

City of Austin, Texas

Financial Statements as of and for the
Year Ended September 30, 2012,
Single Audit Report for the
Year Ended September 30, 2012,
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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Austin, Texas (the "City"), as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the respective financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal controls over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the respective financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 29, 2013, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that 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 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 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.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules and supplemental schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling certain information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules and supplemental schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133 and the State of Texas Uniform Grant Management Standards and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and directly relates 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 financial statements or to the 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 and state awards is fairly stated, in all material respects, in relation to the financial statements as a whole.

Deloitte & Touche LLP

March 29, 2013

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, 2012.

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. 59 and No. 64.

FINANCIAL HIGHLIGHTS

Government-wide financial statements

The assets of the City exceeded its liabilities at the end of the fiscal year 2012, resulting in \$4.5 billion of net assets. Net assets associated with governmental activities are approximately \$1.4 billion, or 32% of the total net assets of the City. Net assets associated with business-type activities are approximately \$3.1 billion, or 68% of the total net assets of the City. The largest portion of net assets consists of investment in capital assets, net of related debt, which is \$3.7 billion, or 83% of total net assets.

Unrestricted net assets, which may be used to meet the City's future obligations, are \$58.6 million, or 1.3% of the City's total net assets. Unrestricted net assets for governmental activities are a deficit of \$334.3 million, while unrestricted net assets for business-type activities are approximately \$392.9 million, or 12.9% of total business-type net assets. The deficit in governmental unrestricted net assets is largely due to the recognition of \$301.1 million in other post employment benefit liabilities for governmental activities.

During fiscal year 2012, total net assets for the City of Austin decreased \$61.3 million or 1.4%. Of this amount, governmental activities decreased \$75.3 million, or 5.1% from the previous year and business-type activities increased \$14 million, or 0.5% from the previous year.

Total revenues for the City decreased \$17.9 million; revenues for governmental activities increased \$28.1 million; revenues for business-type activities decreased \$46 million. Total expenses for the City increased \$108.8 million; expenses for governmental activities increased \$42 million; expenses for business-type activities increased \$66.9 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 Assets** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Austin is improving or deteriorating.
- The **Statement of Activities** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues for uncollected taxes and expenses for future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

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

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

b -- Fund financial statements

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

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

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 EnergyTM, 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 project funds	Governmental	Governmental - Nonmajor
Permanent funds	Governmental	Governmental - Nonmajor
Internal service funds	Governmental	Proprietary
Governmental capital assets, including infrastructure assets	Governmental	Excluded
Governmental liabilities not expected to be liquidated with available expendable financial resources	Governmental	Excluded
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

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 four 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 assets

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

Condensed Statement of Net Assets						
as of September 30						
(in thousands)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Current assets	\$ 610,999	573,550	1,154,653	1,105,313	1,765,652	1,678,863
Capital assets	2,484,175	2,423,967	6,942,717	6,748,854	9,426,892	9,172,821
Other noncurrent assets	16,511	15,022	907,357	941,962	923,868	956,984
Total assets	<u>3,111,685</u>	<u>3,012,539</u>	<u>9,004,727</u>	<u>8,796,129</u>	<u>12,116,412</u>	<u>11,808,668</u>
Deferred outflows of resources	--	--	178,918	186,369	178,918	186,369
Current liabilities	273,024	246,696	537,372	519,251	810,396	765,947
Noncurrent liabilities	1,423,424	1,275,299	5,585,886	5,418,451	7,009,310	6,693,750
Total liabilities	<u>1,696,448</u>	<u>1,521,995</u>	<u>6,123,258</u>	<u>5,937,702</u>	<u>7,819,706</u>	<u>7,459,697</u>
Deferred inflows of resources	--	--	8,645	7,076	8,645	7,076
Net assets:						
Invested in capital assets, net of related debt	1,666,653	1,562,046	2,104,623	2,048,964	3,771,276	3,611,010
Restricted	82,916	92,650	554,215	550,516	637,131	643,166
Unrestricted (deficit)	(334,332)	(164,152)	392,904	438,240	58,572	274,088
Total net assets	<u>\$ 1,415,237</u>	<u>1,490,544</u>	<u>3,051,742</u>	<u>3,037,720</u>	<u>4,466,979</u>	<u>4,528,264</u>

In the current fiscal year, total assets increased \$307.7 million and deferred outflows of the City decreased by \$7.5 million. Total liabilities increased \$360 million and deferred inflows increased by \$1.6 million. Governmental-type total assets increased by \$99.1 million and business-type increased by \$208.6 million, while governmental-type liabilities increased by \$174.5 million and business-type increased by \$185.6 million.

Significant factors in the increase of governmental total assets include an increase in cash and investments of \$37.33 million and an increase in capital assets of \$60.2 million. Factors in the increase of governmental-type liabilities include increases in the pension obligation payable of \$6.2 million, other post employment benefits of \$67.1 million, and bonds payable of \$79.7 million.

Significant factors in the increase of business-type total assets include an increase in capital assets of \$193.9 million. Significant factors in the increase in total liabilities include an increase in other post employment benefits payable of \$42.8 million and an increase of bonds payable of \$250 million. Other significant factors include a decrease in commercial paper notes payable of \$54.8 million, a decrease in revenue notes payable of \$28 million, a decrease in accrued interest payable of \$18 million, and a decrease in capital appreciation bond interest payable of \$15 million.

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by \$4.5 billion at the end of the current fiscal year. However, the largest portion of the City's net assets are invested in capital assets, net of related debt (e.g. land, building, and equipment), which are \$3.6 billion, or 84% of the total amount of the City's net assets. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, \$637.1 million of the City's net assets, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance, \$58.6 million of unrestricted net assets, may be used to meet the government's future obligations. Unrestricted net assets decreased \$215.5 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 assets for the government as a whole, as well as for business-type activities. However, governmental activities report a deficit of \$334.3 million for unrestricted net assets.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

b -- Changes in net assets

Total net assets of the City decreased by \$61.3 million in the current fiscal year. Governmental net assets decreased by \$75.3 million. The decrease is attributable to expenses exceeding revenues by \$176.8 million before transfers from other funds of \$101.5 million. Business-type net assets increased by \$14 million due to revenues exceeding expenses by \$115.5 million, before transfers to other funds of \$101.5 million.

