

# City of Austin, Texas

Financial Statements as of and for the  
Year Ended September 30, 2014,  
Single Audit Report for the  
Year Ended September 30, 2014,  
and Independent Auditors' Reports

# CITY OF AUSTIN, TEXAS

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of discretely presented component units which represents 100% percent of the assets and net position, and 99.8% of the revenues of the discretely presented component units. Those statements were audited by other auditors whose reports, one of which (Austin Bergstrom Landhost Enterprises, Inc.) contains an emphasis of matter paragraph related to a going concern issue, has been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. 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. The financial statements of the discretely presented component units were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's

internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas, as of September 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As discussed in Note 18 to the financial statements, the City implemented Governmental Accounting Standards Board Statement No. 65, *Items Previously Reported as Assets and Liabilities* during the year ended September 30, 2014, which established accounting and financial reporting standards that reclassified, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognized, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the 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 listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Schedule of Expenditures of Federal Awards and the

Schedule of State Awards, as required by Office of Management and Budget (OMB) Circular A-133 and Texas Uniform Grant Management Standards (UGMS), are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards and the Schedule of State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards and the Schedule of State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2015 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Deloitte & Touche LLP*

March 24, 2015

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, 2014.

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. 67 and No. 70.

## **FINANCIAL HIGHLIGHTS**

### **Government-wide financial statements**

The assets of the City exceeded its liabilities at the end of the fiscal year 2014, resulting in \$4.6 billion of net position. Net position associated with governmental activities is approximately \$1.3 billion, or 28.2% of the total net position of the City. Net position associated with business-type activities is approximately \$3.3 billion, or 71.8% of the total net position of the City. The largest portion of net position consists of net investment in capital assets, which is \$3.8 billion, or 82.8% of total net position.

Unrestricted net position, which may be used to meet the City's future obligations, is \$156 million, or 3.4% of the City's total net position. Unrestricted net position for governmental activities is a deficit of \$431.3 million, while unrestricted net position for business-type activities is approximately \$587.4 million, or 17.6% of total business-type net position. The deficit in governmental unrestricted net position is largely due to the recognition of \$435.3 million in other post employment benefit liabilities for governmental activities.

During fiscal year 2014, total net position for the City of Austin increased \$99.7 million or 2.2%. Of this amount, governmental activities decreased \$38.3 million, or 2.8% from the previous year and business-type activities increased \$138 million, or 4.3% from the previous year.

Total revenues for the City increased \$187.5 million; revenues for governmental activities increased \$89.3 million; revenues for business-type activities increased \$98.2 million. Total expenses for the City increased \$172.7 million; expenses for governmental activities increased \$41.8 million; expenses for business-type activities increased \$131 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 required supplementary information in addition to the basic financial statements.

### **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 Position** presents information on all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Austin is improving or deteriorating.
- The **Statement of Activities** presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position 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.

**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

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), Mueller Local Government Corporation (MLGC), Austin-Bergstrom International Airport (ABIA) Development Corporation, and the Urban Renewal Agency (URA). The operations of AHFC, AIDC, MLGC, ABIA, and URA 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.

The government-wide financial statements also include three discretely presented component units: Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin Convention Enterprises, Inc. (ACE), and Waller Creek Local Government Corporation (WCLGC). These entities are legally separate entities that do not meet the GASB reporting requirements for inclusion as part of the City's operations; therefore, data from these units are shown separately from data of the City. More information on these entities can be found in the notes to the financial statements, including how to get a copy of separately audited financial statements for ACE and ABLE. WCLGC activities are recorded in the City's financial system and city staff prepare the financial reports for this entity.

**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.

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 funds 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, Austin Energy<sup>TM</sup>, Austin Water Utility, and Austin-Bergstrom International Airport (Airport), as well as the nonmajor enterprise funds.
- 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 (CTECC); 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.

**OVERVIEW OF THE FINANCIAL STATEMENTS, continued**

**b -- Fund financial statements, continued**

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:

<u>Fund Types/Other</u>	<u>Government-wide</u>	<u>Fund Financials</u>
General Fund	Governmental	Governmental - Major
Special revenue funds	Governmental	Governmental - Nonmajor
Debt service funds	Governmental	Governmental - Nonmajor
Capital projects 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
Austin Energy	Business-type	Proprietary - Major
Austin Water Utility	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
Discrete component units	Discrete component units	Excluded

**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 plus five separately budgeted activities, all of which comprise the General Fund for GAAP reporting. 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 position**

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

	Condensed Statement of Net Position as of September 30 (in thousands)					
	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Current assets	\$ 645,341	654,691	1,258,553	1,228,103	1,903,894	1,882,794
Capital assets	2,693,200	2,561,611	7,315,956	7,121,722	10,009,156	9,683,333
Other noncurrent assets	10,930	11,646	992,668	983,931	1,003,598	995,577
Total assets	<u>3,349,471</u>	<u>3,227,948</u>	<u>9,567,177</u>	<u>9,333,756</u>	<u>12,916,648</u>	<u>12,561,704</u>
Deferred outflows of resources	<u>17,616</u>	<u>17,225</u>	<u>193,508</u>	<u>233,413</u>	<u>211,124</u>	<u>250,638</u>
Current liabilities	321,500	311,752	481,782	506,193	803,282	817,945
Noncurrent liabilities	1,728,712	1,581,421	5,215,684	5,171,781	6,944,396	6,753,202
Total liabilities	<u>2,050,212</u>	<u>1,893,173</u>	<u>5,697,466</u>	<u>5,677,974</u>	<u>7,747,678</u>	<u>7,571,147</u>
Deferred inflows of resources	<u>8,681</u>	<u>5,476</u>	<u>734,857</u>	<u>698,842</u>	<u>743,538</u>	<u>704,318</u>
Net position:						
Net investment in capital assets	1,621,208	1,649,431	2,216,347	2,195,358	3,837,555	3,844,789
Restricted	118,335	103,246	524,653	535,490	642,988	638,736
Unrestricted (deficit)	(431,349)	(406,153)	587,362	459,505	156,013	53,352
Total net position	<u>\$ 1,308,194</u>	<u>1,346,524</u>	<u>3,328,362</u>	<u>3,190,353</u>	<u>4,636,556</u>	<u>4,536,877</u>

In the current fiscal year, total assets increased \$354.9 million and deferred outflows of the City decreased by \$39.5 million. Total liabilities increased \$176.5 million and deferred inflows increased by \$39.2 million. Governmental-type total assets increased by \$121.5 million and business-type increased by \$233.4 million, while governmental-type liabilities increased by \$157 million and business-type increased by \$19.5 million.

The most significant increase in governmental total assets resulted from an increase in capital assets of \$131.6 million or 5.1% as the City continues to build out projects from the 2006, 2010, and 2012 bond programs. Factors in the increase of governmental-type liabilities include increases in the bonds payable of \$93 million, related to the 2006 (\$48.4 million), 2010 (\$30 million), and 2012 (\$35 million) bond programs along with other post employment benefits of \$59.3 million.

The most significant factor in the increase of business-type total assets is a result of an increase in capital assets of \$194.2 million or 2.7%. The primary factors in the increase in business-type total liabilities of \$19.5 million include an increase in commercial paper notes payable of \$47.5 million and a decrease in derivative instruments of \$26.6 million as a result of adjustments to fair value.

As noted earlier, net position may serve as a useful indicator of a government's financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$4.6 billion at the end of the current fiscal year. However, the largest portion of the City's net position is represented in the net investment in capital assets (e.g. land, building, and equipment offset by related debt), which is \$3.8 billion, or 82.8% of the total amount of the City's net position. 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, \$643 million of the City's net position, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance, \$156 million of unrestricted net position, may be used to meet the government's future obligations. Unrestricted net position increased \$102.7 million in the current fiscal year.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net position for the government as a whole, as well as for business-type activities. However, governmental activities report a deficit of \$431.3 million for unrestricted net position.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued**

**b -- Changes in net position**

**Condensed Statement of Changes in Net Position  
September 30  
(in thousands)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Program revenues:						
Charges for services	\$ 141,709	124,660	2,225,860	2,130,307	2,367,569	2,254,967
Operating grants and contributions	50,333	48,567	1,489	3,749	51,822	52,316
Capital grants and contributions	66,856	64,781	65,550	64,124	132,406	128,905
General revenues:						
Property tax	448,083	420,000	--	--	448,083	420,000
Sales tax	189,464	176,198	--	--	189,464	176,198
Franchise fees and gross receipts tax	128,032	114,147	--	--	128,032	114,147
Interest and other	21,275	23,888	5,717	2,269	26,992	26,157
Special item - land sale	15,830	--	--	--	15,830	--
Total revenues	<u>1,061,582</u>	<u>972,241</u>	<u>2,298,616</u>	<u>2,200,449</u>	<u>3,360,198</u>	<u>3,172,690</u>
Program expenses:						
General government	118,074	97,675	--	--	118,074	97,675
Public safety	576,118	580,074	--	--	576,118	580,074
Transportation, planning, and sustainability	83,971	78,594	--	--	83,971	78,594
Public health	80,796	73,186	--	--	80,796	73,186
Public recreation and culture	117,441	104,951	--	--	117,441	104,951
Urban growth management	136,110	137,478	--	--	136,110	137,478
Interest on debt	49,617	48,400	--	--	49,617	48,400
Electric	--	--	1,251,599	1,132,476	1,251,599	1,132,476
Water	--	--	240,838	231,774	240,838	231,774
Wastewater	--	--	213,156	214,580	213,156	214,580
Airport	--	--	108,291	107,389	108,291	107,389
Convention	--	--	58,763	62,884	58,763	62,884
Environmental and health services	--	--	92,997	81,544	92,997	81,544
Public recreation	--	--	6,765	7,185	6,765	7,185
Urban growth management	--	--	125,983	129,583	125,983	129,583
Total expenses	<u>1,162,127</u>	<u>1,120,358</u>	<u>2,098,392</u>	<u>1,967,415</u>	<u>3,260,519</u>	<u>3,087,773</u>
Excess (deficiency) before transfers	(100,545)	(148,117)	200,224	233,034	99,679	84,917
Transfers	62,215	87,761	(62,215)	(87,761)	--	--
Increase (decrease) in net position	<u>(38,330)</u>	<u>(60,356)</u>	<u>138,009</u>	<u>145,273</u>	<u>99,679</u>	<u>84,917</u>
Beginning net position, as previously reported	1,355,433	1,415,237	3,197,015	3,051,742	4,552,448	4,466,979
Restatement adjustment	(8,909)	552	(6,662)	--	(15,571)	552
Beginning net position, as restated	<u>1,346,524</u>	<u>1,415,789</u>	<u>3,190,353</u>	<u>3,051,742</u>	<u>4,536,877</u>	<u>4,467,531</u>
Ending net position	<u>\$ 1,308,194</u>	<u>1,355,433</u>	<u>3,328,362</u>	<u>3,197,015</u>	<u>4,636,556</u>	<u>4,552,448</u>

Total net position of the City increased by \$99.7 million in the current fiscal year. Governmental net position decreased by \$38.3 million. The decrease is attributable to expenses exceeding revenues by \$100.5 million before transfers from other funds of \$62.2 million. Business-type net position increased by \$138 million due to revenues exceeding expenses by \$200.2 million, before transfers to other funds of \$62.2 million.

In addition, the City restated beginning net position for governmental and business-type activities as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. For more information, see Note 18.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued**

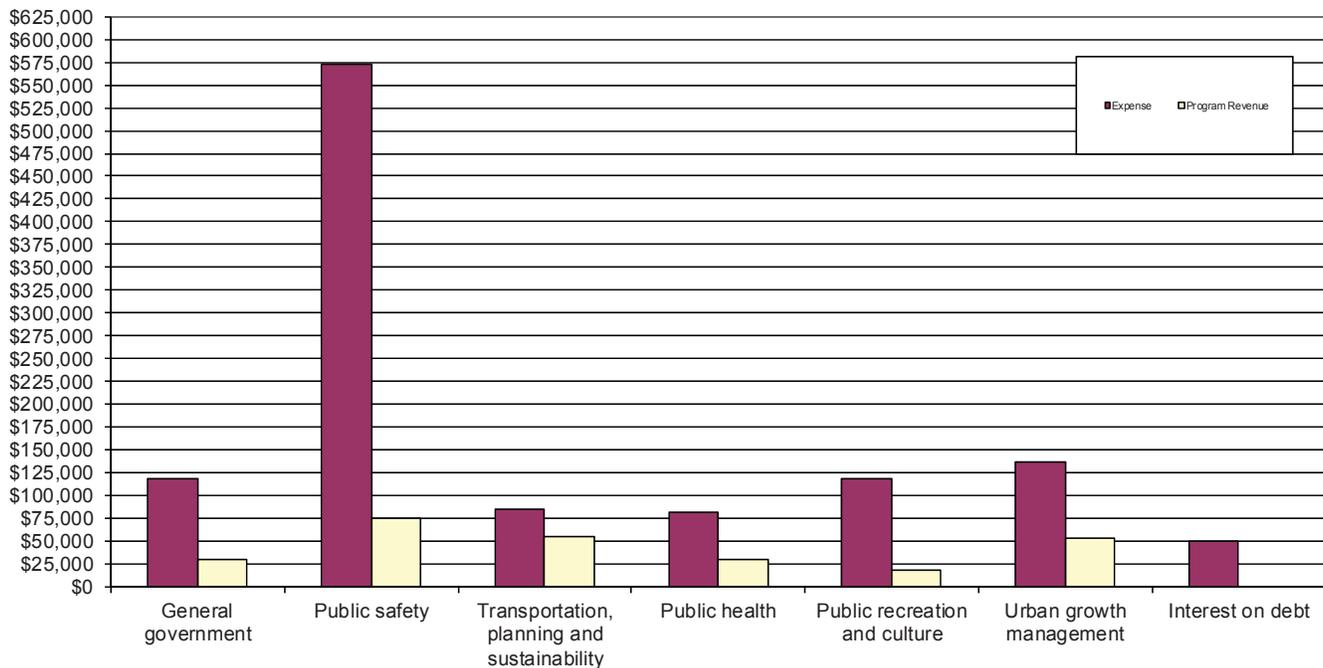
**c -- Program revenues and expenses -- governmental activities**

Governmental activities decreased the City’s net position by \$38.3 million in fiscal year 2014, a 2.8% decrease of governmental net position from the previous year. Key factors for the change from fiscal year 2013 to 2014 are as follows:

- The City’s property tax revenue increased by \$28.1 million from the previous year due to an increase in assessed property values of \$5.5 billion, while the property tax rate per \$100 of valuation decreased from 0.5029 to 0.5027.
- Sales tax collections and franchise fees for the year were \$13.3 million and \$13.9, respectively, more than the prior year as result of the continued improvement of the Austin economy.
- The City sold a piece of land for \$15.8 million, which is reported as a special item. See Note 1 for more details.
- General government expenses increased \$20.4 million primarily due to increase in other post employment benefits and salaries. Public health expenses and public recreation and culture expenses increased \$7.6 million and \$12.5 million, respectively, primarily due to increases in salaries. This increase can be attributed to an additional 199 full time equivalents and a 3.5% general wage increase.

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.

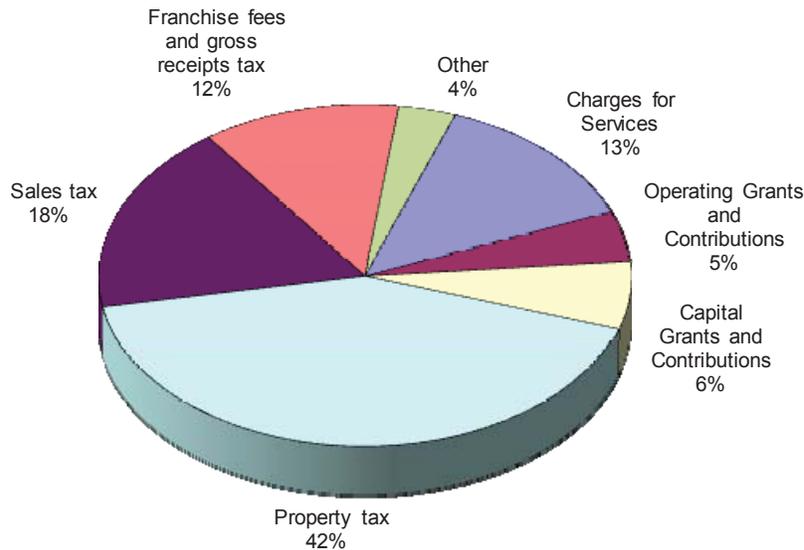
**Government-wide Program Expenses and Revenues – Governmental Activities  
(in thousands)**



**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**

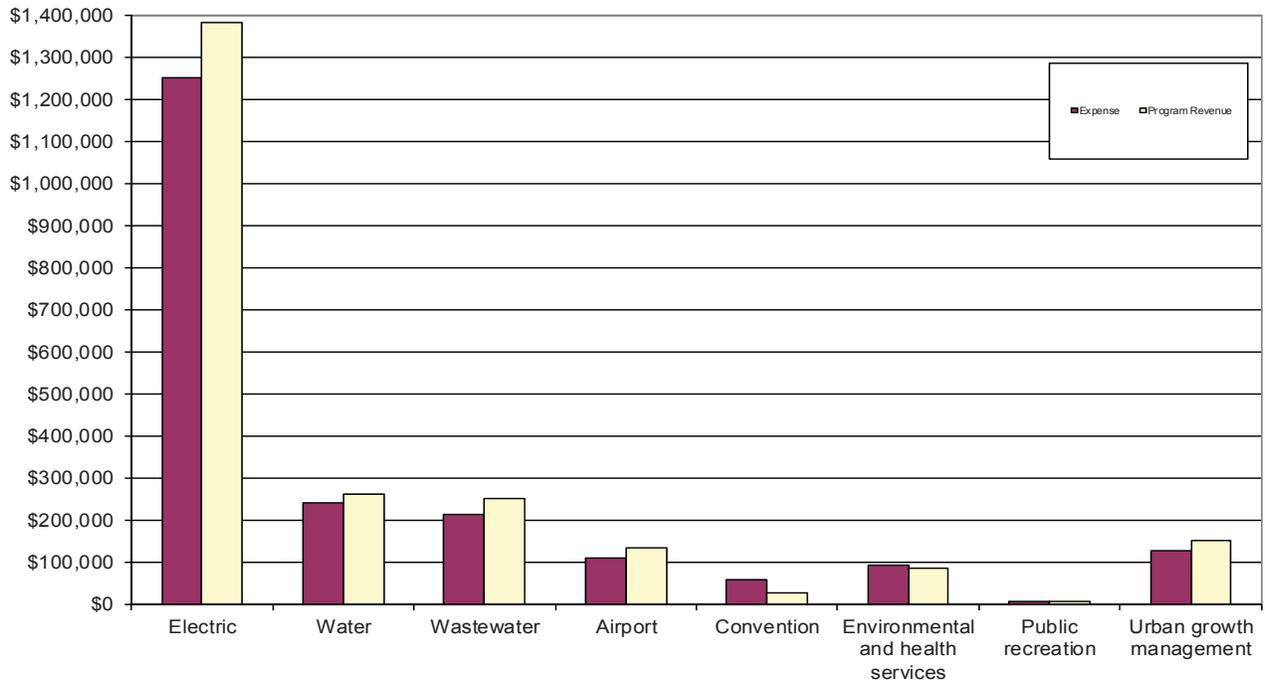
Business-type activities increased the City's net position by approximately \$138 million, accounting for a 3% increase in the City's total net position. Key factors include:

- Austin Energy net position increased approximately \$19.6 million. Revenues increased by approximately 6% in fiscal year 2014 largely due to increases in regulatory revenue and power supply revenue. Expenses increased 10.5% largely due to an increase in transmission costs and power supply costs.
- Austin Water Utility net position increased approximately \$27.9 million. Revenues remained relatively constant. Expenses increased by 1.7% due to increased operations and maintenance costs. Transfers from other funds increased \$17.9 million.
- Airport net position increased approximately \$25.3 million. Revenues increased 4.6% due to an increase in passenger traffic and higher rental and landing fees. Passenger traffic continues to break records with a 7% increase over the previous year. Expenses remained relatively constant.
- Convention Center net position increased approximately \$23.8 million. Revenues and transfers from the Hotel Occupancy and Vehicle Rental Tax Funds increased 8.6% due in part to the growth of several large events, including the Formula 1 event and South by Southwest. Expenses decreased 6.6% due to decreases in operations and maintenance costs.
- Environmental and health services activities are comprised of the Austin Resource Recovery nonmajor enterprise fund. Net position decreased approximately \$7.6 million. Revenues increased by 2.1% due mainly to an increase in the Clean Community Fee of \$0.65 per residential customer account and \$1.30 per commercial customer account. Expenses increased by 14% due mainly to increase operations and support services costs.
- Urban growth management activities are comprised of nonmajor enterprise funds that include the Drainage Fund and Transportation Fund. Net position increased by approximately \$49.3 million. Drainage revenues increased by 5.1% primarily due to a 10% increase in the monthly Drainage Utility Fee. Drainage expenses remained relatively constant. Transportation revenues increased approximately 6.9% primarily due to an increase in population paying the Transportation User Fee. Transportation expenses remained relatively constant.

**FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued**

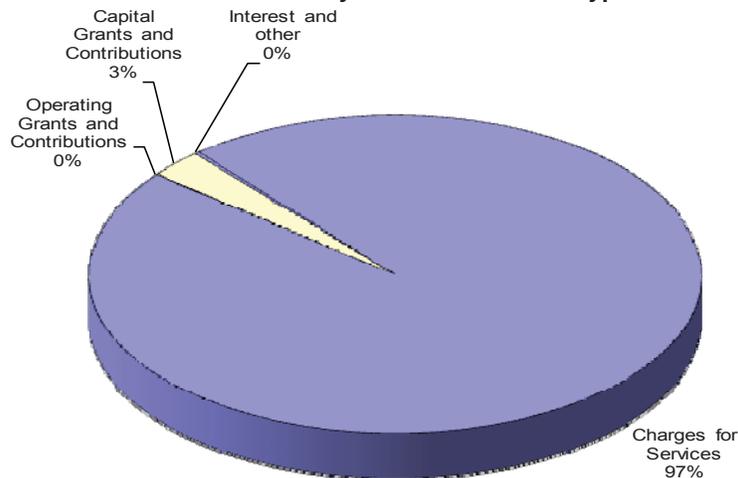
As shown in the following chart, Austin Energy (electric), with expenses of \$1.3 billion is the City's largest business-type activity, followed by water with \$240.8 million, wastewater with \$213.2 million, urban growth management with \$126 million, airport with \$108.3 million, environmental and health services with \$93 million, convention with \$58.8 million, and public recreation with \$6.8 million. For the fiscal year, operating revenues exceeded operating expenses for all business-type activities except convention, environmental and health services and public recreation.

**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 (96.8%), followed by capital grants and contributions (2.9%), operating grants and contributions (0.05%), and interest and other revenues (0.25%).

**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, unassigned 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 \$367.6 million, an increase of \$3.4 million from the previous year. Approximately \$2 million is nonspendable, \$162 million is restricted, \$75.6 million is committed, \$41.9 million is assigned, and \$86.1 million is unassigned.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the General Fund reported nonspendable fund balance of \$1 million, committed fund balance of \$9 million, assigned fund balance of \$16.9 million, and unassigned fund balance of \$156.7 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 19.4% of total General Fund expenditures of \$807.2 million, and total fund balance represents 22.7% of expenditures. The City's financial policies provide that surplus fund balance be identified for budget stabilization. This amount is a component of unassigned fund balance. The fund balance identified for budget stabilization was \$108.2 million. The balance identified 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 identified amount, with the other two-thirds identified for budget stabilization in future years.

The fund balance of the General Fund increased \$36.4 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased \$22.9 million due to an increase in assessed property.
- Sales tax revenues increased \$13.3 million, and licenses, permits, and inspections increased \$5.1 million.
- Additionally, the City sold a piece of land for \$15.8 million, which is reported as a special item. See Note 1 for more details.

General Fund expenditures increased \$57.1 million, due primarily to an increase in public safety expenditures of \$25.4 million, an increase in general government of \$7 million, and an increase in urban growth management of \$12.1 million. The increase is primarily due to increases in salaries and contractual expenditures.

### **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 position of the City's enterprise funds increased by \$138.6 million before consolidation of the internal service funds activities.

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

## **OTHER INFORMATION**

### **a -- General Fund budgetary highlights**

The original revenue budget of the General Fund was amended during the fiscal year 2014 to increase Emergency Medical Services charges for services. The original expenditure budget of the General Fund was amended during fiscal year 2014 primarily as the result of increased Emergency Medical Services costs. In addition, the transfer from the General Fund to the Economic Incentives Reserve Fund was reduced.

During the year, revenues were \$32.2 million more than budgeted. Tax collections were \$13.2 million more than budgeted; licenses, permits and inspections were \$8.5 million more than budgeted; and charges for services/goods were \$5.1 million more than budgeted.

Actual budget-basis expenditures were \$11.6 million less than budgeted. Fire exceeded budget by \$89 thousand; while all other departments were under budget. The total budget-basis fund balance at year-end was \$190.8 million.

**OTHER INFORMATION, continued**

**b -- Capital assets**

The City's capital assets for governmental and business-type activities as of September 30, 2014, total \$10 billion (net of accumulated depreciation and amortization). Capital assets include buildings and improvements, equipment, vehicles, electric plant, non-electric plant, nuclear fuel, water rights, infrastructure, land, construction in progress, and plant held for future use. The total increase in the City's capital assets for the current fiscal year was \$325 million (3.4%), with an increase of 5.1% for governmental activities and an increase of 2.7% for business-type activities. Additional information on capital assets can be found in Note 5. Capital asset balances are as follows:

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
Building and improvements	\$ 570	516	1,121	1,121	1,691	1,637
Plant and equipment	81	80	2,287	2,243	2,368	2,323
Vehicles	46	42	73	74	119	116
Electric plant	--	--	2,201	2,243	2,201	2,243
Non-electric plant	--	--	135	128	135	128
Nuclear fuel	--	--	40	40	40	40
Water rights	--	--	85	86	85	86
Infrastructure	1,384	1,331	--	--	1,384	1,331
Land and improvements	363	352	555	513	918	865
Construction in progress	226	219	794	649	1,020	868
Plant held for future use	--	--	23	23	23	23
Other assets not depreciated	23	22	2	2	25	24
<b>Total net capital assets</b>	<b>\$ 2,693</b>	<b>2,562</b>	<b>7,316</b>	<b>7,122</b>	<b>10,009</b>	<b>9,684</b>

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

- Governmental capital assets increased \$131 million primarily due to additions of new facilities and improvements to existing facilities. The Boardwalk Trail at Lady Bird Lake, drainage improvements to Williamson Creek, improvements to Bartholomew Pool and other general pool renovations, and the Onion Creek Fire Station were completed. Significant additions and improvements were also made including acquisitions of conservation easements, upgrades to City communication equipment, pedestrian facility improvements, and street reconstructions across the City. Construction on the new Central Library, Seaholm parking garage, and Waller Creek Tunnel has been progressing.
- Business-type activities purchased or completed construction on capital assets of \$194 million. The increase was largely due to plant additions and improvements and land acquisition for Austin Energy, Austin Water, the Airport Fund, and the Drainage Fund. Austin Energy increased the chilled water capacity of the Downtown District Cooling system and upgraded the street light infrastructure throughout the City. Austin Water made improvements to the Jollyville Water Reservoir, completed the Davis Water Treatment Plant Pump Station, completed wastewater lines to the annexed Anderson Mill MUD area, made improvements to water transmission lines around the City, and construction is nearing completion on Water Treatment Plant 4. The Airport Fund invested in terminal improvements, roadways, and a new parking lot. The Drainage Fund acquired properties at risk of flooding in Onion Creek, made improvements to the low water crossing at David Moore Drive, and implemented a work order tracking and management system. In addition, the Golf Fund acquired the Grey Rock Golf Course.

**OTHER INFORMATION, continued**

**c -- Debt administration**

At the end of the current fiscal year, the City reported \$5.9 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 6.

**Outstanding Debt  
General Obligation and Revenue Debt  
(in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
General obligation bonds and other tax supported debt, net	\$ 1,196	1,103	136	132	1,332	1,235
Commercial paper notes, net	--	--	241	194	241	194
Revenue bonds, net	--	--	4,299	4,318	4,299	4,318
Capital lease obligations	--	--	1	1	1	1
<b>Total</b>	<b>\$ 1,196</b>	<b>1,103</b>	<b>4,677</b>	<b>4,645</b>	<b>5,873</b>	<b>5,748</b>

During fiscal year 2014, the City's total outstanding debt increased by \$125 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 increased by \$93 million. The resulting net increase is a combination of the issuance of \$180.2 million in new debt to be used primarily for street improvements, streets and signals, drainage improvements, capital equipment, transportation projects, and the Waller Creek Tunnel project offset by debt payments during the year.
- Outstanding debt for business-type functions increased by \$32 million. The City issued \$282.2 million in Water and Wastewater System separate lien and subordinate lien debt, \$35.6 million in Airport prior lien revenue refunding bonds to refund prior lien debt, and \$26.5 million of Convention Center subordinate lien revenue refunding bonds to refund prior lien debt.

During the year, Convention Center revenue bonds received favorable bond rating upgrades from Moody's Investors Service and Standard & Poor's from A1 to Aa3 and A to AA-, respectively. The City's commercial paper ratings are related to the ratings of the liquidity providers associated with those obligations; commercial paper ratings were unchanged in the current fiscal year. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2014 and 2013 were as follows:

Debt	Moody's Investors Service, Inc.		Standard & Poor's		Fitch, Inc.	
	2014	2013	2014	2013	2014	2013
General obligation bonds and other tax supported debt	Aaa	Aaa	AAA	AAA	AAA	AAA
Commercial paper notes - tax exempt	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	Aa1	Aa1	AA	AA	AA	AA
Utility revenue bonds - subordinate lien	Aa2	Aa2	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	A1	A1	AA-	AA-	AA-	AA-
Austin Water Utility	Aa2	Aa2	AA	AA	AA-	AA-
Airport system revenue bonds	NUR(1)	NUR(1)	A	A	NUR(1)	NUR(1)
Convention Center revenue bonds	Aa3	A1	AA-	A	NUR(1)	NUR(1)
Convention Center revenue bonds - subordinate	A1	A1	A	A	NUR(1)	NUR(1)

(1) No underlying rating

**OTHER INFORMATION, continued**

**d -- Economic factors and next year's budget and rates**

Austin's diverse economic base and national reputation as a great place to work and live continues to attract new employers and talented individuals. Both the Austin and the Texas economies continue to outpace the national economy. Partnerships between the City and the business community have been the key to Austin's economic success. The City's economic development efforts have been successful in attracting new firms and new jobs to Austin. As a result, employment growth is steady and expected to continue well ahead of national levels through at least 2017. All sectors of the real estate market are performing well including the hotel market with a number of new rooms under construction to meet increased demand resulting from both business travel and tourism. In 2014 sales taxes increased 7.5% following an 7.3% increase in 2013. While the rate of sales tax collections may slow over the next few years, it is expected to remain positive barring any events at the national or international level that would have an adverse impact.

The City's 2015 budget was developed in a manner true to the City Manager's unwavering commitment to openness, transparency, and public engagement. Input from City 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 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 Council's priority of budget stability while at the same time maintaining affordability and investing 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 continues to monitor the economy and take corrective actions to help mitigate any unfavorable economic events.

The assessed taxable property values within the City increased by 11.4% in 2014 for fiscal year 2015. The property tax rate for fiscal year 2015 is 48.09 cents per \$100 valuation, down from 50.27 cents per \$100 valuation in 2014. The tax rate consists of 36.91 cents for the General Fund and 11.18 cents for debt service. Each 1 cent of the 2014 (Fiscal Year 2015) property tax rate is equivalent to \$9,885,904 of tax levy, as compared to \$8,876,610 in the previous year. In Fiscal Year 2015, Austin Water Utility will implement an 8.1% combined system-wide rate increase.

**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 Services Department of the City of Austin, P.O. Box 2920, Austin, Texas 78768, or (512) 974-2600 or on the web at: <https://www.austintexas.gov>.



**BASIC FINANCIAL  
STATEMENTS**





**Statement of Net Position**  
**September 30, 2014**  
(In thousands)

City of Austin, Texas  
Exhibit A-1

	Governmental Activities	Business-type Activities	Total (†)	Component Units
<b>ASSETS</b>				
Current assets:				
Cash	\$ 70	62	132	5,160
Pooled investments and cash	356,659	327,065	683,724	--
Pooled investments and cash - restricted	138,831	291,003	429,834	--
Total pooled investments and cash	495,490	618,068	1,113,558	--
Investments, at fair value - restricted	16,984	175,550	192,534	--
Cash held by trustee - restricted	5,800	--	5,800	--
Working capital advances	--	4,602	4,602	--
Property taxes receivable, net of allowance of \$5,245	11,576	--	11,576	--
Accounts receivable, net	93,240	269,553	362,793	1,765
Receivables from other governments	16,654	--	16,654	--
Receivables from other governments - restricted	--	3,944	3,944	--
Notes receivable, net of allowance of \$14,458	21,687	--	21,687	--
Internal balances	(27,395)	27,395	--	--
Inventories, at cost	2,270	81,019	83,289	973
Real property held for resale	6,631	--	6,631	--
Regulatory assets, net of accumulated amortization	--	58,446	58,446	--
Prepaid expenses	351	6,851	7,202	698
Other receivables - restricted	--	2,803	2,803	--
Other assets	1,983	10,260	12,243	--
Total current assets	645,341	1,258,553	1,903,894	8,596
Noncurrent assets:				
Cash - restricted	--	5,011	5,011	645
Pooled investments and cash - restricted	--	168,020	168,020	--
Investments, at fair value - restricted	--	188,290	188,290	68,455
Investments held by trustee - restricted	--	207,481	207,481	3,161
Interest receivable - restricted	--	756	756	--
Depreciable capital assets, net	2,080,577	5,941,946	8,022,523	176,357
Nondepreciable capital assets	612,623	1,374,010	1,986,633	16,918
Derivative instruments - energy risk management	--	4,249	4,249	--
Net pension asset	9,383	--	9,383	--
Other long-term assets	1,547	4,743	6,290	6,247
Regulatory assets, net of accumulated amortization	--	414,118	414,118	--
Total noncurrent assets	2,704,130	8,308,624	11,012,754	271,783
<b>Total assets</b>	<b>3,349,471</b>	<b>9,567,177</b>	<b>12,916,648</b>	<b>280,379</b>
<b>Deferred outflows of resources</b>	<b>\$ 17,616</b>	<b>193,508</b>	<b>211,124</b>	<b>20,241</b>

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

(Continued)

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

**Statement of Net Position**  
**September 30, 2014**  
(In thousands)

**City of Austin, Texas**  
**Exhibit A-1**  
**(Continued)**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total (†)</b>	<b>Component Units</b>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ 59,071	79,072	138,143	9,575
Accounts and retainage payable from restricted assets	7,044	35,837	42,881	--
Accrued payroll	18,419	10,170	28,589	209
Accrued compensated absences	56,693	23,416	80,109	--
Claims payable	23,655	--	23,655	--
Accrued interest payable from restricted assets	--	75,876	75,876	15,488
Interest payable on other debt	6,773	806	7,579	--
Bonds payable	51,449	17,725	69,174	42,934
Bonds payable from restricted assets	17,191	176,366	193,557	--
Capital lease obligations payable	--	46	46	2
Customer and escrow deposits payable from restricted assets	58,990	42,926	101,916	--
Accrued landfill closure and postclosure costs	--	411	411	--
Other liabilities	22,215	9,121	31,336	--
Other liabilities payable from restricted assets	--	10,010	10,010	--
<b>Total current liabilities</b>	<b>321,500</b>	<b>481,782</b>	<b>803,282</b>	<b>68,208</b>
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	75,443	408	75,851	--
Claims payable	20,151	--	20,151	--
Capital appreciation bond interest payable	--	99,707	99,707	--
Commercial paper notes payable, net of discount	--	241,456	241,456	--
Bonds payable, net of discount and inclusive of premium	1,127,080	4,240,534	5,367,614	282,821
Pension obligation payable	64,750	61,871	126,621	--
Other post employment benefits payable	435,263	255,002	690,265	--
Capital lease obligations payable	--	1,089	1,089	--
Accrued landfill closure and postclosure costs	--	9,524	9,524	--
Decommissioning liability payable from restricted assets	--	174,398	174,398	--
Derivative instruments - energy risk management	--	30,502	30,502	--
Derivative instruments - interest rate swaps	--	59,935	59,935	--
Other liabilities	6,025	40,740	46,765	37
Other liabilities payable from restricted assets	--	518	518	--
<b>Total noncurrent liabilities</b>	<b>1,728,712</b>	<b>5,215,684</b>	<b>6,944,396</b>	<b>282,858</b>
<b>Total liabilities</b>	<b>2,050,212</b>	<b>5,697,466</b>	<b>7,747,678</b>	<b>351,066</b>
<b>Deferred inflows of resources</b>	<b>8,681</b>	<b>734,857</b>	<b>743,538</b>	<b>--</b>
<b>NET POSITION</b>				
Net investment in capital assets	1,621,208	2,216,347	3,837,555	(106,225)
Restricted for:				
Debt service	10,431	105,996	116,427	5,181
Strategic reserve	--	106,577	106,577	--
Capital projects	42,364	191,776	234,140	--
Renewal and replacement	--	11,020	11,020	--
Bond reserve	--	43,316	43,316	--
Passenger facility charges	--	50,317	50,317	--
Operating reserve	--	15,651	15,651	--
Perpetual care:				
Expendable	1	--	1	--
Nonexpendable	1,052	--	1,052	--
Housing activities	24,935	--	24,935	--
Tourism	16,277	--	16,277	--
Other purposes	23,275	--	23,275	--
Unrestricted (deficit)	(431,349)	587,362	156,013	50,598
<b>Total net position</b>	<b>\$ 1,308,194</b>	<b>3,328,362</b>	<b>4,636,556</b>	<b>(50,446)</b>

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

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

**Statement of Activities**  
**For the year ended September 30, 2014**  
**(In thousands)**

**City of Austin, Texas**  
**Exhibit A-2**

Functions/Programs	Program Revenues						Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Total	Primary Government		Component Units	
			Contributions	Grants and Contributions			Governmental Activities	Business-type Activities		
Governmental activities										
General government	\$ 118,074	17,890	256	11,004		(88,924)	--	(88,924)	--	
Public safety	576,118	62,832	11,973	--		(501,313)	--	(501,313)	--	
Transportation, planning, and sustainability	83,971	5,214	913	49,197		(28,647)	--	(28,647)	--	
Public health	80,796	9,720	19,670	--		(51,406)	--	(51,406)	--	
Public recreation and culture	117,441	8,205	2,546	6,482		(100,208)	--	(100,208)	--	
Urban growth management	136,110	37,848	14,975	173		(83,114)	--	(83,114)	--	
Interest on debt	49,617	--	--	--		(49,617)	--	(49,617)	--	
Total governmental activities	1,162,127	141,709	50,333	66,856		(903,229)	--	(903,229)	--	
Business-type activities										
Electric	1,251,599	1,367,155	855	13,030		--	129,441	129,441	--	
Water	240,838	235,893	--	25,377		--	20,432	20,432	--	
Wastewater	213,156	236,700	--	12,864		--	36,408	36,408	--	
Airport	108,291	128,766	634	4,808		--	25,917	25,917	--	
Convention	58,763	25,087	--	51		--	(33,625)	(33,625)	--	
Environmental and health services	92,997	84,655	--	152		--	(8,190)	(8,190)	--	
Public recreation	6,765	5,849	--	777		--	(139)	(139)	--	
Urban growth management	125,983	141,755	--	8,491		--	24,263	24,263	--	
Total business-type activities	2,098,392	2,225,860	1,489	65,550		--	194,507	194,507	--	
Total primary government	\$ 3,260,519	2,367,569	51,822	132,406		(903,229)	194,507	(708,722)	--	
Component Units	80,446	88,412	150	--		--	--	--	8,116	
General revenues:										
Property tax						448,083	--	448,083	--	
Sales tax						189,464	--	189,464	--	
Franchise fees and gross receipts tax						128,032	--	128,032	--	
Interest and other						21,275	5,717	26,992	164	
Special item - land sale						15,830	--	15,830	--	
Transfers-internal activities						62,215	(62,215)	--	--	
Total general revenues and transfers						864,899	(56,498)	808,401	164	
Change in net position						(38,330)	138,009	99,679	8,280	
Beginning net position, as restated (Note 18)						1,346,524	3,190,353	4,536,877	(58,726)	
Ending net position						\$ 1,308,194	3,328,362	4,636,556	(50,446)	

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



**Governmental Funds  
Balance Sheet  
September 30, 2014  
(In thousands)**

**City of Austin, Texas  
Exhibit B-1**

	<b>General Fund</b>	<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>			
Cash	\$ 58	--	58
Pooled investments and cash	180,969	181,362	362,331
Investments, at fair value	--	16,984	16,984
Cash held by trustee - restricted	--	4,349	4,349
Property taxes receivable, net of allowance	7,749	3,827	11,576
Accounts receivable, net of allowance	59,262	30,513	89,775
Receivables from other governments	--	16,654	16,654
Notes receivable, net of allowance	--	21,687	21,687
Due from other funds	227	81,290	81,517
Advances to other funds	--	2,249	2,249
Inventories, at cost	777	--	777
Real property held for resale	--	6,631	6,631
Prepaid items	173	--	173
Other assets	208	1,775	1,983
<b>Total assets</b>	<b>249,423</b>	<b>367,321</b>	<b>616,744</b>
<b>LIABILITIES, DEFERRED OUTFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Accounts payable	23,751	22,052	45,803
Accrued payroll	14,768	73	14,841
Accrued compensated absences	549	--	549
Due to other funds	253	81,468	81,721
Unearned revenue	--	5,092	5,092
Advances from other funds	1,257	999	2,256
Deposits and other liabilities	7,193	63,873	71,066
Total liabilities	47,771	173,557	221,328
<b>Deferred inflows of resources</b>	<b>18,156</b>	<b>9,665</b>	<b>27,821</b>
Fund balances			
Nonspendable:			
Inventories and prepaid items	950	--	950
Permanent funds	--	1,052	1,052
Restricted	--	162,000	162,000
Committed	9,028	66,533	75,561
Assigned	16,859	25,095	41,954
Unassigned	156,659	(70,581)	86,078
Total fund balances	183,496	184,099	367,595
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 249,423</b>	<b>367,321</b>	<b>616,744</b>

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

**Governmental Funds**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2014**  
**(In thousands)**

**City of Austin, Texas**  
**Exhibit B-1.1**

Total fund balances - Governmental funds \$ 367,595

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

Governmental capital assets	4,058,495	
Less: accumulated depreciation	<u>(1,427,724)</u>	
		2,630,771

Other long-term assets and certain revenues are not available as current-period resources and are not reported in the funds.

