6,584,877	547,482

(2) This schedule excludes select short-term liabilities of $77,322 for governmental activities; and for business-type activities, select short-term liabilities of $272,498, capital appreciation bond interest payable of $103,295, and derivative instruments of $212,953.

10 – DEBT AND NON-DEBT LIABILITIES, continued
b -- Governmental Activities Long-Term Liabilities

General Obligation Bonds -- General obligation debt is collateralized by the full faith and credit of the City. The City intends to retire its general obligation debt, plus interest, from future ad valorem tax levies and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. General obligation debt issued to finance capital assets of enterprise funds is reported as an obligation of these enterprise funds, although the funds are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the enterprise funds to meet the debt service requirements from program revenues.

The following table summarizes significant facts about general obligation bonds, certificates of obligation, contractual obligations, and assumed municipal utility district (MUD) bonds outstanding at September 30, 2010, including those reported in certain proprietary funds (in thousands):

Series	Date Issued	Original Amount Issue	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
Assumed MUD Debt	December 1997	$ 33,135	18,790	6,691	(1)(3)(4)	3.00 - 7.00%	9/01/2011-2026
Series 2000	September 2000	6,060	295	15	(1)	5.00%	9/1/2011
Series 2001 Refunding	June 2001	123,445	18,825	3,222	(1)	4.75 - 5.50%	9/1/2011-2022
Series 2001	August 2001	79,650	8,530	656	(1)	5.00 - 5.25%	9/1/2011-2012
Series 2001	August 2001	65,335	18,920	4,412	(1)	4.38 - 5.00%	9/1/2011-2021
Series 2002 Refunding	June 2002	12,190	9,745	1,571	(1)	4.13 - 5.00%	3/1/2011-2017
Series 2002	August 2002	99,615	61,800	19,972	(1)	3.63 - 5.00%	9/1/2011-2022
Series 2002	August 2002	34,095	17,500	4,952	(1)	3.63 - 5.38%	9/1/2011-2022
Series 2003 Refunding	May 2003	62,585	10,005	881	(1)	5.00%	9/1/2011-2013
Series 2003 Refunding	September 2003	68,855	56,395	20,732	(1)	3.75 - 5.00%	9/1/2011-2023
Series 2003A Refunding	September 2003	2,530	995	100	(1)	4.75 - 5.00%	9/1/2011-2013
Series 2003	September 2003	4,450	3,335	1,159	(1)	4.00 - 4.80%	9/1/2011-2023
Series 2003	September 2003	8,610	705	12	(2)	3.38%	11/1/2010
Series 2004 Refunding	September 2004	67,835	57,040	21,008	(1)	3.50 - 5.00%	9/1/2011-2024
Series 2004A Refunding	September 2004	2,430	1,315	172	(1)	4.40 - 4.75%	9/1/2011-2014
Series 2004	September 2004	25,000	18,400	7,575	(1)	4.63 - 5.00%	9/1/2011-2024
Series 2004	September 2004	21,830	5,505	186	(2)	3.10 - 3.35%	11/1/2010-2011
Series 2005 Refunding	February 2005	145,345	137,785	37,827	(1)	5.00%	9/1/2011-2020
Series 2005 Refunding	August 2005	19,535	14,240	6,876	(1)	4.00 - 4.50%	9/1/2011-2025
Series 2005	August 2005	7,185	6,010	2,212	(1)	3.50 - 5.85%	9/1/2011-2025
Series 2005	August 2005	14,940	5,550	308	(2)	3.50 - 3.75%	11/1/2010-2012
Series 2006	August 2006	31,585	31,385	16,670	(1)	4.00 - 5.38%	9/1/2011-2026
Series 2006	August 2006	24,150	21,005	8,629	(1)	4.00 - 5.00%	9/1/2011-2026
Series 2006	August 2006	14,120	7,635	642	(2)	4.00 - 4.25%	11/1/2010-2013
Series 2006	August 2006	12,000	11,080	4,685	(1)(5)	4.00 - 6.00%	9/1/2011-2026
Series 2007	August 2007	97,525	93,425	58,801	(1)	4.64%	9/1/2011-2027
Series 2007	August 2007	3,820	3,460	1,717	(1)	4.88%	9/1/2011-2027
Series 2007	August 2007	9,755	7,090	855	(2)	3.66%	11/1/2010-2017
Series 2008 Refunding	January 2008	172,505	137,675	37,167	(1)	5.00%	9/1/2011-2021
Series 2008	August 2008	76,045	65,045	40,069	(1)	3.50 - 5.00%	9/1/2011-2028
Series 2008	August 2008	10,700	10,070	4,926	(1)	3.00 - 5.00%	9/1/2011-2028
Series 2008	August 2008	26,715	21,785	2,291	(2)	3.00% - 3.50%	11/1/2010-2015
Series 2009A	September 2009	20,905	11,450	1,960	(1)	3.00 - 5.00%	9/1/2011-2016
Series 2009B	September 2009	78,460	78,460	52,545	(1)	4.15 - 5.31%	9/1/2017-2029
Series 2009	September 2009	12,500	11,935	6,794	(1)	3.00 - 4.75%	9/1/2011-2039
Series 2009	September 2009	13,800	13,150	1,639	(2)	2.00% - 3.25%	11/1/2010-2019
Series 2009	October 2009	15,000	15,000	6,693	(1)(5)	2.50 - 4.25%	9/1/2011-2029
			$ 1,011,335				

(1) Interest is paid semiannually on March 1 and September 1.
(2) Interest is paid semiannually on May 1 and November 1.
(3) Interest is paid semiannually on May 15 and November 15.
(4) Includes Water and Wastewater principal ($13,806) and interest ($4,726) and Drainage principal ($4,321) and interest ($1,822).
(5) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.

10 – DEBT AND NON-DEBT LIABILITIES, continued
b -- Governmental Activities Long-Term Liabilities, continued

In October 2009, the City issued $15,000,000 of Mueller Local Government Corporation Tax Increment Contract Revenue Bonds, Series 2009. The Mueller Local Government Corporation is a not-for-profit local government corporation acting on behalf of the City of Austin, Texas. The proceeds from the issue will be used to provide funds for certain public infrastructure improvements within the Reinvestment Zone Number Sixteen, City of Austin, Texas, a tax increment reinvestment zone created by the City. These bonds will be amortized serially on September 1 of each year from 2011 to 2029. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2010. Total interest requirements for these bonds, at rates ranging from 2.5% to 4.25%, are $7,221,066.

General obligation bonds authorized and unissued amounted to $369,180,000 at September 30, 2010. Bond ratings at September 30, 2010, were Aaa (Moody's Investor Services, Inc.), AAA (Standard & Poor's), and AAA (Fitch).

Build America Bonds. The City issued $78,460,000 of Public Improvement Bonds, Taxable Series 2009B in August 2009. These bonds are Build America Bonds (BABs) and are part of the Federal American Recovery and Reinvestment Act of 2009. Upon the City's request each year, the U.S. Treasury Department will make a direct payment to the City in an amount equal to 35% of the interest payment on the BABs, lowering the City's net borrowing cost. In 2010, the City recorded $1,290,686 of tax credits for subsidies received from the U.S. Treasury Department. In order for the City to continue to receive the subsidy, the bonds have to maintain their Build America Bonds status, the City has to comply with the investment of the proceeds and the use of the property financed there from, and the City has to file the necessary tax return no later than 45 days prior to the interest payment date. The City was in compliance with these requirements as of September 30, 2010.

c -- Business-Type Activities Long-Term Liabilities

Utility Debt -- The City has previously issued combined debt for the Electric and Water and Wastewater utilities. The City began issuing separate debt for electric and water and wastewater activities in 2000. The following paragraphs describe both combined and separate debt.

Combined Utility Systems Debt -- General - The City's Electric Fund and Water and Wastewater Fund comprise the combined utility systems, which issue combined utility systems revenue bonds to finance capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of the Electric Fund and Water and Wastewater Fund.

The total combined utility systems revenue bond obligations at September 30, 2010, exclusive of discounts, premiums, and loss on refundings consists of $168,211,746 prior lien bonds and $236,454,512 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $397,046,479 at September 30, 2010. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2010, for the prior lien and subordinate lien bonds were, respectively, A1 and A1 (Moody's Investor Services, Inc.), AA and AA (Standard & Poor's), and AA- and AA- (Fitch).

Combined Utility Systems Debt -- Revenue Bond Refunding Issues - The combined utility systems have refunded various issues of revenue bonds, notes, and certificates of obligation through refunding revenue bonds. Principal and interest on these refunding bonds are payable solely from the combined net revenues of the City's Electric Fund and Water and Wastewater Fund. The prior lien bonds are subordinate only to the prior lien revenue bonds outstanding at the time of issuance, while the subordinate lien bonds are subordinate to prior lien revenue bonds and to subordinate lien revenue bonds outstanding at the time of issuance.

Some of these bonds are callable prior to maturity at the option of the City. The term bonds are subject to a mandatory redemption prior to the maturity dates as defined in the respective official statements.

The net proceeds of each of the refunding bond issuances were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the financial statements. The accounting gains and losses due to the advance refunding of debt have been deferred and are being amortized over the shorter of the life of the refunding bonds or the life of the bonds refunded by the straight-line method. However, a gain or loss on refunded bonds is recognized when funds from current operations are used.

10 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Combined Utility Systems Debt -- Revenue Bond Retirement Reserve Account - In January 2010, the City established a City of Austin Combined Utility Reserve Account with a transfer of $44 million from Austin Energy operating funds to satisfy its bond ordinance requirements. As allowed by the bond ordinance provision for the Bond Retirement Reserve Fund, the City had previously funded the required reserve with an insurance policy issued by an insurance company rated in the highest rating category by the rating agencies. As a result of the financial market distress in late 2008 and 2009, the credit rating of the insurance company holding the City's policy fell below the rating required by the bond ordinance. As of February 2009, there were no insurance companies with the required rating; therefore, the City had twelve months to remedy the provision of the bond ordinance by funding a cash reserve. The required reserve of $44 million is based on the average annual debt service and will decline as the bonds are paid off.

Of the $44 million, approximately $19 million is allocated to Austin Energy and $25 million is allocated to Austin Water based on their portion of the outstanding combined utility system revenue bonds. Austin Energy funded the entire reserve and an interfund payable from Austin Water to Austin Energy was created for Austin Water's portion.

Combined Utility Systems Debt -- Bonds Issued and Outstanding - The following schedule shows the original and refunding revenue bonds outstanding at September 30, 2010 (in thousands):

Series	Date Issued	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1990B Refunding	February 1990	$ 236,009	3,668	20,502	(1)(3)	7.35%	11/15/2014-2017
1992 Refunding	March 1992	265,806	21,752	59,348	(1)(3)	6.85%	11/15/2010-2012
1992A Refunding	May 1992	351,706	22,530	57,105	(1)(3)	6.80%	11/15/2010-2011
1993 Refunding	January 1993	203,166	36,564	6,038	(1)(3)	6.13 - 6.30%	11/15/2010-2013
1993A Refunding	June 1993	263,410	1,763	3,121	(1)(3)	5.95%	11/15/2010
1994 Refunding	September 1994	142,559	26,894	96,961	(1)(3)	6.60%	05/15/2017-2019
1998 Refunding	July 1996	180,000	55,040	5,739	(1)(2)	6.75%	11/15/2010-2012
1998 Refunding	October 1998	139,965	135,980	75,175	(1)	5.25%	5/15/2011-2025
1998A Refunding	October 1998	105,350	95,125	72,235	(1)(3)	4.25 - 5.00%	5/15/2011-2028
1998B	August 1998	10,000	5,350	822	(1)	3.35 - 3.75%	11/15/2010-2017
			$ 404,666				

(1) Interest is paid semiannually on May 15 and November 15.
(2) Series 1998 Refunding had a delayed delivery.
(3) Interest requirements include accreted interest.

Combined Utility Systems Debt -- Commercial Paper Notes - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed $350,000,000 outstanding at any time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2010, were P-1 (Moody's Investor Services, Inc.), A-1+ (Standard & Poor's), and F1+ (Fitch). The notes are in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of the City's Electric Fund and Water and Wastewater Fund.

10 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

At September 30, 2010, the Electric Fund had outstanding commercial paper notes of $51,615,000 and the Water and Wastewater Fund had $214,642,000 of commercial paper notes outstanding. Interest rates on the notes range from 0.29% to 0.36%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 15%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The notes have the following terms:

Note Series	Liquidity Provider	Commitment Fee Rate	Credit Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
various	JP Morgan Chase	1.15%	1.25%	Goldman Sachs	0.075%	$ 108,981	3/28/2011
various	Bank of America	1.15%	1.25%	Goldman Sachs	0.075%	68,381	3/28/2011
various	State Street	1.15%	1.25%	Goldman Sachs	0.075%	88,895	3/28/2011
						$ 266,257	

These notes are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by the respective liquidity providers and become bank notes with principal to be paid in 12 equal, quarterly installments. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

Combined Utility Systems Debt -- Taxable Commercial Paper Notes - The City is authorized by ordinance to issue taxable commercial paper notes (the "taxable notes") in an aggregate principal amount not to exceed $50,000,000 outstanding at any time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2010, were P-1 (Moody's Investor Services, Inc.), A-1+ (Standard & Poor's), and F1+ (Fitch).

The taxable notes are issued in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the taxable notes are payable from the combined net revenues of the City's Electric Fund and Water and Wastewater Fund.

At September 30, 2010, the Electric Fund had outstanding taxable commercial paper notes of $33,568,000 (net of discount of $28,266), and the Water and Wastewater Fund had no taxable notes outstanding. Interest rates on the taxable notes range from 0.33% to 0.43%. The City intends to refinance maturing commercial paper notes by issuing long-term debt. The notes have the following terms:

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
various	Landesbank Hessen-Thuringen Girozentrale	0.50%	Goldman Sachs	0.075%	$ 33,568	12/31/2015

These notes are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by Landesbank Hessen-Thuringen Girozentrale and become bank notes with principal due immediately. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate.

The Notes are secured by a direct-pay Letter of Credit issued by Landesbank Hessen-Thuringen Girozentrale which permits draws for the payment of the Notes. Draws made under the Letter of Credit are immediately due and payable by the City from the resources more fully described in the Ordinance. No term loan feature is provided by the Agreement.

10 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Electric Utility System Revenue Debt -- General - The City is authorized by ordinance to issue electric utility system revenue obligations. Proceeds from these obligations are used only to fund electric capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Electric Fund. Bond ratings at September 30, 2010, were A1 (Moody's Investor Services, Inc.), A+ (Standard & Poor's), and AA- (Fitch).

Electric Utility System Revenue Debt -- Revenue Bond Refunding Issues - In June 2010, the City issued $119,255,000 of Electric Utility System Revenue Refunding Bonds, Series 2010A. Proceeds from the bond refunding were used to refund $50,000,000 of the City's outstanding commercial paper issued for the electric utility system; Combined Utility System Revenue Refunding Bonds, Series 1993 in the amount of $5,190,000; and Electric Utility System Revenue Refunding Bonds, Series 2001 in the amount of $69,200,000. The debt service requirements on the refunding bonds are $208,317,117, with interest rates ranging from 2% to 5%. The City realized an economic gain of $4,014,573 on this transaction. The change in net cash flows that resulted was a decrease of $6,179,632. An accounting loss of $2,791,807, which will be deferred and amortized in accordance with FASB Statement No. 71, was recognized on the refunding.

In June 2010, the City issued $100,990,000 of Electric Utility System Revenue Refunding Bonds, Series 2010B. Proceeds from the bond refunding were used to refund $100,000,000 of the City's outstanding commercial paper issued for the electric utility system. The debt service requirements on the refunding bonds are $221,496,231, with interest rates ranging from 4.54% to 5.72%. No change in net cash flows resulted from this transaction, and no gain or loss was recognized on this refunding. These bonds are Build America Bonds (BABs) and are part of the Federal American Recovery and Reinvestment Act of 2009. Upon the City's request each year, the U.S. Treasury Department will make a direct payment to the City in an amount equal 35% of the interest payment on the BABs, lowering the City's net borrowing cost. The City did not receive subsidies for Series 2010B from the U.S. Treasury Department during the fiscal year. In order for the City to receive the subsidy, the bonds have to maintain their Build America Bonds status, the City has to comply with the investment of the proceeds and the use of the property financed there from, and the City has to file the necessary tax return no later than 45 days prior to the interest payment date. The City was in compliance with these requirements as of September 30, 2010.

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system original and refunding revenue bonds outstanding at September 30, 2010 (in thousands):

Series	Date Issued	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2001 Refunding	January 2001	$ 126,700	3,100	112 (1)	7.25%	11/15/2010
2002 Refunding	February 2002	74,750	52,770	8,022 (1)	4.00 - 5.50%	11/15/2010-2014
2002A Refunding	July 2002	172,880	91,135	21,389 (1)	4.00 - 5.50%	11/15/2010-2016
2003 Refunding	February 2003	182,100	144,300	79,448 (1)	5.00 - 5.25%	11/15/2010-2028
2006 Refunding	May 2006	150,000	144,100	110,668 (1)	5.00%	11/15/2010-2035
2006A Refunding	October 2006	137,800	120,730	35,444 (1)	5.00%	11/15/2010-2022
2007 Refunding	August 2007	146,635	143,320	32,849 (1)	5.00%	11/15/2010-2020
2008 Refunding	March 2008	50,000	48,915	41,971 (1)	3.23 - 6.26%	11/15/2010-2032
2008A Refunding	July 2008	175,000	175,000	177,742 (1)	4.00 - 6.00%	11/15/2010-2038
2010A Refunding	June 2010	119,255	119,255	89,062 (1)	2.00 - 5.00%	11/15/2012-2040
2010B Refunding	June 2010	100,990	100,990	120,506 (1)	4.54 - 5.72%	11/15/2019-2040
			$ 1,143,615			

(1) Interest is paid semiannually on May 15 and November 15.