Changes in Net Assets						
September 30						
(in thousands)						
	Governmental		Business-Type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Program revenues:						
Charges for services	\$ 113,747	101,735	1,960,312	2,019,742	2,074,059	2,121,477
Operating grants and contributions	57,818	66,348	10,950	--	68,768	66,348
Capital grants and contributions	35,880	51,182	50,064	47,850	85,944	99,032
General revenues:						
Property tax	381,582	355,185	--	--	381,582	355,185
Sales tax	164,193	151,125	--	--	164,193	151,125
Franchise fees and gross receipts tax	99,011	95,029	--	--	99,011	95,029
Interest and other	15,884	19,364	11,529	11,274	27,413	30,638
Total revenues	<u>868,115</u>	<u>839,968</u>	<u>2,032,855</u>	<u>2,078,866</u>	<u>2,900,970</u>	<u>2,918,834</u>
Program expenses:						
General government	124,735	99,780	--	--	124,735	99,780
Public safety	536,132	485,611	--	--	536,132	485,611
Transportation, planning, and sustainability	64,247	74,835	--	--	64,247	74,835
Public health	75,799	61,865	--	--	75,799	61,865
Public recreation and culture	104,026	106,488	--	--	104,026	106,488
Urban growth management	93,593	129,258	--	--	93,593	129,258
Interest on debt	46,417	45,154	--	--	46,417	45,154
Electric	--	--	1,133,951	1,136,850	1,133,951	1,136,850
Water	--	--	223,228	178,712	223,228	178,712
Wastewater	--	--	194,650	170,514	194,650	170,514
Airport	--	--	101,991	102,774	101,991	102,774
Convention	--	--	56,142	54,231	56,142	54,231
Environmental and health services	--	--	87,450	91,151	87,450	91,151
Public recreation	--	--	5,624	5,209	5,624	5,209
Urban growth management	--	--	114,270	110,996	114,270	110,996
Total expenses	<u>1,044,949</u>	<u>1,002,991</u>	<u>1,917,306</u>	<u>1,850,437</u>	<u>2,962,255</u>	<u>2,853,428</u>
Excess (deficiency) before transfers	(176,834)	(163,023)	115,549	228,429	(61,285)	65,406
Transfers	101,527	97,100	(101,527)	(97,100)	--	--
Increase (decrease) in net assets	<u>(75,307)</u>	<u>(65,923)</u>	<u>14,022</u>	<u>131,329</u>	<u>(61,285)</u>	<u>65,406</u>
Beginning net assets, as previously reported	1,490,544	1,558,548	3,037,720	2,904,310	4,528,264	4,462,858
Restatement adjustment	--	(2,081)	--	2,081	--	--
Beginning net assets, as restated	<u>1,490,544</u>	<u>1,556,467</u>	<u>3,037,720</u>	<u>2,906,391</u>	<u>4,528,264</u>	<u>4,462,858</u>
Ending net assets	<u>\$ 1,415,237</u>	<u>1,490,544</u>	<u>3,051,742</u>	<u>3,037,720</u>	<u>4,466,979</u>	<u>4,528,264</u>

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

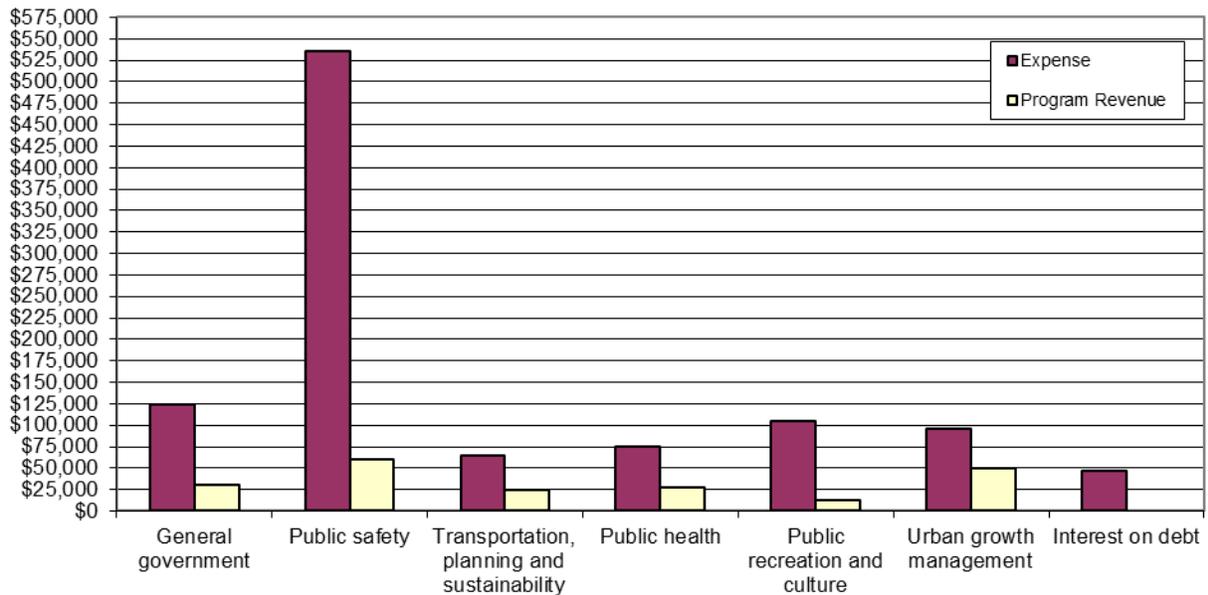
c -- Program revenues and expenses -- governmental activities

Governmental activities decreased the City's net assets by \$75.3 million in fiscal year 2012, a 5.1% decrease of governmental net assets from the previous year. Key factors for the change from fiscal year 2011 to 2012 are as follows:

- The City's property tax revenue increased by \$26.4 million from the previous year as a result of an increase in assessed property values and an increase in the City's tax rate from 45.71 cents to 48.11 per \$100 valuation.
- Sales tax collections for fiscal year 2012 were \$13.1 million more than fiscal year 2011.
- General government expenses increased \$25 million primarily due to increases in other post employment benefits expenses and increases to payments to internal service funds for services provided. Public safety expenses increased \$50.5 million primarily due to increase in salaries and urban growth management expenses decreased \$35.7 million primarily due to reduced expenditures in the affordable housing program.

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.