Net pension asset	9,383	
Other assets	<u>1,547</u>	
		10,930

Deferred outflows represent the consumption of net assets that are applicable to a future reporting period.

Gain/loss on debt refundings, net	<u>17,486</u>	
		17,486

Long-term liabilities are not payable in the current period and are not reported in the funds.

Compensated absences	(122,790)	
Interest payable	(6,760)	
Bonds and other tax supported debt payable, net	(1,192,178)	
Pension obligation payable	(64,750)	
Other post employment benefits payable	(435,263)	
Other liabilities	<u>(9,065)</u>	
		(1,830,806)

Deferred inflows is an acquisition of net assets that is applicable to a future reporting period.

Unavailable revenue		
Property taxes and interest	11,441	
Accounts and other taxes receivable	9,474	
Service concession arrangements	<u>(1,607)</u>	
		19,308

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, deferred outflows of resources, liabilities and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.

92,910

Total net position - Governmental activities		<u><u>\$ 1,308,194</u></u>
--	--	----------------------------

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

**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the year ended September 30, 2014**  
**(In thousands)**

City of Austin, Texas  
Exhibit B-2

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Property taxes	\$ 338,319	108,557	446,876
Sales taxes	189,464	--	189,464
Franchise fees and other taxes	46,762	81,270	128,032
Fines, forfeitures and penalties	17,130	5,390	22,520
Licenses, permits and inspections	33,719	--	33,719
Charges for services/goods	57,974	14,950	72,924
Intergovernmental	--	79,407	79,407
Property owners' participation and contributions	--	12,718	12,718
Interest and other	9,335	12,058	21,393
<b>Total revenues</b>	<b>692,703</b>	<b>314,350</b>	<b>1,007,053</b>
<b>EXPENDITURES</b>			
Current:			
General government	88,865	2,803	91,668
Public safety	515,437	13,233	528,670
Transportation, planning and sustainability	249	13,804	14,053
Public health	54,608	19,702	74,310
Public recreation and culture	90,441	9,339	99,780
Urban growth management	57,636	49,079	106,715
Debt service:			
Principal	--	69,768	69,768
Interest	--	49,367	49,367
Fees and commissions	--	6	6
Capital outlay-capital project funds	--	257,420	257,420
<b>Total expenditures</b>	<b>807,236</b>	<b>484,521</b>	<b>1,291,757</b>
Deficiency of revenues over expenditures	(114,533)	(170,171)	(284,704)
<b>OTHER FINANCING SOURCES (USES)</b>			
Issuance of tax supported debt	--	154,444	154,444
Issuance of refunding bonds	--	107,923	107,923
Bond premiums	--	16,212	16,212
Payment to refunding bond escrow agent	--	(113,836)	(113,836)
Transfers in	162,622	59,246	221,868
Transfers out	(27,515)	(86,870)	(114,385)
<b>Total other financing sources (uses)</b>	<b>135,107</b>	<b>137,119</b>	<b>272,226</b>
Net change in fund balances, before special items	20,574	(33,052)	(12,478)
Special item - land sale (See Note 1)	15,830	--	15,830
Net change in fund balances	36,404	(33,052)	3,352
Fund balances at beginning of year	147,092	217,151	364,243
<b>Fund balances at end of year</b>	<b>\$ 183,496</b>	<b>184,099</b>	<b>367,595</b>

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

**Governmental Funds**  
**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances to the Statement of Activities**  
**For the year ended September 30, 2014**  
**(In thousands)**

**City of Austin, Texas**  
**Exhibit B-2.1**

Net change in fund balances - Governmental funds \$ 3,352

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	228,416	
Depreciation expense	(105,047)	
Loss on disposal of capital assets	<u>(496)</u>	122,873

Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.

Property taxes	1,207	
Charges for services	(697)	
Interest and other	(1,032)	
Capital assets contribution	<u>33,844</u>	33,322

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 position. 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	(164,743)	
Principal repayment on long-term debt	69,768	
Issuance of refunding bonds	(107,923)	
Refunding bond premiums	(5,913)	
Payment to refunding bond escrow agent	<u>113,836</u>	(94,975)

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	(3,829)	
Pension obligation	(640)	
Other post employment benefits	(59,307)	
Interest and other	<u>(31,209)</u>	(94,985)

A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities. (7,917)

Change in net position - Governmental activities \$ (38,330)

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

**Proprietary Funds**  
**Statement of Net Position**  
**September 30, 2014**  
**(In thousands)**

	<b>Business-Type Activities</b>		
	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>
<b>ASSETS</b>			
Current assets:			
Cash	\$ 20	5	4
Pooled investments and cash	150,780	21,827	7,885
Pooled investments and cash - restricted	103,607	96,206	24,754
Total pooled investments and cash	254,387	118,033	32,639
Investments, at fair value - restricted	56,217	90,175	18,583
Cash held by trustee - restricted	--	--	--
Working capital advances	4,602	--	--
Accounts receivable, net of allowance	177,427	66,536	3,792
Receivables from other governments-restricted	3,944	--	--
Due from other funds	687	301	--
Inventories, at cost	74,429	1,925	1,733
Regulatory assets, net of accumulated amortization	46,957	11,489	--
Prepaid expenses	6,788	17	--
Other receivables - restricted	2,190	19	300
Other assets	10,260	--	--
Total current assets	637,908	288,500	57,051
Noncurrent assets:			
Cash - restricted	5,011	--	--
Pooled investments and cash - restricted	--	--	168,020
Advances to other funds	19,833	3,006	--
Advances to other funds - restricted	--	--	58
Investments, at fair value - restricted	116,565	58,421	--
Investments held by trustee - restricted	196,654	10,827	--
Interest receivable - restricted	756	--	--
Depreciable capital assets, net	2,384,217	2,685,785	501,303
Nondepreciable capital assets	203,240	807,959	147,872
Derivative instruments - energy risk management	4,249	--	--
Other long-term assets	4,743	--	--
Regulatory assets, net of accumulated amortization	228,638	185,480	--
Total noncurrent assets	3,163,906	3,751,478	817,253
<b>Total assets</b>	<b>3,801,814</b>	<b>4,039,978</b>	<b>874,304</b>
<b>Deferred outflows of resources</b>	<b>\$ 54,421</b>	<b>71,579</b>	<b>41,782</b>

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
<b>ASSETS</b>			
Current assets:			
Cash	33	62	12
Pooled investments and cash	146,573	327,065	132,617
Pooled investments and cash - restricted	66,436	291,003	542
Total pooled investments and cash	213,009	618,068	133,159
Investments, at fair value - restricted	10,575	175,550	--
Cash held by trustee - restricted	--	--	1,451
Working capital advances	--	4,602	--
Accounts receivable, net of allowance	21,798	269,553	3,465
Receivables from other governments-restricted	--	3,944	--
Due from other funds	8,777	9,765	11
Inventories, at cost	2,932	81,019	1,493
Regulatory assets, net of accumulated amortization	--	58,446	--
Prepaid expenses	46	6,851	178
Other receivables - restricted	294	2,803	--
Other assets	--	10,260	--
Total current assets	257,464	1,240,923	139,769
Noncurrent assets:			
Cash - restricted	--	5,011	--
Pooled investments and cash - restricted	--	168,020	--
Advances to other funds	--	22,839	115
Advances to other funds - restricted	588	646	--
Investments, at fair value - restricted	13,304	188,290	--
Investments held by trustee - restricted	--	207,481	--
Interest receivable - restricted	--	756	--
Depreciable capital assets, net	370,641	5,941,946	61,923
Nondepreciable capital assets	214,939	1,374,010	506
Derivative instruments - energy risk management	--	4,249	--
Other long-term assets	--	4,743	--
Regulatory assets, net of accumulated amortization	--	414,118	--
Total noncurrent assets	599,472	8,332,109	62,544
<b>Total assets</b>	<b>856,936</b>	<b>9,573,032</b>	<b>202,313</b>
<b>Deferred outflows of resources</b>	<b>25,726</b>	<b>193,508</b>	<b>130</b>

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

(Continued)

**Proprietary Funds**  
**Statement of Net Position**  
**September 30, 2014**  
**(In thousands)**

	<b>Business-Type Activities</b>		
	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	\$ 66,991	4,498	1,787
Accounts and retainage payable from restricted assets	8,529	17,672	5,334
Accrued payroll	4,353	2,210	671
Accrued compensated absences	10,067	5,415	1,756
Claims payable	--	--	--
Due to other funds	--	--	149
Accrued interest payable from restricted assets	23,584	49,327	1,468
Interest payable on other debt	3	21	--
Bonds payable	--	--	29
Bonds payable from restricted assets	48,053	100,702	16,681
Capital lease obligations payable	46	--	--
Customer and escrow deposits payable from restricted assets	27,295	10,008	779
Accrued landfill closure and postclosure costs	--	--	--
Other liabilities	4,666	3,126	1,329
Other liabilities payable from restricted assets	8,138	--	--
Total current liabilities	<u>201,725</u>	<u>192,979</u>	<u>29,983</u>
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	14	--	60
Claims payable	--	--	--
Advances from other funds	--	1,879	972
Advances from other funds payable from restricted assets	--	17,028	--
Capital appreciation bond interest payable	7,817	91,890	--
Commercial paper notes payable, net of discount	166,456	75,000	--
Bonds payable, net of discount and inclusive of premium	1,205,019	2,466,238	293,437
Pension obligation payable	27,630	14,058	4,249
Other post employment benefits payable	104,347	63,946	17,209
Capital lease obligations payable	1,089	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	174,398	--	--
Derivative instruments - energy risk management	30,502	--	--
Derivative instruments - interest rate swaps	--	15,027	32,514
Other liabilities	37,831	--	--
Other liabilities payable from restricted assets	--	--	12
Total noncurrent liabilities	<u>1,755,103</u>	<u>2,745,066</u>	<u>348,453</u>
<b>Total liabilities</b>	<u>1,956,828</u>	<u>2,938,045</u>	<u>378,436</u>
<b>Deferred inflows of resources</b>	<u>\$ 217,049</u>	<u>517,436</u>	<u>--</u>

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

(Continued)

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	5,796	79,072	20,312
Accounts and retainage payable from restricted assets	4,302	35,837	--
Accrued payroll	2,936	10,170	3,578
Accrued compensated absences	6,178	23,416	8,251
Claims payable	--	--	23,655
Due to other funds	9,410	9,559	13
Accrued interest payable from restricted assets	1,497	75,876	--
Interest payable on other debt	782	806	13
Bonds payable	17,696	17,725	352
Bonds payable from restricted assets	10,930	176,366	--
Capital lease obligations payable	--	46	--
Customer and escrow deposits payable from restricted assets	4,844	42,926	--
Accrued landfill closure and postclosure costs	411	411	--
Other liabilities	--	9,121	2,007
Other liabilities payable from restricted assets	1,872	10,010	--
Total current liabilities	66,654	491,341	58,181
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	334	408	546
Claims payable	--	--	20,151
Advances from other funds	3,712	6,563	2
Advances from other funds payable from restricted assets	--	17,028	--
Capital appreciation bond interest payable	--	99,707	--
Commercial paper notes payable, net of discount	--	241,456	--
Bonds payable, net of discount and inclusive of premium	275,840	4,240,534	3,190
Pension obligation payable	15,934	61,871	--
Other post employment benefits payable	69,500	255,002	--
Capital lease obligations payable	--	1,089	--
Accrued landfill closure and postclosure costs	9,524	9,524	--
Decommissioning liability payable from restricted assets	--	174,398	--
Derivative instruments - energy risk management	--	30,502	--
Derivative instruments - interest rate swaps	12,394	59,935	--
Other liabilities	2,909	40,740	--
Other liabilities payable from restricted assets	506	518	--
Total noncurrent liabilities	390,653	5,239,275	23,889
<b>Total liabilities</b>	<b>457,307</b>	<b>5,730,616</b>	<b>82,070</b>
<b>Deferred inflows of resources</b>	<b>372</b>	<b>734,857</b>	<b>168</b>

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

(Continued)

**Proprietary Funds**  
**Statement of Net Position**  
**September 30, 2014**  
**(In thousands)**

	<b>Business-Type Activities</b>		
	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>
<b>NET POSITION</b>			
Net investment in capital assets	\$ 1,057,719	460,821	379,749
Restricted for:			
Debt service	32,633	40,848	16,205
Strategic reserve	106,577	--	--
Capital projects	78,529	17,180	72,876
Renewal and replacement	64	--	10,000
Bond reserve	9,988	20,584	2,434
Passenger facility charges	--	--	50,317
Operating reserve	--	--	11,334
Unrestricted	396,848	116,643	(5,265)
<b>Total net position</b>	<b>\$ 1,682,358</b>	<b>656,076</b>	<b>537,650</b>
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	13,172	6,842	2,583
<b>Total net position - Business-type activities</b>	<b>\$ 1,695,530</b>	<b>662,918</b>	<b>540,233</b>

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

(Continued)

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
<b>NET POSITION</b>			
Net investment in capital assets	318,058	2,216,347	58,887
Restricted for:			
Debt service	16,310	105,996	--
Strategic reserve	--	106,577	--
Capital projects	23,191	191,776	542
Renewal and replacement	956	11,020	--
Bond reserve	10,310	43,316	--
Passenger facility charges	--	50,317	--
Operating reserve	4,317	15,651	--
Unrestricted	51,841	560,067	60,776
<b>Total net position</b>	<u>424,983</u>	<u>3,301,067</u>	<u>120,205</u>
Reconciliation to government-wide Statement of Net Position			
Adjustment to consolidate internal service activities	4,698	27,295	
Total net position - Business-type activities	<u>429,681</u>	<u>3,328,362</u>	

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

**Proprietary Funds**  
**Statement of Revenues, Expenses, and Changes in Fund Net Position**  
**For the year ended September 30, 2014**  
**(In thousands)**

	<b>Business-Type Activities</b>		
	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>
<b>OPERATING REVENUES</b>			
Utility services	\$ 1,367,155	472,593	--
User fees and rentals	--	--	108,960
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
<b>Total operating revenues</b>	<b>1,367,155</b>	<b>472,593</b>	<b>108,960</b>
<b>OPERATING EXPENSES</b>			
Operating expenses before depreciation	1,039,830	226,349	76,042
Depreciation and amortization	152,450	103,443	21,151
<b>Total operating expenses</b>	<b>1,192,280</b>	<b>329,792</b>	<b>97,193</b>
<b>Operating income (loss)</b>	<b>174,875</b>	<b>142,801</b>	<b>11,767</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and other revenues	5,191	82	221
Interest on revenue bonds and other debt	(63,288)	(112,214)	(11,794)
Interest capitalized during construction	--	--	1,409
Passenger facility charges	--	--	19,806
Cost (recovered) to be recovered in future years	(5,551)	(13,903)	--
Other nonoperating revenue (expense)	9,483	(1,273)	(312)
<b>Total nonoperating revenues (expenses)</b>	<b>(54,165)</b>	<b>(127,308)</b>	<b>9,330</b>
<b>Income (loss) before contributions and transfers</b>	<b>120,710</b>	<b>15,493</b>	<b>21,097</b>
Capital contributions	13,030	38,241	4,808
Transfers in	1,979	17,980	3
Transfers out	(116,835)	(44,122)	(793)
<b>Change in net position</b>	<b>18,884</b>	<b>27,592</b>	<b>25,115</b>
<b>Total net position - beginning, as restated (See Note 18)</b>	<b>1,663,474</b>	<b>628,484</b>	<b>512,535</b>
<b>Total net position - ending</b>	<b>\$ 1,682,358</b>	<b>656,076</b>	<b>537,650</b>
Reconciliation to government-wide Statement of Activities			
Change in net position	18,884	27,592	25,115
Adjustment to consolidate internal service activities	727	356	233
Change in net position - Business-type activities	<b>\$ 19,611</b>	<b>27,948</b>	<b>25,348</b>

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
<b>OPERATING REVENUES</b>			
Utility services	--	1,839,748	--
User fees and rentals	257,373	366,333	--
Billings to departments	--	--	363,335
Employee contributions	--	--	34,654
Operating revenues from other governments	--	--	5,598
Other operating revenues	--	--	7,645
<b>Total operating revenues</b>	<b>257,373</b>	<b>2,206,081</b>	<b>411,232</b>
<b>OPERATING EXPENSES</b>			
Operating expenses before depreciation	245,735	1,587,956	388,866
Depreciation and amortization	27,190	304,234	10,953
<b>Total operating expenses</b>	<b>272,925</b>	<b>1,892,190</b>	<b>399,819</b>
<b>Operating income (loss)</b>	<b>(15,552)</b>	<b>313,891</b>	<b>11,413</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>			
Interest and other revenues	223	5,717	(19)
Interest on revenue bonds and other debt	(10,186)	(197,482)	(250)
Interest capitalized during construction	1,415	2,824	--
Passenger facility charges	--	19,806	--
Cost (recovered) to be recovered in future years	--	(19,454)	--
Other nonoperating revenue (expense)	(1,269)	6,629	(13,571)
<b>Total nonoperating revenues (expenses)</b>	<b>(9,817)</b>	<b>(181,960)</b>	<b>(13,840)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(25,369)</b>	<b>131,931</b>	<b>(2,427)</b>
Capital contributions	41,336	97,415	10,656
Transfers in	63,031	82,993	5,393
Transfers out	(12,031)	(173,781)	(22,088)
<b>Change in net position</b>	<b>66,967</b>	<b>138,558</b>	<b>(8,466)</b>
<b>Total net position - beginning, as restated (See Note 18)</b>	<b>358,016</b>	<b>3,162,509</b>	<b>128,671</b>
<b>Total net position - ending</b>	<b>424,983</b>	<b>3,301,067</b>	<b>120,205</b>
Reconciliation to government-wide Statement of Activities			
Change in net position	66,967	138,558	
Adjustment to consolidate internal service activities	(1,865)	(549)	
Change in net position - Business-type activities	<b>65,102</b>	<b>138,009</b>	

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

**Proprietary Funds**  
**Statement of Cash Flows**  
**For the year ended September 30, 2014**  
**(In thousands)**

	<b>Business-Type Activities</b>		
	<b>Austin Energy</b>	<b>Austin Water Utility</b>	<b>Airport</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	\$ 1,410,947	479,384	111,508
Cash payments to suppliers for goods and services	(827,182)	(124,773)	(44,917)
Cash payments to employees for services	(169,285)	(93,143)	(28,844)
Cash payments to claimants/beneficiaries	--	--	--
Taxes collected and remitted to other governments	(42,140)	--	--
<b>Net cash provided by operating activities</b>	<b>372,340</b>	<b>261,468</b>	<b>37,747</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	1,979	14,300	--
Transfers out	(116,771)	(43,876)	(447)
Contributions (to) from other funds	--	(448)	--
Loans to other funds	--	--	--
Loans from other funds	--	--	4
Loan repayments to other funds	--	(505)	(146)
Loan repayments from other funds	883	301	6
Collections from other governments	3,200	1,768	782
<b>Net cash provided (used) by noncapital financing activities</b>	<b>(110,709)</b>	<b>(28,460)</b>	<b>199</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from the sale of commercial paper notes	77,915	169,550	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	2,942	--
Proceeds from long-term loans	2,593	--	--
Principal paid on long-term debt	(83,334)	(102,571)	(15,638)
Proceeds from the sale of capital assets	--	--	10
Interest paid on revenue bonds and other debt	(60,317)	(106,126)	(11,308)
Passenger facility charges	--	--	19,806
Acquisition and construction of capital assets	(160,167)	(207,361)	(48,815)
Contributions from state and federal governments	--	214	2,008
Contributions in aid of construction	14,555	14,002	2,800
Bond issuance costs	--	(2,052)	(151)
Bond premiums	--	39,889	--
Bonds issued for advanced refundings of debt	502	279,789	34,757
Cash paid for bond refunding escrow	(482)	(118,157)	(34,754)
Cash paid to payoff commercial paper	--	(200,000)	--
Cash paid for nuclear fuel inventory	(14,755)	--	--
<b>Net cash (used) by capital and related financing activities</b>	<b>\$ (223,490)</b>	<b>(229,881)</b>	<b>(51,285)</b>

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers	261,515	2,263,354	410,536
Cash payments to suppliers for goods and services	(118,518)	(1,115,390)	(61,185)
Cash payments to employees for services	(120,457)	(411,729)	(143,494)
Cash payments to claimants/beneficiaries	--	--	(179,506)
Taxes collected and remitted to other governments	--	(42,140)	--
<b>Net cash provided by operating activities</b>	<b>22,540</b>	<b>694,095</b>	<b>26,351</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>			
Transfers in	61,938	78,217	2,850
Transfers out	(8,364)	(169,458)	(19,092)
Contributions (to) from other funds	529	81	--
Loans to other funds	(8,490)	(8,490)	--
Loans from other funds	8,665	8,669	--
Loan repayments to other funds	(636)	(1,287)	(152)
Loan repayments from other funds	146	1,336	--
Collections from other governments	90	5,840	--
<b>Net cash provided (used) by noncapital financing activities</b>	<b>53,878</b>	<b>(85,092)</b>	<b>(16,394)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from the sale of commercial paper notes	--	247,465	--
Proceeds from the sale of general obligation bonds and other tax supported debt	22,713	25,655	--
Proceeds from long-term loans	--	2,593	--
Principal paid on long-term debt	(27,837)	(229,380)	(381)
Proceeds from the sale of capital assets	--	10	--
Interest paid on revenue bonds and other debt	(11,091)	(188,842)	(175)
Passenger facility charges	--	19,806	--
Acquisition and construction of capital assets	(49,161)	(465,504)	(10,860)
Contributions from state and federal governments	18	2,240	--
Contributions in aid of construction	4,661	36,018	--
Bond issuance costs	(499)	(2,702)	--
Bond premiums	628	40,517	--
Bonds issued for advanced refundings of debt	35,632	350,680	142
Cash paid for bond refunding escrow	(35,323)	(188,716)	(140)
Cash paid to payoff commercial paper	--	(200,000)	--
Cash paid for nuclear fuel inventory	--	(14,755)	--
<b>Net cash (used) by capital and related financing activities</b>	<b>(60,259)</b>	<b>(564,915)</b>	<b>(11,414)</b>

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

(Continued)

**Proprietary Funds**  
**Statement of Cash Flows**  
**For the year ended September 30, 2014**  
**(In thousands)**

	<u>Business-Type Activities</u>		
	<u>Austin Energy</u>	<u>Austin Water Utility</u>	<u>Airport</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investment securities	\$ (219,586)	(212,911)	(32,396)
Proceeds from sale and maturities of investment securities	223,902	215,169	30,502
Interest on investments	1,609	82	221
<b>Net cash provided (used) by investing activities</b>	<u>5,925</u>	<u>2,340</u>	<u>(1,673)</u>
Net increase (decrease) in cash and cash equivalents	44,066	5,467	(15,012)
Cash and cash equivalents, October 1	215,352	112,571	215,675
<b>Cash and cash equivalents, September 30</b>	<u>259,418</u>	<u>118,038</u>	<u>200,663</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	174,875	142,801	11,767
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	152,450	102,455	21,151
Amortization	--	988	--
Change in assets and liabilities:			
Decrease in working capital advances	513	--	--
(Increase) decrease in accounts receivable	(6,526)	5,109	2,059
Increase in allowance for doubtful accounts	4,418	1,332	172
(Increase) decrease in inventory	9,957	231	(106)
(Increase) decrease in prepaid expenses and other assets	(2,012)	(2)	22
Decrease in advances to other funds	--	--	--
(Increase) decrease in other long-term assets	15,237	--	--
Increase (decrease) in accounts payable	1,531	(406)	124
Increase in accrued payroll and compensated absences	619	332	96
Increase in claims payable	--	--	--
Decrease in pension obligations payable	(1,247)	(206)	(63)
Increase in other post employment benefits payable	12,283	8,484	2,283
Increase (decrease) in other liabilities	6,493	--	(75)
Increase in customer deposits	3,749	350	317
<b>Total adjustments</b>	<u>197,465</u>	<u>118,667</u>	<u>25,980</u>
<b>Net cash provided by operating activities</b>	<u>\$ 372,340</u>	<u>261,468</u>	<u>37,747</u>

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

(Continued)

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Purchase of investment securities	(18,934)	(483,827)	--
Proceeds from sale and maturities of investment securities	18,765	488,338	--
Interest on investments	223	2,135	(19)
<b>Net cash provided (used) by investing activities</b>	<b>54</b>	<b>6,646</b>	<b>(19)</b>
Net increase (decrease) in cash and cash equivalents	16,213	50,734	(1,476)
Cash and cash equivalents, October 1	196,829	740,427	136,098
<b>Cash and cash equivalents, September 30</b>	<b>213,042</b>	<b>791,161</b>	<b>134,622</b>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income (loss)	(15,552)	313,891	11,413
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	27,190	303,246	10,953
Amortization	--	988	--
Change in assets and liabilities:			
Decrease in working capital advances	--	513	--
(Increase) decrease in accounts receivable	2,154	2,796	(629)
Increase in allowance for doubtful accounts	640	6,562	--
(Increase) decrease in inventory	(96)	9,986	116
(Increase) decrease in prepaid expenses and other assets	(7)	(1,999)	(75)
Decrease in advances to other funds	--	--	45
(Increase) decrease in other long-term assets	4	15,241	(119)
Increase (decrease) in accounts payable	79	1,328	(789)
Increase in accrued payroll and compensated absences	803	1,850	1,223
Increase in claims payable	--	--	3,924
Decrease in pension obligations payable	(252)	(1,768)	--
Increase in other post employment benefits payable	9,221	32,271	--
Increase (decrease) in other liabilities	(2,992)	3,426	289
Increase in customer deposits	1,348	5,764	--
<b>Total adjustments</b>	<b>38,092</b>	<b>380,204</b>	<b>14,938</b>
<b>Net cash provided by operating activities</b>	<b>22,540</b>	<b>694,095</b>	<b>26,351</b>

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

(Continued)

**Proprietary Funds**  
**Statement of Cash Flows**  
**For the year ended September 30, 2014**  
**(In thousands)**

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	<u>Business-Type Activities</u>		
	<u>Austin Energy</u>	<u>Austin Water Utility</u>	<u>Airport</u>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Capital appreciation bonds interest accreted	\$ (831)	(9,707)	--
Capital assets contributed from other funds	--	249	--
Capital assets contributed to other funds	--	(3,199)	--
Contributed facilities	--	23,776	--
(Increase) decrease in the fair value of investments	(2,859)	--	--
Amortization of bond (discounts) premiums	4,910	9,555	(34)
Amortization of gain/loss on refundings	(6,812)	(5,934)	(939)
Loss on disposal of assets	(8,101)	(1,812)	(795)
Costs (recovered) to be recovered	(5,496)	(13,903)	--
Transfers (to) from other funds	(64)	(173)	(343)
Capitalized interest	--	--	1,409

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

(Continued)

	<u>Business-Type Activities</u>		<u>Governmental Activities- Internal Service Funds</u>
	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:</b>			
Capital appreciation bonds interest accreted	--	(10,538)	--
Capital assets contributed from other funds	36,657	36,906	11,008
Capital assets contributed to other funds	(310)	(3,509)	(352)
Contributed facilities	--	23,776	--
(Increase) decrease in the fair value of investments	--	(2,859)	--
Amortization of bond (discounts) premiums	1,874	16,305	(45)
Amortization of gain/loss on refundings	(1,140)	(14,825)	(32)
Loss on disposal of assets	(845)	(11,553)	(13,571)
Costs (recovered) to be recovered	--	(19,399)	--
Transfers (to) from other funds	1,033	453	(446)
Capitalized interest	1,415	2,824	--

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

**Fiduciary Funds**  
**Statement of Fiduciary Net Position**  
**September 30, 2014**  
(In thousands)

City of Austin, Texas  
Exhibit D-1

	<u>Private-purpose</u>	
	<u>Trust</u>	<u>Agency</u>
<b>ASSETS</b>		
Pooled investments and cash	\$ 1,829	3,035
Other assets	120	--
<b>Total assets</b>	<u>1,949</u>	<u>3,035</u>
<b>LIABILITIES</b>		
Accounts payable	24	--
Due to other governments	--	2,330
Deposits and other liabilities	1,191	705
<b>Total liabilities</b>	<u>1,215</u>	<u>3,035</u>
<b>NET POSITION</b>		
Held in trust	734	
<b>Total net position</b>	<u>\$ 734</u>	

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

**Fiduciary Funds**  
**Statement of Changes in Fiduciary Net Position**  
**For the year ended September 30, 2014**  
**(In thousands)**

**City of Austin, Texas**  
**Exhibit D-2**

	<u>Private-purpose</u> <u>Trust</u>
<b>ADDITIONS</b>	
Contributions	\$ 1,190
Interest and other	1
<b>Total additions</b>	<u>1,191</u>
<b>DEDUCTIONS</b>	
Benefit payments	1,166
<b>Total deductions</b>	<u>1,166</u>
<b>Net additions (deductions)</b>	<u>25</u>
<b>Total net position - beginning</b>	<u>709</u>
<b>Total net position - ending</b>	<u>\$ 734</u>

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.

On November 6, 2012, City of Austin voters approved a charter amendment which provides for the election of City Councilmembers from 10 geographical single-member districts, with the mayor to be elected from the city at large. This new process will be effective with the November 2014 election. A 14-member Citizens Redistricting Commission drew the boundaries for the 10 districts in compliance with federal and state requirements and submitted to Council in November 2013.

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. 67 and No. 70. In fiscal year 2014, the City implemented the following GASB Statements:

GASB Statement	Impact
65 – <i>“Items Previously Reported as Assets and Liabilities”</i>	This resulted in the movement of items from Assets to Deferred outflows of resources and from Liabilities to Deferred inflows of resources. In addition, several items previously reported as assets are now expensed in the statements, most notably, bond issue costs. Results of the implementation of this standard are discussed in Note 1 and Note 18.
66 – <i>“Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62”</i>	The implementation of this standard had little impact on the amounts reported in the financial statements.
67 – <i>“Financial Reporting for Pension Plans an amendment of GASB Statement No. 25”</i>	This statement is directed at the Pension Plans and did not impact the City of Austin financial reporting. The companion statement for governments, GASB Statement No. 68, <i>“Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27”</i> , is effective for the City in 2015.
70 – <i>“Accounting and Financial Reporting for Nonexchange Financial Guarantees”</i>	The implementation of this standard did not impact the City of Austin financial reporting.

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**

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. Discrete component units are legally separate entities that are not considered part of the City’s operations; therefore, data from these units are shown separately from data of the City.

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

**Blended Component Units** – Following are the City's blended component units.

Blended Component Units  
The Austin Housing Finance Corporation (AHFC)

Brief Description of Activities, Relationship to City, and Key Inclusion Criteria  
AHFC was created in 1979 as a public, nonprofit corporation and instrumentality of the City under the provisions of the Texas Housing Finance Corporation Act, Chapter 394, and Local Government Code. The mission of the AHFC is to generate and implement strategic housing solutions for the benefit of low- and moderate- income residents of the City. AHFC is governed by a board composed of the City Council. In addition, City management has operational responsibilities for this component unit.

Reporting Fund: Housing Assistance Fund, a nonmajor special revenue fund

Austin Industrial Development Corporation (AIDC)

AIDC was created under the Texas Development Corporation Act of 1979 to provide a means of extending tax-exempt financing to projects that are deemed to have substantial social benefit through the creation of commercial, industrial, and manufacturing enterprises, in order to promote and encourage employment in the City. The Austin City Council acts as the board of directors of the corporation. In addition, City management has operational responsibilities for this component unit.

Reporting Fund: Austin Industrial Development Corporation Fund, a nonmajor special revenue fund

Mueller Local Government Corporation (MLGC)

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. Members of the City staff serve as officers of the corporation and have operational responsibilities for this component unit.

Reporting Fund: Mueller Local Government Corporation, a nonmajor special revenue fund

Urban Renewal Agency (URA)

URA was created by the City under Chapter 374 of the Texas Local Government Code. 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. An Urban Renewal Plan's primary purpose is to eliminate slum and blighting influence within a designated area of the city. Council maintains the ability to impose its will on the organization. URA exclusively receives financial support/benefits from its relationship with the City.

Reporting Fund: Urban Renewal Agency fund, a nonmajor special revenue fund

Austin-Bergstrom International Airport (ABIA) Development Corporation

ABIA Development Corporation is governed by a board composed of the City Council. The entity has no day-to-day operations. Its existence relates only to the authorization for issuance of industrial revenue bonds or to other similar financing arrangements in accordance with the Texas Development Corporation Act of 1979. To date, none of the bonds issued constitute a liability of ABIA Development Corporation or the City of Austin. ABIA Development Corporation is governed by a board composed of the City Council. In addition, City management has operational responsibilities for this component unit.

There is no financial activity to report related to this component unit.

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

**Discretely Presented Component Units** – Following are the City's discretely presented component units. See Note 17 for additional information. Financial statements for these entities can be requested from the addresses located below.