10 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Electric Utility System Revenue Debt -- Pledged Revenues - The net revenue of the Electric Fund was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2010 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,159,295	866,914	292,381	165,609	176.5%

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation.
(3) Excludes unfunded other post employment benefit and pension obligation expenses.

Water and Wastewater System Debt -- Northwest Austin Municipal Utility District Number One - In February 2010, the City Council voted to approve the abolishment of the Northwest Austin Municipal Utility District Number One (the District). The City had the authority to abolish the District under Section 43.074 as the District was created from an area that, at the time of the Districts creation, was located wholly within the municipal boundaries of the City of Austin. Upon abolition of the District, the City assumed all of the assets and liabilities of the District, including the District's debt service for utility bonds.

$110,000 of Northwest Austin MUD No. 1 Unlimited Tax Bonds, Series 2001 were assumed. The debt service requirements on the bonds are $128,565, with interest rates ranging from 4.5% to 5.15%. Principal and interest payments are due March 1 and September 1 of each year from 2010 to 2016.

$2,215,000 of Northwest Austin MUD No. 1 Unlimited Tax Refunding Bonds, Series 2004 were assumed. The debt service requirements on the bonds are $2,761,594, with interest rates ranging from 3.125% to 4.3%. Principal and interest payments are due March 1 and September 1 of each year from 2010 to 2020.

$7,677,403 of Northwest Austin MUD No. 1 Unlimited Tax Refunding and Improvement Bonds, Series 2006 were assumed. The debt service requirements on the bonds are $12,140,683, with interest rates ranging from 3.9% to 4.262%. Principal and interest payments are due March 1 and September 1 of each year from 2010 to 2026.

$2,760,000 of Northwest Austin MUD No. 1 Unlimited Tax Refunding Bonds, Series 2009 were assumed. The debt service requirements on the bonds are $3,202,400, with interest rates ranging from 3% to 4.25%. Principal and interest payments are due March 1 and September 1 of each year from 2010 to 2018.

Of the $12,762,403 total debt assumed, 64.02% is allocated to water and wastewater systems and 35.98% is allocated to drainage. Water and wastewater systems allocation by series is $70,422 for Series 2001, $1,418,043 for Series 2004, $4,915,073 for Series 2006, and $1,766,952 for Series 2009. The debt service requirement on the bonds for water and wastewater systems is $11,672,921.

Water and Wastewater System Revenue Debt -- General - The City is authorized by ordinance to issue water and wastewater system revenue obligations. Proceeds from these obligations are used only to fund water and wastewater capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Water and Wastewater Fund.

Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues – In November 2009, the City issued $166,575,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2009A. Proceeds from the bond refunding were used to refund $166,000,000 of the City's outstanding commercial paper issued for the water and wastewater utility system. The debt service requirements on the refunding bonds are $317,854,463, with interest rates ranging from 4% to 5%. No change in net cash flows resulted from this transaction, and no accounting gain or loss was recognized on this refunding.

10 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

In January 2010, the City issued $31,815,000 of Water and Wastewater System Revenue Bonds, Series 2010 as a private placement with the Texas Water Development Board. This zero-interest issuance is part of the American Recovery and Reinvestment Act. Proceeds from the issuance will be used for green infrastructure improvements at the Hornsby Bend Biosolids Management Plant. The debt service requirements on the bonds are $31,815,000. Principal payments are due November 15 of each year from 2012 to 2041. As of September 30, 2010, the City has drawn $10,840,000 on the bonds.

Bond ratings at September 30, 2010, were Aa2 (Moody's Investor Services, Inc.), AA (Standard & Poor's), and AA- (Fitch).

Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all water and wastewater system original and refunding revenue bonds outstanding at September 30, 2010 (in thousands):

Series	Date Issued	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2001A Refunding	April 2001	$ 152,180	13,055	7,692	(1)	4.50 - 5.75%	11/15/2010-2031 (3)
2001B Refunding	April 2001	73,200	9,595	6,731	(1)	5.13 - 5.75%	5/15/2011-2031
2001C Refunding	November 2001	95,380	14,610	2,311	(1)	4.20 - 5.38%	11/15/2010-2015 (3)
2002A Refunding	July 2002	139,695	71,705	18,397	(1)	4.00 - 5.50%	11/15/2010-2016
2003 Refunding	February 2003	121,500	79,400	48,700	(1)	4.00 - 5.25%	11/15/2010-2028
2004 Refunding	August 2004	132,475	115,375	28,750	(2)	0.19% - .40%	5/16/2011-2024
2004A Refunding	September 2004	165,145	152,580	88,473	(1)	5.00%	11/15/2010-2029
2005 Refunding	May 2005	198,485	198,485	96,890	(1)	4.00 - 5.00%	5/15/2012-2030
2005A Refunding	October 2005	142,335	127,375	92,807	(1)	4.00 - 5.00%	5/15/2011-2035
2006 Refunding	August 2006	63,100	51,440	22,867	(1)	5.00%	11/15/2010-2025
2006A Refunding	November 2006	135,000	130,650	94,136	(1)	3.50 - 5.00%	11/15/2010-2036
2007 Refunding	November 2007	135,000	132,765	111,985	(1)	4.00-5.25%	11/15/2010-2037
2008 Refunding	May 2008	170,605	166,875	68,466	(2)	0.16% - 0.45%	11/15/2010-2031 (3)
2009 Refunding	January 2009	175,000	175,000	102,243	(1)	3.00-5.13%	11/15/2011-2029
2009A Refunding	November 2009	166,575	166,575	146,973	(1)	4.00-5.00%	11/15/2011-2039
2010	January 2010	10,840	10,840	-		0.00%	11/15/2012-2022
			$ 1,616,325				

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate in effect at the end of the fiscal year.
(3) Series matures on May 15th of the final year

The Series 2004 and 2008 refunding bonds are variable rate demand bonds. The bonds have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2004	Landesbank Baden-Wurttemberg	0.75%	JP Morgan	0.075%	$ 115,375	12/29/2015
2008	DEXIA	0.35%	Goldman Sachs	0.050%	166,875	5/15/2011
					$ 282,250	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by the respective liquidity providers and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

10 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Water and Wastewater System Revenue Debt -- Pledged Revenues - The net revenue of the Water and Wastewater Fund was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2010 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 361,342	159,402	201,940	155,678	129.7%

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation.
(3) Excludes unfunded other post employment benefit and pension obligation expenses.

Airport -- Revenue Bonds - The City's Airport Fund issues airport system revenue bonds to fund Airport Fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport Fund. At September 30, 2010, the total airport system obligation for prior lien bonds is $308,530,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are $110,255,210 at September 30, 2010. Revenue bonds authorized and unissued amount to $735,795,000.

The bond rating at September 30, 2010, for the prior lien bonds is A- (Standard & Poor's).

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2010 (in thousands):

Series	Date Issued	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2003 Refunding	December 2003	$ 54,250	48,680	14,513 (1)	4.00 - 5.25%	11/15/2010-2018
2008 Remarketing	April 2008	281,300	259,850	95,742 (2)	0.18 - 0.50%	11/15/2010-2025
			$ 308,530			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate in effect at the end of the fiscal year.

The Series 2008 remarketing bonds are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of $259,850,000. The bonds have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2005-1	DEXIA	0.60%	Morgan Stanley	0.10%	$ 64,950	5/2/2011
2005-2	DEXIA	0.60%	Morgan Stanley	0.10%	64,925	5/2/2011
2005-3	DEXIA	0.60%	Morgan Stanley	0.10%	64,975	5/2/2011
2005-4	DEXIA	0.60%	Morgan Stanley	0.10%	65,000	5/2/2011
					$ 259,850	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by Dexia and become bank bonds with principal to be paid in annual installments over the remaining life of the bond series. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

10 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Airport Debt -- Variable Rate Revenue Notes - The City is authorized by ordinance to issue airport system variable rate revenue notes. At September 30, 2010, the airport system had outstanding variable rate revenue notes of $28,000,000. The debt service fund required by the bond ordinance held assets of $10,935,526 including accrued interest, at September 30, 2010, and was restricted within the airport system. During fiscal year 2010, interest rates on the notes ranged from 0.16% to 0.33%, adjusted weekly at market rates; subsequent rate changes cannot exceed the maximum rate of 15%. Principal and interest on the notes are payable from the net revenues of the airport system.

The Series 1998 revenue notes are variable rate demand notes. The notes have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
1998	State Street	1.75%	Citi	0.125%	$ 28,000	2/20/2012

These notes are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by State Street and become bank notes with principal to be paid in 12 equal, quarterly installments. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate.

The bond rating at September 30, 2010, for the airport variable rate notes was A- (Standard & Poor's).

Airport Revenue Debt -- Pledged Revenues - The net revenue of the Airport Fund was pledged to service the outstanding principal and interest payments for revenue debt outstanding (including revenue bonds and revenue notes). The table below represents the pledged amounts at September 30, 2010 (in thousands):

Gross Revenue (1)	Other available funds (2)	Operating Expense (3)(4)	Net Revenue and Other Available Funds	Debt Service Requirement (5)	Revenue Bond Coverage
$ 85,156	7,930	57,379	35,707	14,690	243.1%

(1) Gross revenue includes revenues from operations and interest income.
(2) In addition to gross revenue, the Airport is authorized by bond ordinance to use "other available funds" in the calculation of revenue bond coverage.
(3) Excludes depreciation.
(4) Excludes unfunded other post employment benefit and pension obligation expenses.
(5) Excludes debt service amounts paid with passenger facility charge revenues.

Nonmajor fund:

Drainage -- Northwest Austin Municipal Utility District Number One - In February 2010, the City Council voted to approve the abolishment of the Northwest Austin Municipal Utility District Number One (the District). Upon abolition of the District, the City assumed all of the assets and liabilities of the District, including the District's debt service for utility bonds.

Of the $12,762,403 total debt assumed, 64.02% is allocated to water and wastewater systems and 35.98% is allocated to drainage. Drainage allocation by series is $39,578 for Series 2001, $796,957 for Series 2004, $2,762,330 for Series 2006, and $993,048 for Series 2009. The debt service requirement on the bonds for drainage is $6,560,320.

10 – DEBT AND NON-DEBT LIABILITIES, continued
c -- Business-Type Activities Long-Term Liabilities, continued

Convention Center -- Prior and Subordinate Lien Revenue Bonds - The City's Convention Center Fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. At September 30, 2010, the total convention center obligation for prior and subordinate lien bonds is $224,015,000, exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are $89,903,235 at September 30, 2010. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2010.

Bond ratings at September 30, 2010, for the revenue bonds were A2 (Moody's Investor Services, Inc.), and A- (Standard & Poor's).

The following table summarizes Convention Center original and refunding revenue bonds outstanding at September 30, 2010 (in thousands):

Series	Date Issued	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1999A	June 1999	$ 25,000	21,450	13,707 (1)	5.05 - 5.50%	11/15/2010-2029
2004 Refunding	February 2004	52,715	43,890	11,831 (1)	3.00 - 5.00%	11/15/2010-2019
2005 Refunding	May 2005	36,720	36,720	21,796 (1)	3.30 - 5.00%	11/15/2011-2029
2008AB Refunding	August 2008	125,280	121,955	42,570 (2)	0.15% - 0.55%	11/15/2010-2029
			$ 224,015			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate in effect at the end of the fiscal year.

The Series 2008 A and B refunding bonds are variable rate demand bonds. The bonds have the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008-A	DEXIA	0.70%	Morgan Keegan	0.060%	$ 60,975	8/15/2011
2008-B	DEXIA	0.70%	BofA/Merrill Lynch	0.050%	60,980	8/15/2011
					$ 121,955	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds, the bonds will be purchased by Dexia and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period. Bank bonds bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess interest or the maximum rate.

10 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements

Governmental Activities (in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2011	$ 53,247	36,603	7,750	3,136	5,236	1,444
2012	48,423	34,147	7,839	2,785	3,735	1,276
2013	50,349	31,877	3,549	2,437	2,165	1,169
2014	48,685	29,478	5,116	2,302	2,161	1,097
2015	50,519	27,190	3,529	2,100	2,688	1,009
2016-2020	256,556	100,423	18,956	8,125	8,551	3,809
2021-2025	165,772	45,989	19,898	3,489	8,400	2,199
2026-2030	103,555	10,200	4,830	350	5,060	484
	777,106	315,907	71,467	24,724	37,996	12,487
Less: Unamortized bond discounts	(932)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(12,001)	--	--	--	--	--
Add: Unamortized bond premiums	25,446	--	119	--	299	--
Net debt service requirements	789,619	315,907	71,586	24,724	38,295	12,487

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Governmental Debt Service Requirements Principal	Total Governmental Debt Service Requirements Interest	Total Governmental Debt Service Requirements Total
2011	283	11	66,516	41,194	107,710
2012	274	8	60,271	38,216	98,487
2013	159	3	56,222	35,486	91,708
2014	--	--	55,962	32,877	88,839
2015	--	--	56,736	30,299	87,035
2016-2020	--	--	284,063	112,357	396,420
2021-2025	--	--	194,070	51,677	245,747
2026-2030	--	--	113,445	11,034	124,479
	716	22	887,285	353,140	1,240,425
Less: Unamortized bond discounts	--	--	(932)	--	(932)
Unamortized gain(loss) on bond refundings	--	--	(12,001)	--	(12,001)
Add: Unamortized bond premiums	--	--	25,864	--	25,864
Net debt service requirements	$ 716	22	900,216	353,140	1,253,356

10 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Electric Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Contractual Obligations Principal	Contractual Obligations Interest	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest
2011	$ 73	53	79	1	85,183	35
2012	79	49	--	--	--	--
2013	125	46	--	--	--	--
2014	131	39	--	--	--	--
2015	139	33	--	--	--	--
2016-2020	509	71	--	--	--	--
2021-2025	4	--	--	--	--	--
	1,060	291	79	1	85,183	35
Less: Unamortized bond discount	(2)	--	--	--	(28)	--
Unamortized gain(loss) on bond refundings	--	--	--	--	--	--
Add: Unamortized bond premium	55	--	--	--	--	--
Net debt service requirements	1,113	291	79	1	85,155	35

Fiscal Year Ended September 30	Revenue Bonds Principal	Revenue Bonds Interest	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Electric Debt Service Requirements Principal	Total Electric Debt Service Requirements Interest	Total Electric Debt Service Requirements Total
2011	75,084	98,704	38	78	160,457	98,871	259,328
2012	75,773	92,959	40	76	75,892	93,084	168,976
2013	105,092	69,013	42	74	105,259	69,133	174,392
2014	123,006	53,912	44	72	123,181	54,023	177,204
2015	79,754	50,964	47	69	79,940	51,066	131,006
2016-2020	227,490	208,792	272	308	228,271	209,171	437,442
2021-2025	227,345	144,169	349	231	227,698	144,400	372,098
2026-2030	194,010	87,416	448	133	194,458	87,549	282,007
2031-2035	136,130	43,521	17	2	136,147	43,523	179,670
2036-2040	91,860	12,586	--	--	91,860	12,586	104,446
2041-2045	8,325	232	--	--	8,325	232	8,557
	1,343,869	862,268	1,297	1,043	1,431,488	863,638	2,295,126
Less: Unamortized bond discounts	(2,734)	--	--	--	(2,764)	--	(2,764)
Unamortized gain(loss) on bond refundings	(54,402)	--	--	--	(54,402)	--	(54,402)
Add: Unamortized bond premiums	39,550	--	--	--	39,605	--	39,605
Net debt service requirements	$ 1,326,283	862,268	1,297	1,043	1,413,927	863,638	2,277,565

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The underlying liquidity agreement expires within one year; therefore, the financial statements reflect amounts due in one year in accordance with GASB Interpretation No. 1.