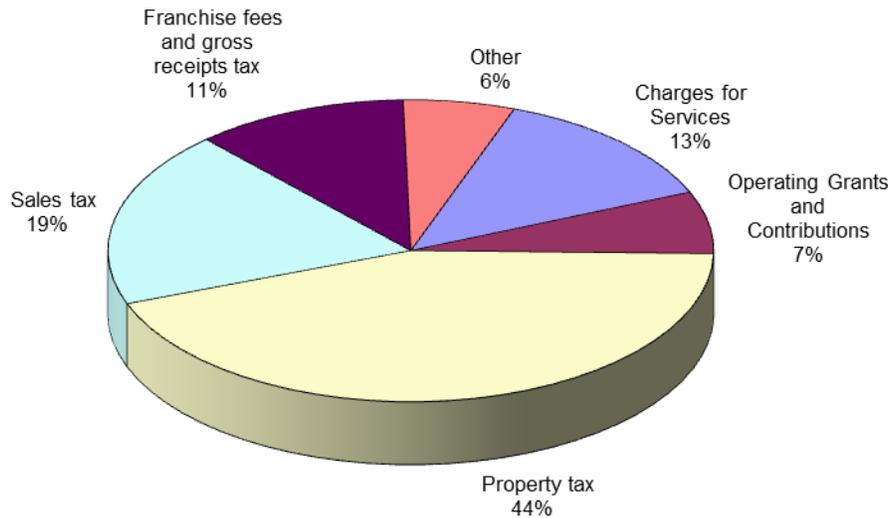
**Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)**



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

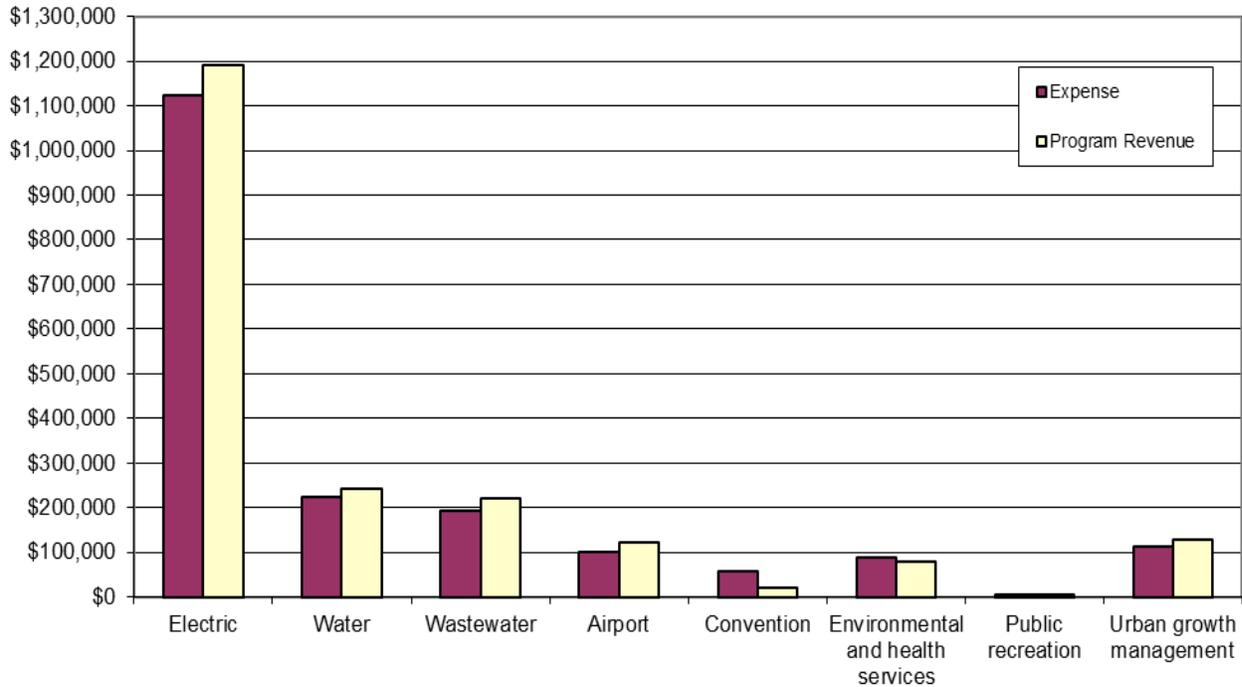
Business-type activities increase the City's net assets by approximately \$14 million, accounting for a 0.31% increase in the City's total net assets. Key factors include:

- Austin Energy net assets decreased approximately \$ 27.9 million. Revenues decreased by approximately 4.6% in fiscal year 2012. This was largely due to lower electric sales (base) due to milder temperatures and lower power supply revenue. Expenses decreased by 0.3% primarily due to lower power supply costs.
- Austin Water Utility net assets increased approximately \$14.7 million. Revenues decreased 1.7% due in part to conservation efforts, watering restrictions, and changes in rainfall. Expenses increased by 19.66% due largely to increases in energy, street cut repair, and personnel costs.
- Airport net assets increased approximately \$16.1 million. Revenues increased 10.3% due to an increase in passenger traffic. Expenses remained relatively constant.
- Convention net assets increased approximately \$4.1 million. Revenues and transfers from the Hotel Occupancy Tax Fund increased 7% due in part to an increase in events. Expenses increased 3.5% due to increases in operations and maintenance costs.
- Environmental activities are comprised of the Austin Resource Recovery nonmajor enterprise fund. Net assets decreased by approximately \$8.8 million. This decrease is primarily attributed to an increase in the accrual of environmental remediation costs during the year.
- Urban growth management activities are comprised of nonmajor enterprise funds that include the Drainage Fund and Transportation Fund. Net assets increased by approximately \$16.2 million. Drainage revenues decreased 2.6% due primarily to lower capital grant revenue. Drainage expenses decreased 4.1% due primarily to fewer assets retirements than prior year. Transportation Fund revenues increased approximately 12.6% primarily due to increased license and permit fees and increased parking meter and pay station revenues.