<u>Discretely Presented Component Units</u>	<u>Brief Description of Activities, Relationship to City, and Key Inclusion Criteria</u>
Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) 2716 Spirit of Texas Drive Austin, TX 78719	ABLE is a legally separate entity that issues revenue bonds for the purpose of financing the cost of acquiring, improving, and equipping a full-service hotel on airport property. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ABLE does not constitute a debt or pledge of the faith and credit of the City.
Austin Convention Enterprises, Inc. (ACE) 500 East 4th Street Austin, TX 78701	ACE is a legally separate entity that owns, operates, and finances the Austin Convention Center Hotel. City Council appoints this entity's Board and maintains a contractual ability to remove board members at will. Debt issued by ACE does not constitute a debt or pledge of the faith and credit of the City.
Waller Creek Local Government Corporation (WCLGC) 124 W. 8 <sup>th</sup> Street Austin, TX 78701	WCLGC is a non-profit local government corporation created by the City under Subchapter D of Chapter 431 of the Texas Transportation Code. The purpose of WCLGC is implementing the financing, design, construction, maintenance and operation of certain public improvements located within or around the Waller Creek Redevelopment Project district. The Austin City Council appoints a voting majority of the board of directors of the WCLGC and maintains a contractual ability to remove board members at will.

**Related Organizations** -- The City Council appoints the voting majority of the board members, but the City has no significant financial accountability for the Austin Housing Authority. The Mayor appoints the persons to serve as commissioners of this organization; however, this entity is separate from the operating activities of the City.

The City of Austin retirement plans (described in Note 7) 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.

Related organizations are not included in the City's reporting entity.

**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 position 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, deferred outflow of resources, liability, and deferred inflow of resources balances that are not eliminated in the statement of net position are primarily 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 GAAP; 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. A reconciliation of the fund financial statements to the government-wide statements is provided in the financial statements to explain the differences between the two different reporting approaches.

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

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.

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.

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

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 and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

Debt Service Funds: Account for and report financial resources, and the accumulation of those financial resources, that are restricted, committed, or assigned to expenditure for principal and interest of general long-term debt and HUD Section 108 loans.

Capital Projects Funds: Account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets (other than those reported within proprietary funds). It is primarily funded 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 and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the City's programs.

**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. 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.

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.

The City reports the following major enterprise funds:

Austin Energy™: Accounts for the activities of the City-owned electric utility.

Austin Water Utility: Accounts for the activities of the City-owned water and wastewater utility.

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 solid waste services activities.

Public recreation: Accounts for golf 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 projects, 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 annual budgeted funds.

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.

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

**Pooled Investments and Cash** -- Cash balances of all city funds (except for certain funds shown in Note 3 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, 2014. Investments in local government investment pools are carried at net asset value per share calculated using the amortized cost method which approximates fair value.

**Accounts Receivable** -- Balances of accounts receivable, reported on the government-wide statement of net position, 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, 2014 (in thousands):

	<b>Charges for Services</b>	<b>Fines</b>	<b>Taxes</b>	<b>Other Govern- ments</b>	<b>Other</b>	<b>Total</b>
<b>Governmental activities</b>						
General Fund	\$ 209,629	21,097	42,504	--	--	273,230
Nonmajor governmental funds	1,654	--	18,525	7,957	2,636	30,772
Internal service funds	3,465	--	--	--	--	3,465
Allowance for doubtful accounts	(204,505)	(9,463)	--	(259)	--	(214,227)
<b>Total</b>	<u>\$ 10,243</u>	<u>11,634</u>	<u>61,029</u>	<u>7,698</u>	<u>2,636</u>	<u>93,240</u>

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

	<b>Austin Energy</b>	<b>Austin Water</b>	<b>Airport</b>	<b>Nonmajor Enterprise</b>	<b>Total</b>
Accounts receivable	\$ 189,154	70,088	5,032	24,528	288,802
Allowance for doubtful accounts	(11,727)	(3,552)	(1,240)	(2,730)	(19,249)
<b>Total</b>	<u>\$ 177,427</u>	<u>66,536</u>	<u>3,792</u>	<u>21,798</u>	<u>269,553</u>

**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 position 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 position 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 position, 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
Austin Energy	
Fuel oil	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 an equal amount in nonspendable fund balance, 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 Austin Energy and Austin Water Utility report in accordance with accounting for regulated operations, enabling legislation also includes restrictions on asset use established by its governing board which is the City Council. Restricted assets used to repay maturing debt and other current liabilities are classified as current.

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

	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Total Restricted Assets
Capital projects	\$ 78,531	97,295	118,877	39,530	334,233
Customer and escrow deposits	27,202	9,756	779	4,542	42,279
Debt service	56,217	90,175	17,674	17,929	181,995
Environmental and landfill	--	--	--	1,898	1,898
Federal grants	8,955	--	300	232	9,487
Operating reserve account	--	--	11,334	12,469	23,803
Passenger facility charge account	--	--	50,317	--	50,317
Plant decommissioning	197,410	--	--	--	197,410
Renewal and replacement account	64	--	10,000	1,293	11,357
Revenue bond reserve	9,988	58,422	2,434	13,304	84,148
Strategic reserve	106,577	--	--	--	106,577
	<b>\$ 484,944</b>	<b>255,648</b>	<b>211,715</b>	<b>91,197</b>	<b>1,043,504</b>

**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 position; 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 \$5,000 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 or increase their value are capitalized in the government-wide and proprietary statement of net position 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.

Interest is not capitalized on governmental capital assets. Enterprise funds, with the exception of the Austin Energy and Austin Water Utility, 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 Austin Energy and Austin Water Utility assets in accordance with accounting for regulated operations.

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

Capital assets, except for nuclear fuel, are depreciated or amortized using the straight-line method over the following estimated useful lives (in years):

Assets	Governmental Activities (1)	Business-type Activities			
		Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise
Buildings and improvements	5-40	--	15-50	15-40	12-40
Plant and equipment	5-50	--	5-60	4-50	5-40
Vehicles	3-20	3-15	3-20	3-20	3-30
Electric plant	--	3-50	--	--	--
Non-electric plant	--	3-30	--	--	--
Communication equipment	7-15	--	7	7	7
Furniture and fixtures	12	--	12	12	12
Computers and EDP equipment	3-7	--	3-7	3-7	3-7
Nuclear fuel	--	(2)	--	--	--
Water rights	--	--	101	--	--
Infrastructure					
Streets and roads	30	--	--	--	--
Bridges	50	--	--	--	--
Drainage systems	50	--	--	--	--
Pedestrian facilities	20	--	--	--	--
Traffic signals	25	--	--	--	--

(1) Includes internal service funds

(2) Nuclear fuel is amortized over units of production

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 and treasures is expected to be maintained over time and, thus, is not depreciated. The initial investment of library collections for each library is capitalized. All subsequent expenditures related to the maintenance of the collection (replacement of individual items) are expensed, with the overall value of the collection being maintained, and therefore, 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 \$14.8 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 the LCRA entered into the contract in 1999. The asset amortization period is 101.25 years.

**Regulatory Assets --** In accordance with accounting for regulated operations, certain utility expenses that do not currently require funding are recorded as assets and amortized over future periods if they are intended to be recovered through future rates. These expenses include unrealized gain/loss on investments, debt issuance costs, pension, other post employment benefits, interest, decommissioning, and pass-through rates, such as the Power Supply Adjustment charge, Community Benefit charge, and Regulatory charge. Regulatory Assets will be recovered in these future periods by setting rates sufficient to provide funds for the requirements. If regulatory assets are not recoverable in future rates, the regulatory asset 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 and expenses.

**Deferred Outflows (Inflows) of Resources --** Deferred outflows of resources represent the consumption of net assets that are applicable to a future reporting period. Deferred outflows have a positive effect on net position, similar to assets. Deferred inflows of resources represent the acquisition of net assets that have a negative effect on net position, similar to liabilities.

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

In fiscal year 2014, the City implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Prior to this implementation, deferred outflows and inflows were limited to derivative instruments and service concession arrangement transactions. The following chart reflects the activities that are now included in these categories.

Activities	Category and explanation	Deferred Outflows	Deferred Inflows
Derivative instruments	<b>Deferred outflows or inflows.</b> Derivative instruments are reported in the statement of net position at fair value. Changes in fair value of hedging derivative instruments are recognized through the application of hedge accounting as either deferred outflows or inflows in the statement of net position, as an offset to the related hedging derivative instrument.	\$90,437	4,242
Gain/loss on debt refundings	<b>Deferred outflows or inflows.</b> When debt is refunded, the associated gains (deferred outflows) or losses (deferred inflows) are recognized as deferred outflows or inflows of resources and amortized over future periods.	120,687	409
Regulated operations	<b>Deferred inflows.</b> In accordance with accounting for regulated operations, certain credits to income are held as deferred inflows of resources until the anticipated matched charge is incurred. These credits include unrealized gain/loss on investments, contributions, interest, decommissioning, and pass-through rates.		729,148
Service concession arrangements	<b>Deferred inflows.</b> The resources related to the service concession arrangements that will be recognized as revenue in future years over the terms of arrangements between the City and the operators are reported as deferred inflows of resources.		1,607
Unavailable revenues	<b>Deferred inflows.</b> In Governmental funds, unavailable revenue is reported as deferred inflows of resources and recognized as inflows of resources in the period that the amounts become available.		8,132

**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 vacation, exception vacation, and sick leave at termination payable 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-Sworn Employees (1)	Sworn Police (2)	Sworn Fire (3)	Sworn EMS (4)
Vacation	0-40	240	240	240	240
	42	N/A	N/A	N/A	270
	48	N/A	N/A	N/A	309
	53	N/A	N/A	360	N/A
Exception vacation (5)	0-40	160	160	176	206
	42	160	N/A	N/A	206
	48	160	N/A	N/A	206
	53	N/A	N/A	264	N/A
Sick leave	0-40	720	1,400	720	720
	42	N/A	N/A	N/A	756
	48	N/A	N/A	N/A	926
	53	N/A	N/A	1,080	N/A
Compensatory time (6)		120	120	120	120

- (1) Non-sworn employees are eligible for accumulated sick leave payout if hired before October 1, 1986.
- (2) Sworn police employees with 12 years of actual service are eligible for accumulated sick leave payout.  
As of January 1, 2011, officers may be eligible to receive up to 1,700 hours of sick leave if certain criteria are met.
- (3) Sworn fire employees are eligible for accumulated sick leave payout regardless of hire date.
- (4) Sworn EMS employees with 12 years of actual service are eligible for accumulated sick leave payout if certain criteria are met.
- (5) Exception vacation hours are hours accumulated by an employee when the employee works on a City holiday.
- (6) Employees may earn compensatory time in lieu of paid overtime; maximum payout is 120 hours for all employees.

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

**Other Post employment Benefits (OPEB)** -- The City provides certain health care benefits for its retired employees and their families as more fully described in Note 8. At September 30, 2014, the City’s total actuarial accrued liability for these retiree benefits was approximately \$1.5 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 select revenues of these funds. Note 6 contains more information about pledged revenues by fund. The corresponding debt is recorded in the applicable fund.

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 other tax supported debt, whose principal and interest are payable primarily from the net revenues of Austin Water Utility.

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 position as deferred outflows of resources. Austin Energy and Austin Water Utility 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 principal and interest payments on the bonds, is recorded as capital appreciation bond interest payable.

**Landfill Closure and Postclosure Care Costs** -- Municipal solid waste landfill costs and the liability for landfill closure and postclosure costs are reported in Austin Resource Recovery, 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):

	<b>Bad Debt Expense</b>
Austin Energy	\$ 20,868
Austin Water Utility	6,371
Airport	172
Nonmajor Enterprise	5,207

Electric, water, and wastewater revenue is recorded when earned. Customers’ electric and water meters are read and bills 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 Austin Energy by estimating the daily power generation and allocating by each billing district meter read dates as of September 30, 2014. The amount of unbilled revenue recorded, as of September 30, 2014, was \$37.0 million. Austin Water Utility records unbilled revenue as earned based upon the percentage of October’s billing that represented water usage through September 30, 2014. The amount of unbilled revenue recorded as of September 30, 2014 was \$13.4 million for water and \$12.2 million for wastewater.

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

Revenues are also recorded net of discounts in the government-wide and proprietary fund-level statements. Discounts are offered as incentives geared towards generating additional revenue in the form of new or expanded business, or to encourage events with a significant economic impact, as well as expedient event planning. The funds listed below report revenues net of discounts, as follows (in thousands):

	<u>Discounts</u>
Airport	\$ 748
Nonmajor Enterprise	1,290

**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.

**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 expenses are recognized in the applicable proprietary fund.

**Special item – land sale** -- In April 2012, the City Council approved an ordinance authorizing the execution of a master development agreement for the sale and redevelopment of the Green Water Treatment plant land. Under this agreement, the City will sell the land to the developer in four phases. The first payment of \$15.83 million was received by the City in fiscal year 2014. The balance of the sale should occur in three pieces completing in fiscal year 2019, according to the current schedule. The unusual and infrequent occurrence of a sale of City property of this significance and the fact that the transaction is under the control of City management, it is being reported as a special item in the financial statements.

**Fund Equity** -- Fund balances for governmental funds are reported in classifications that demonstrate the extent to which the City is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The governmental fund type classifications are as follows:

Nonspendable: The portion of fund balance that cannot be spent because it is either (a) not in spendable form, such as inventories and prepaid items, or (b) legally or contractually required to be maintained intact.

Restricted: The portion of fund balance that is restricted to specific purposes due to constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitution provisions or enabling legislation.

Committed: The portion of fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of a majority vote by City Council. The City Council is the highest level of decision making.

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

Assigned: The portion of fund balance that is constrained by the City’s intent to use for specific purposes, but are neither restricted nor committed. Under the city charter, the City Manager is authorized to assign individual amounts up to \$57,000 in fiscal year 2014 to a specific purpose. This amount is updated annually based on the most recently published federal government, Bureau of Labor Statistics Indicator, Consumer Price Index (CPI-W U.S. City Average) U.S. City Average.

Unassigned: The portion of fund balance that is not restricted, committed, or assigned to specific purposes.

The constraints placed on the fund balances of the General Fund and the nonmajor governmental funds are presented below (in thousands):

	Nonmajor Governmental					Total
	General Fund	Special Revenue	Debt Service	Capital Projects	Permanent	
<b>Nonspendable</b>						
Inventory	\$ 777	--	--	--	--	777
Prepaid items	173	--	--	--	--	173
Permanent funds	--	--	--	--	1,052	1,052
<b>Total Nonspendable</b>	<b>950</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>1,052</b>	<b>2,002</b>
<b>Restricted</b>						
Municipal court services	--	3,008	--	--	--	3,008
Police special purpose	--	6,090	--	--	--	6,090
Fire special purpose	--	44	--	--	--	44
Transportation, planning, and sustainability	--	324	--	--	--	324
Public health services	--	264	--	--	--	264
Parks services	--	1,817	--	--	--	1,817
Library services	--	1,258	--	--	1	1,259
Tourism programs	--	18,416	--	--	--	18,416
Affordable housing programs	--	30,006	--	--	--	30,006
Urban growth programs	--	3,260	--	--	--	3,260
Capital construction	--	--	--	79,144	--	79,144
Debt service	--	--	18,368	--	--	18,368
<b>Total Restricted</b>	<b>--</b>	<b>64,487</b>	<b>18,368</b>	<b>79,144</b>	<b>1</b>	<b>162,000</b>
<b>Committed</b>						
Municipal court services	223	--	--	--	--	223
Police special purpose	2,101	--	--	--	--	2,101
Fire special purpose	769	--	--	--	--	769
EMS special purpose	1,172	--	--	--	--	1,172
Public health services	1,874	--	--	--	--	1,874
Parks services	1,253	3,638	--	--	--	4,891
Library services	306	--	--	--	--	306
Affordable housing programs	--	2,729	--	--	--	2,729
Urban growth programs	1,330	21,119	--	--	--	22,449
Capital construction	--	--	--	39,047	--	39,047
<b>Total Committed</b>	<b>9,028</b>	<b>27,486</b>	<b>--</b>	<b>39,047</b>	<b>--</b>	<b>75,561</b>
<b>Assigned</b>						
General government services	6	--	--	--	--	6
Municipal court services	27	--	--	--	--	27
Police special purpose	171	28	--	--	--	199
Fire special purpose	206	--	--	--	--	206
EMS special purpose	125	--	--	--	--	125
Transportation, planning, and sustainability	--	8	--	--	--	8
Public health services	340	27	--	--	--	367
Parks services	211	102	--	--	--	313
Library services	84	6	--	--	--	90
Tourism programs	--	39	--	--	--	39
Affordable housing programs	--	145	--	--	--	145
Urban growth programs	15,689	2,097	--	--	--	17,786
Capital construction	--	--	--	22,643	--	22,643
<b>Total Assigned</b>	<b>16,859</b>	<b>2,452</b>	<b>--</b>	<b>22,643</b>	<b>--</b>	<b>41,954</b>
<b>Unassigned</b>	<b>156,659</b>	<b>(8,248)</b>	<b>--</b>	<b>(62,333)</b>	<b>--</b>	<b>86,078</b>
<b>Total Fund Balance</b>	<b>\$ 183,496</b>	<b>86,177</b>	<b>18,368</b>	<b>78,501</b>	<b>1,053</b>	<b>367,595</b>

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

**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. In governmental funds, unrestricted resources would be utilized in order from committed to assigned and finally unassigned.

**Budget stabilization** -- By formal action of City Council, the General Fund maintains 3 reserve funds: a contingency reserve, an emergency reserve, and a budget stabilization reserve. These reserves are part of unassigned fund balance for the General Fund. As of September 30, 2014, the contingency reserve maintains a balance of 1 percent of departmental expenditures, or \$6.8 million, the emergency reserve remains fixed with a balance of \$40 million, and the budget stabilization reserve reports a balance of \$108.3 million. The funds in the budget stabilization reserve may be appropriated to fund capital or other onetime costs, but such appropriation should not exceed one-third of the total amount in the reserve.

**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 7).

**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 coverage for property loss or damage, commercial crime, fidelity bonds, airport operations, and contractors working at selected capital improvement project sites (see Note 13).

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 9.

**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 help readers 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 – POOLED INVESTMENTS AND CASH**

The following summarizes the amounts of pooled investments and cash by fund at September 30, 2014 (in thousands):

	<b>Pooled Investments and Cash</b>	
	<b>Unrestricted</b>	<b>Restricted</b>
General Fund	\$ 180,969	--
Nonmajor governmental funds	181,362	--
Austin Energy	150,780	103,607
Austin Water Utility	21,827	96,206
Airport	7,885	192,774
Nonmajor enterprise funds	146,573	66,436
Internal service funds	132,617	542
Fiduciary funds	4,864	--
Subtotal pooled investments and cash	<u>826,877</u>	<u>459,565</u>
Total pooled investments and cash	<u>\$ 1,286,442</u>	

### 3 – 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, are eligible collateral for borrowing from a Federal Reserve Bank, and are 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;
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;
12. Local government investment pools (LGIPs); and
13. Securities lending program.

The City participates in four LGIPs: TexPool, TexasDAILY, TexStar, and Lone Star. 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 TexasDAILY 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. First Public, LLC serves as the administrator of Lone Star under an agreement with Lone Star's board of directors. The City's position in the pool is the same as the value of the pool shares.

**3 – INVESTMENTS AND DEPOSITS, continued**  
**a -- Investments, continued**

The City invests in TexPool, TexasDAILY, TexStar, and Lone Star to provide its liquidity needs. TexPool, TexasDAILY, TexStar, and Lone Star are LGIPs 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, TexStar, and Lone Star are 2(a)7-like funds, meaning that they are structured somewhat like 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, TexStar, and Lone Star are rated AAAM and must maintain a dollar weighted average maturity not to exceed a 60-day limit. At September 30, 2014, TexPool, TexasDAILY, TexStar, and Lone Star had a weighted average maturity of 48 days, 47 days, 51 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 arrangements during fiscal year 2014.

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, 2014 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
<b>Non-pooled investments:</b>				
Local Government Investment Pools	\$ 16,984	269,754	--	286,738
Money Market Funds	--	36,761	--	36,761
US Treasury Notes	--	35,442	--	35,442
US Agency Bonds	--	229,367	--	229,367
Total non-pooled investments	<u>16,984</u>	<u>571,324</u>	<u>--</u>	<u>588,308</u>
<b>Pooled investments:</b>				
Local Government Investment Pools	154,235	246,305	1,524	402,064
US Treasury Notes	65,876	104,510	647	171,033
US Agency Bonds	265,685	421,420	2,693	689,798
Total pooled investments	<u>485,796</u>	<u>772,235</u>	<u>4,864</u>	<u>1,262,895</u>
Total investments	<u>\$ 502,780</u>	<u>1,343,559</u>	<u>4,864</u>	<u>1,851,203</u>

**Concentration of Credit Risk**

At September 30, 2014, 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 (\$159.9 or 9%), Federal Home Loan Bank (\$344.5 or 19%), Federal Home Loan Mortgage Corporation (\$180.1 or 10%), and Federal National Mortgage Association (\$234.7 or 13%).

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 special project funds,
2. Debt service funds,
3. Debt service reserve funds, and
4. Special project funds or special purpose funds.

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

**3 – INVESTMENTS AND DEPOSITS, continued**  
**b – Investment Categories**

**Operating Funds**

As of September 30, 2014, the City operating funds had the following investments (in thousands):

<b>Investment Type</b>	<b>Fair Value</b>			<b>Total</b>	<b>Weighted Average Maturity (days)</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Fiduciary Funds</b>		
Local Government Investment Pools	\$ 154,235	246,305	1,524	402,064	1
US Treasury Notes	65,876	104,510	647	171,033	527
US Agency Bonds	265,685	421,420	2,693	689,798	420
<b>Total</b>	<b>\$ 485,796</b>	<b>772,235</b>	<b>4,864</b>	<b>1,262,895</b>	<b>298</b>

**Credit Risk**

At September 30, 2014, the Operating funds held investments in LGIPs rated AAAM by Standard & Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Standard & Poor's rated the US Agency Bonds AA+. The remaining securities are direct obligations of the US government.

**Concentration of Credit Risk**

At September 30, 2014, the operating funds held investments with more than five percent of the total portfolio in securities of the following issuers (in millions): Federal Farm Credit Bank (\$159.9 or 13%), Federal Home Loan Bank (\$290.0 or 23%), Federal Home Loan Mortgage Corporation (\$109.9 or 9%), and Federal National Mortgage Association (\$130.0 or 10%).

**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, 2014, less than a third of the Investment Pool was invested in AAAM rated LGIPs, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity of all securities was 298 days, which was less than the threshold of 365 days.

**Debt Service Funds**

As of September 30, 2014, the City's debt service funds had the following investments (in thousands):

<b>Investment Type</b>	<b>Fair Value</b>		<b>Weighted Average Maturity (days)</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	
<b>General Obligation Debt Service</b>			
Local Government Investment Pools	\$ 16,984	--	1
<b>Enterprise-Utility (1)</b>			
Local Government Investment Pools	--	146,393	1
<b>Enterprise-Airport</b>			
Local Government Investment Pools	--	16,072	1
<b>Nonmajor Enterprise-Convention Center</b>			
Local Government Investment Pools	--	10,575	1
<b>Total</b>	<b>\$ 16,984</b>	<b>173,040</b>	

(1) Includes combined pledge debt service

**Credit Risk**

At September 30, 2014, the debt service funds held an investment in TexPool, an LGIP rated AAAM by Standard and Poor's.

**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.

**3 – INVESTMENTS AND DEPOSITS, continued**  
**b -- Investment Categories, continued**

**Debt Service Reserve Funds**

As of September 30, 2014, the City's debt service reserve funds had the following investments (in thousands):

<u>Investment Type</u>	<u>Fair Value Business-type Activities</u>	<u>Weighted Average Maturity (days)</u>
<b>Enterprise-Utility (1)</b>		
Local Government Investment Pools	\$ 41,394	1
<b>Enterprise-Airport</b>		
Local Government Investment Pools	2,434	1
<b>Nonmajor Enterprise-Convention Center</b>		
Local Government Investment Pools	13,306	1
Total	\$ 57,134	

(1) Includes combined pledge debt service

**Credit Risk**

At September 30, 2014, the debt service reserve funds held an investment in TexPool, an LGIP rated AAAM by Standard and Poor's.

**Interest Rate Risk**

Investment strategies for debt service reserve funds shall have as the primary object the ability to generate a dependable revenue stream to the appropriate debt service fund from securities with a low degree of volatility. Except as may be required by bond ordinance specific to an individual issue, securities should be of high quality, with short-term to intermediate-term securities.

**Special Projects or Special Purpose Funds**

**Special Project Funds**

At September 30, 2014, the City's special project funds had the following investments (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>			<u>Weighted Average Maturity (days)</u>
	<u>Business-type Activities</u>			
	<u>Utility Reserve</u>	<u>Airport Construction</u>	<u>Total</u>	
Local Government Investment Pools	\$ 27,016	76	27,092	1

**Credit Risk**

At September 30, 2014, the special project funds held an investment in TexPool, an LGIP rated AAAM by Standard and Poor's.

**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, 2014, the City's Austin Energy Strategic Reserve Fund, a special purpose fund, had the following investments (in thousands):

<u>Investment Type</u>	<u>Fair Value Business-type Activities</u>	<u>Weighted Average Maturity (days)</u>
Local Government Investment Pools	\$ 12,489	1
US Treasury Notes	15,763	872
US Agency Bonds	78,325	1035
Total	\$ 106,577	889

**3 – INVESTMENTS AND DEPOSITS, continued**  
**b -- Investment Categories, continued**

**Credit risk**

At September 30, 2014, the Austin Energy Strategic Reserve Fund held an investment in TexPool, an LGIP rated AAAM by Standard & Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Standard & Poor's rated the US Agency Bonds AA+. The remaining securities are direct obligations of the US government.

**Concentration of Credit Risk**

At September 30, 2014, 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 Home Loan Bank (\$23.5 or 22%), Federal Home Loan Mortgage Corporation (\$20.0 or 19%), and Federal National Mortgage Association (\$34.9 or 33%).

**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, 2014, the portfolios held investments in TexPool, US Treasuries, and US Agencies with maturities that will meet anticipated cash flow requirements and an overall dollar weighted average maturity of 889 days (2.44 years).

**Special Purpose Funds - Austin Energy Nuclear Decommissioning Trust Funds (NDTF)**

At September 30, 2014, the City's Austin Energy NDTF had the following investments (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>Business-type</u>	<u>Weighted Average</u>
	<u>Activities</u>	<u>Maturity (years)</u>
Money Market Funds	\$ 25,934	1 day
US Treasury Notes	19,679	2.85
US Agency Bonds	151,041	2.82
Total	<u>\$ 196,654</u>	<u>2.44</u>

**Credit Risk**

At September 30, 2014, Standard & Poor's rated the US Agency Bonds AA+ and the Money Market Fund AAAM. The remaining securities are direct obligations of the US government.

**Concentration of Credit Risk**

At September 30, 2014, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank (\$31.0 or 16%), Federal Home Loan Mortgage Corporation (\$50.2 or 26%), Federal National Mortgage Association (\$69.8 or 35%).

**Interest Rate Risk**

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy for the NDTF portfolios requires that the dollar weighted average maturity, using final state 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, 2014, the dollar weighted average maturity was 2.44 years.

**Special Purpose Funds - Investments Held by Trustee – Public Improvement Districts**

At September 30, 2014, the City's special purpose funds had the following investments (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	
	<u>Business-type</u>	<u>Weighted Average</u>
	<u>Activities</u>	<u>Maturity (days)</u>
Money Market Funds	\$ 10,827	1

**Credit Risk**

At September 30, 2014, Standard & Poor's rated the Money Market Fund AAAM.

**3 – INVESTMENTS AND DEPOSITS, continued**  
**b -- Investment Categories, continued**

**Interest Rate Risk**

Investment objectives for these special purpose funds have as the primary objective the safety of principal and assurance of liquidity adequate to cover construction expense draws. As a means of minimizing risk of loss due to interest rate fluctuations, funds are being held in overnight money market funds until definitive construction cash flows are established.

**c – Investments and Deposits**

Investments and deposits portfolio balances at September 30, 2014, are as follows (in thousands):

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Fiduciary Funds</b>	<b>Total</b>
Non-pooled investments and cash	\$ 22,854	576,397	--	599,251
Pooled investments and cash	501,040	796,420	4,864	1,302,324
Total investments and cash	<u>523,894</u>	<u>1,372,817</u>	<u>4,864</u>	<u>1,901,575</u>
Unrestricted cash	70	62	--	132
Restricted cash	5,800	5,011	--	10,811
Pooled investments and cash	501,040	796,420	4,864	1,302,324
Investments	16,984	571,324	--	588,308
Total	<u>\$ 523,894</u>	<u>1,372,817</u>	<u>4,864</u>	<u>1,901,575</u>

A difference of \$15.9 million exists between portfolio balance and book balance, primarily due to deposits in transit offset by outstanding checks.

**Deposits**

The September 30, 2014 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Cash			
Unrestricted	\$ 70	62	132
Restricted	--	5,011	5,011
Cash held by trustee			
Restricted	5,800	--	5,800
Pooled cash	15,244	24,185	39,429
Total deposits	<u>\$ 21,114</u>	<u>29,258</u>	<u>50,372</u>

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, 2014.

**4 – 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, 2013, upon which the 2014 levy was based, was \$88,766,098,160.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2014, 99.25% of the current tax levy (October 1, 2013) 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.

**4 – 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, 2014, was \$0.3856 per \$100 assessed valuation. The tax rate for servicing the payment of principal and interest on general obligation long-term debt for the fiscal year ended September 30, 2014 was \$0.1171 per \$100 assessed valuation. The City has a tax margin for general governmental purposes of \$0.6144 per \$100 assessed valuation, and could levy approximately \$545,378,907 in additional taxes from the assessed valuation of \$88,766,098,160 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.

5 – CAPITAL ASSETS AND INFRASTRUCTURE

Governmental Activities

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u> (1)	<u>Decreases</u> (1)	<u>Ending Balance</u>
<b>Depreciable capital assets</b>				
Building and improvements	\$ 781,367	77,052	(507)	857,912
Plant and equipment	215,555	34,149	(17,686)	232,018
Vehicles	114,697	20,257	(9,936)	125,018
Infrastructure	2,245,026	115,278	--	2,360,304
Total depreciable capital assets	<u>3,356,645</u>	<u>246,736</u>	<u>(28,129)</u>	<u>3,575,252</u>
Less accumulated depreciation for				
Building and improvements	(265,529)	(22,138)	250	(287,417)
Plant and equipment	(135,903)	(19,663)	4,594	(150,972)
Vehicles	(72,220)	(11,169)	4,335	(79,054)
Infrastructure	(914,203)	(63,031)	2	(977,232)
Total accumulated depreciation	<u>(1,387,855)</u>	<u>(116,001)</u> (2)	<u>9,181</u>	<u>(1,494,675)</u>
Depreciable capital assets, net	<u>1,968,790</u>	<u>130,735</u>	<u>(18,948)</u>	<u>2,080,577</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	351,996	37,433	(26,338)	363,091
Arts and treasures	8,021	626	(4)	8,643
Library collections	14,390	--	--	14,390
Construction in progress	218,414	272,607	(264,522)	226,499
Total nondepreciable assets	<u>592,821</u>	<u>310,666</u>	<u>(290,864)</u>	<u>612,623</u>
<b>Total capital assets</b>	<u>\$ 2,561,611</u>	<u>441,401</u>	<u>(309,812)</u>	<u>2,693,200</u>

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

(2) Components of accumulated depreciation/amortization increases:

Governmental activities:

General government	\$ 5,005
Public safety	15,265
Transportation, planning and sustainability	53,241
Public health	1,538
Public recreation and culture	13,169
Urban growth management	16,830
Internal service funds	10,953
Total increases in accumulated depreciation/amortization	<u>\$ 116,001</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases (1)</u>	<u>Decreases (1)</u>	<u>Ending Balance</u>
<b>Depreciable capital assets</b>				
Building and improvements	\$ 1,694,070	46,444	(1,959)	1,738,555
Plant and equipment	3,438,145	137,841	(6,807)	3,569,179
Vehicles	177,448	16,743	(5,864)	188,327
Electric plant	4,438,575	107,061	(28,434)	4,517,202
Non-electric plant	176,157	16,818	(3,145)	189,830
Nuclear fuel	306,171	56,229	(41,636)	320,764
Water rights	100,000	--	--	100,000
Total depreciable capital assets	<u>10,330,566</u>	<u>381,136</u>	<u>(87,845)</u>	<u>10,623,857</u>
Less accumulated depreciation/amortization for				
Building and improvements	(573,422)	(43,769)	116	(617,075)
Plant and equipment	(1,194,822)	(92,840)	4,229	(1,283,433)
Vehicles	(103,759)	(16,603)	5,347	(115,015)
Electric plant	(2,195,312)	(142,593)	21,956	(2,315,949)
Non-electric plant	(48,085)	(7,441)	1,050	(54,476)
Nuclear fuel	(266,155)	(14,993)	--	(281,148)
Water rights	(13,827)	(988)	--	(14,815)
Total accumulated depreciation/amortization	<u>(4,395,382)</u>	<u>(319,227) (2)</u>	<u>32,698</u>	<u>(4,681,911)</u>
Depreciable capital assets, net	<u>5,935,184</u>	<u>61,909</u>	<u>(55,147)</u>	<u>5,941,946</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	513,213	56,187	(14,626)	554,774
Arts and treasures	1,657	--	--	1,657
Construction in progress	648,553	479,316	(333,405)	794,464
Plant held for future use	23,115	--	--	23,115
Total nondepreciable assets	<u>1,186,538</u>	<u>535,503</u>	<u>(348,031)</u>	<u>1,374,010</u>
<b>Total capital assets</b>	<u>\$ 7,121,722</u>	<u>597,412</u>	<u>(403,178)</u>	<u>7,315,956</u>

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

(2) Components of accumulated depreciation/amortization increases:

Business-type activities:

Electric	\$ 167,443
Water	44,577
Wastewater	58,866
Airport	21,151
Convention Center	8,941
Environmental and health services	8,071
Public recreation	773
Urban growth management	9,405
Total increases in accumulated depreciation/amortization	<u>\$ 319,227</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	<b>Beginning Balance</b>	<b>Increases</b>	<b>Decreases</b>	<b>Ending Balance</b>
<b>Depreciable capital assets</b>				
Vehicles	\$ 30,751	1,302	(1,585)	30,468
Electric plant	4,438,575	107,061	(28,434)	4,517,202
Non-electric plant	176,157	16,818	(3,145)	189,830
Nuclear fuel	306,171	56,229	(41,636)	320,764
Total depreciable capital assets	<u>4,951,654</u>	<u>181,410</u>	<u>(74,800)</u>	<u>5,058,264</u>
Less accumulated depreciation/amortization for				
Vehicles	(21,639)	(2,416)	1,581	(22,474)
Electric plant	(2,195,312)	(142,593)	21,956	(2,315,949)
Non-electric plant	(48,085)	(7,441)	1,050	(54,476)
Nuclear fuel	(266,155)	(14,993)	--	(281,148)
Total accumulated depreciation/amortization	<u>(2,531,191)</u>	<u>(167,443) (1)</u>	<u>24,587</u>	<u>(2,674,047)</u>
Depreciable capital assets, net	<u>2,420,463</u>	<u>13,967</u>	<u>(50,213)</u>	<u>2,384,217</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	62,323	442	--	62,765
Plant held for future use	23,115	--	--	23,115
Construction in progress	80,872	166,783	(130,295)	117,360
Total nondepreciable assets	<u>166,310</u>	<u>167,225</u>	<u>(130,295)</u>	<u>203,240</u>
<b>Total capital assets</b>	<u>\$ 2,586,773</u>	<u>181,192</u>	<u>(180,508)</u>	<u>2,587,457</u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	\$ 152,450
Current year amortization included in operating expense	14,993
Total increases in accumulated depreciation/amortization	<u>\$ 167,443</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water Utility

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u> (1)	<u>Decreases</u> (1)	<u>Ending Balance</u>
<b>Depreciable capital assets</b>				
Building and improvements	\$ 656,933	18,817	(1,734)	674,016
Plant and equipment	3,246,692	111,215	(2,877)	3,355,030
Vehicles	36,452	3,413	(723)	39,142
Water rights	100,000	--	--	100,000
Total depreciable capital assets	<u>4,040,077</u>	<u>133,445</u>	<u>(5,334)</u>	<u>4,168,188</u>
Less accumulated depreciation/amortization for				
Building and improvements	(216,717)	(15,305)	115	(231,907)
Plant and equipment	(1,125,645)	(84,122)	1,792	(1,207,975)
Vehicles	(25,453)	(3,028)	775	(27,706)
Water rights	(13,827)	(988)	--	(14,815)
Total accumulated depreciation/amortization	<u>(1,381,642)</u>	<u>(103,443)</u> (2)	<u>2,682</u>	<u>(1,482,403)</u>
Depreciable capital assets, net	<u>2,658,435</u>	<u>30,002</u>	<u>(2,652)</u>	<u>2,685,785</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	244,646	795	(14,626)	230,815
Arts and treasures	62	--	--	62
Construction in progress	486,394	198,902	(108,214)	577,082
Total nondepreciable assets	<u>731,102</u>	<u>199,697</u>	<u>(122,840)</u>	<u>807,959</u>
<b>Total capital assets</b>	<u>\$ 3,389,537</u>	<u>229,699</u>	<u>(125,492)</u>	<u>3,493,744</u>

(1) Increases and decreases do not include transfers (at net book value) between Austin Water Utility funds.