10 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Water and Wastewater Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Contractual Obligations Principal	Contractual Obligations Interest	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest
2011	$ 569	138	3,189	393	1,021	626
2012	533	107	3,011	282	1,069	582
2013	593	79	2,627	182	1,128	532
2014	165	47	1,909	90	1,327	475
2015	174	39	805	38	1,389	410
2016-2020	548	89	725	22	4,453	1,582
2021-2025	55	3	--	--	2,840	494
2026-2030	--	--	--	--	629	24
	2,637	502	12,266	1,007	13,856	4,725
Less: Unamortized bond discounts	(13)	--	--	--	(27)	--
Unamortized gain(loss) on bond refundings	(1,538)	--	--	--	--	--
Add: Unamortized bond premiums	93	--	105	--	--	--
Net debt service requirements	1,179	502	12,371	1,007	13,829	4,725

Fiscal Year Ended September 30	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest	Revenue Bonds (2)(3) Principal	Revenue Bonds (2)(3) Interest	Total Water and Wastewater Debt Service Requirements Principal	Total Water and Wastewater Debt Service Requirements Interest	Total Water and Wastewater Debt Service Requirements Total
2011	214,642	52	50,660	101,110	270,081	102,319	372,400
2012	--	--	67,296	97,761	71,909	98,732	170,641
2013	--	--	81,481	88,321	85,829	89,114	174,943
2014	--	--	103,799	73,610	107,200	74,222	181,422
2015	--	--	95,237	78,079	97,605	78,566	176,171
2016-2020	--	--	397,891	400,962	403,617	402,655	806,272
2021-2025	--	--	405,624	195,854	408,519	196,351	604,870
2026-2030	--	--	389,600	102,414	390,229	102,438	492,667
2031-2035	--	--	128,010	40,831	128,010	40,831	168,841
2036-2040	--	--	101,140	10,468	101,140	10,468	111,608
	214,642	52	1,820,738	1,189,410	2,064,139	1,195,696	3,259,835
Less: Unamortized bond discounts	--	--	(7,808)	--	(7,848)	--	(7,848)
Unamortized gain(loss) on bond refundings	--	--	(46,510)	--	(48,048)	--	(48,048)
Add: Unamortized bond premiums	--	--	45,477	--	45,675	--	45,675
Net debt service requirements	$ 214,642	52	1,811,897	1,189,410	2,053,918	1,195,696	3,249,614

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The underlying liquidity agreement expires within one year; therefore, the financial statements reflect amounts due in one year in accordance with GASB Interpretation No. 1.
(2) Portions of these bonds are variable rate bonds with rates of 0.16% to 0.45%.
(3) The underlying liquidity agreement expires within one year; therefore, the financial statements reflect amounts due in one year in accordance with GASB Interpretation No. 1. This schedule reflects the debt schedules as of September 30, 2010.

10 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Airport Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Notes (1) Principal	Revenue Notes (1) Interest	Revenue Bonds (2) Principal	Revenue Bonds (2) Interest
2011	$ 28	13	--	980	13,515	12,609
2012	30	11	--	980	14,165	12,033
2013	39	10	--	980	14,795	11,466
2014	26	8	--	980	15,610	10,699
2015	27	6	--	980	16,345	10,043
2016-2020	98	14	28,000	2,450	98,450	38,040
2021-2025	3	--	--	--	110,900	15,159
2026-2030	--	--	--	--	24,750	206
	251	62	28,000	7,350	308,530	110,255
Less: Unamortized bond discounts	(1)	--	--	--	(840)	--
Unamortized gain(loss) on bond refundings	1	--	--	--	(14,419)	--
Add: Unamortized bond premiums	11	--	--	--	2,012	--
Net debt service requirements	262	62	28,000	7,350	295,283	110,255

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Airport Debt Service Requirements Principal	Total Airport Debt Service Requirements Interest	Total Airport Debt Service Requirements Total
2011	331	4	13,874	13,606	27,480
2012	--	--	14,195	13,024	27,219
2013	--	--	14,834	12,456	27,290
2014	--	--	15,636	11,687	27,323
2015	--	--	16,372	11,029	27,401
2016-2020	--	--	126,548	40,504	167,052
2021-2025	--	--	110,903	15,159	126,062
2026-2030	--	--	24,750	206	24,956
	331	4	337,112	117,671	454,783
Less: Unamortized bond discounts	--	--	(841)	--	(841)
Unamortized gain(loss) on bond refundings	--	--	(14,418)	--	(14,418)
Add: Unamortized bond premiums	--	--	2,023	--	2,023
Net debt service requirements	$ 331	4	323,876	117,671	441,547

(1) These are variable rate notes with rates ranging from 0.16% to 0.33%.
(2) Portions of these bonds are variable rate bonds with rates ranging from 0.18% to 0.50%.

10 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Nonmajor Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2011	$ 1,546	689	2,319	1,803	7,360	1,176
2012	1,458	610	2,436	1,698	7,358	926
2013	1,595	537	1,936	1,587	6,653	681
2014	1,383	456	2,684	1,501	5,460	466
2015	1,314	387	2,131	1,382	4,737	296
2016-2020	5,994	910	11,024	5,597	5,590	271
2021-2025	432	22	11,861	2,441	--	--
2026-2030	--	--	2,245	940	--	--
2031-2035	--	--	1,405	543	--	--
2036-2040	--	--	1,420	173	--	--
	13,722	3,611	39,461	17,665	37,158	3,816
Less: Unamortized bond discounts	(46)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(1,010)	--	--	--	--	--
Add: Unamortized bond premiums	1,013	--	708	--	456	--
Net debt service requirements	13,679	3,611	40,169	17,665	37,614	3,816

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Revenue Bonds (1)(2) Principal	Revenue Bonds (1)(2) Interest	Total Nonmajor Debt Service Requirements Principal	Total Nonmajor Debt Service Requirements Interest	Total Nonmajor Debt Service Requirements Total
2011	240	173	8,545	8,817	20,010	12,658	32,668
2012	248	164	9,450	8,483	20,950	11,881	32,831
2013	255	155	10,555	8,077	20,994	11,037	32,031
2014	263	144	11,000	7,635	20,790	10,202	30,992
2015	272	134	11,455	7,164	19,909	9,363	29,272
2016-2020	1,123	760	65,040	27,929	88,771	35,467	124,238
2021-2025	1,595	278	48,700	16,196	62,588	18,937	81,525
2026-2030	353	14	59,270	5,603	61,868	6,557	68,425
2031-2035	--	--	--	--	1,405	543	1,948
2036-2040	--	--	--	--	1,420	173	1,593
	4,349	1,822	224,015	89,904	318,705	116,818	435,523
Less: Unamortized bond discounts	--	--	(679)	--	(725)	--	(725)
Unamortized gain(loss) on bond refundings	--	--	(16,948)	--	(17,958)	--	(17,958)
Add: Unamortized bond premiums	--	--	3,260	--	5,437	--	5,437
Net debt service requirements	$ 4,349	1,822	209,648	89,904	305,459	116,818	422,277

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.15 to 0.55%.

(2) The underlying liquidity agreement expires within one year; therefore, the financial statements reflect amounts due in one year in accordance with GASB Interpretation No. 1. This schedule reflects the debt schedules as of September 30, 2010.

DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	$ 2,216	893	2,319	1,803	10,628	1,570
2012	2,100	777	2,436	1,698	10,369	1,208
2013	2,352	672	1,936	1,587	9,280	863
2014	1,705	550	2,684	1,501	7,369	556
2015	1,654	465	2,131	1,382	5,542	334
2016-2020	7,149	1,084	11,024	5,597	6,315	293
2021-2025	494	25	11,861	2,441	--	--
2026-2030	--	--	2,245	940	--	--
2031-2035	--	--	1,405	543	--	--
2036-2040	--	--	1,420	173	--	--
	17,670	4,466	39,461	17,665	49,503	4,824
Less: Unamortized bond discounts	(62)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(2,547)	--	--	--	--	--
Add: Unamortized bond premiums	1,172	--	708	--	561	--
Net debt service requirements	16,233	4,466	40,169	17,665	50,064	4,824

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Notes (2)	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	1,261	799	299,825	87	--	980
2012	1,317	746	--	--	--	980
2013	1,383	687	--	--	--	980
2014	1,590	619	--	--	--	980
2015	1,661	544	--	--	--	980
2016-2020	5,576	2,342	--	--	28,000	2,450
2021-2025	4,435	772	--	--	--	--
2026-2030	982	38	--	--	--	--
2031-2035	--	--	--	--	--	--
2036-2040	--	--	--	--	--	--
	18,205	6,547	299,825	87	28,000	7,350
Less: Unamortized bond discounts	(27)	--	(28)	--	--	--
Unamortized gain(loss) on bond refundings	--	--	--	--	--	--
Add: Unamortized bond premiums	--	--	--	--	--	--
Net debt service requirements	$ 18,178	6,547	299,797	87	28,000	7,350

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The underlying liquidity agreement expires within one year; therefore, the financial statements reflect amounts due in one year in accordance with GASB Interpretation No. 1.

(2) These are variable rate notes with rates ranging from 0.16% to 0.33%.

10 – DEBT AND NON-DEBT LIABILITIES, continued
d -- Debt Service Requirements, continued

Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	Revenue Bonds (3)(4) Principal	Revenue Bonds (3)(4) Interest	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Business-Type Activities Debt Service Requirements Principal	Interest	Total
2011	$ 147,804	221,240	369	82	464,422	227,454	691,876
2012	166,684	211,236	40	76	182,946	216,721	399,667
2013	211,923	176,877	42	74	226,916	181,740	408,656
2014	253,415	145,856	44	72	266,807	150,134	416,941
2015	202,791	146,250	47	69	213,826	150,024	363,850
2016-2020	788,871	675,723	272	308	847,207	687,797	1,535,004
2021-2025	792,569	371,378	349	231	809,708	374,847	1,184,555
2026-2030	667,630	195,639	448	133	671,305	196,750	868,055
2031-2035	264,140	84,352	17	2	265,562	84,897	350,459
2036-2040	193,000	23,054	--	--	194,420	23,227	217,647
2041-2045	8,325	232	--	--	8,325	232	8,557
	3,697,152	2,251,837	1,628	1,047	4,151,444	2,293,823	6,445,267
Less: Unamortized bond discounts	(12,061)	--	--	--	(12,178)	--	(12,178)
Unamortized gain(loss) on bond refundings	(132,279)	--	--	--	(134,826)	--	(134,826)
Add: Unamortized bond premiums	90,299	--	--	--	92,740	--	92,740
Net debt service requirements	$ 3,643,111	2,251,837	1,628	1,047	4,097,180	2,293,823	6,391,003

(3) A portion of these bonds are variable rate bonds with rates ranging from 0.15 to 0.55%.

(4) The underlying liquidity agreement expires within one year; therefore, the financial statements reflect amounts due in one year in accordance with GASB Interpretation No. 1. This schedule reflects the debt schedules as of September 30, 2010.

e -- Defeased Debt

Over time, the City has issued refunding bonds to advance refund certain public improvement bonds, certificates of obligation, and enterprise revenue bonds. The proceeds of the sale of the refunding bonds were deposited with an escrow agent in an amount necessary to accomplish the discharge and final payment of the refunded obligations. These funds are held by the escrow agent in an escrow fund and used to purchase direct obligations of the United States of America to be held in the escrow fund. The escrow fund is irrevocably pledged to the payment of the principal and interest on the refunded obligations.

On September 30, 2010, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity	Balance
General Obligation		
Certificates of Obligations, Series 2001	9/1/2011	$ 13,685
Public Improvement Bonds, Series 2001	9/1/2011	51,280
Certificates of Obligations, Series 2002	9/1/2012	6,750
Public Improvement Bonds, Series 2002	9/1/2012	13,100
Certificates of Obligations, Series 2004	9/1/2014	1,355
Electric		
Series 2001	11/15/2010	117,700
Series 2003	5/15/2013	18,800
Water and Wastewater		
Series 2001A	5/15/2011	118,265
Series 2001B	5/15/2011	53,605
Series 2003	5/15/2013	29,100
		$ 423,640

11 – CONDUIT DEBT

The City has issued several series of housing and industrial development revenue bonds to provide for low cost housing and for acquisition and construction of industrial and commercial facilities. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Prior to September 30, 1997, the City issued several series of bonds. The aggregate principal amount outstanding of these bonds could not be determined; however, their original issue amounts totaled $310.2 million. Subsequent to September 30, 1997, the City has issued $104 million in various series of housing revenue bonds that have an outstanding balance of $101.4 million as of September 30, 2010.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport and convention center. These bonds are special limited obligations payable solely from and secured by a pledge of revenue to be received from agreements between the entities and various third parties. As of September 30, 2010, $350.3 million in revenue and revenue refunding bonds was outstanding that had an original issue value of $382.2 million.

The above bonds do not constitute a debt or pledge of the faith and credit of the City and accordingly have not been reported in the accompanying financial statements.

12 – INTERFUND BALANCES AND TRANSFERS

Interfund receivables, payables, and advances at September 30, 2010, are as follows (in thousands):

		Amount	
Receivable Fund	**Payable Fund**	**Current**	**Long-Term**
Governmental funds:			
General Fund	Nonmajor governmental funds	$ 227	--
Nonmajor governmental funds	Nonmajor governmental funds	57,746	--
	Water and Wastewater	--	3,505
	Nonmajor enterprise funds	--	1,006
	Internal service funds	--	28
Internal Service funds	Nonmajor governmental funds	11	34
Business-type funds:			
Electric	Internal service funds	136	458
	Nonmajor enterprise funds	306	1,634
	Water and Wastewater	--	24,603
	Nonmajor governmental funds	--	181
Water and Wastewater (restricted)	Internal service funds	27	--
Airport (restricted)	Nonmajor governmental funds	--	107
Nonmajor enterprise funds (restricted)	Nonmajor governmental funds	--	55
Nonmajor enterprise funds	Nonmajor governmental funds	--	30
	Nonmajor enterprise funds	717	--
		$ 59,170	31,641

Interfund receivables, payables, and advances reflect loans between funds. Of the above current amount, $15.1 million is an interfund loan from the Fiscal Surety Fund, a special revenue fund, to other special revenue funds (primarily grant funds) to cover deficit pooled investments and cash. The above current amount also includes $42.6 million in interfund loans between capital project funds to cover deficit pooled investments and cash.

12 – INTERFUND BALANCES AND TRANSFERS, continued

Interfund transfers during fiscal year 2010 were as follows (in thousands):

	Transfers In			
Transfers Out	General Fund	Nonmajor Governmental	Nonmajor Enterprise	Total
General Fund	$ --	9,716	6,298	16,014
Nonmajor governmental funds	--	42,313	35,630	77,943
Electric	101,000	--	--	101,000
Water and Wastewater	28,967	4,462	--	33,429
Nonmajor enterprise funds	266	3,264	--	3,530
Internal service funds	--	7,681	--	7,681
Total transfers out	$ 130,233	67,436	41,928	239,597

Interfund transfers are authorized through City Council approval. Significant transfers include the electric and water and wastewater transfers to the General Fund, which are comparable to a return on investment to owners, and the transfer of hotel occupancy and vehicle rental tax collections from the Hotel-Motel Occupancy Tax and the Vehicle Rental Tax funds to other nonmajor governmental funds and the Convention Center Fund.

13 – LITIGATION

A number of claims against the City are pending with respect to various matters arising in the normal course of the City's operations. Legal counsel and city management are of the opinion that settlement of these claims and pending litigation will not have a material effect on the City's financial statements. The City has accrued liabilities in the Liability Reserve Fund for claims payable at September 30, 2010. These liabilities include amounts for lawsuits settled subsequent to year-end, which are reported in the government-wide statement of net assets.

14 – DERIVATIVE INSTRUMENTS

The City has derivatives in two hedging programs: Energy Risk Management Program and Variable Rate Debt Management Program.

The City implemented Statement 53, *Accounting and Financial Reporting for Derivative Instruments,* in fiscal year 2010, which addresses the recognition, measurement, and disclosure related to derivative instruments. In accordance with GASB Statement No. 53, the City is required to report the fair value of all derivative instruments on the statement of net assets. In addition, GASB Statement No. 53 requires that all derivatives be categorized into two basis types – (1) hedging derivative instruments and (2) investment derivative instruments. Hedging derivative instruments significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of an associated hedgeable item. Investment derivative instruments are entered into primarily for income or profit purposes or they are derivative instruments that do not meet the criteria of an effective hedging derivative instrument. Changes in fair value of hedging derivative instruments are deferred on the statement of net assets; and changes in fair value of investment derivative instruments are recognized as gains or losses on the statement of activities.

a -- Energy Risk Management Program

In an effort to mitigate the financial and market risk associated with the purchase of natural gas and energy price volatility, Austin Energy has established a Risk Management Program. This program was authorized by the Austin City Council and is led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, options, and swaps for the purpose of reducing exposure to natural gas and energy price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. Austin Energy typically settles these contracts in cash.

14 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

Hedging Derivative Instruments

Natural Gas Derivatives
Austin Energy purchases financial contracts on the New York Mercantile Exchange (NYMEX) to provide a hedge against the physical delivery price of natural gas from its various hubs. Austin Energy enters into basis swaps to protect delivery price differences between Henry Hub and its natural gas delivery points, Western Area Hub Association (WAHA), Katy, and the Houston Ship Channel (HSC).

The fair value of futures, swaps, and basis swap contracts is determined using the NYMEX closing settlement prices as of the last day of the reporting period. The fair value is calculated by deriving the difference between the closing futures price on the last day of the reporting period and purchase price at the time the positions were established. The fair value of the options are calculated using the Black/Scholes valuation method utilizing implied volatility based on the NYMEX closing settlement prices of the options as of the last day of the reporting period, risk free interest rate, time to maturity, and the NYMEX forward price of the underlier as of the last day of the reporting period.

Premiums paid for options are deferred until the contract is settled. As of September 30, 2010, $12.7 million in premiums was deferred. As of September 30, 2010, the fair value of Austin Energy's futures, options, swaptions, and swaps, was an unrealized loss of $105.7 million, of which $113.4 million is reported as derivative instruments in liabilities and $7.7 million is reported as derivative instruments in assets. The fair values of these derivative instruments are deferred until future periods on the balance sheet using deferred outflows and deferred inflows.

Congestion Rights Derivatives
Preassigned Congestion Rights (PCRs) and Transmission Congestion Rights (TCRs) function as financial hedges against the cost of resolving zonal congestion in the Electric Reliability Council of Texas (ERCOT) market. These instruments allow Austin Energy to hedge expected future congestion that may arise during a certain period. TCRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRs annually at 15% of the cost of TCRs. The instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments.