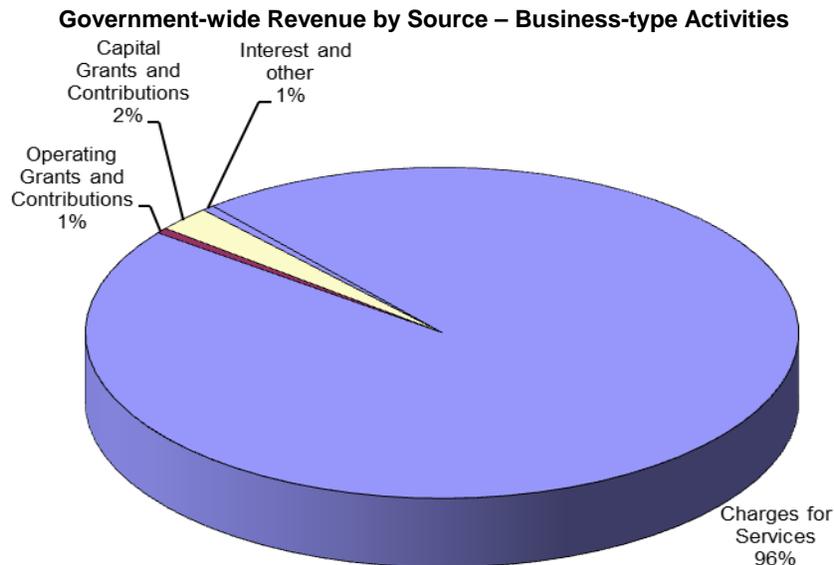
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

As shown in the following chart, the electric utility, with expenses of \$1.13 billion is the City's largest business-type activity, followed by water with \$223 million, wastewater with \$195 million, urban growth management with \$114 million, airport with \$102 million, environmental and health services with \$87 million, convention with \$56 million, and public recreation with \$6 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%), followed by capital grants and contributions (2%), interest and other revenues (1%), and operating grants and contributions (1%).



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 \$370.2 million, an increase of \$0.9 million from the previous year. Approximately \$1.9 million is nonspendable, \$174.8 million is restricted, \$33.1 million is committed, \$85.4 million is assigned, and \$75 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 \$0.9 million, committed fund balance of \$5.2 million, assigned fund balance of \$11 million, and unassigned fund balance of \$113 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 16.2% of total General Fund expenditures of \$696.7 million, and total fund balance represents 18.7% of expenditures. The City's financial policies provide that surplus fund balance be indentified for budget stabilization. This amount is a component of unassigned fund balance. The fund balance indentified for budget stabilization was \$64.3 million. The balance indentified 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 indentified amount, with the other two-thirds indentified for budget stabilization in future years.

The fund balance of the General Fund decreased \$4.1 million during the fiscal year. Significant differences from the previous year include:

- Property tax revenues increased \$26.5 million due to an increase in assessed property values and the City's property tax rate increased from 45.71 cents to 48.11 cents per \$100 valuation.
- Sales tax revenues increased \$13.1 million, and fines, forfeitures, and penalties decreased \$2.3 million.

General Fund expenditures increased \$42.3 million, due primarily to an increase in public safety expenditures of \$29.5 million, an increase in general government of \$5 million, and an increase in urban growth management of \$4.2 million. The increase in public safety, public recreation and culture, and urban growth management expenditures 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 assets of the City's enterprise funds increased by \$8.4 million before consolidation of the internal service funds activities.

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

OTHER INFORMATION

a -- General Fund budgetary highlights

The original revenue budget of the General Fund was amended during the fiscal year 2012 as a result of changes to development fees and charges. The original expenditure budget of the General Fund was amended during fiscal year 2012 to increase social services spending (\$1.1 million) and increase planning and development review services (\$1.1 million).

During the year, revenues were \$15.6 million more than budgeted. Sales tax collections were \$11.5 million more than budgeted.

Actual budget-basis expenditures were \$4.6 million less than budgeted. General city responsibilities exceeded budget by \$0.3 million, public health by \$27 thousand, fire department by \$1.4 million, emergency medical service by \$39 thousand, and public library by \$0.2 million; while all other departments were under budget. The total budget-basis fund balance at year-end was \$121.3 million.

OTHER INFORMATION, continued

b -- Capital assets

The City's capital assets for governmental and business-type activities as of September 30, 2012, total \$9.4 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, equipment, vehicles, electric plant, non-electric plant, infrastructure, construction in progress, nuclear fuel, plant held for future use, and water rights. The total increase in the City's capital assets for the current fiscal year was \$253 million (2.8%), with an increase of 2.5% for governmental activities and an increase of 2.9% for business-type activities. Additional information on capital assets can be found in Note 5. Capital asset balances are as follows:

**Capital Assets, Net of Accumulated Depreciation
(in millions)**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and improvements	\$ 345	344	502	487	847	831
Other assets not depreciated	22	21	2	2	24	23
Building and improvements	508	479	1,109	1,076	1,617	1,555
Plant and Equipment	87	80	2,235	2,096	2,322	2,176
Vehicles	37	39	65	59	102	98
Electric plant	--	--	2,198	2,158	2,198	2,158
Nonelectric plant	--	--	132	124	132	124
Infrastructure	1,322	1,273	--	--	1,322	1,273
Construction in progress	163	188	548	591	711	779
Nuclear fuel, net of amortization	--	--	41	42	41	42
Plant held for future use	--	--	23	26	23	26
Water rights, net of amortization	--	--	87	88	87	88
Total net capital assets	\$ 2,484	2,424	6,942	6,749	9,426	9,173

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

- Governmental capital assets increased \$60 million primarily due to additions of new facilities and improvements to existing facilities. The African American Cultural and Heritage Facility, Mueller EMS Station 333, Zach Theatre, Rio Grande Bicycle Boulevard, Roy C. Guerrero Colorado River Park Development, Waller Creek Boathouse, Colony Park Recreation Center, and Deep Eddy Pool improvements were completed. Significant additions and improvements were also made to facilities, including streetscape, utility, and pedestrian, drainage systems, including Shoal Creek and Waller Creek, and communication equipment.
- Business-type activities purchased or completed construction on capital assets of \$193 million. The increase was largely due to plant additions and improvements and land acquisition for Austin Energy, Austin Water Utility, the Airport Fund, and the Drainage Fund. Austin Energy implemented a new customer billing system and improved other electric plant assets. Austin Water completed projects related to providing water and wastewater services to the Circuit of the Americas motor racing facility, various pump station improvements, provision of services to annexed areas, and the Downtown Wastewater Tunnel. Additionally, upgrades were made to the biosolids management plant. The Airport Fund expanded the Remain Overnight Apron for aircraft and renovated the Ground Transportation Staging Area. The Drainage Fund made improvements to mitigate roadway flooding, repair erosion on City right-of-way, and stabilize Williamson Creek.