(2) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Water	\$ 43,589
Wastewater	58,866
Current year amortization	
Water	988
Total increases in accumulated depreciation/amortization	<u>\$ 103,443</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport Fund

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Depreciable capital assets</b>				
Building and improvements	\$ 710,481	24,625	--	735,106
Plant and equipment	25,082	2,436	(1,592)	25,926
Vehicles	10,672	196	(942)	9,926
Total depreciable capital assets	<u>746,235</u>	<u>27,257</u>	<u>(2,534)</u>	<u>770,958</u>
Less accumulated depreciation for				
Building and improvements	(231,068)	(18,795)	--	(249,863)
Plant and equipment	(13,975)	(1,294)	1,031	(14,238)
Vehicles	(4,852)	(1,062)	360	(5,554)
Total accumulated depreciation	<u>(249,895)</u>	<u>(21,151)</u> (1)	<u>1,391</u>	<u>(269,655)</u>
Depreciable capital assets, net	<u>496,340</u>	<u>6,106</u>	<u>(1,143)</u>	<u>501,303</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	92,387	3,351	--	95,738
Arts and treasures	983	--	--	983
Construction in progress	30,963	53,099	(32,911)	51,151
Total nondepreciable assets	<u>124,333</u>	<u>56,450</u>	<u>(32,911)</u>	<u>147,872</u>
<b>Total capital assets</b>	<u>\$ 620,673</u>	<u>62,556</u>	<u>(34,054)</u>	<u>649,175</u>

(1) Components of accumulated depreciation/amortization increases:

Current year depreciation	<u>\$ 21,151</u>
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5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2014, was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u> (1)	<u>Decreases</u> (1)	<u>Ending Balance</u>
<b>Depreciable capital assets</b>				
Building and improvements	\$ 326,656	3,002	(225)	329,433
Plant and equipment	166,371	24,190	(2,338)	188,223
Vehicles	99,573	11,832	(2,614)	108,791
Total depreciable capital assets	<u>592,600</u>	<u>39,024</u>	<u>(5,177)</u>	<u>626,447</u>
Less accumulated depreciation for				
Building and improvements	(125,637)	(9,669)	1	(135,305)
Plant and equipment	(55,202)	(7,424)	1,406	(61,220)
Vehicles	(51,815)	(10,097)	2,631	(59,281)
Total accumulated depreciation	<u>(232,654)</u>	<u>(27,190)</u> (2)	<u>4,038</u>	<u>(255,806)</u>
Depreciable capital assets, net	<u>359,946</u>	<u>11,834</u>	<u>(1,139)</u>	<u>370,641</u>
<b>Nondepreciable capital assets</b>				
Land and improvements	113,857	51,599	--	165,456
Arts and treasures	612	--	--	612
Construction in progress	50,324	60,532	(61,985)	48,871
Total nondepreciable assets	<u>164,793</u>	<u>112,131</u>	<u>(61,985)</u>	<u>214,939</u>
<b>Total capital assets</b>	<u>\$ 524,739</u>	<u>123,965</u>	<u>(63,124)</u>	<u>585,580</u>

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

(2) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Convention Center	\$ 8,941
Environmental and health services	8,071
Public recreation	773
Urban growth management	9,405
Total increases in accumulated depreciation/amortization	<u>\$ 27,190</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

**Capitalized Interest**

The City has recorded capitalized interest for fiscal year 2014 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

<b>Enterprise Funds</b>	
Airport	\$ 1,409
Nonmajor enterprise funds:	
Austin Resource Recovery	2
Convention Center	981
Drainage	430
Golf	1
Transportation	1

Interest is not capitalized on governmental capital assets. In accordance with accounting for regulated operations, interest is also not capitalized for Austin Energy or Austin Water Utility capital assets.

**Service Concession Arrangements**

The City has recorded capital assets and deferred inflows of \$3.67 million derived from two service concession arrangements (SCA) described below. An SCA is an arrangement in which the City conveys use of a capital asset to an operator in exchange for significant consideration; where the operator is compensated from third parties; where the COA may determine what services are provided, to whom and for what price; where the City retains a significant residual interest in the asset after the SCA terminates.

The City has had an agreement with the Friends of Umlauf Garden, Inc. since 1991 to manage and operate the Umlauf Sculpture Garden and Museum located at 605 Robert E. Lee Road. The agreement extends through 2021 and is for the purpose of displaying the artistic works of Charles Umlauf for the public enjoyment and education. Structures, which are dedicated to the City, have been built on City-owned land and display City-owned artwork.

The City entered into an agreement with the Young Men’s Christian Association (YMCA) in 2010 to develop and construct a new joint-use recreational facility for public use located at 1000 W. Rundberg Lane. The facility was built upon City-owned land and was completed in December 2012.

As of September 30, 2014, the City recorded the following activity in the governmental activities (in thousands):

<b>Service Concession Arrangement</b>	<b>Asset</b>				<b>Total</b>	<b>Net Book Value</b>
	<b>Construction Cost</b>	<b>Prior Period Depreciation</b>	<b>Current Year Depreciation</b>	<b>Depreciation</b>		
Umlauf Sculpture Garden	\$ 2,337	1,280	59	1,339	998	
YMCA Northeast Recreation Center	1,333	28	33	61	1,272	
	<u>3,670</u>	<u>1,308</u>	<u>92</u>	<u>1,400</u>	<u>2,270</u>	

	<b>Beginning</b>	<b>Prior Period</b>	<b>Current Year</b>	<b>Total</b>	<b>Ending</b>
	<b>Deferred Inflows</b>	<b>Amortization</b>	<b>Amortization</b>	<b>Amortization</b>	<b>Deferred Inflows</b>
Umlauf Sculpture Garden	2,337	1,707	78	1,785	552
YMCA Northeast Recreation Center	1,333	211	67	278	1,055
	<u>\$ 3,670</u>	<u>1,918</u>	<u>145</u>	<u>2,063</u>	<u>1,607</u>

**6 – 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 these funds are included in governmental activities.

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, 2014, were as follows (in thousands):

Description	October 1, 2013	Increases	Decreases	September 30, 2014	Amounts Due Within One Year
<b>Governmental activities</b>					
General obligation bonds, net	\$ 919,973	227,524	(172,642)	974,855	53,769
Certificates of obligation, net	114,798	25,528	(4,497)	135,829	4,287
Contractual obligations, net	67,788	25,527	(8,279)	85,036	10,584
<b>Debt service requirements total</b>	<u>1,102,559</u>	<u>278,579</u>	<u>(185,418)</u>	<u>1,195,720</u>	<u>68,640</u>
<b>Other long-term obligations</b>					
Accrued compensated absences	127,828	4,635	(327)	132,136	56,693
Claims payable	39,882	21,977	(18,053)	43,806	23,655
Pension obligation payable	64,768	--	(18)	64,750	--
Other post employment benefits	375,956	59,307	--	435,263	--
Other liabilities	85,890	35,128	(33,788)	87,230	81,205
<b>Governmental activities total</b>	<u>1,796,883</u>	<u>399,626</u>	<u>(237,604)</u>	<u>1,958,905</u>	<u>230,193</u>
<b>Total business-type activities</b>					
General obligation bonds, net	33,192	7,475	(6,966)	33,701	4,302
Certificates of obligation, net	33,658	363	(6,789)	27,232	983
Contractual obligations, net	55,508	25,971	(15,625)	65,854	15,370
Other tax supported debt, net	9,915	--	(720)	9,195	745
<b>General obligation bonds and other tax supported debt total</b>	<u>132,273</u>	<u>33,809</u>	<u>(30,100)</u>	<u>135,982</u>	<u>21,400</u>
Commercial paper notes, net	193,991	247,468	(200,003)	241,456	--
Revenue bonds, net	4,318,355	387,079	(406,791)	4,298,643	172,691
Capital lease obligations	1,176	--	(41)	1,135	46
<b>Debt service requirements total</b>	<u>4,645,795</u>	<u>668,356</u>	<u>(636,935)</u>	<u>4,677,216</u>	<u>194,137</u>
<b>Other long-term obligations</b>					
Accrued compensated absences	23,102	1,032	(310)	23,824	23,416
Pension obligation payable	63,638	--	(1,767)	61,871	--
Other post employment benefits	222,731	32,271	--	255,002	--
Accrued landfill closure and postclosure costs	10,310	245	(620)	9,935	411
Decommissioning expense payable	179,123	6,765	(3,352)	182,536	8,138
Other liabilities	802,507	5,764	(713,094)	95,177	53,919
<b>Business-type activities total</b>	<u>5,947,206</u>	<u>714,433</u>	<u>(1,356,078)</u>	<u>5,305,561</u>	<u>280,021</u>
<b>Total liabilities (1)</b>	<u>7,744,089</u>	<u>1,114,059</u>	<u>(1,593,682)</u>	<u>7,264,466</u>	<u>510,214</u>

(1) This schedule excludes select short-term liabilities of \$91,307 for governmental activities. For business-type activities, it excludes select short-term liabilities of \$201,761, capital appreciation bond interest payable of \$99,707 and derivative instruments of \$90,437.

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

Description	October 1, 2013	Increases	Decreases	September 30, 2014	Amounts Due Within One Year
<b>Business-type activities:</b>					
<b>Electric activities</b>					
General obligation bonds, net	\$ 809	502	(625)	686	149
<b>General obligation bonds and other tax supported debt total</b>	<b>809</b>	<b>502</b>	<b>(625)</b>	<b>686</b>	<b>149</b>
Commercial paper notes, net	88,541	77,918	(3)	166,456	--
Revenue bonds, net	1,340,446	--	(88,060)	1,252,386	47,904
Capital lease obligations	1,176	--	(41)	1,135	46
<b>Debt service requirements total</b>	<b>1,430,972</b>	<b>78,420</b>	<b>(88,729)</b>	<b>1,420,663</b>	<b>48,099</b>
<b>Other long-term obligations</b>					
Accrued compensated absences	9,990	147	(56)	10,081	10,067
Pension obligation payable	28,877	--	(1,247)	27,630	--
Other post employment benefits	92,064	12,283	--	104,347	--
Decommissioning expense payable	179,123	6,765	(3,352)	182,536	8,138
Other liabilities	282,108	3,749	(216,065)	69,792	31,961
<b>Electric activities total</b>	<b>2,023,134</b>	<b>101,364</b>	<b>(309,449)</b>	<b>1,815,049</b>	<b>98,265</b>
<b>Water and Wastewater activities</b>					
General obligation bonds, net	5,067	329	(1,421)	3,975	1,016
Contractual obligations, net	8,281	3,019	(2,958)	8,342	2,033
Other tax supported debt, net	6,348	--	(461)	5,887	477
<b>General obligation bonds and other tax supported debt total</b>	<b>19,696</b>	<b>3,348</b>	<b>(4,840)</b>	<b>18,204</b>	<b>3,526</b>
Commercial paper notes, net	105,450	169,550	(200,000)	75,000	--
Revenue bonds, net	2,451,724	322,016	(225,004)	2,548,736	97,176
<b>Debt service requirements total</b>	<b>2,576,870</b>	<b>494,914</b>	<b>(429,844)</b>	<b>2,641,940</b>	<b>100,702</b>
<b>Other long-term obligations</b>					
Accrued compensated absences	5,260	155	--	5,415	5,415
Pension obligation payable	14,264	--	(206)	14,058	--
Other post employment benefits	55,462	8,484	--	63,946	--
Other liabilities	507,121	350	(494,337)	13,134	13,134
<b>Water and Wastewater activities total</b>	<b>3,158,977</b>	<b>503,903</b>	<b>(924,387)</b>	<b>2,738,493</b>	<b>119,251</b>
<b>Airport activities</b>					
General obligation bonds, net	161	89	(116)	134	29
<b>General obligation bonds and other tax supported debt total</b>	<b>161</b>	<b>89</b>	<b>(116)</b>	<b>134</b>	<b>29</b>
Revenue bonds, net	326,547	35,620	(52,154)	310,013	16,681
<b>Debt service requirements total</b>	<b>326,708</b>	<b>35,709</b>	<b>(52,270)</b>	<b>310,147</b>	<b>16,710</b>
<b>Other long-term obligations</b>					
Accrued compensated absences	1,782	235	(201)	1,816	1,756
Pension obligation payable	4,312	--	(63)	4,249	--
Other post employment benefits	14,926	2,283	--	17,209	--
Other liabilities	1,878	317	(75)	2,120	2,108
<b>Airport activities total</b>	<b>349,606</b>	<b>38,544</b>	<b>(52,609)</b>	<b>335,541</b>	<b>20,574</b>
<b>Nonmajor activities</b>					
General obligation bonds, net	27,155	6,555	(4,804)	28,906	3,108
Certificates of obligation, net	33,658	363	(6,789)	27,232	983
Contractual obligations	47,227	22,952	(12,667)	57,512	13,337
Other tax supported debt, net	3,567	--	(259)	3,308	268
<b>General obligation bonds and other tax supported debt total</b>	<b>111,607</b>	<b>29,870</b>	<b>(24,519)</b>	<b>116,958</b>	<b>17,696</b>
Revenue bonds, net	199,638	29,443	(41,573)	187,508	10,930
<b>Debt service requirements total</b>	<b>311,245</b>	<b>59,313</b>	<b>(66,092)</b>	<b>304,466</b>	<b>28,626</b>
<b>Other long-term obligations</b>					
Accrued compensated absences	6,070	495	(53)	6,512	6,178
Pension obligation payable	16,185	--	(251)	15,934	--
Other post employment benefits	60,279	9,221	--	69,500	--
Accrued landfill closure and postclosure costs	10,310	245	(620)	9,935	411
Other liabilities	11,400	1,348	(2,617)	10,131	6,716
<b>Nonmajor activities total</b>	<b>415,489</b>	<b>70,622</b>	<b>(69,633)</b>	<b>416,478</b>	<b>41,931</b>

**6 – 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, 2014, including those reported in certain proprietary funds (in thousands):

Series	Fiscal Year	Original Amount Issue	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
NW Austin MUD	2005	\$ 2,630	1,270	182 (1)(3)	3.85 - 4.30%	9/01/2015-2020
NW Austin MUD	2006	7,995	6,850	3,039 (1)(3)	4.00 - 4.25%	9/01/2015-2026
NW Austin MUD	2010	2,760	1,075	71 (1)(3)	4.00 - 4.25%	3/01/2015-2018
2005 Refunding	2005	145,345	18,655	933 (1)	5.00%	9/1/2015
2005 Refunding	2005	19,535	12,240	4,526 (1)	4.00 - 4.25%	9/1/2015-2025
2005	2005	7,185	4,825	1,308 (1)	3.70 - 4.30%	9/1/2015-2025
2006	2006	31,585	30,985	11,165 (1)	4.00 - 5.38%	9/1/2015-2026
2006	2006	24,150	17,180	5,247 (1)	4.00 - 5.00%	9/1/2015-2026
2006	2006	12,000	8,995	2,837 (1)(4)	4.00 - 6.00%	9/1/2015-2026
2007	2008	97,525	93,025	41,489 (1)	4.64%	9/1/2015-2027
2007	2008	3,820	2,885	1,082 (1)	4.88%	9/1/2015-2027
2007	2008	9,755	2,080	129 (2)	3.66%	11/1/2014-2017
2008 Refunding	2008	172,505	80,450	14,096 (1)	5.00%	9/1/2015-2021
2008	2009	76,045	60,955	28,759 (1)	3.50 - 5.00%	9/1/2015-2028
2008	2009	10,700	8,590	3,242 (1)	4.00 - 5.00%	9/1/2015-2028
2008	2009	26,715	6,450	227 (2)	3.50%	11/1/2014-2015
2009A	2009	20,905	5,440	301 (1)	4.13 - 5.00%	9/1/2015-2016
2009B	2009	78,460	78,460	37,153 (1)	4.15 - 5.31%	9/1/2017-2029
2009	2009	12,500	9,320	5,102 (1)	3.00 - 4.75%	9/1/2015-2039
2009	2009	13,800	6,495	446 (2)	3.00 - 3.25%	11/1/2014-2019
2009	2010	15,000	12,535	4,488 (1)(4)	3.50 - 4.25%	9/1/2015-2029
2010A	2011	79,528	66,330	27,732 (1)	2.00 - 4.00%	9/1/2015-2030
2010B	2011	26,400	24,870	11,952 (1)	3.50 - 4.65%	9/1/2015-2030
2010	2011	22,300	19,390	5,822 (1)	2.00 - 3.50%	9/1/2015-2030
2010	2011	16,450	8,690	269 (2)	1.00 - 1.75%	11/1/2014-2017
2010 Refunding	2011	91,560	87,555	23,585 (1)	4.00 - 5.00%	9/1/2015-2023
2011A	2012	78,090	69,590	33,910 (1)	2.00 - 4.00%	9/1/2015-2031
2011B	2012	8,450	8,350	3,761 (1)	2.50 - 4.50%	9/1/2015-2031
2011	2012	51,150	49,025	29,793 (1)	3.00 - 5.00%	9/1/2015-2041
2011	2012	26,725	18,075	878 (2)	1.00 - 2.00%	11/1/2014-2018
2011A Refunding	2012	68,285	38,265	7,623 (1)	4.00 - 5.00%	9/1/2015-2023
2011B Refunding	2012	3,000	1,030	22 (1)	1.51 - 1.86%	9/1/2015-2016
2012A	2013	74,280	70,945	32,734 (1)	3.00 - 5.00%	9/1/2023-2032
2012B	2013	6,640	5,760	1,860 (1)	2.00 - 3.50%	9/1/2015-2032
2012	2013	24,645	23,290	8,505 (1)	2.00 - 4.00%	9/1/2015-2037
2012	2013	27,135	21,840	2,375 (2)	3.00 - 4.00%	11/1/2014-2019
2012	2013	16,735	15,865	5,857 (1)(4)	2.00 - 3.38%	9/1/2015-2032
2013	2014	104,665	101,370	58,749 (1)	4.00 - 5.00%	9/1/2016-2033
2013	2014	25,355	25,355	15,463 (1)	3.25 - 5.00%	9/1/2016-2038
2013	2014	50,150	46,765	3,808 (2)	1.00 - 3.00%	11/1/2014-2020
2013A Refunding	2014	43,250	39,560	11,167 (1)	5.00%	9/1/2015-2024
2013B Refunding	2014	71,455	69,895	5,058 (1)	0.44 - 2.72%	9/1/2015-2020
			<u>\$ 1,280,575</u>			

(1) Interest is paid semiannually on March 1 and September 1.

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

(3) Includes Austin Water Utility principal of \$5,887 and interest of \$2,108 and Drainage Fund principal of \$3,308 and interest of \$1,184.

(4) Included with contractual obligations are Mueller Local Government Corporation contract revenue bonds.

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

In October 2013, the City issued \$104,665,000 of Public Improvement Bonds, Series 2013. The net proceeds of \$113,250,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and signals (\$50,335,000), watershed protection improvements (\$35,000,000), parks and recreation (\$1,425,000), central library (\$20,000,000), and facility improvements (\$6,490,000). These bonds will be amortized serially on September 1 of each year from 2014 to 2033. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2014. Total interest requirements for these bonds, at rates ranging from 2.0% to 5.0%, are \$63,690,050.

In October 2013, the City issued \$25,355,000 of Certificates of Obligation, Series 2013. The net proceeds of \$25,355,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: solid waste services environmental remediation (\$355,000) and Waller Creek Tunnel (\$25,000,000). These certificates of obligation will be amortized serially on September 1 of each year from 2016 to 2038. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2014. Total interest requirements for these obligations, at rates ranging from 3.25% to 5.0%, are \$16,526,625.

In October 2013, the City issued \$50,150,000 of Public Property Finance Contractual Obligations, Series 2013. The net proceeds of \$51,240,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: water utility capital equipment (\$1,245,000), wastewater utility capital equipment (\$1,760,000), public safety radio replacements (\$5,355,000), general government and support services capital equipment (\$13,425,000), police capital equipment (\$3,745,000), public works capital equipment (\$9,210,000), fire capital equipment (\$2,865,000), transportation capital equipment (\$635,000) and solid waste services capital equipment (\$13,000,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2014 to 2020. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2014. Total interest requirements for these obligations, at rates ranging from 0.5% to 3.0%, are \$4,487,556.

In October 2013, the City issued \$43,250,000 of Public Improvement Refunding Bonds, Series 2013A. The net proceeds of \$49,640,369 (after issue costs, discounts, and premiums) from the refunding were used to refund \$3,670,000 of Public Improvement Refunding Bonds, Series 2003; \$220,000 of Certificates of Obligation, Series 2003; \$4,405,000 of Certificates of Obligation, Series 2004; and \$39,435,000 of Public Improvement Refunding Bonds, Series 2004. The refunding resulted in future interest requirements to service the debt of \$13,047,317 with interest rates ranging from 2.0% to 5.0%. Interest is payable March 1 and September 1 of each year from 2014 to 2024, commencing on March 1, 2014. Principal payments are due September 1 of each year from 2014 to 2021, and 2023 to 2024. An economic gain of \$3,773,236 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$4,286,744.

In October 2013, the City issued \$71,455,000 of Public Improvement Refunding Bonds, Taxable Series 2013B. The net proceeds of \$71,252,539 (after issue costs, discounts, and premiums) from the refunding were used to refund \$66,475,000 of Public Improvement Refunding Bonds, Series 2005. The refunding resulted in future interest requirements to service the debt of \$6,190,387 with interest rates ranging from 0.20% to 2.72%. Interest is payable March 1 and September 1 of each year from 2014 to 2020, commencing on March 1, 2014. Principal payments are due September 1 of each year from 2014 to 2020. An economic gain of \$3,993,908 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$4,325,025.

General obligation bonds authorized and unissued amounted to \$439,480,000 at September 30, 2014. Bond ratings at September 30, 2014 were Aaa (Moody's Investors Service, Inc.), AAA (Standard & Poor's), and AAA (Fitch).

**c -- Business-Type Activities Long-Term Liabilities**

**Utility Debt** -- The City has previously issued combined debt for the Austin Energy and Austin Water Utility. 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** - Austin Energy and Austin Water Utility 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 Austin Energy and Austin Water Utility.

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

The total combined utility systems revenue bond obligations at September 30, 2014, exclusive of discounts, premiums, and loss on refundings consists of \$30,561,469 prior lien bonds and \$148,104,711 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are \$191,741,145 at September 30, 2014. Revenue bonds authorized and unissued amount to \$1,492,642,660 at that date. Bond ratings at September 30, 2014, for the prior lien and subordinate lien bonds were, respectively, Aa1 and Aa2 (Moody's Investors Service, 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 Austin Energy and Austin Water Utility. 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 life of the refunding bonds by the straight-line method. However, a gain or loss on refunded bonds is recognized when funds from current operations are used.

**Combined Utility Systems Debt -- Bonds Issued and Outstanding** - The following schedule shows the original and refunding revenue bonds outstanding at September 30, 2014 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
1990B Refunding	1990	\$ 236,009	3,668	20,502 (2)	7.35%	11/15/2014-2017
1994 Refunding	1995	142,559	26,894	96,961 (2)	6.60%	5/15/2017-2019
1998 Refunding	1999	139,965	128,605	47,057 (1)	5.25%	5/15/2015-2025
1998A Refunding	1999	105,350	19,499	27,221 (2)	4.25%	5/15/2015-2020
			<u>\$ 178,666</u>			

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

(2) Interest requirements include accreted interest

**Combined Utility Systems Debt -- Tax Exempt Commercial Paper Notes** - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed \$400,000,000 outstanding at any one 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, 2014, were P-1 (Moody's Investors Service, 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 Austin Energy and Austin Water Utility.

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

At September 30, 2014, Austin Energy had outstanding tax exempt commercial paper notes of \$140,305,000 and Austin Water Utility had \$75,000,000 of commercial paper notes outstanding with interest ranging from 0.06% to 0.08%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 12%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The associated letter of credit agreements have the following terms (in thousands):

<u>Note Series</u>	<u>Liquidity Provider</u>	<u>Commitment Fee Rate</u>	<u>Remarketing</u>	<u>Remarketing Fee Rate</u>	<u>Outstanding</u>	<u>Expiration</u>
Various	Bank of Tokyo Mitsubishi	0.41%	Goldman Sachs	0.05%	\$ 215,305	10/15/2017

These notes are payable at maturity to the holder at a price equal to principal plus accrued interest. 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, 2014, were P-1 (Moody’s Investors Service, 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 Austin Energy and Austin Water Utility.

At September 30, 2014, Austin Energy had outstanding taxable commercial paper notes of \$26,156,000 (net of discount of \$4,714) with interest rates ranging from 0.13% to 0.18%. The City intends to refinance maturing commercial paper notes by issuing long-term debt. The associated letter of credit agreement has the following terms (in thousands):

<u>Note Series</u>	<u>Liquidity Provider</u>	<u>Commitment Fee Rate</u>	<u>Remarketing</u>	<u>Remarketing Fee Rate</u>	<u>Outstanding</u>	<u>Expiration</u>
Various	Citibank	0.28%	Goldman Sachs	0.05%	\$ 26,156	10/15/2017

These taxable notes are payable at maturity to the holder at a price equal to the par value of the note. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by Citibank, NA 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 taxable notes are secured by a direct-pay Letter of Credit issued by Citibank, NA 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. A 36-month term loan feature is provided by this agreement.

**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 Austin Energy. Bond ratings at September 30, 2014, were A1 (Moody’s Investors Service, Inc.), AA- (Standard & Poor’s), and AA- (Fitch).

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

**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, 2014 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2002 Refunding	2002	\$ 74,750	6,485	178 (1)	5.50%	11/15/2014
2002A Refunding	2002	172,880	25,775	2,854 (1)	5.50%	11/15/2014-2016
2006 Refunding	2006	150,000	130,700	83,163 (1)	5.00%	11/15/2014-2035
2006A Refunding	2007	137,800	69,555	16,383 (1)	5.00%	11/15/2014-2022
2007 Refunding	2007	146,635	59,640	8,936 (1)	5.00%	11/15/2014-2020
2008 Refunding	2008	50,000	42,860	30,870 (1)	5.20 - 6.26%	11/15/2014-2032
2008A Refunding	2008	175,000	174,200	140,917 (1)	4.00 - 6.00%	11/15/2014-2038
2010A Refunding	2010	119,255	110,075	66,726 (1)	4.00 - 5.00%	11/15/2014-2040
2010B Refunding	2010	100,990	100,990	98,529 (1)	4.54 - 5.72%	11/15/2019-2040
2012A Refunding	2013	267,770	267,770	203,210 (1)	2.50 - 5.00%	11/15/2016-2040
2012B Refunding	2013	107,715	107,715	26,997 (1)	0.67 - 3.16%	11/15/2015-2027
			<u>\$ 1,095,765</u>			

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

**Electric Utility System Revenue Debt -- Pledged Revenues** - The net revenue of Austin Energy was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2014 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
\$ 1,375,294	1,028,794	346,500	143,252	2.42

(1) Gross revenue includes revenues from operations and interest income.

(2) Excludes depreciation.

(3) Excludes other post employment benefits and pension obligation accruals.

**Water and Wastewater System Revenue Debt -- General** - The City is authorized by ordinance to issue Austin Water Utility 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 Austin Water Utility.

**Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues** - In June 2014, the City issued \$282,205,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2014. The net proceeds of \$320,800,603 (after issue costs, discounts, and premiums) from the bond refunding were used to refund \$200,000,000 of the City's outstanding tax-exempt commercial paper issued for the water and wastewater utility system; \$105,780,000 of separate lien revenue refunding bonds, series 2005A, and \$9,725,000 of subordinate lien revenue refunding bonds, series 1998A. The debt service requirements on the refunding bonds are \$531,497,128 with interest rates ranging from 4.0% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2015 to 2043. Principal payments are due May 15 of each year from 2018 to 2035, and November 15 of each year from 2019 to 2043. An economic gain of \$9,769,028 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$10,623,466. An accounting loss of \$2,733,850, which will be deferred and amortized, was recorded on this refunding.

Bond ratings at September 30, 2014, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

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

**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, 2014 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2001C Refunding	2002	\$ 95,380	781	27 (1)	4.60 - 4.70%	11/15/2014-2015 (3)
2002A Refunding	2002	139,695	47,250	3,723 (1)	5.50%	11/15/2014-2016
2004A Refunding	2005	165,145	19,390	3,646 (1)	5.00%	11/15/2014-2029
2005 Refunding	2005	198,485	169,545	58,401 (1)	4.00 - 5.00%	11/15/2014-2030 (3)
2005A Refunding	2006	142,335	8,725	3,413 (1)	4.30 - 5.00%	11/15/2014-2035 (3)
2006 Refunding	2006	63,100	43,080	13,269 (1)	5.00%	11/15/2014-2025
2006A Refunding	2007	135,000	120,525	71,865 (1)	3.50 - 5.00%	11/15/2014-2036
2007 Refunding	2008	135,000	122,865	86,917 (1)	4.40 - 5.25%	11/15/2014-2037
2008 Refunding	2008	170,605	125,120	46,872 (2)	0.03 - 0.12%	11/15/2014-2031 (3)
2009 Refunding	2009	175,000	156,495	70,012 (1)	4.00 - 5.13%	11/15/2014-2029
2009A Refunding	2010	166,575	156,065	115,775 (1)	4.00 - 5.00%	11/15/2014-2039
2010	2010	31,815	29,685	-- (4)	0.00%	11/15/2014-2041
2010A Refunding	2011	76,855	75,535	62,790 (1)	4.00 - 5.13%	11/15/2014-2040
2010B Refunding	2011	100,970	100,970	93,193 (1)	2.49 - 6.02%	11/15/2015-2040
2011 Refunding	2012	237,530	237,530	183,867 (1)	2.00 - 5.00%	11/15/2014-2041
2011 Revenue	2012	18,485	18,485	2,535 (5)	2.50 - 2.80%	12/01/2015-2016
2011 Revenue	2012	2,332	2,332	298 (5)	2.50 - 2.80%	12/01/2015-2016
2012 Refunding	2012	336,820	325,365	212,172 (1)	2.50 - 5.00%	11/15/2014-2042
2013A Refunding	2013	282,460	282,460	218,643 (1)	3.00 - 5.00%	11/15/2015-2043
2014 Refunding	2014	282,205	282,205	249,292 (1)	4.00 - 5.00%	5/15/2018-2043 (6)
			<u>\$ 2,324,408</u>			

(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.

(4) Zero interest bond placed with TWDB.

(5) Special Assessment Revenue Bonds.

(6) Series matures on November 15th of the final year.

Series 2008 refunding bonds are variable rate demand bonds. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008	The Bank of Tokyo-Mitsubishi UFJ, Ltd Sumitomo Mitsui Banking Corporation	0.85%	Goldman Sachs	0.05%	<u>\$ 125,120</u>	5/8/2015

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.

**6 – 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 Austin Water Utility was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2014 (in thousands):

	Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (4)
\$	472,717	218,071	254,646	204,146	1.25

- (1) Gross revenue includes revenues from operations and interest income.
- (2) Excludes depreciation.
- (3) Excludes other post employment benefits and pension obligation accruals.
- (4) The coverage calculation presented considers all Water and Wastewater debt service obligations, regardless of type or designation. This methodology closely approximates but does not follow exactly the coverage calculation required by the master ordinance.

**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, 2014, the total airport system obligation for prior lien bonds is \$310,445,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are \$71,256,575 at September 30, 2014. Revenue bonds authorized and unissued amount to \$735,795,000.

**Airport System Revenue Debt -- Revenue Refunding Bond Issue** - In October 2013, the City issued \$35,620,000 of Airport System Revenue Refunding Bonds, Series 2013A. The net proceeds of \$36,868,542 (after issue costs, discounts, and premiums) from the refunding were used to refund \$35,880,000 of the City's outstanding Airport System Prior Lien Revenue Refunding Bonds, Series 2003. The debt service requirements on the refunding bonds are \$37,590,793, with an interest rate of 1.56%. Interest is payable May 15 and November 15 of each year from 2014 to 2018, commencing on May 15, 2014. Principal payments are due November 15 of each year from 2014 to 2018. An economic gain of \$5,698,670 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$5,899,132.

The bond rating at September 30, 2014, for the revenue bonds is A (Standard & Poor's).

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2014 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2005 Refunding	2008 (1)	\$ 281,300	214,825	57,707 (2)	0.03 - 0.14%	11/15/2014-2025
2013 Revenue	2013	60,000	60,000	11,888 (3)	2.25%	11/15/2015-2028 (4)
2013A Refunding	2014	35,620	35,620	1,662 (3)	1.56%	11/15/2014-2018
			<u>\$ 310,445</u>			

- (1) Series was remarketed in 2008.
- (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) Interest is paid semiannually on May 15 and November 15.
- (4) Series matures on May 15th of the final year.

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

The Series 2005 refunding bonds that were remarketed in 2008 are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of \$214,825,000. The associated letter of credit agreement has the following terms (in thousands):

Bond Sub-Series	Liquidity Provider	Variable Rate Demand Bonds			Outstanding	Expiration
		Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate		
2005-1	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	\$ 53,725	10/15/2018
2005-2	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	53,650	10/15/2018
2005-3	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	53,725	10/15/2018
2005-4	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	53,725	10/15/2018
					\$ 214,825	

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 or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in annual installments over the remaining life of the bond series beginning on the first business day of the month six months following the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2014. 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.

**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, 2014 (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
\$ 109,263	3,620	73,822	39,061	14,480	2.70

- (1) Gross revenue includes revenues from operations and interest income.
- (2) Pursuant to the bond ordinance, in addition to gross revenue, the Airport is authorized to use "other available funds" in the calculation of revenue bond coverage not to exceed 25% of the debt service requirements.
- (3) Excludes depreciation.
- (4) Excludes other post employment benefits and pension obligation accruals.
- (5) Excludes debt service amounts paid with passenger facility charge revenues and restricted bond proceeds applied to current interest payments.

**Nonmajor Fund Debt:**

**Convention Center -- Prior and Subordinate Lien Revenue Refunding 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, 2014, the total convention center obligation for prior and subordinate lien bonds is \$182,670,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are \$55,191,678 at September 30, 2014. Revenue bonds authorized and unissued amount to \$760,000 at September 30, 2014.

**Convention Center -- Revenue Refunding Bond Issue** - In December 2013, the City issued \$26,485,000 of Hotel Occupancy Tax Revenue Refunding Bonds, Series 2013. The net proceeds of \$29,154,825 (after issue costs, discounts, and premiums) from the refunding were used to refund \$28,890,000 of the City's outstanding Hotel Occupancy Tax Revenue Refunding Bonds, Series 2004. The debt service requirements on the refunding bonds are \$30,852,642, with interest rates ranging from 2.0% to 5.0%. Interest is payable May 15 and November 15 of each year from 2014 to 2019, commencing on May 15, 2014. Principal payments are due November 15 of each year from 2014 to 2019. An economic gain of \$3,013,625 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$3,166,933.

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

Bond ratings at September 30, 2014, for the revenue bonds and subordinate lien bonds were, respectively, AA3 and A1 (Moody's Investors Service, Inc.), and AA- and A (Standard & Poor's).

The following table summarizes Convention Center original and refunding revenue bonds outstanding at September 30, 2014 (in thousands):

<u>Series</u>	<u>Fiscal Year</u>	<u>Original Amount Issued</u>	<u>Principal Outstanding</u>	<u>Aggregate Interest Requirements Outstanding</u>	<u>Interest Rates of Debt Outstanding</u>	<u>Maturity Dates of Serial Debt</u>
2005 Refunding	2005	\$ 36,720	33,455	14,904 (1)	4.00 - 5.00%	11/15/2014-2029
2008AB Refunding	2008	125,280	103,365	28,099 (2)	0.04 - 0.15%	11/15/2014-2029
2012 Refunding	2012	20,185	19,365	8,275 (1)	2.00 - 5.00%	11/15/2014-2029
2013 Refunding	2014	26,485	26,485	3,913 (1)	2.00 - 5.00%	11/15/2014-2019
			<u>\$ 182,670</u>			

(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 associated letter of credit agreements have the following terms (in thousands):

<u>Bond Sub- Series</u>	<u>Liquidity Provider</u>	<u>Commitment Fee Rate</u>	<u>Remarketing Agent</u>	<u>Remarketing Fee Rate</u>	<u>Outstanding</u>	<u>Expiration</u>
2008-A	JPMorgan Chase Bank, NA	0.42%	Raymond James	0.06%	\$ 51,680	10/1/2017
2008-B	JPMorgan Chase Bank, NA	0.42%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.05%	51,685	10/1/2017
					<u>\$ 103,365</u>	

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 or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period beginning six months from the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2014. 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.

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

Fiscal Year Ended September 30	Governmental Activities (in thousands)					
	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 53,769	39,680	4,287	5,212	10,584	2,442
2016	56,621	37,265	5,234	5,059	10,265	2,204
2017	57,204	35,176	5,476	4,862	9,953	1,959
2018	55,501	32,962	5,720	4,667	9,963	1,671
2019	56,953	30,751	5,968	4,452	8,650	1,381
2020-2024	299,583	115,118	33,720	18,660	17,375	4,533
2025-2029	264,255	51,175	31,987	11,670	10,610	2,136
2030-2034	88,575	7,653	20,323	6,482	6,055	407
2035-2039	--	--	15,915	2,856	--	--
2040-2044	--	--	4,365	281	--	--
	<u>932,461</u>	<u>349,780</u>	<u>132,995</u>	<u>64,201</u>	<u>83,455</u>	<u>16,733</u>
Less: Unamortized bond discounts	(258)	--	--	--	(7)	--
Add: Unamortized bond premiums	42,652	--	2,834	--	1,588	--
Net debt service requirements	<u>974,855</u>	<u>349,780</u>	<u>135,829</u>	<u>64,201</u>	<u>85,036</u>	<u>16,733</u>

Fiscal Year Ended September 30	Total Governmental Debt Service Requirements		
	Principal	Interest	Total
2015	68,640	47,334	115,974
2016	72,120	44,528	116,648
2017	72,633	41,997	114,630
2018	71,184	39,300	110,484
2019	71,571	36,584	108,155
2020-2024	350,678	138,311	488,989
2025-2029	306,852	64,981	371,833
2030-2034	114,953	14,542	129,495
2035-2039	15,915	2,856	18,771
2040-2044	4,365	281	4,646
	<u>1,148,911</u>	<u>430,714</u>	<u>1,579,625</u>
Less: Unamortized bond discounts	(265)	--	(265)
Add: Unamortized bond premiums	47,074	--	47,074
Net debt service requirements	<u>\$ 1,195,720</u>	<u>430,714</u>	<u>1,626,434</u>

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

Fiscal Year Ended September 30	Business-Type Activities (in thousands)					
	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 4,302	1,403	983	959	15,370	1,503
2016	4,353	1,209	1,071	933	13,590	1,164
2017	3,406	1,017	1,104	905	11,273	869
2018	3,725	869	1,150	875	9,567	581
2019	3,171	715	1,207	844	7,661	324
2020-2024	12,310	1,580	7,006	3,621	6,875	142
2025-2029	--	--	8,878	2,235	--	--
2030-2034	--	--	3,737	737	--	--
2035-2039	--	--	1,730	254	--	--
2040-2044	--	--	--	--	--	--
	<u>31,267</u>	<u>6,793</u>	<u>26,866</u>	<u>11,363</u>	<u>64,336</u>	<u>4,583</u>
Less: Unamortized bond discounts	(14)	--	--	--	--	--
Add: Unamortized bond premiums	2,448	--	366	--	1,518	--
Net debt service requirements	<u>33,701</u>	<u>6,793</u>	<u>27,232</u>	<u>11,363</u>	<u>65,854</u>	<u>4,583</u>

Fiscal Year Ended September 30	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)(3)	
	Principal	Interest	Principal	Interest	Principal	Interest
	2015	745	371	241,461	4	172,691
2016	795	342	--	--	190,763	184,554
2017	539	469	--	--	200,104	205,913
2018	545	467	--	--	152,247	213,706
2019	456	575	--	--	153,221	183,898
2020-2024	4,245	950	--	--	931,954	659,499
2025-2029	1,870	118	--	--	950,285	437,086
2030-2034	--	--	--	--	560,405	258,434
2035-2039	--	--	--	--	511,960	130,207
2040-2044	--	--	--	--	268,325	24,836
	<u>9,195</u>	<u>3,292</u>	<u>241,461</u>	<u>4</u>	<u>4,091,955</u>	<u>2,493,661</u>
Less: Unamortized bond discounts	--	--	(5)	--	(3,929)	--
Add: Unamortized bond premiums	--	--	--	--	210,617	--
Net debt service requirements	<u>\$ 9,195</u>	<u>3,292</u>	<u>241,456</u>	<u>4</u>	<u>4,298,643</u>	<u>2,493,661</u>

- (1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. (Continued)
- (2) A portion of these bonds are variable rate bonds with rates ranging from 0.03% to 0.15%.
- (3) Portions of these bonds are Special Assessment Revenue Bonds.