As of September 30, 2010, PCRs had a fair value of $247 thousand and TCRs had a fair value of $1.3 million and are reported as derivative instruments. The market value for TCRs and PCRs is calculated using the implied market value (the difference between future zonal prices of the applicable zones) multiplied by the number of open positions. The difference in the zonal prices represents what the expected cost of congestion will be for that given point in time.

14 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

On September 30, 2010, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction		Reference Index	Fair Value at September 30, 2010 Maturity Dates	Notional Volumes		Fair Value	Change in Fair Value	Premiums Deferred
Long	OTC Call Options	Henry Hub	Oct 2010 - Oct 2013	20,445,013	(1)	$ 1,819	(8,555)	19,159
Long	Options	Henry Hub	Apr 2013 - Oct 2013	2,140,000	(1)	373	(875)	-
Long	Basis Swaps	WAHA	Oct 2010 - Dec 2013	8,980,000	(1)	3,939	1,482	-
n/a	Congestion Rights	ICE (2)	Oct 2010 - Dec 2010	560,117	(3)	1,579	(364)	-
			Derivative instruments (assets)			7,710	(8,312)	19,159
Short	OTC Call Options	Henry Hub	Oct 2010 - Jun 2012	(6,410,000)	(1)	(702)	1,874	-
Short	OTC Put Options	Henry Hub	Oct 2010 - Dec 2014	(24,885,000)	(1)	(49,286)	(27,115)	(6,440)
Long	Futures	Henry Hub	Apr 2011 - Jul 2013	1,375,000	(1)	(4,050)	(2,300)	-
Short	Options	Henry Hub	Apr 2013 - Oct 2014	(2,140,000)	(1)	(4,827)	(2,012)	-
Long	OTC Swaps	Henry Hub	Oct 2010 - Jun 2015	35,427,500	(1)	(47,600)	(46,446)	-
Short	OTC Swaptions	Henry Hub	Apr 2011 - Oct 2011	(3,210,000)	(1)	(6,946)	(4,054)	-
			Derivative instruments (liabilities)			(113,411)	(80,053)	(6,440)
			Total			$ (105,701)	(88,365)	12,719

(1) Volume in MMBTUs
(2) IntercontinentalExchange
(3) Volume in MWHs

Austin Energy routinely purchases derivative instruments. The outstanding hedging derivative instruments were purchased at various dates.

The realized gains and losses related to the hedging activity derivative instruments are netted to fuel expense in the period realized.

Risks

Credit Risk. Credit risk is the risk of loss due to a counterparty defaulting on its obligations. Austin Energy's fuel derivative contracts expose Austin Energy to custodial credit risk on Exchange Traded derivative positions. In the event of default or nonperformance by brokers or the exchange, Austin Energy's operations will not be materially affected. However, Austin Energy does not expect the brokerages to fail to meet their obligations given their high credit ratings and the strict and deep credit requirements upheld by NYMEX, which these brokerage houses are members. At September 30, 2010, the brokerages had credit ratings of A and BBB.

The over-the-counter agreements expose Austin Energy to credit risk. In the event of default Austin Energy's operations will not be materially affected. However, Austin Energy does not expect the counterparties to fail to meet their obligations given their high credit rating. At September 30, 2010, the two counterparties had credit ratings of AA- and A. The contractual provisions under the ISDA (International Swaps and Derivatives Association) agreement applied to these contracts include collateral provisions. At September 30, 2010 no collateral was required under these provisions.

The congestion rights expose Austin Energy to custodial credit risk in the event of default or nonperformance by ERCOT. In the event of default of nonperformance Austin Energy's operations will not be materially affected. However, Austin Energy does not expect ERCOT to fail in meeting their obligations as they are a regulatory entity of the State of Texas.

14 – DERIVATIVE INSTRUMENTS, continued
a -- Energy Risk Management Program, continued

Termination Risk. Termination risk is the risk that a derivative will terminate prior to its scheduled maturity due to a contractual event. Contractual events include illegality, tax and credit events upon merger and other events. Termination risk for exchange-traded instruments is greatly reduced by the strict rules and guidelines set up by the exchange, which is governed by the Commodity Futures Trade Commission. Austin Energy's exposure to termination risk for over-the counter agreements is minimal due to the high credit rating of the counterparties, and the contractual provisions under the ISDA (International Swaps and Derivatives Association) agreement applied to these contracts. Termination risk is associated with all of Austin Energy's derivatives up to the fair value of the instrument.

Netting Arrangements. Austin Energy enters into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on it's obligations, close-out netting provisions permit the non-defaulting party to accelerate and terminate all outstanding transactions and net the transactions' fair values so that a single sum will be owed by or owed to the non-defaulting party.

Basis Risk. Austin Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a delivery point (WAHA/Katy/HSC) different than that at which the financial hedging contracts are expected to settle NYMEX (Henry Hub). As of September 30, 2010, the NYMEX price was $3.81 per MMBTU, the WAHA Hub price was $3.67 per MMBTU, Katy was $3.785 per MMBTU, and the HSC Hub price was $3.83 per MMBTU.

Investment Derivative Instruments

In fiscal year 2010, some derivative instruments were closed out resulting in an ineffective hedge classification, accordingly a loss of $69 thousand was reported. However, this loss was deferred under the accounting requirements for regulated operations.

On September 30, 2010, Austin Energy had the following closed out investment derivative instruments (in thousands):

			Fair Value at September 30, 2010			
	Type of Transaction	Reference Index	Maturity Dates	Volumes in MMBTU	Fair Value	Change in Fair Value
Long	OTC Call Options	Henry Hub	Apr 2011 - Oct 2011	3,210,000	$ --	--
Short	OTC Call Options	Henry Hub	Apr 2011 - Oct 2011	(3,210,000)	--	890
Long	Futures	Henry Hub	Aug 2013 - Oct 2013	230,000	(846)	(397)
Short	Futures	Henry Hub	Aug 2013 - Oct 2013	(230,000)	777	397
Long	OTC Swaps	Henry Hub	Apr 2011	300,000	(750)	(692)
Short	OTC Swaps	Henry Hub	Apr 2011	(300,000)	750	692
					$ (69)	890

At September 30, 2010, Austin Energy recorded an unrealized loss of $49 thousand on outstanding emission investment instruments.

Risks

As of September 30, 2010, Austin Energy was not exposed to credit, interest or foreign currency risk on its investment derivative instruments.

b -- Variable Rate Debt Management Program

Hedging Derivative Instruments

The intention of the City's swap portfolio is to change variable interest rate bonds to synthetically fixed rate bonds. As a means to lower its borrowing costs when compared against fixed rate bonds at the time of issuance, the City executed pay-fixed, receive-variable swaps in connection with its issuance of variable rate bonds.

14 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

As of September 30, 2010, the City has 4 outstanding swap transactions with initial and outstanding notional amounts totaling $734.6 million and $664.1 million, respectively. The mark-to-market or fair value for each swap is estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the London Interbank Offered Rate (LIBOR) swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

On September 30, 2010, the City had the following outstanding interest rate swap hedging derivative instruments (in thousands):

Item	Related Variable Rate Bonds	Terms	Effective Date	Maturity Date		Notional Amount	Fair Value
Business-Type Activities - Hedging derivatives:							
WW1	Water & Wastewater Revenue Refunding Bonds, Series 2004	Pay 3.657%, receive 68% of LIBOR	8/27/2004	5/15/2024	$	115,375	(16,476)
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Pay 3.600%, receive SIFMA swap index	5/15/2008	5/15/2031		166,875	(18,130)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025		259,850	(48,227)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Pay 3.251%, receive SIFMA swap index until 11/15/09 and 67% of LIBOR thereafter	8/14/2008	11/15/2029		121,955	(16,640)
					$	664,055	(99,473)

All swaps are pay-fixed interest rate swaps. All were entered into with the objective of hedging changes in the cash flows on the related variable rate debt.

The fair value of the City's interest rate swap hedging derivative instruments is reported as derivative instruments in liabilities with an offsetting adjustment to deferred outflow of resources. The table below provides for the fair value and changes in fair value of the City's interest rate swap agreements as of September 30, 2010 (in thousands).

			Fair Value and Classification as of September 30, 2010		Change in fair value for the year ended September 30, 2010	
Item		Outstanding Notional Amount	Amount	Classification	Deferred Outflows	Deferred Inflows
Business-Type Activities:						
Hedging derivative instruments (cash flow hedges):						
WW1	$	115,375	(16,476)	Non-current liability	(4,368)	--
WW2		166,875	(18,130)	Non-current liability	(7,918)	--
AIR1		259,850	(48,227)	Non-current liability	(12,034)	--
HOT1		121,955	(16,640)	Non-current liability	(6,060)	--
	$	664,055	(99,473)		(30,380)	--

Due to the continued decline in interest rates during fiscal year 2010, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2010. The fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that may have been received.

14 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

Risks

Credit risk. As of September 30, 2010, the City was not exposed to credit risk on any of its outstanding swap agreements because each swap had a negative fair value. However, should interest rates change and the fair value of a swap becomes positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

The counterparty credit ratings for the City's interest rate swap hedging derivative instruments at September 30, 2010 are included in the table below.

		Counterparty Ratings		
Item	**Related Variable Rate Bonds**	**Moody's Investors Service, Inc**	**Standard & Poor's**	**Fitch, Inc**
Business-Type Activities:				
WW1	Water & Wastewater Revenue Refunding Bonds, Series 2004	Aa1	AA-	AA-
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Aa3	A	A+
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	A2	A	A
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Aa3	A+	AA-

Swap agreements for all four swaps contain collateral agreements with the counterparties. These swap agreements require collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds in the agreements. For Swap WW1, the City purchased swap insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/Standard &Poor's (S&P). For Swap AIR1, the City purchased swap insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/S&P. For Swap HOT1, the credit support provider of MKFP is Deutsche Bank AG, New York Branch (DBAG). This swap requires collateralization of the fair value of the swap should DBAG's credit rating fall below the applicable thresholds in the agreement.

Swap payments and associated debt. The net cash flows for the City's interest rate swap hedging derivative instruments for the year ended September 30, 2010 are included in table below (in thousands).

		Counterparty Swap Interest				
Item	**Related Variable Rate Bonds**	**Pay**	**Receive**	**Net**	**Interest to Bondholders**	**Net Interest Payments**
Business-Type Activities:						
WW1	Water & Wastewater Revenue Refunding Bonds, Series 2004	$ (4,219)	213	(4,006)	(367)	(4,373)
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	(6,023)	438	(5,585)	(498)	(6,083)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	(10,551)	503	(10,048)	(857)	(10,905)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(3,982)	246	(3,736)	(370)	(4,106)
		$ (24,775)	1,400	(23,375)	(2,092)	(25,467)

14 – DERIVATIVE INSTRUMENTS, continued
b -- Variable Rate Debt Management Program, continued

Basis and interest rate risk. Basis risk is the risk that the interest rate paid by the City on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. The City does not bear basis risk on Swap WW2. At September 30, 2010, the City bears basis risk on the three remaining swaps. These swaps have basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bonds. The City is exposed to basis risk should the floating rate that it receives on a swap drop below the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

Tax risk. Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the City's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds, e.g. a tax cut that results in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 68% of LIBOR (a taxable index) on Swap WW1, 71% of LIBOR on AIR1, and 67% of LIBOR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Termination risk. The City or the counterparties may terminate any of the swaps if the other party fails to perform under the terms of the respective contracts. If any of the swaps are terminated, the associated variable rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City. Additionally, the City purchased swap insurance on the Swap WW1 and Swap AIR1 to further reduce the possibility of termination risk.

Rollover risk. The City is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to the maturity of the hedged debt. When these hedging derivative instruments terminate, the City will be re-exposed to the risks being hedged by the hedging derivative instrument. The City is currently not exposed to rollover risk on its hedging derivative instruments.

Investment Derivative Instruments

At September 30, 2010, the City did not have any investment derivative instruments related to interest rate swaps.

c -- Swap Payments and Associated Debt

As of September 30, 2010, debt service requirements of the City's variable rate debt and net swap payments, assuming current interest rates remain the same, for their term are as follows (as rates vary, variable rate bond interest payments and net swap payments will vary):

Fiscal Year Ended September 30	Variable-Rate Bonds (in thousands) Principal	Interest	Interest Rate Swaps, Net	Total Interest
2011	$ 22,890	624	23,387	24,011
2012	29,905	597	22,418	23,015
2013	23,750	574	21,507	22,081
2014	54,920	538	20,017	20,555
2015	43,465	490	17,539	18,029
2016-2020	154,910	1,833	72,418	74,251
2021-2025	210,235	869	41,434	42,303
2026-2030	110,000	85	10,892	10,977
2031	13,980	2	333	335
Total	$ 664,055	5,612	229,945	235,557

15 – COMMITMENTS AND CONTINGENCIES
a -- Fayette Power Project

Austin Energy's coal-fired electric generating units are located at the Fayette Power Project (FPP) and operate pursuant to a participation agreement with LCRA. Austin Energy has an undivided 50 percent interest in Units 1 and 2, and LCRA wholly owns Unit 3. A management committee of four members governs FPP; each participant administratively appoints two members. As managing partner, LCRA is responsible for the operation of the project and appoints project management.

FPP's Flexible Air permit received from the Texas Commission on Environmental Quality in 2002 requires that Austin Energy and LCRA install new SO2 scrubbers on FPP Units 1 and 2 by 2012. It is estimated that the project cost will be in the range of $225 million for Austin Energy's share. The scrubber on Unit 1 began operation in January 2011 and the Unit 2 scrubber is expected to go online in the spring of 2011.

Austin Energy's investment is financed with City funds, and its pro-rata share of operations is recorded as if wholly owned. Austin Energy's pro-rata interest in FPP was $209.9 million as of September 30, 2010. The increase in the pro-rata interest from 2009 is primarily due to the scrubbers. The pro-rata interest in the FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within the City's financial statements. The original cost of Austin Energy's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of the City in accordance with its accounting policies.

b -- South Texas Project

Austin Energy is one of three participants in the South Texas Project (STP), which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are NRG South Texas LP and City Public Service of San Antonio. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 400 megawatts of plant capacity. At September 30, 2010, Austin Energy's investment in the STP was approximately $469 million, net of accumulated depreciation.

Effective November 17, 1997, the participation agreement among the owners of STP was amended and restated, and the STP Nuclear Operating Company (STPNOC), a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. Each participant is responsible for its STP funding. The City's portion is financed through operations, revenue bonds, or commercial paper, which are repaid by the Electric Fund (see Note 10). In addition, each participant has the obligation to finance any deficits that may occur.

Each participant appoints one member to the board of directors of STPNOC, as well as one other member to the management committee. A member of the management committee may serve on the board of directors in the absence of a board member. The City's portion of STP is classified as plant in service, construction in progress, and nuclear fuel inventory. Nuclear fuel includes fuel in the reactor as well as nuclear fuel in process.

NRG South Texas LP has applied for an expansion at STP to include Units 3 and 4 at the STP site. While it is unknown whether this application for expansion will be approved, Austin Energy recommended and City Council resolved not to participate in the expansion as currently proposed.

c -- South Texas Project Decommissioning

Austin Energy began collecting in rates and accumulating funds for decommissioning STP in 1989 in an external trust. The Decommissioning Trust assets are reported as restricted cash and restricted investments held by trustee. The related liability is reported as decommissioning liability payable. Excess or unfunded liabilities related to decommissioning STP will be adjusted in future rates so that there are sufficient funds in place to pay for decommissioning. At September 30, 2010, the trust's assets were in excess of the estimated liability by $23.8 million which is reported as part of deferred revenue and other liabilities (in thousands):

Decommissioning trust assets	$ 159,602
Pro rata decommissioning liability	(135,765)
	$ 23,837

15 – COMMITMENTS AND CONTINGENCIES, continued
c -- South Texas Project Decommissioning, continued

STP is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant-operating license submit a certificate of financial assurance to the NRC for plant decommissioning every two years or upon transfer of ownership. The certificate provides reasonable assurance that sufficient funds are being accumulated to provide the minimum requirement for decommissioning mandated by the NRC. The most recent annual calculation of financial assurance filed on December 31, 2008 showed that the trust assets exceeded the minimum required assurance by $38.6 million.

d -- Purchased Power

Austin Energy has commitments totaling $3.2 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2027, landfill power through 2020, biomass through 2032, and solar through 2035.

e -- Decommissioning and Environmental/Pollution Remediation Contingencies

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly, Fayette, and Seaholm Power Plants. The financial statements include a liability of approximately $23 million at September 30, 2010. Austin Energy anticipates payment of these costs in 2011 and future years. The amount is based on 2010 cost estimates to perform remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Austin Water closed the Green Water Treatment Plant (GWTP) on September 23, 2008. The estimated decommissioning cost to close the GWTP is $11 million. The financial statements include a liability of approximately $2.1 million at September 30, 2010. The amount is based on 2010 cost estimates. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. Plant decommissioning reached substantial completion in February 2011, with final completion expected to occur in fiscal year 2011.

f -- Texas Water Development Board

In November 2009, the City delivered $31,815,000 of initial Water and Wastewater System Revenue Bonds, Series 2010 as a private placement with the Texas Water Development Board (TWDB). This zero-interest issuance is part of the American Recovery and Reinvestment Act. As part of that program, the initial bonds, in $5,000 increments, are replaced with definitive bonds as the City requests reimbursement for expenditures related to the approved project: green infrastructure improvements at the Hornsby Bend Biosolids Management plant. The City recognizes a liability once the definitive bonds have been issued. The remaining commitment will be recognized as future definitive bonds are issued. At year end, the liability recognized by the Water and Wastewater System Revenue Bonds, Series 2010 and the remaining commitment are as follows (in thousands):

Total bonds authorized	$	31,815
Definitive bonds issued to date		(10,840)
Remaining commitment	$	20,975

The City intends to issue definitive bonds for the remaining commitment. If the full amount of bonds authorized is not converted to definitive bonds, the TWDB and the City would agree to cancel any remaining initial bonds authorized but not converted. The City's liability in the financial statements represents the amount of definitive bonds outstanding.

g -- Arbitrage Rebate Payable

The City's arbitrage consultant has determined that the City has earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. The City will be required to rebate the excess amounts to the federal government. The estimated amounts payable at September 30, 2010, was $139 thousand for governmental activities, $7 thousand for water and wastewater, and $19 thousand for other nonmajor enterprise activities.