OTHER INFORMATION, continued

c -- Debt administration

At the end of the current fiscal year, the City reported \$5.4 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	
	2012	2011	2012	2011	2012	2011
General obligation bonds and other tax supported debt, net	\$ 1,018	938	132	132	1,150	1,070
Commercial paper notes, net	--	--	305	360	305	360
Revenue notes	--	--	--	28	--	28
Revenue bonds, net	--	--	3,945	3,694	3,945	3,694
Capital lease obligations	--	--	1	1	1	1
Total	\$ 1,018	938	4,383	4,215	5,401	5,153

During fiscal year 2012, the City's total outstanding debt increased by \$248 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 \$80 million. The resulting net increase is a combination of the issuance of \$145 million in new debt to be used primarily for street improvements, streets and signals, drainage improvements, and the Waller creek tunnel project offset by the refinancing of existing debt and debt payments during the year.
- Outstanding debt for business-type functions increased by \$168 million. The City issued \$574.4 million of Austin Water Utility separate lien revenue refunding bonds to refund commercial paper, and \$20 million in Convention Center subordinate lien revenue refunding bonds to refund prior lien debt. The City also retired \$28 million of Airport revenue notes.

During the year, utility revenue bonds received favorable bond rating upgrades from Moody's Investors Services, Inc. Convention Center revenue bonds received favorable bond rating upgrades from Standard & Poor's. The City's commercial paper ratings are related to the ratings of the liquidity providers associated with those obligations, and the ratings of the provider of the tax exempt and taxable commercial paper notes were revised by Standard & Poor's from A-1+ to A-1, and by Fitch, Inc. from F1+ to F1. In addition, the rating of the provider of the tax exempt commercial paper notes was revised by Moody's Investors Services, Inc. from P-1 to P-2. All other bond ratings were unchanged. Ratings of the City's obligations for various debt instruments at September 30, 2012 and 2011 are as follows:

Debt	Moody's Investors Services, Inc.		Standard & Poor's		Fitch, Inc.	
	2012	2011	2012	2011	2012	2011
General obligation bonds and other tax supported debt	Aaa	Aaa	AAA	AAA	AAA	AAA
Commercial paper notes - tax exempt	P-2	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	A1	AA	AA	AA-	AA-
Utility revenue bonds - subordinate lien	Aa2	A1	AA	AA	AA-	AA-
Utility revenue bonds - separate lien:						
Austin Energy	A1	A1	A+	A+	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)
Airport variable rate notes	NUR(1)	NUR(1)	NUR(1)	NUR(1)	NUR(1)	NUR(1)
Convention Center revenue bonds	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

As the national economy struggles to emerge from the recession, the local economy continues to gain strength. Austin saw a 4.4 percent sales tax revenue increase in 2011 and a 8.6 percent increase in 2012. Austin's diverse economic base and national reputation as a great place to work and live continues to attract talented individuals and new employment opportunities. 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 green energy, new technology firms, and jobs to Austin.

The City's 2013 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, investment in future economic development, infrastructure needs, and quality of life. These policies are also crucial in maintaining the City's favorable bond ratings. City management 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 5.73% in 2012 for fiscal year 2013. The property tax rate for fiscal year 2013 is 50.29 cents per \$100 valuation, up from 48.11 cents per \$100 valuation in 2012. The tax rate consists of 38.21 cents for the General Fund and 12.08 cents for debt service.

Each 1 cent of the 2012 (Fiscal Year 2013) property tax rate is equivalent to \$8,376,270 of tax levy, as compared to \$7,921,978 in the previous year. In June 2012, the City Council approved a new rate structure for Austin Energy that goes into effect October 2012. This new rate structure will average to a 7% rate increase overall for Austin Energy customers. In Fiscal Year 2013, Austin Water Utility will implement a 5% system average water rate increase including an updated rate structure which will take effect in February 2013.

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.ci.austin.tx.us/financeonline/finance/index.cfm>.



Statement of Net Assets
September 30, 2012
(In thousands)

City of Austin, Texas
Exhibit A-1

	Governmental Activities	Business-type Activities	Total (†)
ASSETS			
Current assets:			
Cash	\$ 71	66	137
Pooled investments and cash	337,756	223,502	561,258
Pooled investments and cash - restricted	127,221	232,488	359,709
Total pooled investments and cash	464,977	455,990	920,967
Investments, at fair value - restricted	15,673	212,796	228,469
Cash held by trustee - restricted	6,636	1,911	8,547
Working capital advances	--	4,231	4,231
Property taxes receivable, net of allowance of \$4,887	10,305	--	10,305
Accounts receivable, net of allowance of \$179,991	91,606	259,618	351,224
Receivables from other governments	16,072	--	16,072
Notes receivable, net of allowance of \$29,839	17,829	--	17,829
Internal balances	(22,257)	22,257	--
Inventories, at cost	2,273	86,966	89,239
Real property held for resale	6,520	--	6,520
Other receivables - restricted	--	3,891	3,891
Deferred costs and expenses, net of amortization	--	54,964	54,964
Prepaid items	263	6,715	6,978
Other assets	1,031	45,248	46,279
Total current assets	610,999	1,154,653	1,765,652
Noncurrent assets:			
Cash - restricted	--	5,250	5,250
Pooled investments and cash - restricted	--	122,739	122,739
Investments, at fair value - restricted	--	199,723	199,723
Investments held by trustee - restricted	--	204,643	204,643
Interest receivable - restricted	--	1,086	1,086
Depreciable capital assets, net of accumulated depreciation	1,953,324	5,867,402	7,820,726
Nondepreciable capital assets	530,851	1,075,315	1,606,166
Derivative instruments - energy risk management	--	8,654	8,654
Net pension asset	7,184	--	7,184
Other long-term assets	--	52	52
Deferred costs and expenses, net of amortization	9,327	365,210	374,537
Total noncurrent assets	2,500,686	7,850,074	10,350,760
Total assets	3,111,685	9,004,727	12,116,412
Deferred outflows of resources	\$ --	178,918	178,918

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

(Continued)

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

Statement of Net Assets
September 30, 2012
(In thousands)