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

Business-Type Activities, continued  
(in thousands)

Fiscal Year Ended September 30	Capital Lease Obligations		Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2015	46	56	435,598	199,824	635,422
2016	49	53	210,621	188,255	398,876
2017	52	51	216,478	209,224	425,702
2018	54	48	167,288	216,546	383,834
2019	57	45	165,773	186,401	352,174
2020-2024	333	179	962,723	665,971	1,628,694
2025-2029	427	85	961,460	439,524	1,400,984
2030-2034	117	4	564,259	259,175	823,434
2035-2039	--	--	513,690	130,461	644,151
2040-2044	--	--	268,325	24,836	293,161
	<u>1,135</u>	<u>521</u>	<u>4,466,215</u>	<u>2,520,217</u>	<u>6,986,432</u>
Less: Unamortized bond discounts	--	--	(3,948)	--	(3,948)
Add: Unamortized bond premiums	--	--	214,949	--	214,949
Net debt service requirements	<u>1,135</u>	<u>521</u>	<u>4,677,216</u>	<u>2,520,217</u>	<u>7,197,433</u>

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

Austin Energy Business-Type Activities  
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Commercial Paper Notes (1)		Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
	2015	\$ 149	18	166,461	3	47,904
2016	122	11	--	--	65,131	56,811
2017	127	9	--	--	53,793	54,201
2018	115	7	--	--	39,431	52,049
2019	109	4	--	--	41,932	47,158
2020-2024	54	2	--	--	249,497	201,952
2025-2029	--	--	--	--	276,642	138,153
2030-2034	--	--	--	--	196,110	79,822
2035-2039	--	--	--	--	175,410	33,440
2040-2044	--	--	--	--	47,400	2,429
	<u>676</u>	<u>51</u>	<u>166,461</u>	<u>3</u>	<u>1,193,250</u>	<u>725,032</u>
Less: Unamortized bond discounts	--	--	(5)	--	(638)	--
Add: Unamortized bond premiums	10	--	--	--	59,774	--
Net debt service requirements	<u>686</u>	<u>51</u>	<u>166,456</u>	<u>3</u>	<u>1,252,386</u>	<u>725,032</u>

Fiscal Year Ended September 30	Capital Lease Obligations		Total Austin Energy Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
	2015	46	56	214,560	59,094
2016	49	53	65,302	56,875	122,177
2017	52	51	53,972	54,261	108,233
2018	54	48	39,600	52,104	91,704
2019	57	45	42,098	47,207	89,305
2020-2024	333	179	249,884	202,133	452,017
2025-2029	427	85	277,069	138,238	415,307
2030-2034	117	4	196,227	79,826	276,053
2035-2039	--	--	175,410	33,440	208,850
2040-2044	--	--	47,400	2,429	49,829
	<u>1,135</u>	<u>521</u>	<u>1,361,522</u>	<u>725,607</u>	<u>2,087,129</u>
Less: Unamortized bond discounts	--	--	(643)	--	(643)
Add: Unamortized bond premiums	--	--	59,784	--	59,784
Net debt service requirements	<u>\$ 1,135</u>	<u>521</u>	<u>1,420,663</u>	<u>725,607</u>	<u>2,146,270</u>

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

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

Austin Water Utility Business-Type Activities  
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Contractual Obligations		Other Tax Supported Debt	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 1,016	165	2,033	186	477	238
2016	1,029	123	1,733	146	509	219
2017	856	75	1,527	105	345	300
2018	599	35	1,180	68	349	299
2019	101	7	910	37	292	368
2020-2024	112	7	778	16	2,718	608
2025-2029	--	--	--	--	1,197	76
	<u>3,713</u>	<u>412</u>	<u>8,161</u>	<u>558</u>	<u>5,887</u>	<u>2,108</u>
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	262	--	181	--	--	--
Net debt service requirements	<u>3,975</u>	<u>412</u>	<u>8,342</u>	<u>558</u>	<u>5,887</u>	<u>2,108</u>

Fiscal Year Ended September 30	Commercial Paper Notes (1)		Revenue Bonds (2) (3)		Total Austin Water Utility Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	75,000	1	97,176	119,668	175,702	120,258	295,960
2016	--	--	95,541	111,973	98,812	112,461	211,273
2017	--	--	112,221	136,786	114,949	137,266	252,215
2018	--	--	76,467	147,656	78,595	148,058	226,653
2019	--	--	73,920	124,118	75,223	124,530	199,753
2020-2024	--	--	498,717	415,886	502,325	416,517	918,842
2025-2029	--	--	542,618	288,457	543,815	288,533	832,348
2030-2034	--	--	351,455	178,463	351,455	178,463	529,918
2035-2039	--	--	336,550	96,767	336,550	96,767	433,317
2040-2044	--	--	220,925	22,407	220,925	22,407	243,332
	<u>75,000</u>	<u>1</u>	<u>2,405,590</u>	<u>1,642,181</u>	<u>2,498,351</u>	<u>1,645,260</u>	<u>4,143,611</u>
Less: Unamortized bond discounts	--	--	(2,668)	--	(2,668)	--	(2,668)
Add: Unamortized bond premiums	--	--	145,814	--	146,257	--	146,257
Net debt service requirements	<u>\$ 75,000</u>	<u>1</u>	<u>2,548,736</u>	<u>1,642,181</u>	<u>2,641,940</u>	<u>1,645,260</u>	<u>4,287,200</u>

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(2) Portions of these bonds are variable rate bonds with rates of 0.03% to 0.12%.

(3) Portions of these bonds are Special Assessment Revenue Bonds.

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

Airport Business-Type Activities  
(in thousands)

Fiscal Year Ended September 30	General Obligation		Revenue Bonds (1)	
	Bonds		Principal	Interest
	Principal	Interest		
2015	\$ 29	4	16,681	10,086
2016	24	3	18,351	9,391
2017	24	2	21,940	8,986
2018	21	1	23,744	8,532
2019	20	1	24,249	7,673
2020-2024	12	1	131,625	23,787
2025-2029	--	--	73,855	2,802
	<u>130</u>	<u>12</u>	<u>310,445</u>	<u>71,257</u>
Less: Unamortized bond discounts	--	--	(432)	--
Add: Unamortized bond premiums	4	--	--	--
Net debt service requirements	<u>134</u>	<u>12</u>	<u>310,013</u>	<u>71,257</u>

Fiscal Year Ended September 30	Total Airport		
	Debt Service Requirements		
	Principal	Interest	Total
2015	16,710	10,090	26,800
2016	18,375	9,394	27,769
2017	21,964	8,988	30,952
2018	23,765	8,533	32,298
2019	24,269	7,674	31,943
2020-2024	131,637	23,788	155,425
2025-2029	73,855	2,802	76,657
	<u>310,575</u>	<u>71,269</u>	<u>381,844</u>
Less: Unamortized bond discounts	(432)	--	(432)
Add: Unamortized bond premiums	4	--	4
Net debt service requirements	<u>\$ 310,147</u>	<u>71,269</u>	<u>381,416</u>

(1) Portions of these bonds are variable rate bonds with rates ranging from 0.03% to .14%.

6 – 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		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2015	\$ 3,108	1,216	983	959	13,337	1,317
2016	3,178	1,072	1,071	933	11,857	1,018
2017	2,399	931	1,104	905	9,746	764
2018	2,990	826	1,150	875	8,387	513
2019	2,941	703	1,207	844	6,751	287
2020-2024	12,132	1,570	7,006	3,621	6,097	126
2025-2029	--	--	8,878	2,235	--	--
2030-2034	--	--	3,737	737	--	--
2035-2039	--	--	1,730	254	--	--
	<u>26,748</u>	<u>6,318</u>	<u>26,866</u>	<u>11,363</u>	<u>56,175</u>	<u>4,025</u>
Less: Unamortized bond discounts	(14)	--	--	--	--	--
Add: Unamortized bond premiums	2,172	--	366	--	1,337	--
Net debt service requirements	<u>28,906</u>	<u>6,318</u>	<u>27,232</u>	<u>11,363</u>	<u>57,512</u>	<u>4,025</u>

Fiscal Year Ended September 30	Other Tax Supported Debt		Revenue Bonds (1)		Total Nonmajor Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2015	268	133	10,930	6,757	28,626	10,382	39,008
2016	286	123	11,740	6,379	28,132	9,525	37,657
2017	194	169	12,150	5,940	25,593	8,709	34,302
2018	196	168	12,605	5,469	25,328	7,851	33,179
2019	164	207	13,120	4,949	24,183	6,990	31,173
2020-2024	1,527	342	52,115	17,874	78,877	23,533	102,410
2025-2029	673	42	57,170	7,674	66,721	9,951	76,672
2030-2034	--	--	12,840	149	16,577	886	17,463
2035-2039	--	--	--	--	1,730	254	1,984
	<u>3,308</u>	<u>1,184</u>	<u>182,670</u>	<u>55,191</u>	<u>295,767</u>	<u>78,081</u>	<u>373,848</u>
Less: Unamortized bond discounts	--	--	(191)	--	(205)	--	(205)
Add: Unamortized bond premiums	--	--	5,029	--	8,904	--	8,904
Net debt service requirements	<u>\$ 3,308</u>	<u>1,184</u>	<u>187,508</u>	<u>55,191</u>	<u>304,466</u>	<u>78,081</u>	<u>382,547</u>

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.04% to 0.15%.

**6 – DEBT AND NON-DEBT LIABILITIES, continued**  
**e -- Defeased Bonds**

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, 2014, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity	Balance (1)
<b>General Obligation</b>		
Public Improvement and Refunding Bonds, Series 2005	3/1/2015	\$ 66,475
HUD 108 Loan, Series 2006A	8/1/2016	560
HUD 108 Loan, Series 2010A	8/1/2016	985
<b>Austin Water Utility</b>		
Series 2004A	11/15/2014	113,305
Series 2005	5/15/2015	105,780
		<u>\$ 287,105</u>

(1) The balances shown have been escrowed to their respective call dates.

**7 – RETIREMENT PLANS**

**a – Description**

The City participates in funding three contributory, defined benefit retirement plans: the City of Austin Employees' Retirement and Pension Fund, the City of Austin Police Officers' Retirement and Pension Fund, and the 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, 2013. Membership in the plans at December 31, 2013, is as follows:

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	6,050	709	631	7,390
Current employees	8,592	1,732	1,074	11,398
Total	<u>14,642</u>	<u>2,441</u>	<u>1,705</u>	<u>18,788</u>

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 78752-3720 www.coaers.org	(512)458-2551
Police Officers' Retirement and Pension Fund	2520 S. IH 35, Ste. 100 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**

	<u>City of Austin Employees' Retirement and Pension Fund</u>	<u>City of Austin Police Officers' Retirement and Pension Fund</u>	<u>Fire Fighters' Relief and Retirement Fund</u>
Authority establishing contributions obligation	State Legislation	State Legislation	State Legislation
Frequency of contribution	Biweekly	Biweekly	Biweekly
Employee's contribution (percent of earnings)	8.00%	13.00%	17.20% (1)
City's contribution (percent of earnings)	18.00% (2)	21.63%	22.05%

(1) A rate of 17.70% was effective October 1, 2014

(2) The City contributes two-thirds of the cost of prior service benefit payments. A rate of 18% was effective October 1, 2012.

**7 – 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, 2014, are as follows (in thousands):

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
City	\$ 90,842	32,040	18,768	141,650
Employees	40,127	19,242	14,640	74,009
Total contributions	<u>\$ 130,969</u>	<u>51,282</u>	<u>33,408</u>	<u>215,659</u>

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

The City's annual pension cost of \$136,951,000 for the fiscal year ended September 30, 2014, was \$4,699,000 less than the City's actual contributions. Three-year trend information is as follows (in thousands):

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
City's Annual Pension Cost (APC)				
2012	\$ 85,335	27,246	15,589	128,170
2013	77,682	27,347	17,861	122,890
2014	89,057	32,563	18,903	140,523
Percentage of APC contributed				
2012	85%	102%	100%	N/A
2013	110%	112%	97%	N/A
2014	102%	98%	99%	N/A
Net Pension Obligation (Asset)				
2012	136,255	(4,733)	(2,451)	129,071
2013	128,406	(8,061)	(1,980)	118,365
2014	126,621	(7,538)	(1,845)	117,238

The Net Pension Obligation (Asset) 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):

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
Annual required contribution	\$ 86,602	30,133	18,521	135,256
Interest on net pension obligation (asset)	9,951	(440)	(122)	9,389
Adjustment to annual required contribution	(7,496)	2,870	504	(4,122)
Annual pension cost	89,057	32,563	18,903	140,523
Employer contributions	(90,842)	(32,040)	(18,768)	(141,650)
Change in net pension obligation (asset)	(1,785)	523	135	(1,127)
Beginning net pension obligation (asset)	128,406	(8,061)	(1,980)	118,365
Net pension obligation (asset)	<u>\$ 126,621</u>	<u>(7,538)</u>	<u>(1,845)</u>	<u>117,238</u>

**7 – RETIREMENT PLANS, continued**  
**c -- Annual Pension Cost and Net Pension Obligation (Asset)**

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, 2013. The actuarial cost method and significant assumptions underlying the actuarial calculations are as follows:

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Asset Valuation Basis	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation Rate	3.25%	3.75%	3.5%
Projected Annual Salary Increases	4.5% to 6%	6.5% average	8%
Post Retirement Benefit Increase	None	None	None
Assumed Rate of Return on Investments	7.75%	8%	7.75%
Amortization Method	Level percentage of projected payroll, open	Level percentage of projected payroll, open	Level percentage of projected payroll, open
Remaining Amortization Period	26 years	28.9 years	10.51 years

**d -- Schedule of Funding Progress**

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

<u>Valuation Date, December 31</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>UAAL (1)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>Percentage of UAAL to Covered Payroll</u>
City Employees						
2013	\$ 2,047,930	2,909,918	861,988	70.4%	490,553	175.7%
Police Officers						
2013	604,842	911,044	306,202	66.4%	147,139	208.1%
Fire Fighters (2)						
2013	742,073	808,771	66,698	91.8%	85,377	78.1%

(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 about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

**8 – OTHER POST EMPLOYMENT BENEFITS**

**a -- Description**

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.

**8 – OTHER POST EMPLOYMENT BENEFITS, continued**  
**a – Description, continued**

The City recognizes the cost of providing these benefits to active employees 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.

The estimated pay-as-you-go cost of providing medical and life benefits was \$33.3 million for 4,189 retirees in 2014 and \$26.9 million for 3,945 retirees in 2013.

**b -- Annual Other Post employment Benefits (OPEB) Cost and Net OPEB Obligation**

The annual OPEB cost associated with the City’s retiree benefits for the fiscal year ended September 30, 2014 is as follows (in thousands):

	<u>OPEB</u>
Annual required contribution	\$ 139,900
Interest on net OPEB obligation	24,941
Adjustment to annual required contribution	<u>(39,980)</u>
Annual OPEB cost	124,861
Contributions made	<u>(33,283)</u>
Change in net OPEB obligation	91,578
Beginning net OPEB obligation	<u>598,687</u>
Net OPEB obligation	<u>\$ 690,265</u>

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

<u>Year Ended</u> <u>September 30</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of</u> <u>Annual OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
2012	\$ 134,082	18%	\$ 493,051
2013	132,595	20%	598,687
2014	124,861	27%	690,265

**c -- Schedule of Funding Progress at September 30, 2014 (in thousands):**

<u>Actuarial</u> <u>Value of</u> <u>Assets</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u>	<u>UAAL (1)</u>	<u>Funded Ratio</u>	<u>Annual</u> <u>Covered</u> <u>Payroll</u>	<u>Percentage of</u> <u>UAAL to Covered</u> <u>Payroll</u>
\$ --	1,471,844	1,471,844	0%	734,710	200.3%

(1) UAAL - Unfunded Actuarial Accrued Liability

Actuarial valuations for OPEB plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. These actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as RSI, presents multiyear information about whether the actuarial value of plan assets is increasing or decreasing relative to the actuarial accrued liability for benefits over time.

**d -- Actuarial Methods and Assumptions**

Projections of benefits are based on the plan in place at the time of the valuation and include the type of benefits provided at the valuation date and the cost sharing pattern between the employer and plan members at that time. The actuarial calculations of the OPEB plan reflect a long-term perspective and utilize actuarial methods and assumptions that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

**8 – OTHER POST EMPLOYMENT BENEFITS, continued**  
**e -- Funding Policy**

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

	<b>OPEB</b>
Actuarial Valuation Date	October 1, 2012
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percentage Open
Remaining Amortization Period	30 years
Asset Valuation Method	N/A
Investment Rate of Return	4.21%
Inflation Rate	N/A
Salary Increase	None
Payroll Increase	None
Health Care Cost Trend Rate	8.0% in 2013, decreasing 0.5% per year for seven years to an ultimate trend of 5.0% in 2019

**9 – DERIVATIVE INSTRUMENTS**

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

In accordance with GAAP, the City is required to report the fair value of all derivative instruments on the statement of net position. All derivatives must 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 position, 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, energy, and congestion 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, swaps and congestion rights for the purpose of reducing exposure to natural gas, energy and congestion 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.

**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.

**9 – DERIVATIVE INSTRUMENTS, continued**  
**a -- Energy Risk Management Program, continued**

Premiums paid for options are deferred until the contract is settled. As of September 30, 2014, \$469 thousand in premiums was deferred. As of September 30, 2014, the fair value of Austin Energy's futures, options, swaps and congestion rights, was an unrealized loss of \$26.2 million, of which \$30 million is reported as derivative instruments in liabilities and \$4.2 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 Revenue Rights Derivatives

Preassigned Congestion Revenue Rights (PCRRs) and Congestion Revenue Rights (CRRs) function as financial hedges against the cost of resolving 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. CRRs are purchased at auction, annually and monthly at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at 10-20% of the cost of CRRs. The instruments exhibit all three characteristics - settlement, leverage, and net settlement - to classify them as derivative instruments.

As of September 30, 2014, PCRRs had a fair value of \$0 and CRRs had a fair value of \$308 thousand and, both are reported as derivative instruments. The market value for CRRs and PCRRs is calculated using the implied market value (the difference between future proxy sink price and source price) multiplied by the number of open positions. The difference in the prices represents what the expected cost of congestion will be for that given point in time.

On September 30, 2014, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction	Reference Index	Fair Value at September 30, 2014			Change in Fair Value	Premiums Deferred
		Maturity Dates	Notional Volumes	Fair Value		
Long OTC Call Options	Henry Hub	Jan 2015 - Sep 2018	10,370,518 (1)	\$ 3,923	2,609	2,490
Long OTC Put Options	Henry Hub	Oct 2014 - Dec 2014	1,540,000 (1)	10	10	-
n/a Congestion Rights	ICE (2)	Oct 2014 - June 2016	20,489,148 (3)	308	(1,774)	-
Derivative instruments (assets)				4,241	845	2,490
Short OTC Call Options	Henry Hub	Apr 2016 - Oct 2016	(1,660,000) (1)	(726)	81	-
Short OTC Put Options	Henry Hub	Oct 2014 - Sep 2018	(10,680,000) (1)	(3,986)	(2,673)	(2,021)
Long OTC Swaps	Henry Hub	Oct 2014 - Sep 2018	33,112,500 (1)	(25,790)	(1,441)	-
Derivative instruments (liabilities)				(30,502)	(4,033)	(2,021)
Total				\$ (26,261)	(3,188)	469

(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, 2014, the brokerages had credit ratings of A and A+.

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 ratings. At September 30, 2014, the two counterparties both had credit ratings of A. The contractual provisions under the International Swaps and Derivatives Association (ISDA) agreement applied to these contracts include collateral provisions. At September 30, 2014, no collateral was required under these provisions.

**9 – DERIVATIVE INSTRUMENTS, continued**  
**a -- Energy Risk Management Program, continued**

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.

*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 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 its 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, 2014, the NYMEX price was \$3.98 per MMBTU, the WAHA Hub price was \$3.77 per MMBTU, Katy was \$3.98 per MMBTU, and the HSC Hub price was \$3.96 per MMBTU.

**Investment Derivative Instruments**

On September 30, 2014, Austin Energy had the following closed out investment derivative instruments (in thousands):

Type of Transaction	Reference Index	Maturity Dates	Fair Value at September 30, 2014		Change in Fair Value
			Volumes in MMBTU	Fair Value	
Long OTC Swaps	Henry Hub	Dec 2015	155,000	\$ 2	(16)
Short OTC Swaps	Henry Hub	Dec 2015	(155,000)	7	16
				<u>\$ 9</u>	<u>--</u>

In fiscal year 2014 Austin Energy sold PCRRs and recorded a gain of \$519 thousand. However, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2014, \$1.1 million remained deferred.

Risks

As of September 30, 2014, 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 each of the City’s swaps is to provide a cash flow hedge for its variable interest rate bonds by providing synthetic 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.

As of September 30, 2014, the City has three outstanding swap transactions with initial and outstanding notional amounts totaling \$602.1 million and \$443.3 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.

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

On September 30, 2014, 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
<b>Business-Type Activities - Hedging derivatives:</b>						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Pay 3.600%, receive SIFMA swap index	5/15/2008	5/15/2031	\$ 125,120	(15,027)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025	214,825	(32,514)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Pay 3.251%, receive 67% of LIBOR	8/14/2008	11/15/2029	103,365	(12,394)
					\$ 443,310	(59,935)

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, 2014 (in thousands):

Item	Outstanding		Fair Value and Classification	Change in fair value	
	Notional Amount	Fair Value and Classification		Deferred Outflows	Deferred Inflows
<b>Business-Type Activities:</b>					
<b>Hedging derivative instruments (cash flow hedges):</b>					
WW2	\$ 125,120	(15,027) Non-current liability	(1,905)	--	
AIR1	214,825	(32,514) Non-current liability	3,464	--	
HOT1	103,365	(12,394) Non-current liability	155	--	
\$ 443,310		(59,935)	1,714	--	

Due to the continued low interest rate levels during fiscal year 2014, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2014. 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.

Risks

*Credit risk.* As of September 30, 2014, 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 become 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.

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

The counterparty credit ratings for the City's interest rate swap hedging derivative instruments at September 30, 2014 are included in the table below:

Item	Related Variable Rate Bonds	Counterparty	Counterparty Ratings		
			Moody's Investors Service, Inc	Standard & Poor's	Fitch, Inc
<b>Business-Type Activities:</b>					
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Goldman Sachs Bank USA	A2	A-	A
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Morgan Stanley Capital Services, Inc.	Baa2	A-	A
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products	A3	A	A+

Swap agreements for all three 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 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, 2014, are included in the table below (in thousands):

Item	Related Variable Rate Bonds	Counterparty Swap Interest			Interest to Bondholders	Net Interest Payments
		Pay	Receive	Net		
<b>Business-Type Activities:</b>						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	\$ (4,818)	79	(4,739)	(72)	(4,811)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	(8,803)	253	(8,550)	(158)	(8,708)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(3,405)	111	(3,294)	(73)	(3,367)
		<u>\$ (17,026)</u>	<u>443</u>	<u>(16,583)</u>	<u>(303)</u>	<u>(16,886)</u>

*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, 2014, the City bears basis risk on the two 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.

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

*Tax risk.* Tax risk is a specific type of basis risk. Tax risk is the risk of a permanent mismatch occurring 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. For example, a grandfathering of the elimination of federal tax-exemption on existing tax-exempt bonds, or a tax cut, would result in the yields required by investors on the City’s bonds coming close to or being equal to taxable yields. This would result in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 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 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, 2014, the City did not have any investment derivative instruments related to interest rate swaps.

As of September 30, 2014, debt service requirement 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)		Interest Rate Swaps, Net	Total Interest
	Principal	Interest		
2015	\$ 30,520	125	15,506	15,631
2016	23,820	116	14,561	14,677
2017	12,255	111	14,028	14,139
2018	12,600	107	13,588	13,695
2019	28,525	98	12,637	12,735
2020-2024	169,940	346	45,290	45,636
2025-2029	129,910	101	14,857	14,958
2030-2031	35,740	5	1,203	1,208
Total	\$ 443,310	1,009	131,670	132,679

**10 – DEFICITS IN FUND BALANCES AND NET POSITION**

At September 30, 2014, the following funds reported deficits in fund balances/net position (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issues.

<u>Nonmajor Governmental</u>	<u>Deficit</u>
<b>Special Revenue Funds:</b>	
Fiscal Surety - Land Development	\$ 11
Neighborhood Housing & Conservation	8,150
Mueller Development	6
Rutherford Lane Facility	81
<b>Capital Projects Funds:</b>	
<b>Funds authorized in 1992</b>	
Street & traffic signals	8
Parks and recreation facilities	288
Libraries	17
<b>Funds authorized in 1997</b>	
Radio Trunking	47
<b>Funds authorized in 2006</b>	
Central Library	3,018
<b>Funds authorized in 2010</b>	
Mobility	5,441
<b>Funds authorized in 2012</b>	
Transportation	6,636
Open Space	9,194
Parks	5,425
Public Safety	443
Health	726
<b>Other Funds</b>	
Planning & development improvements	1
General government projects	10,488
Health projects	243
Build Austin	5
Park improvements	889
Capital Reserve	1,200
Public Works	1,360
Watershed Protection	699
City Hall, plaza, parking garage	7,032
Conservation Land	15
Waller Creek Tunnel	9,158
<b>Nonmajor Enterprise</b>	
Austin Resource Recovery	18,956

11 – INTERFUND BALANCES AND TRANSFERS

Interfund receivables, payables, and advances at September 30, 2014, are as follows (in thousands):

Receivable Fund	Payable Fund	Amount	
		Current	Advances
Governmental funds:			
General Fund	Nonmajor governmental funds	\$ 227	--
Nonmajor governmental funds	General Fund	60	--
	Nonmajor governmental funds	81,230	--
	Austin Water Utility	--	1,879
	Nonmajor enterprise funds	--	368
	Internal service funds	--	2
Internal Service funds	Nonmajor governmental funds	11	115
Enterprise funds:			
Austin Energy	General Fund	193	1,257
	Nonmajor governmental funds	--	238
	Austin Water Utility (restricted)	--	17,028
	Airport	149	972
	Nonmajor enterprise funds	332	338
	Internal service funds	13	--
Austin Water Utility	Nonmajor enterprise funds	301	3,006
Airport (restricted)	Nonmajor governmental funds	--	58
Nonmajor enterprise funds	Nonmajor enterprise funds	8,777	--
Nonmajor enterprise funds (restricted)	Nonmajor governmental funds	--	588
		<u>\$ 91,293</u>	<u>25,849</u>

Interfund receivables, payables, and advances reflect loans between funds. Of the above current amount, \$14.3 million and \$9.4 million are interfund loans from the Fiscal Surety Fund and Waller Creek Reserve Fund, special revenue funds, respectively, to cover deficit pooled investments and cash in grant and other special revenue funds. The above current amount also includes \$57.5 million in interfund loans between capital project funds to cover deficit pooled investments and cash.

Interfund transfers during fiscal year 2014 were as follows (in thousands):

Transfers Out	Transfers In							
	General Fund	Nonmajor Governmental	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Internal Service	Total
General Fund	\$ --	10,809	1,531	14,300	--	875	--	27,515
Nonmajor governmental funds	1,626	21,333	--	--	--	61,061	2,850	86,870
Austin Energy	116,771	--	--	--	--	--	64	116,835
Austin Water Utility	43,701	175	--	--	--	--	246	44,122
Airport	--	--	448	--	--	--	345	793
Nonmajor enterprise funds	524	7,838	--	3,607	--	--	62	12,031
Internal service funds	--	19,091	--	73	3	1,095	1,826	22,088
Total transfers out	<u>\$ 162,622</u>	<u>59,246</u>	<u>1,979</u>	<u>17,980</u>	<u>3</u>	<u>63,031</u>	<u>5,393</u>	<u>310,254</u>

Interfund transfers are authorized through City Council approval. Significant transfers include Austin Energy and Austin Water Utility 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 the Convention Center Fund.

**12 – SELECTED REVENUES**  
**a -- Major Enterprise Funds**

**Austin Energy and Austin Water Utility**

The Texas Public Utility Commission (PUC) has jurisdiction over electric utility wholesale transmission rates. On June 3, 2014, the PUC approved the City's most recent wholesale transmission rate of \$1.160111/KW. Transmission revenues totaled approximately \$69 million in 2014. 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.

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, 2014, the City has elected not to enter the retail market, as allowed by state law.

Electric rates include a fixed-rate component and cost-adjustment factors that allow for recovery of power supply, regulatory, and community benefit costs. If actual power supply costs differ from amounts billed to customers, then deferred or unbilled revenues are recorded by Austin Energy. The power supply factor is reviewed annually or when over- or under-recovery is more than 10% of expected power supply costs. Any over- or under-collections of the power supply, regulatory, or community benefit costs are applied to the respective cost-adjustment factor.

**Airport**

The City has entered into certain lease agreements as the lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In the fiscal year 2014, the Airport fund revenues included minimum concession guarantees of \$17,524,129.

The following is a schedule by year of minimum future rentals on noncancelable operating leases with remaining terms of up to ten years for the Airport Fund as of September 30, 2014 (in thousands):

<b>Fiscal Year Ended September 30</b>	<b>Enterprise Airport Lease Receipts</b>
2015	\$ 13,543
2016	4,508
2017	2,330
2018	81
2019	5
2020-2021	6
Totals	<u>\$ 20,473</u>

Projection of minimum future rentals for the Austin-Bergstrom Landhost Enterprises, Inc. is based on the current adjusted minimum rent for the period January 1, 2010 through December 31, 2015. The minimum rent is adjusted every five years commensurate with the percentage increase in the Consumer Price Index (CPI) – Urban Wage Earners and Clerical workers, U.S. Owner Average, published by the U.S. Department of Labor Bureau of Labor Statistics over the five-year period.

**b – Operating Lease Revenue**

The City has entered into various lease agreements as the lessor of office space, antenna space and ground leases. Minimum guaranteed income on these non-cancelable operating leases is as follows (in thousands):

<b>Fiscal Year Ended September 30</b>	<b>Future Lease Receivables</b>
2015	\$ 1,269
2016	1,177
2017	453
2018	459
2019	433
2020-2021	2,173
Totals	<u>\$ 5,964</u>

**13 – 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.

Austin Energy’s investment is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6), and its pro-rata share of operations is recorded as if wholly owned. Austin Energy’s pro-rata interest in FPP was \$29.8 million as of September 30, 2014. The decrease in the pro-rata interest from 2013 is primarily due to a decrease in coal inventory. 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, 2014, Austin Energy’s investment in the STP was approximately \$399 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 Austin Energy (see Note 6). 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.

STP requested a 20-year license extension for units 1 & 2 with the Nuclear Regulatory Commission (NRC). The current licenses expire in 2027 and 2028, respectively. The NRC decided to stop all licensing activities that rely on the Waste Confidence Decision and Rule until burial waste issues are resolved.

**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 investments held by trustee. The related liability is reported as a 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, 2014, the trust’s assets were in excess of the estimated liability by \$20.5 million which is reported as part of deferred inflows of resources (in thousands):

Decommissioning trust assets	\$ 194,945
Pro rata decommissioning liability	<u>(174,398)</u>
	<u>\$ 20,547</u>

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, 2012, showed that the trust assets exceeded the minimum required assurance by \$25.6 million.

**13 – COMMITMENTS AND CONTINGENCIES, continued**

**d -- Purchased Power**

Austin Energy has commitments totaling \$5.9 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041, landfill power through 2020, biomass through 2032, and solar through 2036.

**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 \$8.8 million at September 30, 2014. Austin Energy anticipates payment of these costs in 2015. The amount is based on 2014 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Austin Water Utility closed the Green Water Treatment Plant (GWTP) on September 23, 2008. The total decommissioning cost to close the GWTP was \$10.6 million. Plant decommissioning reached final completion in fiscal year 2012. During fiscal year 2013, redevelopment activities of the former GWTP site triggered the recognition of an additional \$3.1 million in environmental liabilities related to additional remediation of the site. The financial statements include a liability of approximately \$3.1 million at September 30, 2014. Austin Water Utility anticipates payment of these costs in 2015. The amount is based on 2014 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

Austin Resource Recovery may incur costs for environmental remediation of certain sites outside of the City's landfill site. The financial statements include a liability of approximately \$1.9 million at September 30, 2014, for sites related to Harold Court, Rosewood and Loop 360. Austin Resource Recovery anticipates payment of these costs in 2015. The amount is based on 2014 cost estimates to perform remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

**f -- Arbitrage Rebate Payable**

The City's arbitrage consultant has determined that the City has not earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. Therefore, the City will not be required to rebate any amounts to the federal government. There are no estimated payables at September 30, 2014.

**g -- 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 Department, U.S. Health and Human Services Department, and U.S. Department of Transportation. 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.

**h -- 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 2014 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.

**13 – COMMITMENTS AND CONTINGENCIES, continued**  
**h -- Capital Improvement Plan, continued**

<u>Project</u>	<u>(in thousands)</u>	<u>Remaining Commitment</u>
Governmental activities:		
General government		\$ 74,143
Public safety		18,680
Transportation		94,977
Public health		559
Public recreation and culture		95,791
Urban growth management		55,223
Business-type activities:		
Electric		361,772
Water		241,115
Wastewater		106,385
Airport		171,915
Convention		19,773
Environmental and health services		23,256
Urban growth management		69,548
<b>Total</b>		<b>\$ 1,333,137</b>

**i -- Encumbrances**

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2014, is as follows (in thousands):

	<u>Encumbrances</u>
General Fund	\$ 10,886
Nonmajor governmental	
Special Revenue	19,092
Capital Projects	207,488
	<u>\$ 237,466</u>

Significant encumbrances include reservations for the 2000 bond program (\$12,858), the 2006 bond program (\$78,287), the 2012 bond program (\$17,893), and the Waller Creek Tunnel project (\$23,124).

**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 Austin Resource Recovery Fund, a nonmajor enterprise fund. Substantial closure occurred in fiscal year 2011. Drought conditions have delayed final closure, which is expected to occur in fiscal year 2015. While the landfill only reached 99.04% capacity, the City is no longer accepting waste. The amount of costs reported, based on landfill capacity of 100% as of September 30, 2014, is as follows (in thousands):

	<u>Closure</u>	<u>Postclosure</u>	<u>Total</u>
Total estimated costs	\$ 15,933	9,899	25,832
% capacity used	100%	100%	100%
Cumulative liability accrued	15,933	9,899	25,832
Costs incurred	(15,897)	--	(15,897)
Closure and postclosure liability	<u>\$ 36</u>	<u>9,899</u>	<u>9,935</u>

**13 – COMMITMENTS AND CONTINGENCIES, continued**  
**j -- Landfill Closure and Postclosure Liability, continued**

These amounts are based on the 2014 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.

**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 28% of city employees and 34% of retirees use the HMO option; approximately 72% of city employees and 66% of retirees use the PPO option. 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 \$5 million. In fiscal year 2014, sixteen claims exceeded the stop-loss limit of \$500,000; during fiscal year 2013, nine claims exceeded the stop-loss limit of \$500,000, and during fiscal year 2012, five claims exceeded the stop-loss limit of \$500,000. City coverage is unlimited for 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. 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 \$43.8 to \$58.1 million. In accordance with GAAP, \$43.8 million is recognized as claims payable in the financial statements with \$23.7 million recognized as a current liability and \$20.1 million recognized as long term. 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	
	2014	2013	2014	2013	2014	2013
Liability balances, beginning of year	\$ 10,920	10,304	10,123	6,324	18,839	17,591
Claims and changes in estimates	10,832	9,677	5,195	5,547	5,950	6,870
Claim payments	(10,053)	(9,061)	(4,737)	(1,748)	(3,263)	(5,622)
Liability balances, end of year	<u>\$ 11,699</u>	<u>10,920</u>	<u>10,581</u>	<u>10,123</u>	<u>21,526</u>	<u>18,839</u>

The Liability Reserve Fund claims liability balance at fiscal year end includes liabilities of \$3.6 million discounted at 4.45% in 2014 and \$3.5 million discounted at 4.85% in 2013.