15 – COMMITMENTS AND CONTINGENCIES, continued
h -- Federal and State Financial Assistance Programs

The City participates in a number of federally assisted and state grant programs, financed primarily by the U.S. Housing and Urban Development (HUD) Department, U.S. Health and Human Services (HHS) Department, and U.S. Department of Transportation (DOT). The City's programs are subject to program compliance audits by the granting agencies. Management believes that no material liability will arise from any such audits.

i -- Capital Improvement Plan

As required by charter, the City has a *Capital Improvements Program* plan (capital budget) covering a five-year period which details anticipated spending for projects in the upcoming and future years. The City's 2010 Capital Budget has substantial contractual commitments relating to its capital improvement plan.

The key projects in progress include improvements to and development of the electric system, water and wastewater systems, airport, transportation infrastructure, public recreation and culture activities, and urban growth management activities. Remaining commitments represent current unspent budget and future costs required to complete projects.

Project (in thousands)	Remaining Commitment
Governmental activities:	
General government	$ 11,509
Transportation	25,034
Public recreation and culture	106,387
Urban growth management	1,134
Business-type activities:	
Electric	299,047
Water	585,811
Wastewater	426,193
Airport	189,325
Environmental and health services	42,402
Urban growth management	245,121
Total	$ 1,931,963

j -- Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Solid Waste Services Fund, a nonmajor enterprise fund. Closure is expected to occur in May 2011. The amount of costs reported, based on landfill capacity as of the City's fiscal year-end, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	$ 10,035	7,297	17,332
% capacity used through FY10	99.04%	99.04%	99.04%
Cumulative liability accrued through FY10	9,938	7,227	17,165
Costs incurred through FY10	(9,225)	--	(9,225)
Closure and post-closure liability at 9/30/10	713	7,227	7,940
Estimated FY11 costs	713	52	765
Estimated costs for remaining years	$ --	7,175	7,175

These amounts are based on the 2010 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

15 – COMMITMENTS AND CONTINGENCIES, continued
k -- Risk-Related Contingencies

The City uses internal service funds to account for risks related to health benefits, third-party liability, and workers' compensation. The funds are as follows:

Fund name	Description
Employee Benefits	City employees and retirees may choose a self-insured PPO or HMO for health coverage. Approximately 30% of city employees and 41% of retirees use the HMO option; approximately 70% of city employees and 59% of retirees use the PPO. Costs are charged to city funds through a charge per employee per pay period.
Liability Reserve	This self-insured program includes losses and claims related to liability for bodily injury, property damage, professional liability, and certain employment liability. Premiums are charged to other city funds each year based on historical costs.
Workers' Compensation	Premium charges for this self-insured program are assessed to other funds each year based on the number of full-time equivalent (FTE) employees per fund.

The City purchases stop-loss insurance for the City's PPO and HMO. This stop-loss insurance covers individual claims that exceed $500,000 per calendar year, up to a maximum of $2 million. In fiscal year 2010, six claims exceeded the stop-loss limit of $500,000; during fiscal year 2009, five claims exceeded the stop-loss limit of $500,000; during fiscal year 2008, no claims exceeded the stop-loss limit of $500,000. City coverage is limited to $2 million in lifetime benefits. The City does not purchase stop-loss insurance for workers' compensation claims.

The City is self-insured for much of its risk exposure; however, the City purchases commercial insurance coverage for loss or damage to real property, theft and other criminal acts committed by employees, and third party liability associated with the airport, owned aircraft, and electric utility operations. There have been no claims settlements in excess of the purchased insurance coverage for the last three years. The City also purchases insurance coverage through a program that provides workers' compensation, employer's liability, and third party liability coverage to contractors working on designated capital improvement project sites.

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The City utilizes actuarial information and historical claim settlement trends to determine the claim liabilities for the Employee Benefits Fund and Workers' Compensation Fund. Claims liabilities for the Liability Reserve Fund are calculated based on an estimate of outstanding claims, which may differ from the actual amounts paid. Possible losses are estimated to range from $33.4 to $47.5 million. The City contributes amounts to an internal service fund based on an estimate of anticipated costs for claims each year.

Changes in the balances of claims liability are as follows (in thousands):

	Employee Benefits		**Liability Reserve**		**Workers' Compensation**	
	2010	2009	2010	2009	2010	2009
Liability balances, beginning of year	$ 9,260	4,796	6,965	7,848	14,052	13,818
Claims and changes in estimates	9,480	9,807	3,270	2,784	3,908	3,391
Claim payments	(8,182)	(5,343)	(2,659)	(3,667)	(2,659)	(3,157)
Liability balances, end of year	$ 10,558	9,260	7,576	6,965	15,301	14,052

The Liability Reserve Fund claims liability balance at fiscal year end includes liabilities of $4.9 million discounted at 4.22% in 2010 and $5.0 million discounted at 4.45% in 2009.

15 – COMMITMENTS AND CONTINGENCIES, continued
l -- Redevelopment of Robert Mueller Municipal Airport

In December 2004, City Council approved a master development agreement with Catellus Development Group (Catellus) to develop approximately 700 acres at the former site of the City's municipal airport into a mixed-use urban village near downtown Austin. Catellus will develop and market the property. The Mueller Local Government Corporation (MLGC), created by the City for this development, will issue debt to fund infrastructure such as streets, drainage facilities, public parks, and greenways, which will be supported by taxes generated from this development.

In September 2006, the MLGC issued debt in the amount of $12 million. Proceeds of the debt have been used to reimburse the developer for eligible infrastructure such as streets, drainage, and parks. Debt service payments will be funded through an economic development grant from the City of Austin, and supported by sales tax proceeds from the development.

In October 2009, the MLGC issued debt in the amount of $15 million. Proceeds of the debt have been used to reimburse the developer for additional eligible infrastructure for the residential portion of the development. Debt service payments will be funded through an economic development grant from the City of Austin, and supported by property tax proceeds from the development.

The development contains Class A office space which hosts over 40 employers providing more than 3,000 jobs at Mueller. The development has more than 350,000 sq. ft. of retail space. From the start of home sales in 2007, the community has been well received. As of September 30, 2010, approximately 661 single-family homes were either complete or under construction. In addition, 477 apartment units were complete. Catellus also completed the infrastructure for an additional 49 single-family homes and initiated the development of 52 multi-family residences.

m -- Other Commitments and Contingencies

The City is committed under various leases for building and office space, tracts of land and rights-of-way, and certain equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2010, was $21.8 million. The City expects these leases to be replaced with similar leases in the ordinary course of business. Future minimum lease payments for these leases will remain approximately the same.

The City has entered into certain lease agreements to finance equipment for both governmental and business-type activities. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments at their inception date. Refer to Note 10 for the debt service requirements on these leases.

The following summarizes capital assets recorded at September 30, 2010, under capital lease obligations (in thousands):

		Business-type Activities		
Capital Assets	**Governmental Activities**	**Electric**	**Airport**	**Total**
Building and improvements	$ --	1,405	--	1,405
Equipment	1,051	--	2,320	2,320
Accumulated depreciation	(297)	(281)	(1,753)	(2,034)
Net capital assets	$ 754	1,124	567	1,691

16 – OTHER POST-EMPLOYMENT BENEFITS

In addition to the contributions made to the three pension systems, the City provides certain other post-employment benefits to its retirees. Other post-employment benefits include access to medical, dental, and vision insurance for the retiree and the retiree's family and $1,000 of life insurance on the retiree only. All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other post-employment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate. The City's other post-employment benefits plan is a single employer plan.

The City is under no obligation to pay any portion of the cost of other post-employment benefits for retirees or their dependents. Allocation of city funds to pay other post-employment benefits is determined on an annual basis by the City Council as part of the budget approval process on a pay-as-you-go basis.

The City recognizes the cost of providing these benefits as an expense and corresponding revenue in the Employee Benefits Fund; no separate plan report is available. The City pays actual claims for medical and 100% of the retiree's life insurance premium. Group dental and vision coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental and vision premium.

Medical, dental, vision, and life insurance expenses are reported in the Employee Benefits Fund. The estimated pay-as-you-go cost of providing medical and life benefits for 3,118 retirees was $21.7 million in 2010 and $19.6 million in 2009 for 3,115 retirees.

Annual Other Post Employment Benefits (OPEB) Cost and Net OPEB (Obligation) Asset

The annual OPEB cost associated with the City's retiree benefits for the fiscal year ended September 30, 2010, is as follows (in thousands):

	OPEB
Annual required contribution	$ 119,299
Interest on net OPEB obligation	7,374
Adjustment to annual required contribution	(9,969)
Annual OPEB cost	116,704
Contributions made	(21,707)
Change in net OPEB obligation	94,997
Beginning net OPEB obligation	175,151
Net OPEB obligation	$ 270,148

Schedule of Funding Progress (in thousands):

Year Ended September 30	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
2010	$ --	1,134,864	1,134,864	0.0%	620,526	182.9%

(1) UAAL – Unfunded Actuarial Accrued Liability

The schedule of funding progress, presented as RSI, presents multiyear trend information regarding the ratio of the actuarial value of assets and actuarial accrued liabilities.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 and the two preceding years are as follows (in thousands):

Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2008	$ 108,574	19%	87,507
2009	107,207	18%	175,150
2010	116,704	18%	270,148

16 – OTHER POST-EMPLOYMENT BENEFITS, continued

The actuarial cost method and significant assumptions underlying the actuarial calculation are as follows:

	OPEB
Actuarial Valuation Date	October 1, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization method	Level Percentage Open
Remaining Amortization Period	30 years
Inflation Rate	N/A
Salary Increase	None
Payroll Increase	None
Assumed Rate of Return on Investments	4.21%
Health Care Cost Trend Rate	10% in 2009, decreasing 1% per year for five years to an ultimate trend of 5% in 2014

17 – SUBSEQUENT EVENTS
a -- General Obligation Bond Issue

In October 2010, the City issued $79,528,000 of Public Improvement Bonds, Series 2010A. The proceeds from the issue will be used as follows: street improvements ($16,998,000), streets and signals ($15,800,000), drainage improvements ($24,000,000), park improvements ($20,130,000), cultural arts ($100,000), central library ($1,000,000), and public safety facility ($1,500,000). These bonds will be amortized serially on September 1 of each year from 2011 to 2030. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2011. Total interest requirements for these bonds, at rates ranging from 2.00% to 4.00%, are $37,170,378.

In October 2010, the City issued $26,400,000 of Public Improvement Bonds, Taxable Series 2010B. The proceeds from the issue will be used as follows: affordable housing ($26,400,000). These bonds will be amortized serially on September 1 of each year from 2011 to 2030. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2011. Total interest requirements for these bonds, at rates ranging from 3.00% to 4.65%, are $16,225,123.

In October 2010, the City issued $22,300,000 of Certificates of Obligation, Series 2010. The proceeds from this issue will be used as follows: public safety facilities ($3,850,000), solid waste services landfill closure ($8,100,000), public works transportation projects ($9,000,000), and improvements ($1,350,000). These certificates of obligation will be amortized serially on September 1 of each year from 2011 to 2030. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2011. Total interest requirements for these certificates of obligation, at rates ranging from 2.00% to 3.50%, are $8,237,625.

In October 2010, the City issued $16,450,000 of Public Property Finance Contractual Obligations, Series 2010. The proceeds from this issue will be used as follows: solid waste services capital equipment ($8,600,000), parking meter pay stations ($2,600,000), golf capital equipment ($1,070,000), public works transportation capital equipment ($2,505,000), wastewater utility capital equipment ($1,016,000), and water utility capital equipment ($659,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2011 to 2017. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2011. Total interest requirements for these obligations, at rates ranging from 1.00% to 1.75%, are $897,315.

17 – SUBSEQUENT EVENTS, continued

b -- Public Improvement Refunding Bond Issue

In November 2010, the City issued $91,560,000 of Public Improvement Refunding Bonds, Series 2010. The net proceeds of $108,587,889 (after issue costs, discounts, and premiums) from the refunding were used to refund $41,500,000 of Public Improvement Bonds, Series 2002; $31,785,000 of Public Improvement Refunding Bonds, Series 2003; $20,010,000 of Certificates of Obligation, Series 2001 and 2002; $2,090,000 of Circle C MUD #3 and Circle C MUD #4 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1996; $4,040,000 of Davenport Ranch MUD #1 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 1997 and Series 1997B; and $70,000 of Northwest Austin MUD #1Unlimited Tax Bonds, Series 2001. The refunding resulted in future interest requirements to service the debt of $40,480,158 with interest rates ranging from 4% to 5%. An economic gain of $9,426,174 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $11,427,089.

c -- Water and Wastewater System Revenue Bond Refunding Issue

In November 2010, the City issued $76,855,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2010A. Proceeds from the bond refunding were used to refund $75,000,000 of the City's outstanding tax-exempt commercial paper issued for the water and wastewater utility system. The debt service requirements on the refunding bonds are $153,171,897, with interest rates ranging from 4% to 5.125%. Interest payments are due May 15 and November 15 of each year from 2011 to 2040. Principal payments are due November 15 of each year from 2013 to 2040. No change in net cash flows resulted from this transaction, and no accounting gain or loss was recognized on this refunding.

In November 2010, the City issued $100,970,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2010B. These bonds are Build America Bonds (BABs) and are part of the Federal American Recovery and Reinvestment Act of 2009. Proceeds from the bond refunding were used to refund $100,000,000 of the City's outstanding tax-exempt commercial paper issued for the water and wastewater utility system. The debt service requirements on the refunding bonds are $213,428,131, with interest rates ranging from 2.494% to 6.018%. Interest payments are due May 15 and November 15 of each year from 2011 to 2040. Principal payments are due November 15 of each year from 2013 to 2040. No change in net cash flows resulted from this transaction, and no accounting gain or loss was recognized on this refunding.

d -- Texas Water Development Board

As of January 28, 2011, the City has converted an additional $9,130,000 of initial bonds to definitive Water and Wastewater System Revenue Bonds, Series 2010 over six separate draw requests. With these issuances, the outstanding commitment with the TWDB is now reduced to $11,845,000.

(In thousands)

	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Taxes	$ 387,061	--	387,061	371,138	371,138	15,923
Franchise fees	34,964	--	34,964	34,082	34,082	882
Fines, forfeitures and penalties	18,692	(1)	18,691	18,999	18,999	(308)
Licenses, permits and inspections	15,716	--	15,716	18,028	18,028	(2,312)
Charges for services/goods	33,394	(84)	33,310	36,590	36,590	(3,280)
Interest and other	8,059	(1,191)	6,868	4,910	4,910	1,958
Total revenues	497,886	(1,276)	496,610	483,747	483,747	12,863
EXPENDITURES						
General government						
Municipal Court	11,768	(41)	11,727	11,954	11,954	227
Public safety						
Police	235,223	(1,403)	233,820	241,176	241,176	7,356
Fire	119,575	(831)	118,744	120,246	120,246	1,502
Emergency Medical Services	44,132	(30)	44,102	43,777	44,107	5
Transportation, planning and sustainability						
Transportation, Planning and Sustainability	363	--	363	350	350	(13)
Public health:						
Health	37,464	172	37,636	38,974	38,974	1,338
Public recreation and culture						
Parks and Recreation	35,945	(140)	35,805	36,810	36,810	1,005
Austin Public Library	24,095	9	24,104	24,543	24,543	439
Urban growth management						
Neighborhood Planning and Zoning	17,588	(74)	17,514	19,604	19,604	2,090
Development Services and Watershed Protection	(53)	53	--	--	--	--
General city responsibilities (4)	69,456	(52,630)	16,826	16,760	16,760	(66)
Total expenditures	595,556	(54,915)	540,641	554,194	554,524	13,883
Excess (deficiency) of revenues over expenditures	(97,670)	53,639	(44,031)	(70,447)	(70,777)	26,746
OTHER FINANCING SOURCES (USES)						
Transfers in	130,233	1,182	131,415	131,167	131,167	248
Transfers out	(16,014)	(56,052)	(72,066)	(68,424)	(68,424)	(3,642)
Total other financing sources (uses)	114,219	(54,870)	59,349	62,743	62,743	(3,394)
Excess (deficiency) of revenues and other sources over expenditures and other uses	16,549	(1,231)	15,318	(7,704)	(8,034)	23,352
Fund balance at beginning of year	92,161	(7,560)	84,601	49,948	46,994	37,607
Fund balance at end of year	$ 108,710	(8,791)	99,919	42,244	38,960	60,959

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, accrued payroll, compensated absences, and amounts budgeted as operating transfers.
(2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
(3) Variance is actual-budget basis to final budget.
(4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs, budgeted payroll accrual, and amounts budgeted as fund-level expenditures.