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

	Governmental Activities	Business-type Activities	Total (†)
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 43,864	67,992	111,856
Accounts and retainage payable from restricted assets	10,227	46,108	56,335
Accrued payroll	15,458	8,043	23,501
Accrued compensated absences	50,754	22,829	73,583
Claims payable	16,546	--	16,546
Accrued interest payable from restricted assets	--	76,796	76,796
Interest payable on capital appreciation bonds and other debt	3,842	1,590	5,432
Bonds payable	47,432	14,242	61,674
Bonds payable from restricted assets	15,873	210,148	226,021
Capital lease obligations payable	159	42	201
Customer and escrow deposits payable from restricted assets	49,955	43,505	93,460
Accrued landfill closure and postclosure costs	--	1,119	1,119
Deferred credits and other current liabilities	18,914	38,594	57,508
Other current liabilities payable from restricted assets	--	6,364	6,364
Total current liabilities	273,024	537,372	810,396
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	73,595	429	74,024
Claims payable	17,673	--	17,673
Capital appreciation bond interest payable	--	101,929	101,929
Commercial paper notes payable, net of discount	--	305,026	305,026
Bonds payable, net of discount and inclusive of premium	954,502	3,852,425	4,806,927
Pension obligation payable	68,654	67,601	136,255
Other post employment benefits payable	301,110	191,941	493,051
Capital lease obligations payable	--	1,176	1,176
Accrued landfill closure and postclosure costs	--	10,914	10,914
Decommissioning liability payable from restricted assets	--	171,608	171,608
Derivative instruments - energy risk management	--	79,777	79,777
Derivative instruments - interest rate swaps	--	99,210	99,210
Deferred credits and other liabilities	7,890	699,730	707,620
Other liabilities payable from restricted assets	--	4,120	4,120
Total noncurrent liabilities	1,423,424	5,585,886	7,009,310
Total liabilities	1,696,448	6,123,258	7,819,706
Deferred inflows of resources	--	8,645	8,645
NET ASSETS			
Invested in capital assets, net of related debt	1,666,653	2,104,623	3,771,276
Restricted for:			
Debt service	12,031	131,698	143,729
Strategic reserve	--	116,483	116,483
Capital projects	14,246	199,114	213,360
Renewal and replacement	--	10,895	10,895
Bond reserve	--	46,602	46,602
Passenger facility charges	--	35,663	35,663
Operating reserve	--	13,760	13,760
Perpetual care:			
Expendable	381	--	381
Nonexpendable	1,040	--	1,040
Other purposes	55,218	--	55,218
Unrestricted (deficit)	(334,332)	392,904	58,572
Total net assets	\$ 1,415,237	3,051,742	4,466,979

(†) 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, 2012
(In thousands)

City of Austin, Texas
Exhibit A-2

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
General government	\$ 124,735	17,285	5,685	8,209	(93,556)	--	(93,556)
Public safety	536,132	51,009	8,988	--	(476,135)	--	(476,135)
Transportation, planning, and sustainability	64,247	4,158	929	19,855	(39,305)	--	(39,305)
Public health	75,799	5,106	23,016	--	(47,677)	--	(47,677)
Public recreation and culture	104,026	7,576	984	4,585	(90,881)	--	(90,881)
Urban growth management	93,593	28,613	18,216	3,231	(43,533)	--	(43,533)
Interest on debt	46,417	--	--	--	(46,417)	--	(46,417)
Total governmental activities	<u>1,044,949</u>	<u>113,747</u>	<u>57,818</u>	<u>35,880</u>	<u>(837,504)</u>	<u>--</u>	<u>(837,504)</u>
Business-type activities							
Electric	1,133,951	1,179,872	9,490	12,360	--	67,771	67,771
Water	223,228	229,454	--	11,751	--	17,977	17,977
Wastewater	194,650	213,253	--	8,308	--	26,911	26,911
Airport	101,991	114,318	694	9,030	--	22,051	22,051
Convention	56,142	19,200	--	34	--	(36,908)	(36,908)
Environmental and health services	87,450	75,499	--	3,195	--	(8,756)	(8,756)
Public recreation	5,624	5,239	--	165	--	(220)	(220)
Urban growth management	114,270	123,477	766	5,221	--	15,194	15,194
Total business-type activities	<u>1,917,306</u>	<u>1,960,312</u>	<u>10,950</u>	<u>50,064</u>	<u>--</u>	<u>104,020</u>	<u>104,020</u>
Total	<u>\$ 2,962,255</u>	<u>2,074,059</u>	<u>68,768</u>	<u>85,944</u>	<u>(837,504)</u>	<u>104,020</u>	<u>(733,484)</u>
General revenues:							
Property tax					381,582	--	381,582
Sales tax					164,193	--	164,193
Franchise fees and gross receipts tax					99,011	--	99,011
Interest and other					15,884	11,529	27,413
Transfers-internal activities					101,527	(101,527)	--
Total general revenues and transfers					<u>762,197</u>	<u>(89,998)</u>	<u>672,199</u>
Change in net assets					<u>(75,307)</u>	<u>14,022</u>	<u>(61,285)</u>
Beginning net assets					<u>1,490,544</u>	<u>3,037,720</u>	<u>4,528,264</u>
Ending net assets					<u>\$ 1,415,237</u>	<u>3,051,742</u>	<u>4,466,979</u>

18

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



**Governmental Funds
Balance Sheet
September 30, 2012
(In thousands)**

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	\$ 54	4	58
Pooled investments and cash	122,949	228,172	351,121
Investments, at fair value	--	15,673	15,673
Cash held by trustee-restricted	160	5,362	5,522
Property taxes receivable, net of allowance	6,652	3,653	10,305
Accounts receivable, net of allowance	54,205	29,480	83,685
Receivables from other governments	--	16,059	16,059
Notes receivable, net of allowance	--	17,829	17,829
Due from other funds	226	44,942	45,168
Advances to other funds	--	2,777	2,777
Inventories, at cost	691	--	691
Real property held for resale	--	6,520	6,520
Prepaid items	171	--	171
Other assets	173	858	1,031
Total assets	<u>185,281</u>	<u>371,329</u>	<u>556,610</u>
LIABILITIES AND FUND BALANCES			
Accounts payable	17,268	24,547	41,815
Accrued payroll	12,667	56	12,723
Accrued compensated absences	392	--	392
Due to other funds	196	45,168	45,364
Deferred revenue	19,644	10,711	30,355
Advances from other funds	1,630	902	2,532
Deposits and other liabilities	3,321	49,917	53,238
Total liabilities	<u>55,118</u>	<u>131,301</u>	<u>186,419</u>
Fund balances			
Nonspendable:			
Inventories and prepaid items	862	--	862
Permanent funds	--	1,040	1,040
Restricted			
Committed	5,220	27,899	33,119
Assigned	11,035	74,328	85,363
Unassigned	113,046	(38,012)	75,034
Total fund balances	<u>130,163</u>	<u>240,028</u>	<u>370,191</u>
Total liabilities and fund balances	<u>\$ 185,281</u>	<u>371,329</u>	<u>556,610</u>