**13 – COMMITMENTS AND CONTINGENCIES, continued**  
**I – 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 is currently developing and marketing the property. The Mueller Local Government Corporation (MLGC), created by the City for this development, issues debt to fund infrastructure such as streets, drainage facilities, public parks, and greenways, which are 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 are 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. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

In October 2012, the MLGC issued debt in the amount of \$16,735,000. Proceeds from the debt have been used to reimburse the developer for additional eligible infrastructure. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

The development contains over 1.33 million square feet of civic, institutional, hotel and Class A office space and approximately 532,900 square feet of retail space that is either complete or under construction. Over 75 employers provide approximately 4,800 jobs at Mueller. From the start of home sales in 2007, the community has been well received. As of September 30, 2014, approximately 1,224 single-family homes and 1,222 multi-family units were either complete or under construction. Catellus has also started the infrastructure for an additional 133 single-family homes.

**m -- No-Commitment Special Assessment Debt**

In November 2011, the City issued \$15,500,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Whisper Valley Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. No assessments were levied in the year ended September 30, 2014. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2014 are \$15,500,000 and \$9,979,043, respectively.

In November 2011, the City issued \$2,860,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Indian Hills Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. No assessments were levied in the year ended September 30, 2014. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2014 are \$2,860,000 and \$847,523, respectively.

In July 2013, the City issued \$12,590,000 of Special Assessment Revenue Bonds, Series 2013 related to the Estancia Hill Country Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. No assessments were levied in the year ended September 30, 2014. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2014 are \$12,590,000 and \$3,392,581, respectively.

**13 – COMMITMENTS AND CONTINGENCIES, continued**  
**n – Capital Leases**

The City has entered into a lease agreement to finance equipment for business-type activities. This lease agreement qualifies as a capital lease for accounting purposes and has been recorded at the present value of the future minimum lease payments at their inception date. The lease agreement ends in 2031. See Note 6 for the debt service requirements on this lease.

The following summarizes capital assets recorded at September 30, 2014, under capital lease obligations (in thousands):

<b>Capital Assets</b>	<b>Business-type</b>
	<b>Activities</b>
	<b>Austin</b>
	<b>Energy</b>
Building and improvements	\$ 1,405
Accumulated depreciation	(422)
Net capital assets	<u>\$ 983</u>

**o – Operating Leases**

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, 2014, was \$16.9 million.

<b>Fiscal Year Ended September 30</b>	<b>Future Lease Payments</b>
2015	\$ 11,964
2016	9,312
2017	8,524
2018	5,735
2019	3,560
2020-2021	10,048
Totals	<u>\$ 49,143</u>

**14 – LITIGATION**

A number of claims and lawsuits 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 lawsuits 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, 2014. These liabilities, reported in the government-wide statement of net position, include amounts for claims and lawsuits settled subsequent to year-end.

**15 – CONDUIT DEBT**

The City has issued several series of housing revenue bonds to provide for low cost housing. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. As of September 30, 2014, \$87.3 million in housing revenue bonds were outstanding with an original issue value of \$93.7 million.

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, 2014, \$147.6 million in revenue and revenue refunding bonds were outstanding with an original issue value of \$148.6 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.

16 – SEGMENT INFORMATION – CONVENTION CENTER

The Convention Center provides event facilities and services to its customers. Below are the condensed financial statements for this segment (in thousands):

<b>Condensed Statement of Net Position</b>	
<b>ASSETS</b>	
Current assets	\$ 82,713
Capital assets	248,809
Other noncurrent assets	13,343
<b>Total assets</b>	<u>344,865</u>
<b>Deferred outflows of resources</b>	<u>25,305</u>
<b>LIABILITIES</b>	
Due to other funds	332
Other current liabilities	19,390
Advances from other funds	338
Other noncurrent liabilities	222,276
<b>Total liabilities</b>	<u>242,336</u>
<b>Deferred inflows of resources</b>	<u>348</u>
<b>NET POSITION</b>	
Net investment in capital assets	44,874
Restricted	31,344
Unrestricted	51,268
<b>Total net position</b>	<u>\$ 127,486</u>

<b>Condensed Statement of Revenues, Expenses, and Changes in Net Position</b>	
<b>OPERATING REVENUES</b>	
User fees and rentals	\$ 25,087
<b>Total operating revenues</b>	<u>25,087</u>
<b>OPERATING EXPENSES</b>	
Operating expenses before depreciation	42,473
Depreciation and amortization	8,941
<b>Total operating expenses</b>	<u>51,414</u>
<b>Operating income (loss)</b>	<u>(26,327)</u>
Nonoperating revenues (expenses)	(7,620)
Capital contributions	57
Transfers	57,611
<b>Change in net position</b>	<u>23,721</u>
<b>Total net position - beginning, as restated</b>	<u>103,765</u>
<b>Total net position - ending</b>	<u>\$ 127,486</u>

<b>Condensed Statement of Cash Flows</b>	
<b>Net cash provided (used) by:</b>	
Operating activities	\$ (16,294)
Noncapital financing activities	57,286
Capital and related financing activities	(21,518)
Investing activities	(351)
<b>Net increase (decrease) in cash and cash equivalents</b>	<u>19,123</u>
<b>Cash and cash equivalents, October 1</b>	<u>51,852</u>
<b>Cash and cash equivalents, September 30</b>	<u>\$ 70,975</u>

17 – DISCRETELY PRESENTED COMPONENT UNITS

Condensed financial information is included below for the discretely presented component units of the City. See Note 1 for the additional information about how to obtain the complete financial statements of these organizations. The most recently available financial statements for Austin Bergstrom Landhost Enterprises, Inc and Austin Convention Enterprises, Inc. are for the year ended December 31, 2013. The condensed financial statements of Waller Creek Local Government Corp. are presented for the year ended September 30, 2014 (in thousands):

**Condensed Combining Statement of Net Position**

	Austin Bergstrom Landhost Enterprises, Inc.	Austin Convention Enterprises, Inc.	Waller Creek Local Government Corp.	Total
<b>ASSETS</b>				
Current assets	\$ 844	7,752	--	8,596
Capital assets	25,608	167,667	--	193,275
Noncurrent assets	3,806	74,702	--	78,508
<b>Total assets</b>	<u>30,258</u>	<u>250,121</u>	<u>--</u>	<u>280,379</u>
<b>Deferred outflows of resources</b>	<u>--</u>	<u>20,241</u>	<u>--</u>	<u>20,241</u>
<b>LIABILITIES</b>				
Current Liabilities	10,538	14,736	--	25,274
Bonds payable, net of discount and inclusive of premium	54,784	270,971	--	325,755
Noncurrent liabilities	--	37	--	37
<b>Total liabilities</b>	<u>65,322</u>	<u>285,744</u>	<u>--</u>	<u>351,066</u>
<b>NET POSITION</b>				
Net investment in capital assets	(29,175)	(77,050)	--	(106,225)
Restricted	--	5,181	--	5,181
Unrestricted (deficit)	(5,889)	56,487	--	50,598
<b>Total net position</b>	<u>\$ (35,064)</u>	<u>(15,382)</u>	<u>--</u>	<u>(50,446)</u>

**Condensed Combining Statement of Revenues, Expenses, and Changes in Net Position**

	Austin Bergstrom Landhost Enterprises, Inc.	Austin Convention Enterprises, Inc.	Waller Creek Local Government Corp.	Total
<b>OPERATING REVENUES</b>				
User fees and rentals	\$ 15,498	72,914	--	88,412
Contributions	--	--	150	150
<b>Total operating revenues</b>	<u>15,498</u>	<u>72,914</u>	<u>150</u>	<u>88,562</u>
<b>OPERATING EXPENSES</b>				
Operating expenses before depreciation	12,434	39,019	150	51,603
Depreciation and amortization	1,316	6,213	--	7,529
<b>Total operating expenses</b>	<u>13,750</u>	<u>45,232</u>	<u>150</u>	<u>59,132</u>
<b>Operating income (loss)</b>	<u>1,748</u>	<u>27,682</u>	<u>--</u>	<u>29,430</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Nonoperating revenues (expenses)	(4,076)	(17,074)	--	(21,150)
<b>Change in net position</b>	<u>(2,328)</u>	<u>10,608</u>	<u>--</u>	<u>8,280</u>
<b>Total net position - beginning, as restated</b>	<u>(32,736)</u>	<u>(25,990)</u>	<u>--</u>	<u>(58,726)</u>
<b>Total net position - ending</b>	<u>\$ (35,064)</u>	<u>(15,382)</u>	<u>--</u>	<u>(50,446)</u>

**18 – RESTATEMENT AS A RESULT OF THE IMPLEMENTATION OF A NEW ACCOUNTING STANDARD**

During fiscal year 2014, the City implemented a new accounting standard, GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* which established standards of accounting and reporting standards that reclassify certain items that were previously reported as assets and liabilities to deferred outflows or inflows of resources, and recognize certain items that were previously reported as assets and liabilities as outflows or inflows of resources. As a result of implementing GASB Statement No. 65, net position was restated at October 1, 2013. The City is reporting the deferred loss on bond refunding as a deferred outflow and the deferred gain on bond refunding as a deferred inflow. Bond issuance costs are expensed and no longer amortized annually.

<u>September 30, 2013</u>	<b>Exhibit A-2</b>	
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>
Net position, as previously reported	\$ 1,355,433	3,197,015
Adjustments to properly record:		
Implementation of GASB Statement No. 65	(8,909)	(6,662)
Net position, as restated	<u>\$ 1,346,524</u>	<u>3,190,353</u>

<u>September 30, 2013</u>	<b>Exhibit C-2</b>			
	<b>Airport</b>	<b>Nonmajor Enterprise Funds</b>	<b>Business-Type Activities</b>	<b>Governmental Activities-Internal Service Funds</b>
Net position, as previously reported	\$ 514,948	362,265	3,169,171	128,682
Adjustments to properly record:				
Implementation of GASB Statement No. 65	(2,413)	(4,249)	(6,662)	(11)
Net position, as restated	<u>\$ 512,535</u>	<u>358,016</u>	<u>3,162,509</u>	<u>128,671</u>

**19 – SUBSEQUENT EVENTS**

**a -- General Obligation Bond Issue**

In October 2014, the City issued \$89,915,000 of Public Improvement Bonds, Series 2014. The net proceeds of \$104,620,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and signals (\$54,685,000), watershed protection improvements (\$10,000,000), parks and recreation (\$8,310,000), central library (\$20,000,000), and facility improvements (\$11,625,000). These bonds will be amortized serially on September 1 of 2015 and 2017, then each year on September 1 from 2020 to 2034. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2015. Total interest requirements for these bonds, at rates ranging from 3.0% to 5.0%, are \$69,693,650.

In October 2014, the City issued \$35,490,000 of Certificates of Obligation, Series 2014. The net proceeds of \$40,450,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts (\$15,000,000), Waller Creek Tunnel (\$25,000,000) and street improvements (\$450,000). These certificates of obligation will be amortized serially on September 1 of each year from 2015 to 2034. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2015. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are \$19,927,600.

In October 2014, the City issued \$14,100,000 of Public Property Finance Contractual Obligations, Series 2014. The net proceeds of \$15,800,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: water and wastewater utility capital equipment (\$900,000), public works capital equipment (\$2,300,000), transportation capital equipment (\$1,845,000) and network equipment (\$10,755,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2015 to 2021. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2015. Total interest requirements for these obligations, at rates ranging from 3.0% to 5.0%, are \$2,836,458.

In October 2014, the City issued \$10,000,000 of Public Improvement Taxable Bonds, Series 2014. The net proceeds of \$9,844,936 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing. Interest is payable March 1 and September 1 of each year from 2015 to 2034, commencing on March 1, 2015. Principal payments are due September 1 of each year from 2015 to 2034. Total interest requirements for this obligation, at rates ranging from 0.4% to 4.0% are \$5,806,156.

**19 – SUBSEQUENT EVENTS, continued**  
**a -- General Obligation Bond Issue, continued**

In October 2014, the City issued \$9,600,000 of Certificates of Obligation Bonds, Taxable Series 2014. The net proceeds of \$9,449,004 (after issue costs, discounts, and premiums) from the issuance were used for Grey Rock Golf Course & Improvements. Interest is payable March 1 and September 1 of each year from 2015 to 2034, commencing on March 1, 2015. Principal payments are due September 1 of each year from 2015 to 2034. Total interest requirements for this obligation, at rates ranging from 0.4% to 3.9%, are \$4,002,858.

**b -- Mueller Local Government Corporation – Revenue Bond Issue**

In October 2014, the City issued \$15,845,000 of Tax Increment Contract Revenue Bonds, Series 2014. The net proceeds of \$18,492,042 (after issue costs, discounts, and premiums) were used to reimburse the developer of Mueller for additional eligible infrastructure costs such as streets, drainage, and parks. The debt service requirements on the bonds are \$24,217,550 with interest rates ranging from 2.0% to 5.0%. Interest payments are due March 1 and September 1 of each year from 2015 to 2029. Principal payments are due September 1 of each year from 2015 to 2029.

**c -- Airport – System Revenue Bond Issue**

In January 2015, the City issued \$244,495,000 of Airport System Revenue Bonds, Series 2014. The net proceeds of \$216,378,075 (after issue costs, discounts, and premiums) from the issuance are being used for designing and constructing improvements to Austin-Bergstrom International Airport. Interest is payable May 15 and November 15 of each year from 2015 to 2044, commencing on May 15, 2015. Principal payments are due November 15 of each year from 2026 to 2044. Total interest requirements for this obligation, at a rate of 5%, are \$272,662,118.

**d -- Change in City Council structure**

As described in Note 1, the voters approved a charter amendment on November 6, 2012, which provides for the election of City Councilmembers from 10 geographical single-member districts, with the mayor to be elected at large. The election was also moved from May to the November general election. The first election for this new process occurred in November 2014. On January 6, 2015, a new Mayor and Councilmembers were sworn in under this new Council structure. The size of the City Council has grown from 7 to 11. The Mayor and Councilmembers serve four-year staggered terms rather than three, and they may serve a maximum of two consecutive terms. Currently half of the Councilmembers are serving a two-year term as a part of the transition to this new structure. Here are the newly elected officials.

**Steve Adler, Mayor**  
Term expires January 2019

**Kathie Tovo, Mayor Pro Tem (District 9)**  
Term expires January 2019

**Council Members**

<b>Ora Houston (District 1)</b> Term expires January 2019	<b>Delia Garza (District 2)</b> Term expires January 2017
<b>Sabino “Pio” Renteria (District 3)</b> Term expires January 2019	<b>Gregorio “Greg” Casar (District 4)</b> Term expires January 2017
<b>Ann Kitchen (District 5)</b> Term expires January 2019	<b>Don Zimmerman (District 6)</b> Term expires January 2017
<b>Leslie Pool (District 7)</b> Term expires January 2017	<b>Ellen Troxclair (District 8)</b> Term expires January 2019

**Sheri Gallo (District 10)**  
Term expires January 2017



**REQUIRED SUPPLEMENTARY  
INFORMATION**





**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balances--Budget and Actual-Budget Basis**  
**For the year ended September 30, 2014**  
**(In thousands)**

**City of Austin, Texas**  
**RSI**

General Fund	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
<b>REVENUES</b>						
Taxes	537,138	100	537,238	524,011	524,011	13,227
Franchise fees	37,407	4	37,411	33,268	33,268	4,143
Fines, forfeitures and penalties	17,130	(1)	17,129	16,555	16,555	574
Licenses, permits and inspections	33,719	(13)	33,706	25,289	25,224	8,482
Charges for services/goods	57,974	(1,046)	56,928	51,575	51,802	5,126
Interest and other	9,335	(5,251)	4,084	3,483	3,483	601
<b>Total revenues</b>	<b>692,703</b>	<b>(6,207)</b>	<b>686,496</b>	<b>654,181</b>	<b>654,343</b>	<b>32,153</b>
<b>EXPENDITURES</b>						
General government						
Municipal Court	14,610	227	14,837	15,012	15,012	175
Public safety						
Police	290,030	(25)	290,005	295,538	295,538	5,533
Fire	142,209	293	142,502	142,413	142,413	(89)
Emergency Medical Services	61,429	734	62,163	60,756	63,143	980
Transportation, planning, and sustainability						
Transportation, planning, and sustainability	(6)	6	--	--	--	--
Public health						
Health	54,196	(3,216)	50,980	51,352	51,352	372
Public recreation and culture						
Parks and Recreation	58,449	615	59,064	59,933	59,933	869
Austin Public Library	31,043	350	31,393	31,448	31,448	55
Urban growth management						
Neighborhood Planning and Zoning	27,195	175	27,370	27,654	27,654	284
Other Urban Growth Management	30,130	3,207	33,337	35,020	34,137	800
General city responsibilities (4)	97,951	(81,583)	16,368	19,005	19,005	2,637
<b>Total expenditures</b>	<b>807,236</b>	<b>(79,217)</b>	<b>728,019</b>	<b>738,131</b>	<b>739,635</b>	<b>11,616</b>
Excess (deficiency) of revenues over expenditures	(114,533)	73,010	(41,523)	(83,950)	(85,292)	43,769
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	162,622	35,231	197,853	200,555	198,393	(540)
Transfers out	(27,515)	(104,099)	(131,614)	(117,075)	(115,899)	(15,715)
<b>Total other financing sources (uses)</b>	<b>135,107</b>	<b>(68,868)</b>	<b>66,239</b>	<b>83,480</b>	<b>82,494</b>	<b>(16,255)</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses	20,574	4,142	24,716	(470)	(2,798)	27,514
Special item - land sale	15,830	--	15,830	--	--	15,830
Fund balance at beginning of year	147,092	3,205	150,297	53,172	75,791	74,506
<b>Fund balance at end of year</b>	<b>183,496</b>	<b>7,347</b>	<b>190,843</b>	<b>52,702</b>	<b>72,993</b>	<b>117,850</b>

- (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.

**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, as reported in the financial statements is comprised of six separately budgeted funds: the General Fund, as budgeted by the City plus the Economic Incentives Reserve, Music Venue Assistance Program, Neighborhood Housing and Community Development, Economic Development, and Sustainability activities.

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 (\$465,000), accrued payroll (\$3,228,492), expenditures for workers' compensation (\$7,703,202), liability reserve (\$2,500,000), public safety (\$4,108,805), and customer service call center (\$1,000,000).

**b -- Budget Amendments**

The original revenue budget of the General Fund was amended during the fiscal year 2014 to increase Emergency Medical Services charges for services. The original expenditure budget of the General Fund was amended during fiscal year 2014 primarily as the result of increased Emergency Medical Services costs. In addition, transfers from the General Fund to the Economic Incentives Reserve Fund were reduced. The original and final budget is presented in the accompanying schedule.

**c -- 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 activities comprising the General Fund are provided, as follows (in thousands):

	<b>General Fund</b>
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	\$ 20,574
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	(2,122)
Net compensated absences accrual	(327)
Outstanding encumbrances established in current year	(10,017)
Payments against prior year encumbrances	6,485
Other	10,123
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	<u>\$ 24,716</u>

**RETIREMENT PLANS-TREND INFORMATION**

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

Valuation Date, December 31	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
City Employees						
2011	\$ 1,790,900	2,723,800	932,900	65.7%	451,800	206.5%
2012	1,897,700	2,968,400	1,070,700	63.9%	470,200	227.7%
2013	2,047,930	2,909,918	861,988	70.4%	490,553	175.7%
Police Officers						
2011	553,702	815,259	261,557	67.9%	134,844	194.0%
2012	558,476	856,577	298,101	65.2%	141,561	210.6%
2013	604,842	911,044	306,202	66.4%	147,139	208.1%
Fire Fighters (2)						
2009	589,261	664,185	74,924	88.7%	78,980	94.9%
2011	651,557	746,143	94,586	87.3%	76,700	123.3%
2013	742,073	808,771	66,698	91.8%	85,377	78.1%

(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 7.

**OTHER POST EMPLOYMENT BENEFITS-TREND INFORMATION**

Under GAAP, 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 September 30	Valuation Date, October 1	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
2012	2010	\$ --	1,499,465	1,499,465	0.0%	668,679	224.2%
2013	2012	--	1,384,490	1,384,490	0.0%	696,559	198.8%
2014	2012	--	1,471,844	1,471,844	0.0%	734,710	200.3%

(1) UAAL – Unfunded Actuarial Accrued Liability (Excess)

Supplementary information for the OPEB plan can be found in Footnote 8.

**CITY OF AUSTIN, TEXAS**  
**Schedule of Expenditures of Federal Awards**  
**For the Period ended September 30, 2014**

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>							
<b>Pass through - Texas Department of State Health Services</b>							
Women/Infants/Children 12	10.557	2012-039937	6001	6,130,826	(1,938)		(1,938)
Women/Infants/Children 13	10.557	2013-042621	6001	5,827,144	40,534		40,534
Women/Infants/Children 14	10.557	2014-045011	6001	5,888,423	5,557,305		5,557,305
<b>    Total Texas Department of State Health Services</b>				<u>17,846,393</u>	<u>5,595,901</u>	<u>-</u>	<u>5,595,901</u>
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>				<u><b>17,846,393</b></u>	<u><b>5,595,901</b></u>	<u><b>-</b></u>	<u><b>5,595,901</b></u>
<b>U.S. DEPARTMENT OF COMMERCE</b>							
<b>Direct Programs</b>							
<b>    Public Works Assistance - Multipurpose Facility</b>							
Asian American Resource Center	11.300	08-01-04702	6030	750,000	35,000		35,000
<b>    Total Direct Programs</b>				<u>750,000</u>	<u>35,000</u>	<u>-</u>	<u>35,000</u>
<b>TOTAL U.S. DEPARTMENT OF COMMERCE</b>				<u><b>750,000</b></u>	<u><b>35,000</b></u>	<u><b>-</b></u>	<u><b>35,000</b></u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>							
<b>Direct Programs</b>							
<b>    Community Development Block Grant</b>							
Community Development Block Grant 07	14.218	B-07-MC-48-0500	6130	8,918,022	4,720	41,224	45,944
Community Development Block Grant 08	14.218	B-08-MC-48-0500	6130	7,543,471	59,856		59,856
Community Development Block Grant 08 RHDA	14.218	B-08-MC-48-0500	6130	177,127	177,127		177,127
Community Development Block Grant 09	14.218	B-09-MC-48-0500	6133	7,934,405	(21,037)		(21,037)
Community Development Block Grant 10	14.218	B-10-MC-48-0500	6144	8,367,308	521,693		521,693
Community Development Block Grant 11	14.218	B-11-MC-48-0500	6144	7,210,297	316,295		316,295
Community Development Block Grant 12	14.218	B-12-MC-48-0500	6144	7,426,183	1,251,798	25,000	1,276,798
Community Development Block Grant 13	14.218	B-13-MC-48-0500	6144	7,334,802	1,587,581	2,213,310	3,800,891
<b>    Total Community Development Block Grant</b>				<u>54,911,615</u>	<u>3,898,033</u>	<u>2,279,534</u>	<u>6,177,567</u>
<b>    Emergency Shelter Grant</b>							
Emergency Shelter Grant 12	14.231	E-11-MC-48-0500	6131	330,481	62,297		62,297
Emergency Shelter Grant 13	14.231	E-12-MC-48-0500	6131	595,612	1,424	149,815	151,239
Emergency Shelter Grant Additional	14.231	S-10-MC-48-0500	6131	19,397		19,397	19,397
Emergency Shelter Grant 14	14.231	E-13-MC-48-0500	6131	488,262	146,456	267,595	414,051
<b>    Total Emergency Grant</b>				<u>1,433,752</u>	<u>210,177</u>	<u>436,807</u>	<u>646,984</u>
<b>    Home Grant</b>							
Home Grant 07	14.239	M-07-MC-48-0500	6130	4,994,957	108		108
Home Grant 08	14.239	M-08-MC-48-0500	6130	4,140,778	188,979		188,979

**CITY OF AUSTIN, TEXAS**  
**Schedule of Expenditures of Federal Awards**  
**For the Period ended September 30, 2014**

	<b>Federal CFDA Number</b>	<b>Award Number</b>	<b>Fund Number</b>	<b>Program Award or Amount</b>	<b>Current Expenditures</b>	<b>Subrecipient Payments</b>	<b>Total Expenditures</b>
Home Grant 09	14.239	M-09-MC-48-0500	6134	5,255,911	47,784		47,784
Home Grant 10	14.239	M-10-MC-48-0500	6145	4,991,989	106,159		106,159
Home Grant 11	14.239	M-11-MC-48-0500	6145	4,385,847	455,310		455,310
Home Grant 12	14.239	M-12-MC-48-0500	6145	3,094,513	1,042,287		1,042,287
Home Grant 13	14.239	M-13-MC-48-0500	6145	2,866,497	521,342	479,414	1,000,756
<b>Total Home Grant</b>				<u>29,730,492</u>	<u>2,361,969</u>	<u>479,414</u>	<u>2,841,383</u>
<b>Housing Opportunity for People w/AIDS (HOPWA)</b>							
Housing Opportunity People W/Aids II 12	14.241	TXH12F005	6132	1,103,186	246	171,798	172,044
Housing Opportunity People W/Aids II 13	14.241	TXH12F004	6132	1,112,354	30,448	919,678	950,126
<b>Total Housing Opportunity for People w/AIDS (HOPWA)</b>				<u>2,215,540</u>	<u>30,694</u>	<u>1,091,476</u>	<u>1,122,170</u>
<b>Economic Development Initiative - East Austin</b>							
Economic Development Initiative - Façade	14.246	B-08-SP-TX-077	6143	147,000		147,000	147,000
<b>Total Economic Development Initiative</b>				<u>147,000</u>	<u>-</u>	<u>147,000</u>	<u>147,000</u>
<b>Section 108 Loan</b>							
Section 108 NCMP	14.248	B-01-MC-48-0500A	6130	3,063,067	259,025		259,025
Section 108 Family Business Loan	14.248	B-05-MC-48-0500A	7295	3,000,000	1,068,083		1,068,083
Section 108 Loan--E. 11th/12th	14.248	B-94-MC-48-0500-A	6142	984,238	598,387		598,387
<b>Total Section 108 Loan</b>				<u>7,047,305</u>	<u>1,925,495</u>	<u>-</u>	<u>1,925,495</u>
<b>ARRA- NSP Acquisition/Disposition</b>							
ARRA-NSP Acquisition/Disposition	14.256	77090000146	6137	2,320,726	(103,133)		(103,133)
<b>Total NSP Acquisition/Disposition</b>				<u>2,320,726</u>	<u>(103,133)</u>	<u>-</u>	<u>(103,133)</u>
<b>Fair Housing Assistance</b>							
Fair Housing Assistance - 14	14.401	FF206K106006	6130	278,946	278,946		278,946
<b>Total Fair Housing Assistance</b>				<u>278,946</u>	<u>278,946</u>	<u>-</u>	<u>278,946</u>
<b>Community Challenge Programs</b>							
Community Challenge Programs	14.704	CCPTX0067-11	6146	3,000,000	1,822,206		1,822,206
<b>Total Community Challenge Programs</b>				<u>3,000,000</u>	<u>1,822,206</u>	<u>-</u>	<u>1,822,206</u>
<b>Lead Hazard Reduction</b>							
Lead Hazard Reduction	14.900	TXLHD0232-11	6141	2,500,000	392,369		392,369
Lead Smart	14.900	TXLHB0567-13		2,500,000	165,702		165,702
<b>Total Lead Hazard Reduction</b>				<u>5,000,000</u>	<u>558,071</u>	<u>-</u>	<u>558,071</u>
<b>Pass Through - Capital Area Council of Governments</b>							
Sustainable Planning Program	14.703	TXRIP0034-10	6920	238,007	-	17,741	17,741
<b>Total Capital Area Council of Governments</b>				<u>238,007</u>	<u>-</u>	<u>17,741</u>	<u>17,741</u>
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				<u><u>106,323,383</u></u>	<u><u>10,982,458</u></u>	<u><u>4,451,972</u></u>	<u><u>15,434,430</u></u>

**CITY OF AUSTIN, TEXAS**  
**Schedule of Expenditures of Federal Awards**  
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	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>U.S. DEPARTMENT OF INTERIOR</b>							
<b>Pass Through - Texas Parks and Wildlife</b>							
Walter E. Long Boat Ramp	15.605	F-212-B	6570	99,000	39,614		39,614
<b>Total Texas Parks and Wildlife</b>				<u>99,000</u>	<u>39,614</u>	<u>-</u>	<u>39,614</u>
<b>Pass through - Texas Historical Commission</b>							
CLG- Oakwood Cemetery Annex	15.904	TX-12-029	6160	11,044	3,444		3,444
<b>Total Texas Historical Commission</b>				<u>11,044</u>	<u>3,444</u>	<u>-</u>	<u>3,444</u>
<b>TOTAL U.S. DEPARTMENT OF INTERIOR</b>				<u><b>110,044</b></u>	<u><b>43,058</b></u>	<u><b>-</b></u>	<u><b>43,058</b></u>
<b>U.S. DEPARTMENT OF JUSTICE</b>							
<b>Direct Programs</b>							
<b>Victims of Crime Act</b>							
Victims of Crime Act Formula Grant Program	16.575	VA-12-V30-27519-01	6060	63,000	28,851		28,851
<b>Total Victims of Crime Act</b>				<u>63,000</u>	<u>28,851</u>	<u>-</u>	<u>28,851</u>
<b>Bulletproof Vest Program</b>							
Bulletproof Vest Program	16.607	N/A	6060	40,019	39,882		39,882
<b>Total Bulletproof Vest Program</b>				<u>40,019</u>	<u>39,882</u>	<u>-</u>	<u>39,882</u>
<b>COPS Technology</b>							
COPS Technology 08	16.710	2008CKWX0355	6060	210,443	19,625		19,625
COPS Technology 09	16.710	2009CKWX0036	6060	350,000	139,910		139,910
<b>Total COPS Technology</b>				<u>560,443</u>	<u>159,535</u>	<u>-</u>	<u>159,535</u>
<b>Justice Assistance Program</b>							
Justice Assistance Program 10	1	16.738	2010-DJ-BX-1045	6060	457,140	434,061	434,061
Justice Assistance Program 11	1	16.738	2011-DJ-BX-3251	6060	393,697	2,000	2,000
Justice Assistance Program 12	1	16.738	2012-DJ-BX-0537	6060	332,707	185,932	185,932
Justice Assistance Program 13	1	16.738	2013-DJ-BX-1095	6060	321,038	121,570	121,570
<b>Total Justice Assistance Program</b>				<u>1,504,582</u>	<u>743,563</u>	<u>-</u>	<u>743,563</u>
<b>DNA Backlog Reduction Program</b>							
DNA Backlog Reduction Program 13	16.741	2012-DN-BX-0071	6060	204,031	91,195		91,195
DNA Backlog Reduction Program 14	16.741	2013-DN-BX-0083	6060	204,867	43,244		43,244
<b>Total DNA Backlog Reduction Program</b>				<u>408,898</u>	<u>134,439</u>	<u>-</u>	<u>134,439</u>
<b>Austin City Intellectual Property Crime Enforcement</b>							
Austin City Intellectual Property Crime Enforcement 12	16.752	2012-DG-BX-0006	6060	200,000	117,117		117,117

**CITY OF AUSTIN, TEXAS**  
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	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>Total Austin City Intellectual Property Crime Enforcement</b>				200,000	117,117	-	117,117
<b>Congressionally Selected COPS</b>							
Congressionally Selected COPS	16.753	2010-DD-BX-0428	6060	250,000	58,237		58,237
<b>Total Congressionally Selected COPS</b>				250,000	58,237	-	58,237
<b>ARRA - Byrne Justice Assistance Grant</b>							
ARRA-Byrne Justice Assistance Grant	1 16.804	2009-SB-B9-0986	6060	1,937,577	43,633		43,633
<b>Total ARRA- Byrne Justice Assistance Grant</b>				1,937,577	43,633	-	43,633
<b>Byrne Criminal Justice Innovation Program</b>							
Byrne Criminal Justice Innovation Program	16.817	2012-AJ-BX-0015	6060	1,000,000	245,820		245,820
<b>Total Byrne Criminal Justice Innovation Program</b>				1,000,000	245,820	-	245,820
<b>Federal Department of Justice Asset Forfeiture Fund</b>							
Federal Department of Justice Asset Forfeiture Fund	16.922	N/A	7871		133,586		133,586
<b>Total Federal Dept. of Justice Asset Forfeiture Fund</b>				-	133,586	-	133,586
<b>Pass through - Texas Governor's Office Criminal Justice Division</b>							
<b>APD Gang Intervention Team Project</b>							
APD Gang Intervention Team Project	16.523	JB-11-J20-23236-03	6060	26,761	1,038		1,038
APD Gang Intervention Team Project	16.523	JB-12-J20-26784-01	6060	16,282	5,550		5,550
<b>Total APD Gang Intervention Team Project</b>				43,043	6,588	-	6,588
<b>Anti-Gang Youth Apprenticeship Program</b>							
Anti-Gang Youth Apprenticeship Program	16.540	JA-11-J20-24600-01	6060	40,892	33,663		33,663
<b>Total Anti-Gang Youth Apprenticeship Program</b>				40,892	33,663	-	33,663
<b>Gang Prevention and Intervention Coordination Project</b>							
Gang Prevention and Intervention Coordination Project	16.548	JT-10-J20-25608-01	6060	84,945	42,620		42,620
<b>Total Gang Prevention and Intervention Coordination Project</b>				84,945	42,620	-	42,620
<b>Violence Against Women</b>							
VAWA-Assistance for Females 13	16.588	WF-12-V30-13410-15	6060	61,626	6,654		6,654
VAWA-Assistance for Females 14	16.588	WF-13-V30-13410-16	6060	61,110	52,772		52,772
<b>Total Violence Against Women</b>				122,736	59,426	-	59,426
<b>Criminal Justice Program</b>							
APD Regional Training Project	1 16.738	DJ-11-A10-26047-02	6060	75,000	72,524		72,524
APD Air Support Central Receiver Site Project	1 16.738	DJ-11-A10-26862-01	6060	62,090	62,090		62,090
APD Air Support Central Receiver Site Project	1 16.738	DJ-11-A10-27195-01	6060	70,186	70,186		70,186
<b>Total Criminal Justice Program</b>				207,276	204,800	-	204,800

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	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>Coverdell Forensic Project</b>							
Coverdell Forensic Project	16.742	CD-12-A10-17487-09	6060	71,214	(253)		(253)
Coverdell Forensic Project	16.742	CD-13-A10-17487-10	6060	47,498	47,498		47,498
<b>Total Coverdell Forensic Project</b>				<u>118,712</u>	<u>47,245</u>	<u>-</u>	<u>47,245</u>
<b>Total Texas Governor's Office Criminal Justice Division</b>							
				<u>617,604</u>	<u>394,342</u>	<u>-</u>	<u>394,342</u>
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>							
				<u><b>6,582,123</b></u>	<u><b>2,099,005</b></u>	<u><b>-</b></u>	<u><b>2,099,005</b></u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>							
<b>Direct Programs</b>							
<b>ABIA FAA</b>							
ABIA FAA 40-08 (Noise Implementation)	20.106	3-48-0359-040-2008	6900	4,000,000	548,572		548,572
ABIA FAA 54-10 AIP	20.106	3-48-0359-054-2010	6900	2,237,144	3,513		3,513
ABIA FAA 57-12 AIP	20.106	3-48-0359-057-2012	6900	3,300,242	369,558		369,558
ABIA FAA 58-13 AIP	20.106	3-48-0359-058-2013	6900	7,212,562	885,952		885,952
<b>Total ABIA FAA</b>				<u>16,749,948</u>	<u>1,807,595</u>	<u>-</u>	<u>1,807,595</u>
<b>National Motor Carrier Safety</b>							
MCSAP - TACT CMV Enforcement	20.218	FM-MHP-0146-13-01-00	6090	743,231	743,231		743,231
MCSAP - TACT Public Education and Outreach	20.218	FM-MHP-0139-13-01-00	6090	202,301	190,778		190,778
<b>Total National Motor Carrier Safety</b>				<u>945,532</u>	<u>934,009</u>	<u>-</u>	<u>934,009</u>
<b>Federal Treasury Asset Forfeiture Fund</b>							
Federal Treasury Asset Forfeiture Fund	21.000	N/A	7870	-	341,274		341,274
<b>Total Federal Treasury Asset Forfeiture Fund</b>				<u>-</u>	<u>341,274</u>	<u>-</u>	<u>341,274</u>
<b>Pass through - Texas State Hwys and Public Transportation Dept.</b>							
<b>Highway Planning and Construction</b>							
Austin Manor Rail Trail	20.205	CSJ-0914-04-224	6090	1,600,000	717,300		717,300
ARRA - Northern Walnut Creek Trail	20.205	CSJ-0914-04-191	6090	1,996,261	1,858,165		1,858,165
Southern Walnut Creek Trail	20.205	CSJ-0914-00-205	6090	8,080,000	1,952,460		1,952,460
Safe Routes to School-Metz, Blanton, & Pearce	20.205	CSJ 0914-00-328	6090	594,301	(1,089)		(1,089)
Austin Bicycle Commuting Project	20.205	TCSE-012; TCSE-005	6090	371,740	156,485		156,485
Intelligent Transportation Systems Deployment	20.205	CSJ0914-00-191	6090	415,971	177,500		177,500
ITS Loop 360	20.205	CSJ0113-13-145	6090	100,000	85,452		85,452
Citywide Bicycle Project	20.205	CSJ0914-04-265	6090	569,509	5,296		5,296
Sidewalks & Safe Bicycling and Walking	20.205	CSJ0914-04-266	6090	353,584	102,910		102,910
Walk for a day vision Trail	20.205	CSJ0914-00-340	6090	282,965	130,139		130,139
Bike Share & Bike Safety	20.205	CSJ0914-04-277	6090	1,500,000	1,368,863		1,368,863
Sabine Street Promenade	20.205	CSJ0914-04-283	6090	2,736,000	162,968		162,968
Traffic Time and Travel Sensors	20.205	CSJ-0914-00-338	6090	499,915	92,554		92,554
Safe Routes to School	20.205	CSJ0914-04-253	6090	557,800	(19,847)		(19,847)