1 – BUDGET BASIS REPORTING

a -- General

The City of Austin prepares its annual operating budget based on the modified accrual basis. Encumbrances constitute the equivalent of expenditures for budgetary purposes. In order to provide a meaningful comparison of actual results to the budget, the Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual-Budget Basis for the General Fund presents the actual and actual-budget basis amounts in comparison with original and final budgets.

The General Fund budget includes other revenues and requirements, which are presented in the general city responsibilities category. The expenditure budget for these general city requirements includes the following: tuition reimbursement ($340,000), accrued payroll ($2,599,000), expenditures for workers' compensation ($5,006,746), liability reserve ($1,740,000), and public safety ($2,325,759).

b -- Reconciliation of GAAP Basis and Budget Basis Amounts

The primary differences between GAAP-basis and budget-basis reporting for the General Fund are the reporting of encumbrances and the reporting of certain transfers. General Fund accrued payroll is recorded at the department level on a GAAP basis and as an expenditure in the general city responsibilities activity on the budget basis. Adjustments necessary to convert the excess revenues and other sources over expenditures and other uses on a GAAP basis to a budget basis for the General Fund are provided, as follows (in thousands):

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	$ 16,549
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	(76)
Net compensated absences accrual	30
Outstanding encumbrances established in current year	(2,442)
Payments against prior year encumbrances	1,952
Other	(695)
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 15,318

c -- Budget Amendments

The original expenditure budget of the General Fund was amended during fiscal year 2010 primarily for increased public safety costs. The original and final budget is presented in the accompanying financial statements.

RETIREMENT PLANS-TREND INFORMATION

Information pertaining to the latest actuarial valuation for each plan is as follows (in thousands):

Valuation Date, December 31st	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
City Employees						
2007	$1,653,500	2,112,800	459,300	78.3%	417,451	110.0%
2008	1,481,377	2,246,903	765,526	65.9%	448,740	170.6%
2009	1,672,470	2,330,937	658,467	71.8%	442,539	148.8%
Police Officers						
2007	482,303	637,560	155,257	75.6%	111,809	138.9%
2008	464,230	693,202	228,972	67.0%	122,735	186.6%
2009	518,112	733,635	215,523	70.6%	122,928	175.3%
Fire Fighters (2)						
2005	493,567	580,054	86,487	85.1%	65,885	131.3%
2007	584,420	586,802	2,382	99.6%	76,556	3.1%
2009	589,261	664,185	74,924	88.7%	78,980	94.9%

(1) UAAL – Unfunded Actuarial Accrued Liability (Excess)
(2) The actuarial study for the Fire Fighters' plan is performed biannually.

Information on where to obtain financial statements and supplementary information for each plan can be found in Footnote 8.

OTHER POST EMPLOYMENT BENEFITS-TREND INFORMATION

Under GASB Statement No. 45, the City is required to have an actuarial valuation of its other post employment benefits program every other year. The Schedule of Funding Progress for other post employment benefits is as follows (in thousands):

Fiscal Year Ended Sept. 30	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
2008	October 1, 2006	$ --	1,035,766	1,035,766	0.0%	618,214	167.5%
2009	October 1, 2006	--	1,035,766	1,035,766	0.0%	629,822	164.5%
2010	October 1, 2008	--	1,134,864	1,134,864	0.0%	620,526	182.9%

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE							
Pass through							
TX Department of State Health Services							
WIC-Lactation CTR Project 08	10.557	2008-023186	6001	$ 334,541	$ 300,278	$ -	$ 300,278
WIC-Lactation CTR Project 09	10.557	2009-030304	6001	301,366	11,908	-	11,908
Women/Infants/Children	10.557	2010-033618	6001	5,829,726	5,144,176	-	5,144,176
Women/Infants/Children	10.557	2009-030304	6001	5,387,573	436,655	-	436,655
				11,853,206	5,893,017	-	5,893,017
Pass through							
Texas Health & Human Services Commission:							
Summer Food Program	10.559	7501004	6000	98,000	98,000	-	98,000
				98,000	98,000	-	98,000
Total U.S. Department of Agriculture				11,951,206	5,991,017	-	5,991,017
U.S. HOUSING/URBAN DEVELOPMENT							
Community Development Block Grant	14.218	B-09-MC-48-0500	6133	7,522,791	3,488,002	2,112,475	5,600,477
Community Development Block Grant	14.218	B-06-MC-48-0500	6130	7,631,041	3,858	-	3,858
Community Development Block Grant	14.218	B-07-MC-48-0500	6130	7,618,132	15,086	35,801	50,887
Community Development Block Grant	14.218	B-08-MC-48-0500	6130	7,374,683	610,056	295,971	906,027
				30,146,647	4,117,002	2,444,247	6,561,249

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
ARRA-NSP Acquisition/Disposition	14.228	77090000146	6137	$ 2,542,618	$ 526,463	$ -	$ 526,463
				2,542,618	526,463	-	526,463
Emergency Shelter Grant 09-11	14.231	S-09-MC-48-0500	6131	328,346	68,259	241,986	310,245
Emergency Shelter Grant 08-10	14.231	S-08-MC-48-0500	6131	328,238	207	13,086	13,293
				656,584	68,466	255,072	323,538
Home Grant	14.239	M-09-MC-48-0500	6134	4,097,850	2,863,055	535,800	3,398,855
Home Grant	14.239	M-06-MC-48-0500	6130	4,358,773	585	1,440,057	1,440,642
Home Grant	14.239	M-07-MC-48-0500	6130	4,327,459	1,226,612	(180,742)	1,045,870
Home Grant	14.239	M-08-MC-48-0500	6130	4,100,000	1,260,552	(718,555)	541,997
				16,884,082	5,350,804	1,076,560	6,427,364
Housing Opportunity People W/Aids II 10	14.241	TXH10-F004	6132	1,029,086	30,859	951,041	981,900
Housing Opportunity People W/Aids II 09	14.241	TXH08-F004	6132	987,000	-	133,921	133,921
				2,016,086	30,859	1,084,962	1,115,821

(Continued)

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Economic Development Initiative 05	14.246	B-04-SP-TX-0792	6130	$ 198,820	$ 48,028	$ -	$ 48,028
				198,820	48,028	-	48,028
Section 108 Ncmp	14.248	N/A	6130	2,000,000	168,121	-	168,121
Section 108 Loan- Homeless Shelter	14.248	N/A	6130	6,030,000	526,797	-	526,797
Section 108 Loan--E. 11th/12th	14.248	B-94-MC-48-0500-A	6130	9,168,744	737,515	-	737,515
				17,198,744	1,432,433	-	1,432,433
ARRA-Community Development Block Grant	14.253	B-09-MY-48-0500	6135	2,003,003	293,565	883,715	1,177,280
				2,003,003	293,565	883,715	1,177,280
ARRA-Homelessness Prevention	14.257	S09-MY-48-0500	6136	3,062,820	97,766	1,152,439	1,250,205
				3,062,820	97,766	1,152,439	1,250,205

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Fair Housing Assistance	14.401	FF206K086006	6130	$ 228,124	$ 234,900	$ -	$ 234,900
				228,124	234,900	-	234,900
Lead Hazard Reduction	14.900	TXLHD0161-06	6130	3,761,662	829,867	-	829,867
Total U.S. Housing/Urban Development				78,699,190	13,030,153	6,896,995	19,927,148
U.S. DEPARTMENT OF JUSTICE							
Airport Asset Forfeiture Fund	16.000	N/A	7580	-	213,379	-	213,379
Parks Asset Forfeiture Fund	16.000	N/A	7875	-	4,368	-	4,368
Federal Department of Treasury Asset Forfeiture Fund	16.000	N/A	7870	-	840,686	-	840,686
Federal Department of Justice Asset Forfeiture Fund	16.000	N/A	7871	-	95,302	-	95,302
				-	1,153,735	-	1,153,735
VAWGO/Protection Orders	16.524	2004-WE-AX-39	6060	1,110,000	522,839	-	522,839
				1,110,000	522,839	-	522,839

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
Texas Governor's Office							
Criminal Justice Division:							
APD/LifeWorks Delinquency Prevention Project	16.540	JA-09-XXX-20115-02	6060	$ 30,073	$ 27,689	$ -	$ 27,689
APD/LifeWorks Delinquency Prevention Project	16.540	JA-08-J20-20115-01	6060	37,636	32,661	-	32,661
				67,709	60,350	-	60,350
Violent Crime Initiative	16.580	2007-DD-BX-0625	6060	990,000	20,788	-	20,788
Anti Human Trafficking	16.580	2005-VT-BX-0017	6060	200,000	105,307	-	105,307
				1,190,000	126,095	-	126,095
Anti Human Trafficking	16.582	2005-VT-BX-17	6060	674,632	10,007	-	10,007
Pass through							
Texas Governor's Office							
Criminal Justice Division:							
VAWA-Assistance for Females	16.588	WF-07-V30-13410-10	6500	107,359	107,359	-	107,359
				107,359	107,359	-	107,359

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
Texas Governor's Office							
Criminal Justice Division:							
ARRA-APD VAWA-Assistance for Females	16.588	EF-09-V30-23032-01	6060	$ 58,200	$ 28,773	$ -	$ 28,773
				58,200	28,773	-	28,773
Weed & Seed Central/East	16.595	2009-WS-QX-0029	6060	142,000	81,231	-	81,231
Weed & Seed Central/East	16.595	2008-WS-QX0136	6060	150,000	852	-	852
				292,000	82,083	-	82,083
Bulletproof Vest Program	16.607	N/A	6060	22,746	21,810	-	21,810
				22,746	21,810	-	21,810
COPS Technology	16.710	2007CKWX0053	6060	4,794,396	2,331,612	-	2,331,612
				4,794,396	2,331,612	-	2,331,612

(Continued)

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
U.S. DEPARTMENT OF JUSTICE							
Justice Assistance Program	16.738	2009-DJ-BX-1296	6060	$ 466,492	$ 117,600	$ -	$ 117,600
Justice Assistance Program	16.738	2007-DJ-BX-0395	6060	407,691	71,812	-	71,812
Justice Assistance Program	16.738	2008-DJ-BX-0401	6060	140,005	74,337	-	74,337
				1,014,188	263,749	-	263,749
Pass through							
Texas Governor's Office							
Criminal Justice Division:							
Bryne Justice Assistance Grant	16.738	DJ-06-A10-22765-01	6060	410,000	410,000	-	410,000
				410,000	410,000	-	410,000
DNA Backlog Reduction Program	16.741	2009-DN-BX-K056	6060	262,634	112,720	-	112,720
				262,634	112,720	-	112,720
Coverdell Forensic Science	16.742	CD-09-A10-17487-06	6060	135,000	135,000	-	135,000
Coverdell Forensic Science	16.742	2009-CD-BX-0054	6060	125,000	72,416	-	72,416
				260,000	207,416	-	207,416

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
DNA Backlog Reduction Program	16.743	2008-DN-BXK-022	6060	$ 137,500	$ 12,841	$ -	$ 12,841
				137,500	12,841	-	12,841
Gang Prevention Coordination Assistance	16.744	2007-JV-FX-0334	6060	200,000	79,353		79,353
				200,000	79,353	-	79,353
Sorna Implementation	16.750	2008-DD-BX-0049	6060	297,000	10,400	-	10,400
ARRA-JAG COA Regional Training	16.803	SU-09-A10-22081-01	6060	53,000	53,000	-	53,000
ARRA-Byrne Justice Assistance Grant	16.804	2009-SB-B9-0986	6060	1,937,577	119,412	-	119,412
ARRA-Emergency Communication Services	16.808	2009-SC-B9-0105	6060	1,398,506	394,515	-	394,515
Total U.S. Department of Justice				14,287,447	6,108,068	-	6,108,068

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
U.S. DEPARTMENT OF TRANSPORTATION							
ABIA FAA 38-07 (Security System Upgrade)	20.106	3-48-0359-038-2007	6900	$ 6,616,988	$ 1,831,267	$ -	$ 1,831,267
ABIA FAA 40-08 (Noise Implementation)	20.106	3-48-0359-040-2008	6900	4,000,000	485,806	-	485,806
ABIA FAA 42-08 AIP	20.106	3-48-0359-042-2008	6900	1,250,000	296,674	-	296,674
ABIA FAA 44-08 AIP	20.106	3-48-0359-044-2008	6900	1,461,071	788,792	-	788,792
ABIA FAA 46-08 AIP	20.106	3-48-0359-046-2008	6900	1,538,929	1,171,379	-	1,171,379
ABIA FAA 48-09 AIP	20.106	3-48-0359-048-2009	6900	742,837	476,496	-	476,496
ABIA FAA 49-09 AIP	20.106	3-48-0359-049-2009	6900	10,998,674	2,864,701	-	2,864,701
ABIA FAA 50-09 AIP	20.106	3-48-0359-050-2009	6900	5,098,712	78,615	-	78,615
ABIA FAA 51-09 AIP	20.106	3-48-0359-051-2009	6900	1,900,000	34,541	-	34,541
ABIA FAA 52 (Noise Mitigation)	20.106	3-48-0359-052-2009	6900	2,001,288	12,418	-	12,418
ABIA FAA 54-10 AIP	20.106	3-48-0359-054-2010	6900	2,237,144	28,507	-	28,507
				37,845,643	8,069,196	-	8,069,196
Pass through							
Texas State Highways and							
Public Transportation Department:							
Austin Crosstown Bikeway	20.205	CSJ0914-04-166	6090	1,966,481	62,793	-	62,793
Austin Manor Rail Trail	20.205	CSJ-0914-04-224	6090	1,600,000	62,423	-	62,423
Safe routes to School	20.205	581XXF6154	6230	100,000	2,080	-	2,080
Safe routes to School	20.205	581XXF6155	6230	100,000	1,789	-	1,789

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Jollyville/Loop 360 Bi/Ped Lanes	20.205	0914-04-181	6090	$ 659,750	$ 4,998	$ -	$ 4,998
Regional Bicycle Routes	20.205	CSJ0914-04-221	6090	800,000	42,460	-	42,460
ITS Cameron/Dessau Rd.	20.205	DMO2009-905	6090	120,000	114,068	-	114,068
Austin Bicycle Commuting Project	20.205	TCSE-012; TCSE-005	6090	371,740	27,114	-	27,114
Safe routes to School	20.205	588XXF6112	6230	567,132	192,881	-	192,881
Pleasant Valley to Northwestern	20.205	CSJ0914-04-217	6090	1,420,619	443,890	-	443,890
Northwestern to Chicon	20.205	CSJ0914-04-258	6090	1,229,910	99,848	-	99,848
Safe Routes to School	20.205	CSJ0914-04-253	6090	557,800	18,187	-	18,187
				9,493,432	1,072,531	-	1,072,531
Pass through Texas State Highways and Public Transportation Department:							
ARRA-Overlay	20.205	CSJ#0914-00-303	6090	1,500,000	1,400,513	-	1,400,513
Pass through Texas State Highways and Public Transportation Department:							
ARRA-Dynamic Message Signs	20.205	CSJ#0914-00-317	6090	1,000,000	1,769	-	1,769

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
Texas State Highways and							
Public Transportation Department:							
ARRA-Signals Project	20.205	CSJ#0914-00-302, 0914-00-0914-00-309, 0914-00-013, 0914-00-014	6090	$ 2,400,000	$ 460,644	$ -	$ 460,644
MCSAP - Corridor Enforcement	20.218	27XX48MH08 AUST15780	6090	512,138	(2,250)	-	(2,250)
MCSAP - Corridor Enforcement	20.218	MH094820000000	6090	844,721	987,804	-	987,804
MCSAP - Corridor Enforcement	20.218	MH104830000000	6090	303,089	775	-	775
				1,659,948	986,329	-	986,329
Pass through							
Texas State Highways and							
Public Transportation Department:							
STEP-Comprehensive Traffic	20.600	S-MYG-YR1-0013	6090	$ 742,500	$ 254,574	$ -	$ 254,574
STEP-Comprehensive Traffic	20.600	S-MYG-YR2-0023	6090	742,500	727,845	-	727,845
				1,485,000	982,419	-	982,419

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
Texas State Highways and							
Public Transportation Department:							
Click It or Ticket	20.609	AUSTINPD-CIOT-00004	6090	$ 60,000	$ 54,087	$ -	$ 54,087
Click It or Ticket	20.609	2010-AUSTINPD-CIOT-00053	6090	60,000	56,174	-	56,174
				120,000	110,261	-	110,261
Total U.S. Department of Transportation				55,504,023	13,083,662	-	13,083,662
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION							
Equal Employment Opportunity	30.002	7FPSLP0105	6020	139,650	140,150	-	140,150
Total U. S. Equal Employment Opportunity Commission				139,650	140,150	-	140,150
U.S. NATIONAL FOUNDATION ON THE ARTS AND HUMANITIES							
NEA Local Art Agencies	45.024	10-62-7019	6920	35,000	3,819	-	3,819
				35,000	3,819	-	3,819