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 Assets
September 30, 2012
(In thousands)

City of Austin, Texas
Exhibit B-1.1

Total fund balances - Governmental funds \$ 370,191

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

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

Governmental capital assets	3,682,139	
Less: accumulated depreciation	<u>(1,243,855)</u>	2,438,284

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

Deferred revenue - accounts and other taxes receivable	14,855	
Deferred revenue - property taxes and interest	5,699	
Deferred costs and expenses	9,315	
Net pension asset	<u>7,184</u>	37,053

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

Bonds and other tax supported debt payable, net	(1,013,732)	
Pension obligation payable	(68,654)	
Other post employment benefits payable	(301,110)	
Compensated absences	(116,068)	
Interest payable	(3,826)	
Deferred credits and other liabilities	<u>(12,235)</u>	(1,515,625)

Internal service funds are used by management to charge the costs of capital project management, combined emergency communication center, employee benefits, fleet maintenance, information systems, liability reserve, support services, wireless communication, and workers' compensation to individual funds.

Certain assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

85,334

Total net assets - Governmental activities

\$ 1,415,237

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, 2012
(In thousands)

City of Austin, Texas
Exhibit B-2

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	\$ 278,380	103,231	381,611
Sales taxes	164,193	--	164,193
Franchise fees and other taxes	38,542	60,361	98,903
Fines, forfeitures and penalties	15,784	4,467	20,251
Licenses, permits and inspections	22,664	--	22,664
Charges for services/goods	44,147	12,250	56,397
Intergovernmental	--	76,233	76,233
Property owners' participation and contributions	--	6,624	6,624
Interest and other	4,414	11,518	15,932
Total revenues	568,124	274,684	842,808
EXPENDITURES			
Current:			
General government	67,824	7,022	74,846
Public safety	472,487	10,971	483,458
Transportation, planning and sustainability	216	7,340	7,556
Public health	42,870	22,991	65,861
Public recreation and culture	74,031	6,787	80,818
Urban growth management	39,233	40,788	80,021
Debt service:			
Principal	--	71,906	71,906
Interest	--	46,188	46,188
Fees and commissions	--	16	16
Capital outlay-capital project funds	--	178,380	178,380
Total expenditures	696,661	392,389	1,089,050
Deficiency of revenues over expenditures	(128,537)	(117,705)	(246,242)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	145,175	145,175
Issuance of refunding bonds	--	58,347	58,347
Bond premiums	--	8,207	8,207
Payment to refunding bond escrow agent	--	(66,554)	(66,554)
Transfers in	144,208	34,560	178,768
Transfers out	(19,761)	(57,077)	(76,838)
Total other financing sources (uses)	124,447	122,658	247,105
Net change in fund balances	(4,090)	4,953	863
Fund balances at beginning of year	134,253	235,075	369,328
Fund balances at end of year	\$ 130,163	240,028	370,191

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, 2012
(In thousands)

City of Austin, Texas
Exhibit B-2.1

Net change in fund balances - Governmental funds \$ 863

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	170,595	
Depreciation expense	(115,474)	
Loss on disposal of capital assets	(5,693)	
	49,428	49,428

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

Property taxes	(29)	
Charges for services	(660)	
Interest and other	110	
Capital assets contribution	14,913	
	14,334	14,334

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Issuance of long-term debt	(145,175)	
Principal repayment on long-term debt	71,906	
Issuance of refunding bonds	(58,347)	
Refunding bond premiums	(8,207)	
Payment to refunding bond escrow agent	66,554	
	(73,269)	(73,269)

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	(7,615)	
Pension obligation	(7,076)	
Other post employment benefits	(67,092)	
Interest and other	(4,972)	
	(86,755)	(86,755)

A portion of the net revenue (expense) of the internal service funds is reported with the governmental activities. 20,092

Change in net assets - Governmental activities \$ (75,307)

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

Proprietary Funds
Statement of Net Assets
September 30, 2012
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
ASSETS			
Current assets:			
Cash	\$ 21	6	7
Pooled investments and cash	48,648	13,162	6,998
Pooled investments and cash - restricted	81,100	82,055	23,515
Total pooled investments and cash	<u>129,748</u>	<u>95,217</u>	<u>30,513</u>
Investments, at fair value - restricted	101,775	85,353	15,427
Cash held by trustee	--	--	--
Cash held by trustee - restricted	1,815	96	--
Investments held by trustee	--	--	--
Working capital advances	4,231	--	--
Accounts receivable, net of allowance	161,894	70,094	5,213
Receivables from other governments	--	--	--
Due from other funds	794	--	--
Inventories, at cost	80,965	1,931	1,586
Other receivables - restricted	2,577	88	502
Deferred costs and expenses, net of amortization	30,629	24,335	--
Prepaid expenses	6,513	16	9
Other assets	45,248	--	--
Total current assets	<u>566,210</u>	<u>277,136</u>	<u>53,257</u>
Noncurrent assets:			
Cash - restricted	5,250	--	--
Pooled investments and cash - restricted	--	--	122,739
Advances to other funds	27,045	--	--
Advances to other funds - restricted	--	--	85
Investments, at fair value - restricted	129,536	59,924	--
Investments held by trustee - restricted	184,983	19,660	--
Interest receivable - restricted	1,086	--	--
Depreciable capital assets, net of accumulated depreciation	2,381,760	2,632,638	501,811
Nondepreciable capital assets	209,856	597,397	113,638
Derivative instruments - energy risk management	8,654	--	--
Other long-term assets	52	--	--
Deferred costs and expenses, net of amortization	187,787	170,452	2,480
Total noncurrent assets	<u>3,136,009</u>	<u>3,480,071</u>	<u>740,753</u>
Total assets	<u>3,702,219</u>	<u>3,757,207</u>	<u>794,010</u>
Deferred outflows of resources	<u>\$ 79,708</u>	<u>26,424</u>	<u>52,418</u>