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STP Metropolitan Mobility Project	20.205	CSJ-0914-00-357,360	6090	2,884,000	241,212		241,212
<b>Total Highway Planning and Construction</b>				<u>22,542,046</u>	<u>7,030,368</u>	<u>-</u>	<u>7,030,368</u>
<b>State and Community Highway Safety</b>							
STEP-Comprehensive Traffic 14	2	20.600	2014-APD-A-1YG-001	6090	924,282	923,959	923,959
Child Safety Seat Program	2	20.600	58EGT6038	6090	34,400	30,559	30,559
<b>Total State and Community Highway Safety</b>					<u>958,682</u>	<u>954,518</u>	<u>954,518</u>
<b>Impaired Driving Countermeasures Incentives</b>							
STEP - Impaired Driving Mobilization 14	2	20.601	2014-APD-IDM-00009	6090	90,000	90,000	90,000
Total Impaired Driving Countermeasures Incentives					<u>90,000</u>	<u>90,000</u>	<u>90,000</u>
<b>Occupant Protection Incentives</b>							
Click It or Ticket 14	2	20.600	2014-AustinPD-CIOT-0	6090	50,000	49,993	49,993
<b>Total State and Community Highway Safety</b>					<u>50,000</u>	<u>49,993</u>	<u>49,993</u>
<b>Total Texas State Hwys and Public Transportation Dept.</b>					<u>23,640,728</u>	<u>8,124,879</u>	<u>8,124,879</u>
<b>Pass Through - Capital Metro Transportation Authority</b>							
<b>Urban Rail</b>							
Urban Rail	20.507	TX-95-X053-00	6090	4,000,000	229,380		229,380
<b>Total Capital Metro Transportation Authority</b>					<u>4,000,000</u>	<u>229,380</u>	<u>229,380</u>
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>					<u>45,336,208</u>	<u>11,437,137</u>	<u>11,437,137</u>
<b>U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</b>							
<b>Direct Programs</b>							
Equal Employment Opportunity 14	30.002	EECCN130019	6020	96,750	96,750		96,750
<b>Total Equal Employment Opportunity</b>					<u>96,750</u>	<u>-</u>	<u>96,750</u>
<b>TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION</b>					<u>96,750</u>	<u>-</u>	<u>96,750</u>
<b>U.S. GENERAL SERVICES ADMINISTRATION</b>							
<b>Pass through - Texas Facilities Commission</b>							
Donation-Federal Surplus Personal Property	39.003	10190	5120	-	25,683		25,683
<b>Total Texas Facilities Commission</b>					<u>-</u>	<u>25,683</u>	<u>25,683</u>
<b>TOTAL U.S. GENERAL SERVICES ADMINISTRATION</b>					<u>-</u>	<u>25,683</u>	<u>25,683</u>

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	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>U.S. NATIONAL ENDOWMENT FOR THE ARTS</b>							
Direct Programs							
<b>NEA Local Art Agencies</b>							
NEA Local Art Agencies	45.024	13-6200-7016	6140	45,000	-	32,450	32,450
<b>Total NEA Local Art Agencies</b>				<u>45,000</u>	<u>-</u>	<u>32,450</u>	<u>32,450</u>
<b>TOTAL U.S. NATIONAL EDOWMENT FOR THE ARTS</b>				<u><b>45,000</b></u>	<u><b>-</b></u>	<u><b>32,450</b></u>	<u><b>32,450</b></u>
<b>U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>							
Direct Programs							
<b>Sprouting Green Weeding Practices</b>							
Sprouting Green Weeding Practices	45.312	LG-46-13-0244-13	6170	24,625	22,300		22,300
<b>Total Sprouting Green Weeding Practices</b>				<u>24,625</u>	<u>22,300</u>	<u>-</u>	<u>22,300</u>
<b>Pass Through- Texas State Library and Archives Commission</b>							
<b>Texas State Library and Archives Commission</b>							
Digital Inclusions Edge	45.310	N/A	6170	5,000	4,878		4,878
Mobile Solutions	45.310	N/A	6170	15,000	14,277		14,277
IMPACT Family Grant	45.310	475-14002	6170	9,994	9,994		9,994
<b>Total Texas State Library and Archives Commission</b>				<u>29,994</u>	<u>29,149</u>	<u>-</u>	<u>29,149</u>
<b>Pass Through- Central Texas Library System</b>							
<b>Connect 4 Literacy Grant</b>							
Connect 4 Literacy	45.310	LS-00-13-044-13	6170	12,000	12,000		12,000
<b>Total Central Texas Library System</b>				<u>12,000</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
<b>TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES</b>				<u><b>66,619</b></u>	<u><b>63,449</b></u>	<u><b>-</b></u>	<u><b>63,449</b></u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>							
Direct Programs							
<b>Brownfield Cleanup Revolving Loan</b>							
Brownfield Cleanup Revolving Loan	66.811	BL-986328-01-0	6930	402,090	(26,693)		(26,693)
<b>Total Brownfield Cleanup Revolving Loan</b>				<u>402,090</u>	<u>(26,693)</u>	<u>-</u>	<u>(26,693)</u>
<b>Pass through - Capital Area Council of Governments</b>							
Diesel Emissions Reduction Project	66.039	N/A	6080	326,250	122,381		122,381
<b>Total Texas Water Development Board</b>				<u>326,250</u>	<u>122,381</u>	<u>-</u>	<u>122,381</u>
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				<u><b>728,340</b></u>	<u><b>95,688</b></u>	<u><b>-</b></u>	<u><b>95,688</b></u>

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	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>U.S. DEPARTMENT OF ENERGY</b>							
<b>Direct Programs</b>							
<b>Conservation</b>							
Texas River Cities Electric Vehicles	81.086	DE-EE0005585	6920	499,782	92,268		92,268
The Central Texas Fuel Independence Project	81.086	DE-EE0006078	6920	500,000	98,508	113,573	212,081
<b>Total Texas River Cities Electric Vehicles</b>				<u>999,782</u>	<u>190,776</u>	<u>113,573</u>	<u>304,349</u>
<b>ARRA - Clean Energy Accelerator</b>							
ARRA-Clean Energy Accelerator	81.128	DE-EE0003555	6920	10,000,000	532,825		532,825
<b>Total ARRA - Clean Energy Accelerator</b>				<u>10,000,000</u>	<u>532,825</u>	-	<u>532,825</u>
<b>Pass through - Texas Comptroller of Public Accounts</b>							
SECO Loan Star Energy Efficiency Retrofit Loan	81.041	CL229	7645	5,000,000	2,751,775		2,751,775
<b>Total Texas Comptroller of Public Accounts</b>				<u>5,000,000</u>	<u>2,751,775</u>	-	<u>2,751,775</u>
<b>TOTAL U.S. DEPARTMENT OF ENERGY</b>				<u><b>15,999,782</b></u>	<u><b>3,475,376</b></u>	<u><b>113,573</b></u>	<u><b>3,588,949</b></u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
<b>Direct Programs</b>							
<b>Community Transformation Grant</b>							
Community Transformation Grant 13	93.531	1U58DP003499-01	6243	1,058,359	88,337	31,989	120,326
Community Transformation Grant 14	93.531	1U58DP003499-01	6243	1,026,158	490,412	322,714	813,126
<b>Total Community Transformation Grant</b>				<u>2,084,517</u>	<u>578,749</u>	<u>354,703</u>	<u>933,452</u>
<b>Assets of Independence Demonstration</b>							
Assets of Independence	93.602	90EI0743-01-00	6110	300,000	7,030		7,030
<b>Total Assets of Independence Demonstration</b>				<u>300,000</u>	<u>7,030</u>	-	<u>7,030</u>
<b>Ryan White I Emergency Care</b>							
Ryan White I Emergency Care 13	93.914	H89HA00036	6125	4,192,708	252,000	2,043,594	2,295,594
Ryan White I Emergency Care 14	93.914	H89HA00036	6125	4,486,881	378,184	1,580,956	1,959,140
<b>Total Ryan White I Emergency Care</b>				<u>8,679,589</u>	<u>630,184</u>	<u>3,624,550</u>	<u>4,254,734</u>
<b>Ryan White - Part C</b>							
Ryan White - Part C 13	93.918	H76HA00127	6119	946,572	50,949	463,700	514,649
Ryan White - Part C 14	93.918	H76HA00127	6119	881,982	119,061	329,316	448,377
<b>Total Ryan White - Part C</b>				<u>1,828,554</u>	<u>170,010</u>	<u>793,016</u>	<u>963,026</u>
<b>Pass through - Capital Area Council of Governments</b>							
Senior Transportation	93.044	N/A	6110	100,000	97,785		97,785

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<b>Total Capital Area Council of Governments</b>				100,000	97,785	-	97,785
<b>Pass through - Texas Dept. of State Health Services</b>							
<b>Public Health Emergency Response</b>							
CPS-Bioterrorism Preparedness 11	93.069	2010-033409	6128	1,980,446	(2,010)		(2,010)
Public Health Emergency Preparedness 12	93.069	2011-038766	6112	856,402	(330)		(330)
Public Health Emergency Preparedness 13	93.069	2013-041384	6112	822,466	5,031		5,031
Public Health Emergency Preparedness - Discretionary	93.069	2014-045409	6126	13,186	9,741		9,741
Public Health Emergency Preparedness 14	93.069	2014-001374	6126	673,899	558,507		558,507
Public Health Emergency Preparedness 15	93.069	2015-001151	6112	673,899	37,992		37,992
<b>Total Public Health Emergency Response</b>				<u>5,020,298</u>	<u>608,931</u>	-	<u>608,931</u>
<b>TB Outreach</b>							
TB Outreach 14	93.116	2014-001374	6121	329,836	312,115		312,115
TB Outreach 15	93.116	2015-001374	6121	326,135	4,445		4,445
<b>Total TB Outreach</b>				<u>655,971</u>	<u>316,560</u>	-	<u>316,560</u>
<b>Immunization Outreach</b>							
Immunization Outreach 13	93.268	2013-041384	6114	757,146	11,237		11,237
Immunization Outreach 14	93.268	2014-001043	6114	763,671	658,059	25,200	683,259
Immunization Outreach 15	93.268	2015-001043	6114	694,344	73,751		73,751
<b>Total Immunization Outreach</b>				<u>2,215,161</u>	<u>743,047</u>	25,200	<u>768,247</u>
<b>Refugee Health Services</b>							
Refugee Health Services 13	93.566	2013-041384-006	6116	1,281,690	30,648		30,648
Refugee Health Services 14	93.566	2014-000032	6116	1,297,953	1,217,796		1,217,796
Refugee Health Services 15	93.566	2015-00032	6116	1,295,000	94,473		94,473
<b>Total Refugee Health Services</b>				<u>3,874,643</u>	<u>1,342,917</u>	-	<u>1,342,917</u>
<b>HIV PCPE</b>							
HIV PCPE 13	93.940	2013-043147	6123	782,303	278,265		278,265
HIV PCPE 14	93.940	2014-002524	6123	782,303	476,148		476,148
<b>Total HIV PCPE</b>				<u>1,564,606</u>	<u>754,413</u>	-	<u>754,413</u>
<b>HIV Surveillance</b>							
HIV Surveillance 14	93.944	2014-001379	6122	181,320	152,724		152,724
HIV Surveillance 15	93.944	2015-001379	6122	181,320	7,655		7,655
<b>Total HIV Surveillance</b>				<u>362,640</u>	<u>160,379</u>	-	<u>160,379</u>
<b>STD Control</b>							
STD Control 13	93.977	2013-041384	6124	298,326	2,390		2,390
STD Control 14	93.977	2014-001346	6124	373,138	362,052		362,052
STD Control 14	93.977	2015-001346	6124	349,162	23,465		23,465
<b>Total STD Control</b>				<u>1,020,626</u>	<u>387,907</u>	-	<u>387,907</u>

**CITY OF AUSTIN, TEXAS**  
**Schedule of Expenditures of Federal Awards**  
**For the Period ended September 30, 2014**

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>OPHP- Regional &amp; Local Services</b>							
OPHP-Regional & Local Services Section 13	93.991	2013-041384	6512	197,872	(169)		(169)
OPHP-Regional & Local Services Section 14	93.991	2014-001055-00	6512	197,872	190,577		190,577
OPHP-Regional & Local Services Section 15	93.991		6512	160,276	10,858		10,858
<b>Total OPHP - Regional &amp; Local Services</b>				<u>556,020</u>	<u>201,266</u>	<u>-</u>	<u>201,266</u>
<b>Texas Healthy Adolescent</b>							
Texas Healthy Adolescent 13	93.944	2013-041537	6138	168,750	(2,442)		(2,442)
Texas Healthy Adolescent 14	93.944	2014-014940	6138	112,000	79,114	26,500	105,614
<b>Total Texas Healthy Adolescent</b>				<u>280,750</u>	<u>76,672</u>	<u>26,500</u>	<u>103,172</u>
<b>Total Texas Dept. of State Health Services</b>				<u>15,550,715</u>	<u>4,592,092</u>	<u>51,700</u>	<u>4,643,792</u>
<b>Pass through - Texas Dept. of Protective &amp; Regulatory Services</b>							
<b>Promoting Safe and Stable Families</b>							
Youth of Promise Initiative 14	93.556	23794901-14	6113	321,000	(9,824)		(9,824)
Community Youth Development 14	93.556	23794901	6113	386,770	160,595	222,165	382,760
Community Youth Development 15	93.556	23794901	6113	193,385	9,278		9,278
<b>Total Promoting Safe and Stable Families</b>				<u>901,155</u>	<u>160,049</u>	<u>222,165</u>	<u>382,214</u>
<b>Total Texas Dept. of Protective &amp; Regulatory Services</b>				<u>901,155</u>	<u>160,049</u>	<u>222,165</u>	<u>382,214</u>
<b>Pass through - Texas Dept. of Housing and Community Affairs</b>							
<b>Community Services Block Grant</b>							
Community Services Block Grant 13	93.569	61130001570	6118	978,657	465,419		465,419
Community Services Block Grant 14	93.569		6118	1,080,391	514,122		514,122
<b>Total Community Services Block Grant</b>				<u>2,059,048</u>	<u>979,541</u>	<u>-</u>	<u>979,541</u>
<b>Total Texas Dept. of Housing and Community Affairs</b>				<u>2,059,048</u>	<u>979,541</u>	<u>-</u>	<u>979,541</u>
<b>Pass through - Greater Austin Area Workforce Development</b>							
Title IV-A At Risk Child Care	93.575	07141C01	6110	1,487,459	1,390		1,390
<b>Total Greater Austin Area Workforce Development</b>				<u>1,487,459</u>	<u>1,390</u>	<u>-</u>	<u>1,390</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH</b>				<u><u>32,991,037</u></u>	<u><u>7,216,830</u></u>	<u><u>5,046,134</u></u>	<u><u>12,262,964</u></u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>							
<b>Direct Programs</b>							
<b>FEMA Fire Related</b>							
AFD - SAFER Grant	97.044	EMW-2011- FH-0988	6120	5,010,000	2,769,271		2,769,271
Assistance to Firefighters- Wellness	97.044	EMW- 2012-FO-05983	6120	111,139	90,868		90,868
Fire Prevention & Safety	97.044	EMW-2012-FP-01179	6120	202,080	172,947		172,947
<b>Total FEMA Fire Related</b>				<u>5,323,219</u>	<u>3,033,086</u>	<u>-</u>	<u>3,033,086</u>

**CITY OF AUSTIN, TEXAS**  
**Schedule of Expenditures of Federal Awards**  
**For the Period ended September 30, 2014**

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>ABIA K-9 Bomb Squad</b>							
ABIA K-9 Bomb Squad	97.072	HSTS0208HCAN404	6900	2,491,195	242,000		242,000
<b>Total ABIA K-9 Bomb Squad</b>				<u>2,491,195</u>	<u>242,000</u>	-	<u>242,000</u>
<b>ABIA Checkpoints</b>							
ABIA Checkpoints	97.090	HSTS0213HSLR332	6900	684,470	326,770		326,770
<b>Total ABIA Checkpoints</b>				<u>684,470</u>	<u>326,770</u>	-	<u>326,770</u>
<b>Pass through - Transportation Security Administration</b>							
<b>ABIA TSA OTA Baggage Screening Program</b>							-
ABIA TSA OTA Baggage Screening Program	97.117	HSTS0412HCT1204	6900	363,758	199,967		199,967
<b>Total ABIA TSA OTA Baggage Screening Program</b>				<u>363,758</u>	<u>199,967</u>	-	<u>199,967</u>
<b>Total Transportation Security Administration</b>				<u>363,758</u>	<u>199,967</u>	-	<u>199,967</u>
<b>Pass through - Texas Department of Public Safety</b>							
<b>Urban Area Security Initiative</b>							
Urban Area Security Initiative 08	97.008	08-SR-5000-01	6120	1,543,848	-		-
Urban Area Security Initiative 09	97.008	09-SR-5000-05	6120	2,834,922	4,383		4,383
Urban Area Security Initiative 10	97.008	10-SR-5000-01	6120	1,288,292	6,426		6,426
<b>Total Urban Area Security Initiative</b>				<u>5,667,062</u>	<u>10,809</u>	-	<u>10,809</u>
<b>Public Assistance</b>							
Flood Public Assistance	97.036	N/A	6100	3,725,460	2,363,063		2,363,063
<b>Total Public Assistance</b>				<u>3,725,460</u>	<u>2,363,063</u>	-	<u>2,363,063</u>
<b>EMPG</b>							
EMPG 13	97.042	N/A	6120	159,316	16,484		16,484
EMPG 14	97.042	N/A	6120	133,704	133,704		133,704
<b>Total EMPG</b>				<u>293,020</u>	<u>150,188</u>	-	<u>150,188</u>
<b>Metro Medical Response System(MMRS)</b>							
Metro Medical Response System(MMRS)	3 97.067	N/A	6631	280,000	3,905		3,905
Metro Medical Response System(MMRS) 11	3 97.067	11-SR-5000-03	6120	267,608	64,563		64,563
				<u>547,608</u>	<u>68,468</u>	-	<u>68,468</u>
<b>Total Metro Medical Response System (MMRS)</b>				<u>547,608</u>	<u>68,468</u>	-	<u>68,468</u>
<b>State Homeland Security Program</b>							
State Homeland Security Program - 11	3 97.067	11-SR-5000-01,02	6120	890,960	139,294		139,294
State Homeland Security Program - 12	3 97.073	12-SR-5000-01,02,03	6120	390,568	301,222		301,222
State Homeland Security Program - 13	3 97.067	13-SR-5000-01,02,03	6120	530,217	309,852		309,852
<b>Total State Homeland Security Program</b>				<u>1,811,745</u>	<u>750,368</u>	-	<u>750,368</u>

**CITY OF AUSTIN, TEXAS**  
**Schedule of Expenditures of Federal Awards**  
**For the Period ended September 30, 2014**

	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>Total Texas Department of Public Safety</b>				<u>12,044,895</u>	<u>3,342,896</u>	<u>-</u>	<u>3,342,896</u>
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>				<u>20,907,537</u>	<u>7,144,719</u>	<u>-</u>	<u>7,144,719</u>
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>				<u>\$ 247,783,216</u>	<u>48,311,054</u>	<u>9,644,129</u>	<u>57,955,183</u>

- 1 JAG Program Cluster
- 2 Highway Safety Cluster
- 3 Homeland Security Grant Program

**CITY OF AUSTIN, TEXAS**  
**Schedule of Expenditures of State Awards**  
**For the Period ended September 30, 2014**

	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
<b>TEXAS GOVERNOR'S OFFICE</b>						
<b>Direct Programs</b>						
<b>Juvenile Justice Improvement Project</b>						
			40,000	32,754		32,754
	SF-13-J20-24600-02	6500	<u>40,000</u>	<u>32,754</u>	<u>-</u>	<u>32,754</u>
<b>Total Juvenile Justice Improvement Project</b>						
<b>Texas Music Office</b>						
	N/A	6500	3,000		3,000	3,000
			<u>3,000</u>	<u>-</u>	<u>3,000</u>	<u>3,000</u>
<b>Total Texas Music Office</b>						
<b>TOTAL TEXAS GOVERNOR'S OFFICE</b>			<b><u>43,000</u></b>	<b><u>32,754</u></b>	<b><u>3,000</u></b>	<b><u>35,754</u></b>
<b>TEXAS DEPARTMENT OF STATE HEALTH SERVICES</b>						
<b>Direct Programs</b>						
<b>TB Elimination</b>						
	2014-001438	6513	454,450	397,816		397,816
	2015-001438	6513	449,411	25,990		25,990
			<u>903,861</u>	<u>423,806</u>	<u>-</u>	<u>423,806</u>
<b>Total TB Elimination</b>						
<b>Community Diabetes Project</b>						
	2014-001256	6201	80,000	65,435	11,125	76,560
	2015-001256	6201	80,000	5,212		5,212
			<u>160,000</u>	<u>70,647</u>	<u>11,125</u>	<u>81,772</u>
<b>Total Community Diabetes Project</b>						
<b>Tobacco Prevention &amp; Control Coalition</b>						
	2013-042401	6240	283,171	(38)		(38)
			<u>283,171</u>	<u>(38)</u>	<u>-</u>	<u>(38)</u>
<b>Total Tobacco Prevention &amp; Control Coalition</b>						

**CITY OF AUSTIN, TEXAS**  
**Schedule of Expenditures of State Awards**  
**For the Period ended September 30, 2014**

<b>Zoonosis Control</b>							
Zoonosis Animal Friendly	2014-00002	6515	15,295	15,288		15,288	
<b>Total Zoonosis Control</b>			<u>15,295</u>	<u>15,288</u>	<u>-</u>	<u>15,288</u>	
<b>Influenza Incidence Surveillance</b>							
Influenza Incidence Surveillance	2012-040185-01	6139	17,000	(589)		(589)	
Influenza Incidence Surveillance	2014-002512-00	6139	10,000	9,334		9,334	
<b>Total Influenza Incidence Surveillance</b>			<u>27,000</u>	<u>8,745</u>	<u>-</u>	<u>8,745</u>	
<b>Food Borne Intervention</b>							
Food Borne Intervention	2014-045524-001	6510	180,122	1,096		1,096	
<b>Total Food Borne Intervention</b>			<u>180,122</u>	<u>1,096</u>	<u>-</u>	<u>1,096</u>	
<b>Pass Through - Capital Area Trauma Regional Advisory Council</b>							
Injury Prevention	4846		5,848	-		-	
Trauma System	4676	6710	26,230	-		-	
Trauma System	5015	6510	33,064	4,000		4,000	
Trauma System	5015	6510	31,883	30,883		30,883	
<b>Total Capital Area Trauma Regional Advisory Council</b>			<u>97,025</u>	<u>34,883</u>	<u>-</u>	<u>34,883</u>	
<b>TOTAL DEPARTMENT OF STATE HEALTH SERVICES</b>			<u><b>1,666,474</b></u>	<u><b>554,427</b></u>	<u><b>11,125</b></u>	<u><b>565,552</b></u>	
<b>TEXAS COMMISSION OF THE ARTS</b>							
<b>Direct Program</b>							
<b>TCA Grants</b>							
TCA Core Support	14-35269	6530	13,000		13,000	13,000	
TCA Basic Grant	N/A	6530	2,835		2,835	2,835	
TCA Sub-granting 14	14-35270	6530	28,000		27,600	27,600	
<b>Total TCA Grants</b>			<u>43,835</u>	<u>-</u>	<u>43,435</u>	<u>43,435</u>	
<b>Arts Respond Performance Grant</b>							
Arts Respond	N/A	6530	1,397	1,397		1,397	
<b>Total Arts Respond</b>			<u>1,397</u>	<u>1,397</u>	<u>-</u>	<u>1,397</u>	
<b>TOTAL TEXAS COMMISSION OF THE ARTS</b>			<u><b>45,232</b></u>	<u><b>1,397</b></u>	<u><b>43,435</b></u>	<u><b>44,832</b></u>	
<b>TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</b>							
<b>Direct Programs</b>							
Texas Clean Fleet Program	582-13-23946-1658	6542	2,292,116	1,039,131		1,039,131	
			<u>2,292,116</u>	<u>1,039,131</u>	<u>-</u>	<u>1,039,131</u>	
<b>TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY</b>			<u><b>2,292,116</b></u>	<u><b>1,039,131</b></u>	<u><b>-</b></u>	<u><b>1,039,131</b></u>	

**CITY OF AUSTIN, TEXAS**  
**Schedule of Expenditures of State Awards**  
**For the Period ended September 30, 2014**

**TEXAS COMPTROLLER OF PUBLIC ACCOUNTS**

**Direct Programs**

**Asset Forfeiture Fund**

State Contraband Asset Forfeiture Fund	N/A	7740	199,855	199,855		199,855
State Gambling Asset Forfeiture Fund	N/A	7750	66,386	66,386		66,386
<b>Total Asset Forfeiture Fund</b>			<u>-</u>	<u>266,241</u>	<u>-</u>	<u>266,241</u>

**TOTAL TEXAS COMPTROLLER OF PUBLIC ACCOUNTS**

<u>-</u>	<u>266,241</u>	<u>-</u>	<u>266,241</u>
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**TEXAS DEPARTMENT OF MOTOR VEHICLES**

**Direct Programs**

**Auto Theft Prevention**

Auto Theft Prevention 13	SA-T01-10039-13	6571	406,147	84,797		84,797
Auto Theft Prevention 14	2014-T01-00010	6571	406,147	378,146		378,146
Auto Theft Prevention 15	2015-T01-00010	6571	406,147	19,599		19,599
<b>Total Auto Theft Prevention</b>			<u>1,218,441</u>	<u>482,542</u>	<u>-</u>	<u>482,542</u>

**TOTAL TEXAS DEPARTMENT OF MOTOR VEHICLES**

<u>1,218,441</u>	<u>482,542</u>	<u>-</u>	<u>482,542</u>
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**TEXAS DEPARTMENT OF TRANSPORTATION**

IH 35 Feasibility Study

CSJ# 0015-13-369	6570	1,200,000	210,403		210,403
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**TOTAL TEXAS DEPARTMENT OF TRANSPORTATION**

<u>1,200,000</u>	<u>210,403</u>	<u>-</u>	<u>210,403</u>
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**TEXAS PARKS AND WILDLIFE DEPARTMENT**

**Direct Programs**

Urban Outdoor-Auditorium Shores

55-000016	6560	1,000,000	1,000,000		1,000,000
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**TOTAL TEXAS PARKS AND WILDLIFE DEPARTMENT**

<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
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**TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

**Direct Programs**

**Homeless Housing and Services Program**

Homeless Housing and Services Program	66130001608	6575	202,764		14,698	14,698
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Homeless Housing and Services Program	63140001770	6575	488,527	12,213	476,314	488,527
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<b>Total Homeless Housing and Services Program</b>			<u>691,291</u>	<u>12,213</u>	<u>491,012</u>	<u>503,225</u>
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**TOTAL DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS**

<u>691,291</u>	<u>12,213</u>	<u>491,012</u>	<u>503,225</u>
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**TOTAL STATE FINANCIAL ASSISTANCE**

<u>\$ 8,156,554</u>	<u>3,599,108</u>	<u>548,572</u>	<u>4,147,680</u>
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See accompanying notes to schedule of expenditures of state awards.  
See accompanying independent auditors' report.

# CITY OF AUSTIN, TEXAS

## NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS YEAR ENDED SEPTEMBER 30, 2014

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### 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.

The schedule includes certain program expenditures that relate to prior years. These expenditures have been deemed immaterial to the Schedule of Expenditures of Federal and State Awards, which is reported in relation to the financial statements taken as a whole. The programs affected are as follows:

<b>Program Name</b>	<b>CFDA #</b>	<b>Prior Year Expenditure Amount</b>
Women, Infants, Children (WIC)	10.557	\$ 38,596
Highway Planning and Construction	20.205	480,895
Auto Theft Prevention	State grant	56,373

### 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 and they are considered to be available if expected to be collected within one year. Grant expenditures are recognized when a liability is incurred and when all eligibility requirements for reimbursement have been met. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

### 3. LOANS

In addition to federal awards involving expenditures in 2014, the City of Austin has federally guaranteed loans outstanding as of September 30, 2014, 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.

Two of the Section 108 loans have remaining balances to be disbursed (i.e., awarded) by the City of Austin at September 30, 2014. The remaining loan balances at September 30, 2014, are as follows:

	<b>Loan Balance</b>
NCMP Section 108	\$ 532,864
Section 108 Family Business Loan	<u>1,932,609</u>
Total	<u>\$2,465,473</u>

**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, 2014, the balance of the loans receivable was approximately \$17,419,000.

**5. SUBRECIPIENTS**

During the year, the City had several grant programs passed through to sub-recipients. During the year ended September 30, 2014, sub-recipients were awarded \$9,644,129 and \$548,572 under federal and state grants, respectively.

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2014, and the related notes to the financial statements, which collectively comprise City's basic financial statements, and have issued our report thereon dated March 24, 2015. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, which represents 100% of the assets and net position and 99.8% of revenues of the discretely presented component units, one of which contains an emphasis of matter paragraph related to a going concern issue (Austin Bergstrom Landhost Enterprise Inc.), as described in our report on the City's financial statements. The financial statements of the Austin Bergstrom Landhost Enterprise Inc. and the Austin Convention Enterprises Inc., discretely presented component units, were not audited in accordance with *Government Auditing Standards*. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control described in the accompanying *Schedule of Findings and Questioned Costs* as item 2014-01 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests and those of other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **The City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Deloitte & Touche LLP*

March 24, 2015

## **INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133, AND ON SCHEDULE OF EXPENDITURES OF STATE AWARDS REQUIRED BY STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

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

### **Report on Compliance for Each Major Federal and State Program**

We have audited the City of Austin's (the "City") compliance with the types of compliance requirements described in the *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, 2014. 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*.

### **Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal and state programs based on our audit of the types of compliance requirements referred to above. 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 or state 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the City's compliance.

## Opinion on Each Major Federal and State Program

In our opinion, the City complied, in all material respects, with the types of 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, 2014.

## Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and UGMS and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items 2014-02, 2014-03, 2014-04, 2014-05, and 2014-06. Our opinion on each major federal and state program is not modified with respect to these matters.

The City's response to the noncompliance findings identified in our audit are described in the accompanying Corrective Action Plan. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

## Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program 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 over compliance 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 or state 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. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as items 2014-02, 2014-03, 2014-04, 2014-05, and 2014-06, that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Corrective Action Plan. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and UGMS. Accordingly, this report is not suitable for any other purpose.

*Deloitte & Touche LLP*

June 29, 2015

# CITY OF AUSTIN, TEXAS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2014

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### I. SUMMARY OF AUDITORS' RESULTS:

#### Financial Statements

Type of auditors' report issued:	Unmodified
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:	Unmodified
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 — Women/Infants/Children Grant

##### *U.S. Department of Housing and Urban Development*

- CFDA 14.218 — Community Development Block Grant
- CFDA 14.248 — Section 108 Loan
- CFDA 14.704 — Community Challenge Programs

##### *U.S. Department of Justice*

- CFDA 16.738 & 16.804 — Justice Assistance Program Cluster

##### *U.S. Department of Transportation:*

- CFDA 20.205 — Highway Cluster (includes ARRA funds)

*U.S. Department of Energy:*

- CFDA 81.128 — ARRA — Clean Energy Accelerator

*U. S. Department of Health & Human Services:*

- CFDA 93.566 — Refugee Health Services
- CFDA 93.569 — Community Services Block Grant

*U. S. Department of Homeland Security:*

- CFDA 97.036 — Flood Public Assistance
- CFDA 97.044 — FEMA Fire Related Grants

**State**

*State — Texas Department of Motor Vehicles*

- Auto Theft Prevention

*State — Texas Department of Transportation*

- IH 35 Feasibility Study

*State — Texas Parks and Wildlife Department*

- Urban Outdoor — Auditorium Shores

*State — Texas Department of Housing and Community Affairs*

- Homeless Housing and Services Program

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

Federal: \$1,738,000

State: \$300,000

Auditee qualified as low-risk auditee?

Federal — No

State — No

## II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

### **2014-01: Significant Deficiency — Preparation of the Schedule of Expenditures of Federal and State Awards**

**Criteria** — In accordance with OMB Circular A-133 and the State of Texas Uniform Grant Management Standards, management is responsible for the preparation of the Schedule of Expenditures of Federal and State Awards (“Schedule”). This includes identifying all expenditures by grant for any given fiscal year.

**Condition and Cause** — During the 2014 audit, expenditures related to funding for multiple federal and state grant programs were reflected in the 2014 Schedule that related to expenditures in prior years. This did not impact the major programs selected in 2013 or 2014. This error resulted when the respective departments failed to identify and record expenditures as grant-funded in a timely manner and failed to communicate the expenditures to the Controller’s Office for proper reporting in the Schedule.

**Effect** — Federal and state programs may be inaccurately reported in the Schedule. This could impact the assessment of major programs in any given year and could potentially affect compliance of the period of availability requirement for grants.

**Recommendation** — Continue to work with departments through various means (communications, training and policy revisions) to ensure that accurate data related to grants is communicated to the Controller’s Office on a timely basis.

**View of Responsible Officials** — See Corrective Action Plan

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

#### **Finding 2014-02: Community Services Block Grant (CSBG) CFDA 93.569 — Department of Health and Human Services, passed through the Texas Department of Housing and Community Affairs**

Eligibility — Significant Deficiency in Controls over Compliance and Noncompliance

**Criteria** — Services are provided to low income individuals and families. Low income is defined by the official poverty line as established by the Secretary of Health and Human Services and is used as a criterion of eligibility of the CSBG program. Program managers must determine eligibility based on information provided in intake files and compare to federally defined income criteria.

**Condition and Cause** — As a result of insufficient training of personnel performing eligibility determination and/or insufficient review of intake information, services were provided to an individual for whom income verification was not appropriately calculated.

The employee conducting the intake process for this file did not identify the correct threshold poverty rate. The client was provided multiple bus passes on three different occasions throughout the fiscal year, even though the client's annual income was above the appropriate income threshold to receive services from the program. The department discovered in a departmental internal audit that this client had been incorrectly served with CSBG funded transportation assistance.

**Perspective** — One of sixty intake files selected for testing did not have appropriate procedures performed in order to accurately determine whether the individual met income eligibility guidelines, and the individual was inappropriately served with grant funding. Similar control deficiencies related to eligibility controls and determinations were also reported by the external auditors in prior years.

**Questioned Costs** — \$9 known

**Effect** — Services were provided to an ineligible recipient.

**Recommendation** — Implement policies and procedures that ensure personnel performing initial intake procedures understand and are properly trained on eligibility requirements. Enhance review procedures and require follow up in a timely manner to minimize providing goods and services to ineligible persons.

**View of Responsible Officials** — *Health & Human Services Department.* See corrective action plan.

#### **Finding 2014-03: Highway Planning and Construction CFDA 20.205 — Department of Transportation, Federal Highway Administration, passed through Texas State Highways and Public Transportation Department; Refugee Health Services CFDA 93.566 — Department of Health and Human Services, passed through Texas Department of State Health Services; Homeless Housing and Services Program — Texas Department of Housing and Community Affairs; Fire Prevention & Safety CFDA 97.044 — Department of Homeland Security**

**Reporting** — Significant Deficiency in Controls over Compliance and Noncompliance

**Criteria** — Reports are due no later than the date set forth by the grantor or in the legislative standards.

- For the Highway Planning and Construction Grant (CFDA 20.205), specifically the North Walnut Creek project, the ARRA 1585 Monthly Recipient Project Status Reports/Monthly ARRA Status Reports as well as the ARRA 1589 Monthly Employment Reports are due on the fifth business day of the subsequent month.
- For the Refugee Health Services Grant (CFDA 93.566), the Triannual Performance Reports are required to be submitted by the due date noted within the terms of the grant agreement.
- For the Homeless Housing and Services Program (State Grant), the monthly expenditure report and the monthly performance report are due within 15 days of the end of the reporting month.
- For the Fire Prevention & Safety Grant (CFDA 97.044), the federal financial report is required to be submitted within 30 days after the end of the reporting period.

**Condition and Cause —**

<b>Grant</b>	<b>Report</b>	<b>Due Date</b>	<b>Date Submitted</b>
Highway Planning and Construction (CFDA 20.205)	ARRA 1585 Monthly Recipient Project Status Report/ Monthly ARRA Status Reports	December 5, 2013	December 6, 2013
Highway Planning and Construction (CFDA 20.205)	ARRA 1585 Monthly Recipient Project Status Report/ Monthly ARRA Status Reports	March 5, 2014	March 6, 2014
Highway Planning and Construction (CFDA 20.205)	ARRA 1585 Monthly Recipient Project Status Report/ Monthly ARRA Status Reports	August 5, 2014	August 20, 2014
Highway Planning and Construction (CFDA 20.205)	ARRA 1589 Monthly Employment Report	December 5, 2013	December 6, 2013
Highway Planning and Construction (CFDA 20.205)	ARRA 1589 Monthly Employment Report	March 5, 2014	March 6, 2014
Highway Planning and Construction (CFDA 20.205)	ARRA 1589 Monthly Employment Report	August 5, 2014	August 20, 2014

<b>Grant</b>	<b>Report</b>	<b>Due Date</b>	<b>Date Submitted</b>
Refugee Health Services (CFDA 93.566)	Triannual Performance Reports — 2014 Agreement	February 7, 2014	February 11, 2014
Refugee Health Services (CFDA 93.566)	Triannual Performance Reports — 2014 Agreement	June 6, 2014	June 10, 2014
Refugee Health Services (CFDA 93.566)	Triannual Performance Reports — 2014 Agreement	October 8, 2014	October 9, 2014
Refugee Health Services (CFDA 93.566)	Triannual Performance Reports — 2015 Agreement	October 8, 2014	October 9, 2014
Homeless Housing and Services Program	Monthly Expenditure and Performance Reports	January 15, 2014	February 10, 2014
Homeless Housing and Services Program	Monthly Expenditure and Performance Reports	June 15, 2014	June 16, 2014
Fire Prevention & Safety (CFDA 97.044)	Federal Financial Report	July 31, 2014	August 18, 2014

*Perspective* —

- Highway — Six of six monthly ARRA reports selected for testing were submitted after the due date.
- Refugee Health Services — Four of four triannual performance reports selected for testing were submitted after the due date.
- Homeless Housing — Two of three monthly expenditure reports and monthly performance reports selected for testing were submitted after the due date.
- Fire Prevention & Safety — One of three federal financial reports selected for testing were submitted after the due date.