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
Humanities of Texas							
Mexican American Firsts	45.129	2010-3887	6583	$ 3,000	$ 420	$ -	$ 420
				3,000	420	-	420
Guest Curator for Dickinson Museum	45.168	2009-3788	6140	4,000	4,000	-	4,000
				4,000	4,000	-	4,000
Pass through							
Texas State Library:							
Interlibrary Loan	45.310	771-09017	6140	423,012	155		155
Interlibrary Loan	45.310	771-10026	6140	286,466	343,995		343,995
Interlibrary Loan	45.310	771-11036	6140	386,466	8,878		8,878
				1,095,944	353,028	-	353,028
Total U.S. National Foundation on the Arts and Humanities				1,137,944	361,267	-	361,267
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Pass through							
Texas Water Development Board							
ARRA-Clean Water State Revolving Fund	66.458	72454	4600	31,815,000	11,623,941		11,623,941

(Continued)

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
TX Commission on Environmental Quality							
Avoid Weed & Feed	66.460	582-8-77054	6930	$ 201,600	$ 65,741	$ -	$ 65,741
Brownfield Cleanup Revolving Loan	66.811	N/A	6930	402,090	36,404	-	36,404
Total U.S. Environmental Protection Agency				32,418,690	11,726,086	-	11,726,086
U.S. DEPARTMENT OF ENERGY							
Pass through							
State Energy Conservation Office:							
Central TX Clean Cities	81.041	CM913	6920	30,000	1,443	-	1,443
Cities Program Income	81.041	NA	6920	84,000	17,288	-	17,288
				114,000	18,731	-	18,731
Pass through							
Leonardo Technologies, Inc.							
CTCC-LTI	81.041	DE-FE0004002	6920	20,000	13,547	-	13,547
				20,000	13,547	-	13,547

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
ARRA-Propane Vehicles/Infrastructure	81.086	585831	6920	$ 17,500	$ 4,375	$ -	$ 4,375
				17,500	4,375	-	4,375
ARRA-Solar Curriculum	81.087	DE-EE0002084	6920	450,000	101,666	-	101,666
				450,000	101,666	-	101,666
Solar City Partnership	81.117	DE-FC36-07G017069	6920	186,930	62,575	-	62,575
				186,930	62,575	-	62,575
ARRA-Energy Efficiency & Conservation	81.128	DE-EE0000960	6920	7,492,700	969,838	-	969,838
				7,492,700	969,838	-	969,838
ARRA-Clean Energy Accelerator	81.128	DE-EE0003555	6920	10,000,000	17,963	-	17,963
				10,000,000	17,963	-	17,963

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
Texas Dept of Housing and Community Affairs							
ARRA-Weatherization	81.402	16090000753	6920	$ 2,900,000	$ 881,529	$ -	$ 881,529
				2,900,000	881,529	-	881,529
Total U.S. Department of Energy				21,181,130	2,070,224	-	2,070,224
U.S. Department of Education							
Pass through							
Texas Governor's Office							
Criminal Justice Division:							
Gang Prevention Project	84.186	1924802	6060	26,228	789	-	789
Gang Prevention Project	84.186	ED-09-J21-19248-03	6060	19,674	17,395	-	17,395
				45,902	18,184	-	18,184
Total U.S. Department of Education				45,902	18,184	-	18,184
U.S. HEALTH & HUMAN SERVICES							
Pass through							
Capital Area Planning Council of Government							
Senior Transportation	93.044	N/A	6110	96,000	95,147	-	95,147
				96,000	95,147	-	95,147

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
Capital Area Planning Council of Government							
Senior Luncheon Program 10	93.045	NA	6110	$ 222,000	$ 198,478	$ -	$ 198,478
				222,000	198,478	-	198,478
Pass through							
TX Department of State Health Services							
Public Health Emergency Response	93.069	2010-033409	6128	820,446	356,892	-	356,892
Public Health Emergency Response	93.069	2010-033409	6128	1,220,000	671,380	-	671,380
Public Health Emergency Response	93.069	2010-035621-001	6128	810,574	99,656	-	99,656
				2,851,020	1,127,928	-	1,127,928
Pass through							
TX Department of State Health Services							
TB Outreach	93.116	2010-034149	6121	205,838	202,316	-	202,316
				205,838	202,316	-	202,316
New Start CHC 330(E)	93.224	H80CS00854	6110	4,003,387	(37,671)	-	(37,671)
				4,003,387	(37,671)	-	(37,671)

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
TX Department of State Health Services							
Immunization Outreach 10	93.268	2010-031589	6114	$ 694,345	$ 678,826	$ 25,200	$ 704,026
Immunization Outreach 11	93.268	2011-036452	6100	694,345	3,364	-	3,364
				1,388,690	682,190	25,200	707,390
Steps To Healthier US - 08	93.283	5U58DP623332-05	6110	738,991	20,248	-	20,248
				738,991	20,248	-	20,248
Pass through							
TX Department of State Health Services							
PHEP - Discretionary Funds	93.283	2009-031298-001	6126	62,268	35,210	-	35,210
Preparedness for Bioterrorism	93.283	2009-031815-001	6112	810,016	667,284	-	667,284
				872,284	702,494	-	702,494
Pass through							
Hospital Physicians in Clinical Research							
Rapid Anticonvulsant Medications	93.310	0006386-A	6110	71,843	31,716	-	31,716
				71,843	31,716	-	31,716

(Continued)

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
TX Department of Family and Protective Services							
Youth of Promise Initiative 09	93.556	23362199	6113	$ 500,000	$ (1,040)	$ -	$ (1,040)
Youth of Promise Initiative 10	93.556	23361299	6113	503,500	204,708	260,093	464,801
Youth of Promise Initiative 08	93.556	23794901	6113	503,500	7,339	-	7,339
				1,507,000	211,007	260,093	471,100
Pass through							
TX Department of State Health Services							
Refugee Health Services 10	93.566	2010-033390	6116	1,002,734	755,032	-	755,032
Refugee Health Services 09	93.566	2009-029963	6116	618,507	39,527	-	39,527
				1,621,241	794,559	-	794,559
U.S. HEALTH & HUMAN SERVICES							
Pass through							
Texas Department of Housing and Community Affairs:							
Community Services Block Grant 10	93.569	61100000839	6118	891,136	632,719	-	632,719
Community Services Block Grant 09	93.569	61090000347	6118	903,815	288,201	-	288,201
				1,794,951	920,920	-	920,920

(Continued)

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
Greater Austin Area Workforce Development:							
Title IV-A At Risk Child Care 02-03	93.575	07141C01	6110	$ 1,487,459	$ 790	$ 91,775	$ 92,565
Pass through							
Texas Department of Housing and							
Community Affairs:							
ARRA Community Services Block Grant	93.710	11090000524	6127	1,430,692	1,410,782	-	1,410,782
				1,430,692	1,410,782	-	1,410,782
ARRA Tobacco Prevention Grant	93.724	1U58DP002587-01	6241	7,473,150	251,082	-	251,082
				7,473,150	251,082	-	251,082
Equipment for Health Care Facilities	93.887	C76HF09948	6110	274,303	113,063	-	113,063
				274,303	113,063	-	113,063

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Ryan White I Emergency Care	93.914	H89HA00036	6125	$ 4,348,975	$ 251,952	$ 1,630,243	$ 1,882,195
Ryan White I Emergency Care	93.914	H89HA00036	6110	3,646,045	870	-	870
Ryan White I Emergency Care	93.914	BRH890036	6125	4,100,770	298,046	2,621,666	2,919,712
Ryan White Part A - MAI	93.914	H3MHA08484	6111	255,151	58,222	193,059	251,281
Ryan White Part A - MAI	93.914	H3MHA08484	6111	256,458	(2,219)	-	(2,219)
				12,607,399	606,871	4,444,968	5,051,839
Pass through							
Brazos Valley Council of Governments							
Ryan White Title II Consort 07	93.917	N/A	6110	764,400	(48,454)	-	(48,454)
Ryan White Title II Consort 08	93.917	RW2008-CCSD	6110	788,408	261,892	-	261,892
				1,552,808	213,438	-	213,438
Ryan White - Part C	93.918	H76HA00127	6119	872,383	103,960	449,311	553,271
Ryan White - Part C	93.918	H76HA00127	6119	872,383	42,274	509,883	552,157
				1,744,766	146,234	959,194	1,105,428

(Continued)

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
TX Department of State Health Services							
HIV PCPE 10	93.940	2010-034566-001	6110	$ 6,123	$ 430,492	$ -	$ 430,492
HIV PCPE 09	93.940	2009-030664-001	6123	695,596	277,538	-	277,538
HIV Health/Social Services	93.940	SS2007-CCSD	6510	270,345	(80,789)	-	(80,789)
HIV Health/Social Services	93.940	5573-558-01	6510	132,930	123,371	-	123,371
HIV Health/Social Services	93.940	5573-558-01	6510	211,916	58,277	-	58,277
				1,316,910	808,889	-	808,889
HIV Surveillance 10	93.944	2010-034562	6122	178,425	76,037	-	76,037
HIV Surveillance 09	93.944	2009-030645	6122	178,425	47,839	-	47,839
				356,850	123,876	-	123,876
STD Control 10	93.977	2010-034558	6124	373,259	262,065	-	262,065
STD Control 09	93.977	2009-030617-001	6124	268,742	116,862	-	116,862
				642,001	378,927	-	378,927

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
OPHP-Regional & Local Services Section	93.991	2011-035638-001	6512	$ 197,872	$ 7,720	$ -	$ 7,720
OPHP-Regional & Local Services Section	93.991	2010-032966	6512	197,872	190,676	-	190,676
				395,744	198,396	-	198,396
Title V-Injury Prevention	93.994	2010-032905	6115	181,237	98,848	-	98,848
Texas Healthy Adolescent	93.994	2011-035521	6138	225,000	2,205	-	2,205
Texas Healthy Adolescent	93.994	2010-034613	6138	99,448	51,965	12,000	63,965
				505,685	153,018	12,000	165,018
Total U.S. Health & Human Services				45,161,012	9,354,698	5,793,230	15,147,928
U.S. DEPT OF HOMELAND SECURITY							
Pass through							
Texas Department of Public Safety (GDEM)							
Urban Area Security Initiative	97.008	08-SR-5000-01	6120	2,834,922	400,341		400,341
Urban Area Security Initiative	97.008	08-SR-5000-01	6120	1,459,915	417,933		417,933
				4,294,837	818,274	-	818,274

(Continued)

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
FEMA Rita Shelter	97.036	FEMA-1606	6120	$ 625,000	$ 3,428	$ -	$ 3,428
FEMA Interim Housing	97.036	FEMA 3216	6120	17,054,000	135,718	-	135,718
Public Safety Disaster Relief-Katrina	97.036	FEMA-3216	6120	4,687,000	(7,524)	-	(7,524)
				22,366,000	131,622	-	131,622
Pass through							
Governor's Office of Emergency Management							
Hazard Mitigation-Bayton Loop	97.039	1791-016	6930	3,829,528	2,266,573	-	2,266,573
				3,829,528	2,266,573	-	2,266,573
Pass through							
Texas Department of Public Safety (GDEM)							
Hazard Mitigation	97.039	DR1730-001	6120	49,350	4,205	-	4,205
EMPG	97.042	NA	6120	133,350	133,350	-	133,350
				133,350	133,350	-	133,350
Fema Fire Prevention & Safety	97.044	EMW-2009-FP-01768	6120	147,050	787	-	787

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
Texas Department of Public Safety (GDEM)							
Citizens Corp Program	97.053	08-SR-5000-01	6120	$ 25,470	$ 2,448	$ -	$ 2,448
Citizens Corp Program	97.053	09-SR 5000-05	6120	32,650	9,499	-	9,499
				58,120	11,947	-	11,947
Austin Nat'l Emergency Technology	97.053	2008-RC-D8-K002	6120	80,000	5,052	-	5,052
Pass through							
Texas Department of Public Safety (GDEM)							
Citizens Corp Program	97.067	07-SR-5000-01	6120	34,751	1	-	1
Metro Medical Response System(MMRS)	97.067	N/A	6631	280,000	37,560	-	37,560
Metro Medical Response System(MMRS)	97.067	07-SR-5000-01	6120	258,145	200,187	-	200,187
				572,896	237,748	-	237,748
Pass through							
Texas Department of Public Safety (GDEM)							
Homeland Security Program	97.067	06-SR5000-01	6120	1,729,922	62,707	-	62,707
				1,729,922	62,707	-	62,707

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through							
Texas Department of Public Safety (GDEM)							
Metro Medical Response System(MMRS)	97.071	08-SR-5000-01	6120	$ 321,221	$ 142,766	$ -	$ 142,766
ABIA K-9 Bomb Squad	97.072	DTSA20-03-H-00959	6900	1,364,000	200,500	-	200,500
Pass through							
Texas Department of Public Safety (GDEM)							
Homeland Security Program	97.073	09-SR-5000-05	6120	894,960	69,896	-	69,896
Homeland Security Program	97.073	07-SR-5000-01	6120	751,530	282,686	-	282,686
Homeland Security Program	97.073	08-SR-5000-01	6120	509,799	70,405	-	70,405
				2,156,289	422,987	-	422,987
ABIA Checkpoints	97.090	HSTS0208HSLR018	6900	3,169,294	523,054	-	523,054
Total U.S. Dept of Homeland Security				40,271,857	4,961,572	-	4,961,572
Total Federal Financial Assistance				$ 300,752,149	$ 66,845,081	$ 12,690,225	$ 79,535,306

(Concluded)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
STATE HEALTH SERVICES						
TB Elimination 09	2009-028364	6510	$ 365,482	$ (317)	$ -	$ (317)
TB Elimination 10	2010-032857	6510	359,013	340,172	-	340,172
TB Elimination 11	2011-035286	6510	329,722	14,977	-	14,977
			1,054,217	354,832	-	354,832
Primary Health Care 07	2007-020376	6510	133,079	(774)	-	(774)
Primary Health Care 08	2008-024326	6510	240,599	105,116	-	105,116
Community Diabetes Project	2010-031847	6201	80,000	54,996	7,459	62,455
Community Diabetes Project	2011-035555	6201	80,000	3,597	-	3,597
Tobacco Prevention & Control Coalition	2009-029460	6240	435,253	54	-	54
Tobacco Prevention & Control Coalition	2010-032901	6240	289,704	171,569	60,084	231,653
Tobacco Prevention & Control Coalition	2011-037118	6240	420,033	4,889	-	4,889

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Governor's Advisory Council on Physical Fitness	2008-027748	6511	$ 100,000	$ (14,966)	$ 14,821	$ (145)
Zoonosis Control	2010-032330	6515	19,977	19,977	-	19,977
Heart Disease/Value Based Benefit	2009-030648	6514	35,000	(1,744)	-	(1,744)
Heart Disease/Value Based Benefit	2009-031506	6514	50,000	27,912	-	27,912
Heart Disease/Value Based Benefit	2010-035000	6514	50,000	6,809	-	6,809
DSHS Local Project Grant	2010-033883	6510	17,888	(6,384)	-	(6,384)
Obesity Prevention	2010-034877	6117	300,000	99,305	-	99,305
Total State Health Services			3,305,750	825,188	82,364	907,552
TEXAS COMMISSION OF THE ARTS						
TCA Core Support	N/A	6530	6,792	1,350	14,938	16,288
TCA Sub-granting 09	N/A	6920	26,934	-	100	100
TCA Sub-granting 10	10-31251	6530	35,000	-	34,000	34,000
Total Texas Commission of the Arts			68,726	1,350	49,038	50,388

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY						
Pass through						
Household Hazardous Waste Facility	10-12-G09	6950	$ 8,600	$ 4,707	$ -	$ 4,707
Emissions Reduction Incentive	582-8-89964	6860	28,605	28,605	-	28,605
Code Compliance Local Enforcement	10-12-G03	6950	20,801	19,380	-	19,380
Total Texas Commission on Environmental Quality			58,006	52,692	-	52,692
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS						
LEOSE-Police	N/A	6540	210,779	158,267	-	158,267
			210,779	158,267	-	158,267
State Contraband Asset Forfeiture Fund	N/A	7740	-	21,299	-	21,299
State Gambling Asset Forfeiture Fund	N/A	7750	-	94,692	-	94,692
			-	115,991	-	115,991

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Tobacco Compliance 09	N/A	6540	$ 36,500	$ -	$ -	$ -
Tobacco Compliance 10	N/A	6540	31,500	36,500		36,500
			68,000	36,500	-	36,500
Total Texas Comptroller of Public Accounts			278,779	310,758	-	310,758
TEXAS DEPARTMENT OF TRANSPORTATION						
Auto Theft Prevention 09	SA-T01-10039-09	6570	407,979	38,813	-	38,813
Auto Theft Prevention 10	SA-T01-10039-10	6570	407,008	311,317	-	311,317
Auto Theft Prevention 11	SA-T01-10039-11	6570	360,098	4,578	-	4,578
			1,175,085	354,708	-	354,708
STEP Impaired Driving	588EGF6012		50,000	24,933		24,933
STEP Impaired Driving	IDM-0003		45,000	45,000		45,000
			95,000	69,933	-	69,933
Total Texas Department of Transportation			1,270,085	424,641	-	424,641

(Continued)

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION						
Loan Star Libraries 10	44210236	6580	$ 309,801	$ 299,573	$ -	$ 299,573
Loan Star Libraries 11	N/A	6580	258,110	5,181	-	5,181
Total Texas State Library and Archives Commission			567,911	304,754	-	304,754
TEXAS PARKS AND WILDLIFE DEPARTMENT						
Emma Long Trail	RT-0802	6560	196,000	85,432	-	85,432
Urban Outdoor-Gus Garcia	N/A	6560	1,000,000	136	-	136
Total Texas Parks and Wildlife Department			1,196,000	85,568	-	85,568
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS						
Homeless Housing and Services Program	63100000770	6575	1,922,498	-	574,253	574,253
Total Department of Housing and Community Affairs			1,922,498	-	574,253	574,253

(Continued)

CITY OF AUSTIN, TEXAS

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
STATE ENERGY CONSERVATION OFFICE						
Solar for Schools	CM816	6920	$ 100,000	$ 37,950	$ -	$ 37,950
Best Practices for Data Center Energy	CM912	6920	95,000	10,000	-	10,000
Total State Energy Conservation Office			195,000	47,950	-	47,950
Total State Financial Assistance			$ 8,862,755	$ 2,052,901	$ 705,655	$ 2,758,556

See notes to supplemental schedule of expenditures of federal awards and state awards.