*Questioned Costs* — None

*Effect* — Grantor cannot monitor grantee expenditures on a timely basis if reports are not submitted in a timely manner.

*Recommendation* — Implement policies and procedures to prepare for reporting deadlines as they approach and implement review and approval procedures to ensure that reports are submitted and approved in a timely manner.

*View of Responsible Officials* — Highway: Parks and Recreation Department. Refugee: Health & Human Services Department. Homeless Housing: Health & Human Services Department. Fire: Austin Fire Department. See corrective action plans.

**Finding 2014-04: Highway Planning and Construction CFDA 20.205 — Department of Transportation, Federal Highway Administration, passed through Texas State Highways and Public Transportation Department; IH 35 Feasibility Study — Texas Department of Transportation; Homeless Housing and Services Program — Texas Department of Housing and Community Affairs**

**Reporting — Significant Deficiency in Controls over Compliance and Noncompliance**

*Criteria* — Accurate reports are due no later than the date set forth by the grantor or in the legislative standards and should include the appropriate date ranges and within the proper frequency (i.e. every 60 or 90 days) as specified in the grant agreement.

*Condition and Cause* — There were certain expenditures reported within the fiscal year 2014 Schedule of Expenditures of Federal Awards and the 2014 Schedule of Expenditures of State Awards that relate to prior year expenditures. Expenditures were not reported to the applicable grantor timely due to inclusion in the wrong reporting period or failure to submit reports according to the proper frequency per the grant agreement within the following grant programs: Highway, IH-35, and Homeless Housing and Services Program. Such expenditures were expended within the grant period (still available), but were not reported to the grantor in the appropriate fiscal year and were not recorded within the appropriate report as submitted to the grantor.

*Perspective* — Highway — Based on the grant agreements, reimbursement is to be requested within a period of 60 or 90 days, depending on the grant. As a result of testing, one of eleven reports subjected to testing were submitted after the required time period, with a total amount of \$1,893. These expenditures included Highway program expenditures related to both prior and current fiscal years that were detected during testing.

*IH-35* — This program required the reimbursement request to be submitted 90 days after the end of the period in which expenditures are incurred. As a result of testing, two of two reports tested were not reported timely to the grantor, related to \$91,453 of prior period expenditures, as well as late reporting of \$116,358 current year expenditures.

*Homeless Housing and Services Program* — Expenditures relating to the prior contract term were recorded on the FY14 SEFA in the total amount of \$14,698. The final expenditure report related to these expenditures was not submitted timely, as the final report was submitted to the grantor after the required 30 days after the end of the contract term.

*Questioned Costs* — None

*Effect* — Grantor cannot monitor grantee expenditures on a timely basis.

*Recommendation* — Implement policies and procedures to monitor and prepare for reporting deadlines as they approach and implement review and approval procedures to ensure that reports are submitted and

approved in a timely manner. Continue to work with departments through various means (communications, training and policy revisions) to ensure that accurate data related to grants is communicated to the Controller's Office on a timely basis.

*View of Responsible Officials* — Highway and IH-35: *Austin Transportation Department*. Homeless Housing: *Health & Human Services Department*. See corrective action plan

## **Finding 2014-05: Section 108 Loan CFDA 14.248 — Department of Housing and Urban Development**

### **Cash Management — Significant Deficiency in Controls over Compliance and Noncompliance**

*Criteria* — In accordance with OMB Circular A-133, an entity receiving Federal cash draws must comply with cash management procedures established by the grantor.

*Condition and Cause* — The contract agreements for the Section 108 programs instruct that all unspent loan funds are to be maintained in an FDIC insured account, up to the maximum insured amount. Any funds in excess of the insured amount are to be continuously invested in Government Obligations which may include any obligation guaranteed by the United States government. The City of Austin has established custodian accounts to appropriately monitor such cash. We noted the City holds \$119,846 in a City of Austin account not originally set up as a custodian account for these funds. This amount related to funds received from the grantor for loans that were initially overestimated or never executed.

*Perspective* — Of the \$652,710 of Federal funds belonging to City of Austin as of September 30, 2014, \$119,846 was not held in the required custodian bank account.

*Questioned Costs* — None.

*Effect* — Failure to manage cash in accordance with the cash management compliance requirements and requirements of the grantor could result in potential misuse of funds.

*Recommendation* — Implement policies and procedures along with appropriately designed, implemented, and effective controls to ensure cash on hand related to loan funding is appropriately handled.

*View of Responsible Officials* — *Neighborhood Housing and Community Development Department*. See corrective action plan.

## **Finding 2014-06: Section 108 Loan CFDA 14.248 — Department of Housing and Urban Development**

### **Reporting — Significant Deficiency in Controls over Compliance and Noncompliance**

*Criteria* — Monthly reports of the balance in the Guaranteed Loans Fund account should be submitted to the Department of Housing and Urban Development on a monthly basis, no later than the date set forth by the grantor.

*Condition and Cause* — Monthly reports reflecting the month-end balance in the Guaranteed Loans Fund account related to the Family Business Loan program are required to be submitted to the grantor. However, the City of Austin did not have the appropriate procedures or control structure in place to ensure these reports were submitted to the grantor on a monthly basis.

*Perspective* — Three out of three monthly reports subjected to testing were not submitted to the grantor.

*Questioned Costs* — None

*Effect* — Grantor cannot monitor the balance in the Guaranteed Loans Fund account without submission of the monthly reports.

*Recommendation* — Implement policies and procedures as well as the appropriate control structure to ensure submission of the monthly reports to the grantor.

*View of Responsible Officials* — *Economic Development Department*. See corrective action plan.

## CITY OF AUSTIN, TEXAS

### CORRECTIVE ACTION PLAN YEAR ENDED SEPTEMBER 30, 2014

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#### **Finding 2014-01 Significant Deficiency — Preparation of the Schedule of Expenditures of Federal and State Awards**

**Contact Person** — Diana Thomas, Controller

**Management Response** — Concur. The Controller's office will continue to work on improving communication with departments regarding the timely recording of grant expenditures. This will include quarterly reminders to departments to post grant expenses, a more thorough review of the reconciliations by the grant accountant senior and accountant supervisor, and will require management to sign a confirmation at year end confirming the expenses in the SEFA/SESA are accurate. In addition, the Controller's Office has invited the departmental grant staff to attend several grant webinars on the recent grant reform.

**Estimated Completion** — September 2015

**Contact Person** — Rob Spillar, Austin Transportation Department

**Management Response** — The Austin Transportation Department concurs with Finding 2014-01 for the preparation of the schedule of expenditures of Federal and State Awards. Revised internal controls have been put into place for more efficient tracking means. ATD's financial staff will review and monitor the internal report every month.

**Estimated Completion** — July 31, 2015

**Contact Person** — Art Acevedo, Police Chief

**Management Response** — Concur. Management agrees with the finding that resulted from staffing shortages in the department's Financial Services area. The department has filled all vacant Financial Consultant positions and has implemented a system for monitoring the reporting deadlines including year-end accounting entries. A spreadsheet was created that includes all active grants, the reporting dates for each grant, the employee responsible for the reporting, the date filed and who filed the report. This report is monitored by the Financial Manager with a monthly follow up report to the Chief Financial Manager. Quarterly reports are being submitted to the Controller's Office.

**Estimated Completion** — June 30, 2015

**Contact Person** — Sara L. Hensley, Director, Parks and Recreation Department (PARC)

**Management Response** — Concur. The department implemented quarterly review meetings providing for a review of grant requirements and expenditures beginning September 2014. These quarterly reviews afford PARC the opportunity to review and ensure expenditures and revenues are reported in the appropriate year.

**Estimated Completion** — September 2015

**Contact Person** — Shannon Jones, Director, Health and Human Services Department

**Management Response** — Concur. The Health & Human Services Department's Accounting Unit works with Grant Program Coordinators, performs monthly grant reconciliations, and communicates as required by the Controller's Office to ensure accuracy and timeliness of reporting. The Health & Human Services Department will continue to work with the Controller's Office to enhance training and communication efforts.

**Estimated Completion** — September 2015

**Finding 2014-02 Community Services Block Grant (CSBG) CFDA 93.569 — Department of Health and Human Services, passed through Texas Department of Housing and Community Affairs — Eligibility — Significant Deficiency in Controls over Compliance and Noncompliance**

**Contact Person** — Shannon Jones, Director, Health and Human Services Department

**Management Response — Health and Human Services:** Concur. During the internal unit office monitoring review, it was determined that this client had been provided bus passes for which they were not eligible under CSBG guidelines at the time of service. Internal peer review procedures have been strengthened, and staff has been re-trained on eligibility guidelines. In addition, personnel performance review requirements have been strengthened, to better hold staff accountable for meeting eligibility determination requirements. Additional supervisory staff has been requested as part of the Department's FY16 budget to assist with increased monitoring of grant requirements and staff supervision.

**Estimated Completion** — December 31, 2015

**Finding 2014-03 Highway Planning and Construction CFDA 20.205 — Department of Transportation, Federal Highway Administration, passed through Texas State Highways and Public Transportation Department; Refugee Health Services CFDA 93.566 — Department of Health and Human Services, passed through Texas Department of State Health Services; Homeless Housing and Services Program — Texas Department of Housing and Community Affairs; Fire Prevention & Safety CFDA 97.044 — Department of Homeland Security — Reporting — Significant Deficiency in Controls over Compliance and Noncompliance**

**Contact Person** — Sara L. Hensley, Director, Parks and Recreation Department

**Management Response — Parks and Recreation Department:** Concur. In August of 2014, PARD established quarterly Grant Review Meetings to discuss grant requirements and current progress with project staff. Although these two reports are no longer required by the Grantor effective February 2015, the Grants Coordinator will request and secure the required reports from the Public Works Project Manager responsible for the construction contract and submit to the Grantor prior to the reports' due date. In addition, PARD will formally contact the Grantor to request that the official grant contact be changed from the Public Works Project Manager to the PARD Grants Coordinator in regards to all official grants communications.

**Estimated Completion** — July 2015

**Contact Person** — Shannon W. Jones, Director, Health and Human Services Department

**Management Response — Health & Human Services Department:** Beginning on May 11, 2015, the Refugee Health Screening Program has a new Program Manager. The new manager is responsible for producing and submitting the tri-annual report. He has implemented a peer-based quality assurance/ checks and balance system that relies on collaborative redundant responsibility. This system ensures reporting deadlines are met by sharing responsibility and holding each other accountable for their individual components as well as remaining cognizant of approaching deadlines. The Refugee Program Manager will submit the tri-annual reports by the due date noted within the terms of the grant agreement and send a copy

via email to the Communicable Disease Unit Manager and the Communicable Disease Unit Grants Coordinator.

**Estimated Completion** — June 1, 2015

**Contact Person** — Shannon W. Jones, Director, Health and Human Services Department

**Management Response — Health & Human Services Department:** Management does concur that the December 2013 and May 2014 pay requests were submitted late. Beginning on June 11, 2015, HHSD management implemented a procedure to review HHSD related billings in the HHSD Contract Management Database by the 11th of the month to ensure adequate time for review and corrections prior to TDHCA's submission due date of the 15th of the month.

**Estimated Completion** — June 11, 2015

**Contact Person** — Rhoda Mae Kerr, Fire Chief, Austin Fire Department

**Management Response — Austin Fire Department:** We agree with the auditor's findings and the following action will be taken to improve the situation. We will have the Financial Manager, Grant Coordinator and Operating Managers meet prior to the beginning of a grant to set a schedule for meeting the reporting deadlines and follow up with quarterly or monthly meetings to track the progress of a grant. We will document the meetings and make them a part of the grant folders.

**Estimated Completion** — June 2015

**Finding 2014-04 Highway Planning and Construction CFDA 20.205 — Department of Transportation, Federal Highway Administration, passed through Texas State Highways and Public Transportation Department; IH 35 Feasibility Study — Texas Department of Transportation; Homeless Housing and Services Program — Texas Department of Housing and Community Affairs — Reporting — Significant Deficiency in Controls over Compliance and Noncompliance**

**Contact Person** — Robert Spillar, Director, Austin Transportation Department

**Management Response — Austin Transportation Department:** The Austin Transportation Department concurs with Finding 2014-04 for the Citywide Bicycle grant #437000. This grant was under the Public Works Program Manager in Fiscal Year 2014, and it has been transferred to the Austin Transportation Department in Fiscal Year 2015 when the Bicycle and Pedestrian program moved to the department. The grant coordinator has been working with the ATD Program Manager to bill the grantor under the time guidelines outlined under the grant.

**Estimated Completion** — July 31, 2015

**Contact Person** — Robert Spillar, Director, Austin Transportation Department

**Management Response — Austin Transportation Department:** The Austin Transportation Department concurs with Finding 2014-04 for the IH-35 Feasibility Study. The Program Manager acknowledged the 90-day violation. The grant has been completed and was closed in FY15.

**Estimated Completion** — August 20, 2015

**Contact Person** — Shannon Jones, Director, Health & Human Services Department

**Management Response — Health & Human Services Department:** Concur. The Health & Human Services Department's Accounting Unit and Homeless Housing and Services Program Coordinator will implement a process for documented reviews of expenditures to ensure timely reporting to the Grantor and that expenditures are reported to the COA Controller's Office in the correct fiscal year.

**Estimated Completion** — September 30, 2015

**Finding 2014-05 Section 108 Loan CFDA 14.248 — Department of Housing and Urban Development — Cash Management — Significant Deficiency in Controls over Compliance and Noncompliance**

**Contact Person** — Betsy Spencer, Director, Neighborhood Housing and Community Development (NHCD)

**Management Response — Neighborhood Housing and Community Development:** Concur. NHCD management will take immediate steps to return the \$119,846 in Section 108 NCMP funds to the Custodian (JP Morgan Chase).

**Estimated Completion** — August 31, 2015

**Finding 2014-06 Section 108 Loan CFDA 14.248 — Department of Housing and Urban Development — Reporting — Significant Deficiency in Controls over Compliance and Noncompliance**

**Contact Person** — Kevin Johns Director, Economic Development Department

**Management Response — Economic Development Department:** EDD has contacted Regions Bank and is processing a request for bank statements to be submitted to HUD on a monthly basis. EDD is also processing a request authorizing Regions Bank to submit bank statements for previous years to HUD. HUD has been contacted and the point of contact and process for submitting monthly bank statements has been established. The contract manager will be notified monthly when bank statements are submitted to HUD. The division compliance specialist will be responsible for ensuring this is performed and the department compliance specialist will verify this on an annual basis.

**Estimated Completion** — Monthly bank statements will begin being submitted by July 31, 2015. Prior year's bank statements will also be submitted to HUD by July 31, 2015.

# CITY OF AUSTIN, TEXAS

## STATUS OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2014

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### **Finding 2013-001: Significant Deficiency — Internal Controls Over Financial Reporting and Closing Process**

**Criteria** — The City is responsible for establishing controls to ensure that the Comprehensive Annual Financial Report (“CAFR”) is free of material misstatement. The controls include various levels of supervisory review to ensure that the balances in the CAFR are supported by accurate records, accounting support and reconciliations.

**Condition and Cause** — During the 2013 audit, errors were noted in certain financial statement areas. A summary of these areas is below:

- **Statement of cash flows:** The City does not have refined, documented procedures for preparing the statement of cash flows for the enterprise funds. The original statements, as produced by the City, did not have adequate audit support for certain amounts or adequate supervisory reviews.
- **Housing/Loan receivables:** The City did not properly track and review the forgivable and non-forgivable loans receivable within the Housing Fund (a non-major governmental fund). The supervisory reviews of the balances were not performed timely during the closing process in order to ensure appropriate recording as of September 30, 2013.
- **Discrete component units:** The City did not correctly apply the concepts in generally accepted accounting principles as it relates to two component units: Austin Bergstrom Landhost Enterprise Inc. and Austin Convention Center Enterprises. These component units should have been recorded as discrete component units in the City’s Statement of Net Position and Statement of Changes in Net Position since inception (FY 1999 for Austin Bergstrom Landhost Enterprise Inc., and FY 2000 for Austin Convention Center Enterprises). The City did not reach the correct conclusion on the characterization of these entities at their inception. A review was not performed since this time.

**Effect** — Material misstatements in the financial statements can result from a lack of proper reviews or unclear accounting procedures.

**Recommendation** — Develop a better procedure for ensuring that cash flows are prepared consistently for all enterprise funds and that there is clear supporting documentation for reported amounts. Implement a procedure to better track housing loan activity during the year and reconcile loan balances to underlying records in a timely manner throughout the year. Further, ensure that a comprehensive review of all potential component units is performed each year.

**Status — Statement of Cash Flows — Controller’s Office:** Implemented. The Controller’s Office enhanced the format of the working papers used to create cash flow statements, including requiring adequate supporting documentation for all amounts included in the work papers and additional check figures to aid in ensuring accuracy of amounts provided in the statements. The Controller’s Office also enhanced reviews performed by management, including ensuring appropriate levels of timely management review and requiring adequate supporting documentation from staff.

**Status — Housing/Loan receivables — Neighborhood Housing and Community Development:**

Underway. A new method of recording notes receivable was established last year, and we are currently preparing monthly reconciliations between the balances shown in accounting general ledger and the account receivable subsidiary ledger.

**Status — Discrete Component Units — Controller’s Office:** Implemented. The Controller’s Office sent out a survey to all departments requesting information on new potential component units (PCU). The City reviewed and analyzed the information to determine the appropriate designation of each of the entities identified by the departments.

**Finding 2013-002: Significant Deficiency — Accounting and Financial Reporting for Construction in Progress**

**Criteria** — The City has a high volume of construction in progress (CIP) in various funds that are monitored, reconciled, and accounted for during the year and as of year-end. This process requires coordination with multiple departments and personnel within the City throughout the year. Specifically, there should be a focus on ongoing communication between project managers and accountants to ensure that budgets are updated, project manager notes are current, completed projects are transferred appropriately to the proper asset category, and non-capitalizable expenses are removed from CIP in a timely manner.

**Condition and Cause** — During the 2013 audit, construction in progress balances contained errors related to inappropriate accounting for construction projects within the Governmental Activities group when those assets were properly recorded in the Austin Water fund; assets were recorded by the City when the assets were actually state assets; completed projects were not properly depreciated in Governmental Activities and Austin Water. A similar issue within Austin Water was noted in 2012 and a more thorough review of the construction in progress accounts within all funds should have been performed in 2013.

**Effect** — Material misstatements in the financial statements can result from a lack of proper reviews.

**Recommendation** — Implement policies and procedures to ensure that material construction projects are reviewed by the appropriate project manager and accounting.

**Status — Controller’s Office:** Implemented. The Controller’s Office designed and began to implement new procedures in FY 2013 and fully implemented them in FY 2014. This involved making sure that guidelines for capitalizing projects were clear to Asset Accounting staff and a thorough supervisor/manager review of staff determinations of project completeness is completed at least annually. Additional improvements were made to the processes used to develop and review the supporting schedules that are used to determine the appropriate accounting treatment for each project. In addition, improvements were made to communications processes between the Controller’s Office and departments to ensure appropriate accounting for construction in progress in FY 2014. These processes are continuing to be refined and improved upon to ensure enough time is devoted to reviewing each project in order to determine the correct period in which to capitalize.

**Finding 2013-003: Significant Deficiency — Preparation of the Schedule of Expenditures of Federal and State Awards**

**Criteria** — In accordance with OMB Circular A-133 and the State of Texas Uniform Grant Management Standards, management is responsible for the preparation of the Schedule of Expenditures of Federal and State Awards (“Schedule”). This includes identifying all expenditures by grant for any given fiscal year.

**Condition and Cause** — During the 2013 audit, expenditures related to funding for a federal highway grant were reflected in the 2013 Schedule that related to expenditures in prior years. This did not impact the major

programs selected in 2012 or 2013 as the highway program was selected for testing in both years. This error resulted when the respective department failed to identify and record expenditures as grant-funded in a timely manner and failed to communicate the expenditures to the Controller's Office for proper reporting in the Schedule.

**Effect** — Federal and state programs may be inaccurately reported in the Schedule. This could impact the assessment of major programs in any given year.

**Recommendation** — Continue to work with departments through various means (communications, training and policy revisions) to ensure that accurate data related to grants is communicated to the Controller's Office on a timely basis.

**Status — Parks and Recreation Department:** The PARD Accountant and Grants Coordinator complete quarterly reviews of all grants and meet bi-weekly to review status of incurred and planned grant expenditures. These Quarterly Reconciliations are provided to the Controller's Office. The Grants Coordinator ensures that all expenses have been reported to the Grantor and the PARD Accountant ensures that all grant expenses have been recorded properly.

**Status — Public Works Department:** The City of Austin's Public Works Department hired a Financial Specialist in April 2014, and tasked this position with ensuring that all 20.205 grant expenditures are accurately reported within the timeline specified in each Advanced Funding Agreement. Since his arrival, this Financial Specialist has arranged all 20.205 grants on a quarterly reporting schedule (with Q4 split to address TXDoT's and CoA's fiscal year differential). All PWD 20.205 grants have been brought up to date, and are consistently being reported with 30 days of month end close (on a quarterly basis).

**Status — Controller's Office:** Underway. The Controller's Office sent out reminders to departments in quarter 2, 3 and 4 reminding them to record and reconcile their grant funds, and to send their reconciliation to the Controller's Office for review. At year end, after departments reviewed the SEFA/SESA, a confirmation letter was signed by their department director confirming the numbers. In addition, the Controller's Office hosted 2 mandatory training sessions to review department and Controller's Office responsibilities and general grant requirements. The Controller's Office will continue to look for ways to assist departments to ensure proper recording of grant expenses.

#### **Finding 2013-04: Community Services Block Grant (CSBG) CFDA 93.569 — Department of Health and Human Services, passed through the Texas Department of Housing and Community Affairs**

##### **Eligibility — Significant Deficiency in Controls over Compliance and Noncompliance**

*Criteria* — Services are provided to low income individuals and families. Low income is defined by the official poverty line as established by the Secretary of Health and Human Services and is used as a criterion of eligibility of the CSBG program. Program managers must determine eligibility based on information provided in intake files and compare to federally defined income criteria.

*Condition and Cause* — As a result of insufficient training of personnel performing eligibility determination and/or insufficient review of intake information, services were provided to an individual for whom income verification was not appropriately calculated.

In one instance of 60 selected for testing, the "declaration of income" form was utilized inappropriately, and incorrectly determined the individual as eligible to receive services. In a separate eligibility case, there was a discrepancy between documentation provided by client on the declaration of income form compared with

what the supporting documentation from the Texas Workforce Commission letter documented. In this instance, the CSBG caseworker did not independently verify eligibility information; however, there was no issue with eligibility qualification of the client. Additionally, we noted that as a control procedure, the City performs a self-review of the files for eligibility determination subsequent to intake procedures. In one of 60 selections tested, we did not note evidence of a review by a supervisor.

*Perspective* — Two of sixty intake files selected for testing did not have appropriate procedures performed in order to accurately determine whether the individual met income eligibility guidelines, one of which the individual should have been deemed ineligible. Similar control deficiencies related to eligibility controls and determinations were also reported by the external auditors in prior years. Further, another intake file did not have an appropriate supervisor sign off in regards to the internal peer review.

*Questioned Costs* — Not determinable; services provided were non-cash

*Effect* — Services were provided to ineligible recipients.

*Recommendation* — Implement policies and procedures that ensure personnel performing initial intake procedures understand and are properly trained on eligibility requirements. Enhance review procedures and require follow up in a timely manner to minimize providing goods and services to ineligible persons.

*Status* — Health and Human Services Department: Health and Human Services completed two bi-annual staff trainings in FY14 focused on income eligibility and documentation and the peer review procedure in response to the FY13 finding. These trainings were held on January 23, 2014 and June 25-26, 2014. Individual performance issues are being addressed with staff. Performance review standards were updated to strengthen language and ensure staff accountability in serving only eligible persons with grant funded services. These changes were implemented with the FY15 Success Strategy Performance Reviews which began October 1, 2014.

**Finding 2013-05: Highway Planning and Construction CFDA 20.205 — Department of Transportation, Federal Highway Administration, passed through Texas State Highways and Public Transportation Department; ARRA Energy Efficiency & Conservation CFDA 81.128 — Department of Energy; IH 35 Feasibility Study — Texas Department of Transportation; Urban Outdoor-Gus Garcia — Texas Parks and Wildlife Department**

**Reporting — Significant Deficiency in Controls over Compliance and Noncompliance**

*Criteria* — Accurate reports are due no later than the date set forth by the grantor or in the legislative standards and should include the appropriate date ranges and within the proper frequency (ie. every 60 or 90 days) as specified in the grant agreement.

*Condition and Cause* — There were certain expenditures reported within the fiscal year 2013 Schedule of Expenditures of Federal Awards and the 2013 Schedule of Expenditures of State Awards that relate to prior year expenditures. Expenditures were not reported to the applicable grantor timely due to inclusion in the wrong reporting period or failure to submit reports according to the proper frequency per the grant agreement within the following grant programs: Highway, IH-35, and Urban Outdoor. Such expenditures were expended within the grant period (still available), but were not reported to the grantor in the appropriate fiscal year and were not recorded within the appropriate report as submitted to the grantor.

*Perspective* — Highway — The North and South Walnut Creek Project expenditures that related to prior fiscal years were self-reported to the grantor by the City of Austin. Of the remaining programs, during testing,

11 of 26 cost selections totaling \$1,737,434 were recorded within the incorrect period. For all these expenditures, these costs were not reported timely to the grantor.

*IH-35* — 1 of 5 cost selections were recorded within the incorrect period totaling \$47,526; therefore, these costs were not reported timely to the grantor.

*Urban Outdoor* — 4 of 40 cost selections were recorded within the incorrect period totaling \$40,698; therefore, these costs were not reported timely to the grantor.

*Questioned Costs* — None

*Effect* — Grantor cannot monitor grantee expenditures on a timely basis.

*Recommendation* — Implement policies and procedures to monitor and prepare for reporting deadlines as they approach and implement review and approval procedures to ensure that reports are submitted and approved in a timely manner. Continue to work with departments through various means (communications, training and policy revisions) to ensure that accurate data related to grants is communicated to the Controller's Office on a timely basis.

*Status* — Public Works Department: The City of Austin's Public Works Department hired a Financial Specialist in April 2014, and tasked this position with ensuring and maintaining departmental compliance with the Advanced Funding Agreements of all 20.205 grants. Since his arrival, this Financial Specialist has systematized the grant reporting and request for reimbursement (RFR) processes. He has also developed a grants manual, a document generator, and an improved filing system to ensure that this deficiency is mitigated on a long-term basis. All PWD 20.205 grants have been brought up to date, and are consistently being reported within 30 days of month end close (on a quarterly basis).

*Status* — Parks and Recreation: The Austin Parks and Recreation Department (PARC) implemented quarterly review meetings beginning the 4<sup>th</sup> quarter of FY2014. Meeting participants include, PARC Grants Coordinator, PARC Accounting, PARC Project Management, the Public Works Department Project Management and Contract Management Department Staff. Copy of FY2014, 4<sup>th</sup> Quarter — Southern Walnut Creek Trail Compliance Review Agenda, notes and attendee signatures is provided.

### **Finding 2013-06: Highway Planning and Construction CFDA 20.205 — Department of Transportation, Federal Highway Administration, passed through Texas State Highways and Public Transportation Department**

#### **Davis-Bacon — Material Weakness in Controls over Compliance and Material Noncompliance**

*Criteria* — Federal Department of Labor regulations require state and local governments to monitor the prevailing wage rates paid by contractors to laborers on contracts funded with federal awards.

*Condition and Cause* — During our testing of the North and South Walnut Creek projects, which are managed by the Parks and Recreation Department, we noted the following control exceptions related to Davis-Bacon monitoring:

- 1) Two contractors failed to submit weekly timesheet certifications for the weeks in which services were provided during fiscal year 2013.
- 2) Such timesheets were obtained from the contractors upon request, subsequent to year-end; however, the entity representative for one of the contractors did not sign or date the weekly timesheet certification.

For other Highway projects, managed by the Public Works department, we noted the following exceptions:

- 1) The contract for one vendor was not identified as being subject to Davis-Bacon compliance requirements, and was not monitored for Davis-Bacon purposes.
- 2) There was a vendor that was monitored for Davis-Bacon compliance during FY 2012, but had FY 2013 expenditures in which no Davis-Bacon certifications were obtained during FY 2013.

*Perspective* — For the North and South Walnut Creek projects (items 1 and 2 above), six of forty selections of Davis-Bacon weekly payroll certifications were not accurately tracked and received by the department for the FY 2013 work completed. Further, upon request of the missing certifications during the audit, for one of the weekly payroll certifications received, the department did not have controls in place to ensure the contractor representative signed the certification submitted. The lack of monitoring to ensure accurate and complete submission of weekly timesheet certifications appears to be a controls and compliance issue.

Exceptions related to other Highway projects (items 3 and 4 above) were found in two of the five vendors we tested for Davis-Bacon compliance at the Public Works Department.

*Questioned Costs* — None

*Effect* — Failure to obtain and/or monitor certified payrolls provided by the primary and any sub-contractors for compliance with the Davis-Bacon Act is a violation of the Department of Labor regulations and may impact future grant funding.

*Recommendation* — Implement policies and procedures to appropriately monitor Davis-Bacon compliance in all federally-funded construction contracts on an ongoing basis for appropriate certified payrolls from any contractors prior to payment when practicable or as soon as possible thereafter.

*Status* — Parks and Recreation: For Construction contracts that are grant funded, the Contract Management Department (CMD) performs tasks related to overseeing the solicitation process, and executing contracts and related change orders, and responsible for monitoring and ensuring compliance with Davis Bacon requirements. During the quarterly review meetings previously mentioned, the Parks and Recreation Department received assurance from CMD staff that they are monitoring and ensuring compliance with Davis Bacon requirements.

*Status* — Austin Transportation: Started July 1, 2014, Austin Transportation Department has shifted its contractual agreements to the Contract Management Department (CMD) due to their expertise in wage compliance and their significant experience with Davis-Bacon compliance provisions. CMD staff now receives certified payroll reports directly from sub-contractors before paying them with federal funding sources.

## **Finding 2013-07: Community Development Block Grant (CDBG) CFDA 14.218 — Department of Housing and Urban Development**

### **Subrecipient Monitoring — Significant Deficiency in Controls over Compliance and Noncompliance**

*Criteria* — In accordance with OMB Circular A-133, as a part of subrecipient monitoring, pass-through grantors must ensure the required audits are performed for those subrecipients that require a single audit, as well as identify to the subrecipient at the time of the subaward the Federal award information (i.e. CFDA title and number).

*Condition and Cause* — During our test of the Neighborhood Housing and Community Development department’s (NHCD) monitoring of subrecipients, we noted the following exceptions:

- 1) Audited financial statements were not obtained for one of the subrecipients
- 2) One of the subrecipient agreements did not include sufficient federal grant information (grant name and CFDA number)

Key department personnel were not aware of such monitoring requirements and therefore did not sufficiently implement controls to monitor contracts and reports of City subrecipients.

*Perspective* — NHCD personnel did not obtain audited financial statements from one of four subrecipients selected for testing.

One of the four subrecipient agreements selected for testing did not contain the grant title, CFDA number, and CFDA title.

*Questioned Costs* — None.

*Effect* — Failure to monitor all subrecipients and the related compliance requirements could result in unremediated findings that ultimately affect the City grant funding.

*Recommendation* — Implement policies and procedures to ensure staff responsible for compliance with grant requirements, including subrecipient monitoring, are sufficiently trained and knowledgeable. Ensure that controls are designed and implemented to include required grant information in all contracts with subrecipients and include reference to the grant’s title and CFDA number.

*Status* — Neighborhood Housing and Community Development (NHCD): NHCD certified that the subrecipient mentioned in the finding already has a single audit performed in accordance with OMB Circular A-133. During fiscal year 2013-14, the City included the grant name and CFDA number for CDBG on each executed contract. NHCD scheduled mandatory training on Standard Operating Procedures on August 27, 2014, for applicable employees responsible for contract administration.

## **Finding 2013-08: Community Development Block Grant (CDBG) CFDA 14.218 — Department of Housing and Urban Development**

### **Allowable Costs & Cost Principles — Deficiency in Controls over Compliance and Noncompliance**

*Criteria* — In accordance with OMB Circular A-87 Cost Principles for State, Local, and Indian Tribal Governments, included within the allowable cost criteria, among other items, are the requirements that the entity’s costs are allocable to a particular cost objective and properly classified and recorded, as well as applied uniformly to federal and non-federal activities.

*Condition and Cause* — The City of Austin’s Neighborhood Housing and Community Development department (NHCD) allocates rent expense on a monthly basis to each of its programs, both grant and non-grant related, based on Full-Time Equivalents (FTEs). During the last month of the year, NHCD departed from this methodology and allocated \$45,667 additional in rent expense to the CDBG program in order to maximize the 20 percent “planning and administration” expenses allowable under the CDBG program. This additional space was not utilized by CDBG grant personnel or programs. Although rent expense is an allowable type of expense, the non-uniform application of this indirect cost to the CDBG program is not in accordance with cost principles.

*Perspective* — For one of the twenty-five allowable cost selected for testing, NHCD did not follow appropriate procedures in accordance with Circular A-87.

*Questioned Costs* — \$45,667, calculated as the additional rent charged to the CDBG grant for space not utilized by the grant.

*Effect* — Improper costs are not reimbursed by the grantor.

*Recommendation* — Implement policies and procedures to ensure and verify that expenditures charged to federal grants are properly supported by actual costs and charged to the appropriate cost objectives in accordance with grant agreements.

*Status* — Neighborhood Housing and Community Development (NHCD): Unspent CDBG Administrative funds may be available at year-end due to vacancy savings as a result of personnel turnover, CDBG administrative personnel charging time to other grants, and/or increases in entitlement funding. These funds can be used for CDBG rent and utilities since they are allowable administrative costs. NHCD has updated the “Rent Worksheet” used to complete the rent calculation. The new methodology substantiates costs as allowable as noted in the audit finding.

**Finding 2013-09: ARRA Capitalization Grants for Clean Water (CFDA 66.458) — Environmental Protection Agency, passed through the Texas Water Development Board; ARRA Justice Assistance Program Cluster (JAG) (CFDA 16.804) — Department of Justice; IH 35 Feasibility Study — Texas Department of Transportation**

**Reporting — Deficiency in Controls over Compliance and Noncompliance**

*Criteria* — Reports are due no later than the date set forth by the grantor or in the legislative standards.

- For the ARRA Capitalization Grants for Clean Water (CFDA 66.458), the ARRA Subrecipient Monthly Report-Use of Funds and Jobs Report, Davis-Bacon Certification, and Buy American Certification (“Subrecipient Monthly Report”) is due by the second working day of the subsequent month.
- For the ARRA Byrne Justice Assistance Grant (CFDA 16.804), which is a part of JAG, the quarterly federal financial report is due 30 days after the reporting period end date, and the final federal financial report is due 90 days after the reporting period end date.
- For the IH 35 Feasibility Study (state award), the request for reimbursement is due no more than 90 days after costs are incurred.

*Condition and Cause* —

Grant	Report	Due Date	Date Submitted
ARRA Capitalization Grants for Clean Water (CFDA 66.458)	ARRA Subrecipient Monthly Report	July 2, 2013	July 8, 2013
ARRA Byrne Justice Assistance Grant (CFDA 16.804)	JAG quarterly federal financial report	July 30, 2013	September 6, 2013

Grant	Report	Due Date	Date Submitted
ARRA Byrne Justice Assistance Grant (CFDA 16.804)	JAG final federal financial report	December 29, 2013	January 22, 2014

*Perspective* —

- TWDB — One of two monthly reports selected for testing was submitted after the due date.
- JAG — Two of seven reports selected for testing were submitted after the due date.
- IH 35 — One of three reimbursement reports selected for testing had expenditures submitted after the due date. The expenditures were within the period of availability.

*Questioned Costs* — None

*Effect* — Grantor cannot monitor grantee expenditures on a timely basis.

*Recommendation* — Implement policies and procedures to prepare for reporting deadlines as they approach and implement review and approval procedures to ensure that reports are submitted and approved in a timely manner.

*Status* — Austin Water Utility: AWU will write a Standard Operating Procedure (SOP) on grant reporting that will define segregation of duties between (a) performance/preparation, (b) review and approval by a supervisor, and (c) on-going monitoring by Financial Management with assistance from AWU Internal Audit.

Austin Water’s Internal Audit Division completed a Davis-Bacon Compliance Audit as part of the fiscal year 2015 Audit Plan. Results of the audit noted opportunities for improvement that will be added to the draft Grant SOP which will address grant roles and responsibilities; compliance with federal, state, and grantor-specific requirements; and other processes that will help improve grant oversight. Estimated completion for additions to the SOP with review by AWU’s Internal Audit Division and approval by the Executive Team is December 31, 2015.

*Status* — Austin Police Department: The department has filled all vacant Financial Consultant positions and has implemented a system for monitoring the reporting deadlines as outlined in the recommendation. A spreadsheet has been created that includes all active grants, the reporting dates for each grant, the employee responsible for the reporting, the date filed and who filed the report. This report is monitored by the Financial Manager with a monthly follow up report to the Chief Financial Manager. Quarterly reports have been submitted to the Controller’s Office beginning May 2014 and will continue to be submitted.

*Status* — Austin Transportation: Since October 1, 2014, Austin Transportation Department has implemented new grant procedures used for the implementation of reporting and requesting reimbursement from TxDOT within 90 days of invoice payment date.