(Concluded)

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2010

1. GENERAL

The accompanying schedule of expenditures of federal and state awards presents the activity of all federal and state awards to the City of Austin, Texas ("City"). The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of Texas Uniform Grant Management Standards (UGMS). Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal and state awards is presented on the modified accrual basis of accounting. Grant revenues are recognized when all eligibility requirements have been met. Grant expenditures are recognized when a liability is incurred and when all eligibility requirements for reimbursement have been met.

3. LOANS

In addition to federal awards involving expenditures in 2010, the City of Austin has federally guaranteed loans outstanding as of September 30, 2010, with the Department of Housing and Urban Development. These loans related to the Section 108 Loan Program (CFDA 14.248). There are no continuing compliance requirements for these loans.

Three of the Section 108 loans have remaining balances to be disbursed (i.e., awarded) by the City of Austin at September 30, 2010. The remaining loan balances at September 30, 2010, and loans awarded during the fiscal year then ended for the programs are as follows:

	September 30, 2010 Loan Balance	2010 Fiscal Year Loans Awarded
NCMP Section 108	$ 536,846	$ 168,121
11th & 12th Street	650,322	737,515
Homeless Shelter	533,510	526,797
Total	$ 1,720,678	$ 1,432,433

4. LOANS TO THIRD PARTIES

The City of Austin uses CDBG and HOME funds to grant loans to low and moderate-income individuals. As of September 30, 2010, the balance of the loans receivable was approximately $12,367,000.

5. SUBRECIPIENTS

During the year, the City had several grant programs passed through to subrecipients. During the year ended September 30, 2010, subrecipients were awarded $12,690,225 and $705,655 under federal and state grants, respectively.

* * * * * *

Deloitte.

Deloitte & Touche LLP
400 West 15th Street
Suite 1600
Austin, TX 78701-1648
USA

Tel: +1 512 691 2330
Fax: +1 512 708 1035
www.deloitte.com

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*

The Honorable Mayor and
Members of the City Council,
City of Austin, Texas

We have audited the basic financial statements of the City of Austin (the "City") as of and for the year ended September 30, 2010, and have issued our report thereon dated March 30, 2011, which included an emphasis paragraph for the adoption of Government Accounting Standards Board (GASB) Statement No. 51 *Accounting and Financial Reporting for Intangible Assets* and GASB Statement No. 53 *Accounting and Financial Reporting for Derivative Instruments*. We conducted our audit 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.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2010-01 that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency, or a combination of deficiencies, in internal control is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free of 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 basic 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*.

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Mayor, City Council members, City management, and federal and state awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 30, 2011

Deloitte & Touche LLP
400 West 15th Street
Suite 1600
Austin, TX 78701-1648
USA

Tel: +1 512 691 2330
Fax: +1 512 708 1035
www.deloitte.com

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

The Honorable Mayor and
Members of the City Council,
City of Austin, Texas

Compliance

We have audited the City of Austin's (the "City") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget* (OMB) *Circular A-133 Compliance Supplement* and in the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2010. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and UGMS. Those standards, OMB Circular A-133, and UGMS require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and UGMS, and which is described in the accompanying schedule of findings and questioned costs as item 2010-02.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item 2010-02. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of Mayor, City Council members, City management, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

May 6, 2011

CITY OF AUSTIN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2010

I. SUMMARY OF AUDITORS' RESULTS:

Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal and State Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	Yes
Type of auditors' report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Circular A-133 (section .510(a))?	Yes

Identification of major programs:

Federal

U.S. Department of Agriculture:

- CFDA 10.557 Woman, Infants and Children

U. S. Department of Housing and Urban Development:

- Community Development Block Grants Cluster

- CFDA 14.218 Community Development Block Grants
- CFDA 14.253 Community Development Block Grant (includes ARRA funds)

U. S. Department of Housing and Urban Development:

- CFDA 14.257, Homeless Prevention (includes ARRA funds)

U.S. Department of Transportation:

- CFDA 20.205 Highway Cluster (includes ARRA funds)

U. S. Environmental Protection Agency:

- CFDA 66.458, Texas Water Development Board — Clean Water State Revolving Fund (includes ARRA funds)

U.S. Department of Energy:

- CFDA 81.128 Energy Efficiency and Conservation (includes ARRA funds)
- CFDA 81.402 Weatherization (includes ARRA funds)

U. S. Department of Health & Human Services:

- Community Services Block Grants Cluster
  - CFDA 93.569 Community Services Block Grants
  - CFDA 93.710 Community Services Block Grants (includes ARRA funds)

State

State Health Services:

- Homeless Housing and Services Program

State Library Services:

- Lone Star Libraries

Dollar threshold used to distinguish between Type A and Type B programs:

- Federal — $2,386,059
- State — $300,000

Auditee qualified as low-risk auditee?	Federal —	Yes
	State —	Yes

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Finding 2010-01: Significant Deficiency — Financial Accounting and Close Process (Program N/A)

Criteria — Management is responsible for establishing internal controls to ensure that financial statements are free of material misstatement. These controls include policies and procedures that detail the recording and review of transactions.

Condition and Cause — Due to the size and diversity of the City's business operations, the financial accounting and reporting is very complex. Information flows to the Controller's office from various departments including enterprise operations and treasury. In certain instances transactions are made in those departments and the Controller's office is responsible for making additional journal entries based on information received from these departments. While the City has formalized the process to exchange information during the year between departments, we noted certain instances where information transmitted to Controller's office was insufficient to determine the proper accounting for certain transactions. This resulted in recording errors in the financial statements for transactions related to debt classifications between current and noncurrent, timing of recording of debt issuances, and recording of payments from an account held by a trustee.

In addition, certain Austin Energy activities relating to the review of construction in progress were not performed timely and resulted in the understatement of depreciable plant and equipment.

Effect — Financial statements could be misstated. Correcting entries were proposed during the audit and have been recorded in the financial statements.

Recommendation — Implement policies and procedures that require that all unique transactions are supported by appropriate supporting documentation and that such transactions are reviewed by a senior member of the originating department and a senior member of the Controller's office.

III. FINDINGS AND QUESTIONED COSTS RELATED TO THE FEDERAL AND STATE AWARDS

Finding: 2010–02

Program: Community Services Block Grant Cluster (CSBG) (CFDA 93.569 and CFDA 93.710 — ARRA)

Type — Compliance with eligibility requirements and a significant deficiency over internal controls over compliance related to eligibility and allowable costs requirements.

Condition and Perspective — Parameters used by the City to determine income for eligibility assessments were not in line with the grant guidelines in 7 of 72 client files selected for testing. In addition, the City did not retain adequate documentation in 9 of 72 client files selected for testing to support all utility and rental assistance services. Also, 1 of 72 client files did not contain a proper income support; therefore, we were unable to make a determination on the client's eligibility.

Underlying Cause — Staff did not perform proper income determination based on the guidelines. Staff did not include all supporting documentation in client flies to support assistance provided.

Criteria — In order to be eligible for CSBG/CSBG-ARRA, a client is required to have family income less than 200% of "poverty line" determined based on family size. Family income is calculated based on the income, excluding certain types of income per guidelines, earned for the 30 days prior to client intake by all family members with income. Supporting documentation such as pay stubs are required to substantiate income, in the absence of documentation, the client is required to complete a self-certification form and a declaration of income statement. Supporting documentation should be retained for all payments made.

Effects — We were unable to determine eligibility for one of 72 files selected for testing. While for all other files selected for testing, the City was able to provide supporting documentation for income determination, the City is at risk of providing services to ineligible clients if controls are not strengthened to ensure that all assistance provided is supported by appropriate documentation and income of clients is properly calculated in accordance with grant guidelines prior to providing the service.

Questioned Costs — $9,150

Recommendation — The Health and Human Services (HHS) department of the City should follow the established grant guidelines and ensure that staff are trained in assessing income and eligibility. The HHS department should review all client files to ensure adequate supporting documentation is retained and that all files are complete.

Finding 2010-01: Financial Accounting and Close Process (Program N/A)

Contact Person — Diana Thomas, Controller

Management's Response — Concur. The Controller's Office will work closely with departments and require additional evidentiary materials to support the timing and accounting treatment for transactions relating to debt. For all entries recorded against accounts held by trustee, the Controller's Office will review the trustee bank statements to verify the flow of funds and appropriate timing and accounting treatment.

Austin Energy will review and update policies and procedures in FY 2011 to ensure depreciable assets are recorded timely.

Estimated Completion — September 30, 2011

Finding 2010-02: Community Services Block Grant (CFDA 93.569) Compliance with eligibility requirements and a significant deficiency over internal controls over compliance related to eligibility and allowable costs requirements

Contact Person —Cathleen Rodriguez, Manager, Healthy Neighborhood Unit

Management Response — Concur. HHSD has corrected 15 of the 17 errors noted in client files. HHSD is in the process of obtaining the missing income support used to determine eligibility for one client file. We expect to have this information by May 31, 2011.

Effective May 24, 2011, controls over the eligibility calculation and documentation requirements will be strengthened by requiring peer reviews prior to services being rendered. For all prior FY 2011 client files, HHSD will review income eligibility calculation and documentation to ensure compliance with eligibility requirements. In addition, HHSD's Internal Auditor is performing an audit of HHSD's Neighborhood Centers to provide additional recommendations to improve controls over CSBG-related activities.

Income eligibility calculation and documentation will be re-emphasized at staff training on May 23, 2011 to ensure staff understand these requirements. Training will also include instruction on the new peer review requirement.

Estimated Completion — September 30, 2011

Finding 2009-01: Significant Deficiency — Accounting and Review Process for Regulated Operations (previously referred to as FASB 71) (Program N/A)

Criteria — Management is responsible for establishing internal controls to ensure that financial statement account balances are free of material misstatement. These controls include policies and procedures that detail the specific accounting and review process for the related significant account balance.

Condition and Cause —

- The City applies FASB 71 for its Electric and Water and Wastewater funds, whereby certain utility expenses that do not currently require funding are deferred into future periods in which they are intended to be recovered by rates.

- This is a complex accounting standard that requires a detail analysis of amounts that should be performed by someone who has an operational understanding of how rates are set and the accounting expertise to appropriately apply the standard.

- The City responded to the significant deficiency included in the fiscal year 2008 Report to Management related to the financial reporting process and accounting for nonstandard transactions by engaging an external specialist to review the accounting records to support the deferred balances. Based on this work and the work of accounting staff at Austin Energy and Austin Water, the City recorded certain adjustments; however, the City has not yet designed and adopted detailed policies and procedures on how to continue to monitor and record such deferred assets to ensure they are in compliance with relevant accounting standards.

Effect — Failure to design and implement policies and procedures could result in errors in the recording of amounts to be recovered in future periods.

Recommendation — The City should establish formal policies and procedures that require the periodic review of (1) deferred costs related to regulated operations to ensure that any such costs are recoverable by future rates, (2) specific transactions and account balances to identify items requiring deferral, and (3) review of prospective accounting over the life of the related asset or liability, and when, in management's judgment, any future recovery becomes impaired, the amount of such assets should be reduced or written off, as appropriate. In addition, the City should require the review of adjusting entries related to FASB 71 by an appropriate member of Austin Energy and Austin Water management familiar with rate setting process and operations.

Contact Person — Diana Thomas, Controller

Status — The City developed detailed policies and procedures on how to monitor and record deferred assets to ensure compliance with relevant accounting standards.

Finding: 2009–02

Program: Community Services Block Grant (CSBG) (CFDA 93.569)

Type — Compliance over Eligibility requirements

Condition and Perspective — One (1) of 40 client files selected for testing exceeded the 125% poverty guidelines, but was granted CSBG services. No federal grant funds were paid directly to the participant in this program as the participant received food pantry assistance.

Underlying Cause — Program management notes that there was an error in the program supervisor's review of the client file.

Criteria — An individual's family income is required to be less than 125% of "poverty line" to receive CSBG services. In accordance with 42 USC Section 9902, the term "poverty line" means the official poverty line defined by the Office of Management and Budget based on the most recent data available from the Bureau of Census. The Secretary shall revise annually (or at any shorter interval) the line, which shall be used as a criterion of eligibility in the CSBG program established under this chapter. The required revision shall be accomplished by multiplying the official poverty line by the percentage change in the Consumer Price Index for All Urban Consumers during the annual or other interval immediately preceding the time at which the objectives of the block grant program are established under this chapter.

Effects — The City provided services to an individual that was ineligible for the grant services.

Questioned Costs — None.

Recommendation — The Health and Human Services (HHS) department of the City should follow the established procedures to ensure compliance with the federal regulations. Additional controls should be considered to ensure necessary determination of eligibility of individuals.

Status — The documentation/reporting training was held on May 24, 2010. In addition, the FY 2011 annual staff training was held on 1/31/2011 with subsequent staff development meetings to be held on a monthly basis. As part of the Health and Human Services Continuous Quality Improvement process, the Healthy Neighborhood Unit's Adm.1.23 Chart Audits policy and procedures was reviewed and revised on 1/3/2011. Program Supervisors continue to review a minimum of 10% of total records on a quarterly basis in addition to conducting chart audit peer review sessions twice a month.

Finding: 2009–03

Program: Community Development Block Grant (CDBG) (CFDA 14.218)

Type — Subrecipient Monitoring

Condition and Perspective — After fiscal year end, the City became aware that one of its subrecipients has submitted falsified audit reports to the City. The City requires subrecipients that expend federal grants that exceed $500,000 to submit financial and single audit reports to demonstrate their compliance with grant requirements

The total amount of funding passed through to the subrecipient from the CDBG grant during fiscal year 2009 was $200,638.

Underlying Cause — An investigation is currently in progress to determine the exact nature of the activities and whether those activities and the funds passed through by the City were in fact misappropriated or not used for their intended purpose.

Criteria — The City is required to ensure that subrecipients of grant funding comply with grant requirements through various forms of monitoring of subrecipients.

Effects — It remains unknown whether the amounts passed through by the City were misappropriated by the subrecipient or used in accordance with grant requirements.

Questioned Costs — None.

Recommendation — The City should continue to be active in the investigative efforts as allowed by law and should inform granting agencies as necessary throughout the process. The City should also determine appropriate steps to respond to the risk that has now been identified as it relates to subrecipient monitoring and receipt of falsified audit reports. The City should determine if changes should be made to existing policies and procedures to reduce the risk of fraud.

Status —

1. The HHSD contract monitoring/review processes have been reviewed and procedures updated. The following changes have been incorporated:

    a. Bound copies of the external audits are required. Staff confirmed that the audit was reviewed and approved by the Board through independent, separate contact with the Board Chair and the Auditor. A copy of the Board minutes approving the audit is also required.

    b. The CPA license is confirmed on-line with the Texas State Board of Public Accountancy.

    c. The Blanket Crime insurance policy limit is increased to cover the amount of all City contracts with the agency.

    d. A Directors and Officers insurance policy is now also required.

    e. HHSD Internal Auditor is working with Human Services staff to revise the Risk Assessment tool by April 15, 2011.

    f. HHSD staff systematically track the additional requirements.

2. In response to this training need, Carla Steffen from the Controller's Office provided a training in contract monitoring and risk assessment in 2010. Additional training on identifying problems/issues in financial management will take place in early March 2011 for all HHSD contract staff.

3. Insurance and bonding requirements have been reviewed and updated (see #1 above)

4. The agency compliance procedures are in place and being followed when non-compliance issues are identified.

Longer Term Plans:

1. HHSD has not met with One Voice Central Texas. HHSD will meet with One Voice Central Texas by November 30, 2011. One Voice Central Texas represents multiple local non-profit agencies. Many of these agencies are applying for funding through a currently open RFP for Social Services. No contact is allowed until after new contracts are executed.

2. Longer-Term Plan #2 is complete. HHSD's Internal Auditor was hired and began on January 3, 2011. The Internal Auditor reports directly to the Director of HHSD and is currently working with Department management to systematically assess potential unmitigated risks in each HHSD program, including Social Services contract management.

3. Longer-Term Plan #3 is in-process. HHSD management has implemented recommended changes and additional process improvements to its contract monitoring / review processes. HHSD management has initiated internal reviews of its contract monitoring/review processes, and is coordinating with the newly hired HHSD Internal Auditor to determine if additional controls are needed to mitigate risks within these processes.