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

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
ASSETS			
Current assets:			
Cash	32	66	13
Pooled investments and cash	154,694	223,502	113,856
Pooled investments and cash - restricted	45,818	232,488	--
Total pooled investments and cash	200,512	455,990	113,856
Investments, at fair value - restricted	10,241	212,796	--
Cash held by trustee	--	--	--
Cash held by trustee - restricted	--	1,911	1,114
Investments held by trustee	--	--	--
Working capital advances	--	4,231	--
Accounts receivable, net of allowance	22,417	259,618	7,921
Receivables from other governments	--	--	13
Due from other funds	210	1,004	11
Inventories, at cost	2,484	86,966	1,582
Other receivables - restricted	724	3,891	--
Deferred costs and expenses, net of amortization	--	54,964	--
Prepaid expenses	177	6,715	92
Other assets	--	45,248	--
Total current assets	236,797	1,133,400	124,602
Noncurrent assets:			
Cash - restricted	--	5,250	--
Pooled investments and cash - restricted	--	122,739	--
Advances to other funds	45	27,090	179
Advances to other funds - restricted	325	410	--
Investments, at fair value - restricted	10,263	199,723	--
Investments held by trustee - restricted	--	204,643	--
Interest receivable - restricted	--	1,086	--
Depreciable capital assets, net of accumulated depreciation	351,193	5,867,402	44,844
Nondepreciable capital assets	154,424	1,075,315	1,047
Derivative instruments - energy risk management	--	8,654	--
Other long-term assets	--	52	--
Deferred costs and expenses, net of amortization	4,491	365,210	12
Total noncurrent assets	520,741	7,877,574	46,082
Total assets	757,538	9,010,974	170,684
Deferred outflows of resources	20,368	178,918	--

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

(Continued)

Proprietary Funds
Statement of Net Assets
September 30, 2012
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
LIABILITIES			
Current liabilities:			
Accounts payable	\$ 57,716	2,916	2,171
Accounts and retainage payable from restricted assets	12,642	27,992	3,364
Accrued payroll	3,483	1,790	536
Accrued compensated absences	10,385	5,387	1,471
Claims payable	--	--	--
Due to other funds	--	--	141
Accrued interest payable from restricted assets	30,389	43,767	723
Interest payable on other debt	20	26	865
Bonds payable	--	--	38
Bonds payable from restricted assets	105,216	79,932	14,795
Capital lease obligations payable	42	--	--
Customer and escrow deposits payable from restricted assets	23,481	16,339	410
Accrued landfill closure and postclosure costs	--	--	--
Deferred credits and other liabilities	15,541	22,270	507
Other liabilities payable from restricted assets	--	--	--
Total current liabilities	258,915	200,419	25,021
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	74	--	246
Claims payable	--	--	--
Advances from other funds	--	2,761	1,260
Advances from other funds payable from restricted assets	--	22,723	--
Capital appreciation bond interest payable	10,570	91,359	--
Commercial paper notes payable, net of discount	225,256	79,770	--
Bonds payable, net of discount and inclusive of premium	1,081,412	2,236,125	254,650
Pension obligation payable	30,615	15,143	4,580
Other post employment benefits payable	80,079	48,104	13,848
Capital lease obligations payable	1,176	--	--
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning liability payable from restricted assets	171,608	--	--
Derivative instruments - energy risk management	79,777	--	--
Derivative instruments - interest rate swaps	--	26,424	52,418
Deferred credits and other liabilities	236,916	460,077	--
Other liabilities payable from restricted assets	--	--	56
Total noncurrent liabilities	1,917,483	2,982,486	327,058
Total liabilities	2,176,398	3,182,905	352,079
Deferred inflows of resources	\$ 8,645	--	--

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

(Continued)

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
LIABILITIES			
Current liabilities:			
Accounts payable	5,189	67,992	12,276
Accounts and retainage payable from restricted assets	2,110	46,108	--
Accrued payroll	2,234	8,043	2,735
Accrued compensated absences	5,586	22,829	7,507
Claims payable	--	--	16,546
Due to other funds	530	671	148
Accrued interest payable from restricted assets	1,917	76,796	--
Interest payable on other debt	679	1,590	16
Bonds payable	14,204	14,242	346
Bonds payable from restricted assets	10,205	210,148	--
Capital lease obligations payable	--	42	159
Customer and escrow deposits payable from restricted assets	3,275	43,505	--
Accrued landfill closure and postclosure costs	1,119	1,119	--
Deferred credits and other liabilities	276	38,594	1,484
Other liabilities payable from restricted assets	6,364	6,364	--
Total current liabilities	53,688	538,043	41,217
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	109	429	383
Claims payable	--	--	17,673
Advances from other funds	1,013	5,034	167
Advances from other funds payable from restricted assets	--	22,723	--
Capital appreciation bond interest payable	--	101,929	--
Commercial paper notes payable, net of discount	--	305,026	--
Bonds payable, net of discount and inclusive of premium	280,238	3,852,425	3,729
Pension obligation payable	17,263	67,601	--
Other post employment benefits payable	49,910	191,941	--
Capital lease obligations payable	--	1,176	--
Accrued landfill closure and postclosure costs	10,914	10,914	--
Decommissioning liability payable from restricted assets	--	171,608	--
Derivative instruments - energy risk management	--	79,777	--
Derivative instruments - interest rate swaps	20,368	99,210	--
Deferred credits and other liabilities	2,737	699,730	--
Other liabilities payable from restricted assets	4,064	4,120	--
Total noncurrent liabilities	386,616	5,613,643	21,952
Total liabilities	440,304	6,151,686	63,169
Deferred inflows of resources	--	8,645	--

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

(Continued)

Proprietary Funds
Statement of Net Assets
September 30, 2012
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
NET ASSETS			
Invested in capital assets, net of related debt	\$ 1,081,344	438,680	345,887
Restricted for:			
Debt service	71,386	37,394	14,632
Strategic reserve	116,483	--	--
Capital projects	46,851	47,862	90,026
Renewal and replacement	64	--	10,000
Bond reserve	13,054	26,279	--
Passenger facility charges	--	--	35,663
Operating reserve	--	--	10,235
Unrestricted	267,702	50,511	(12,094)
Total net assets	\$ 1,596,884	600,726	494,349
Reconciliation to government-wide Statement of Net Assets			
Adjustment to consolidate internal service activities	9,908	4,880	1,921
Total net assets - Business-type activities	\$ 1,606,792	605,606	496,270

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>	
NET ASSETS			
Invested in capital assets, net of related debt	238,712	2,104,623	41,669
Restricted for:			
Debt service	8,286	131,698	--
Strategic reserve	--	116,483	--
Capital projects	14,375	199,114	2,721
Renewal and replacement	831	10,895	--
Bond reserve	7,269	46,602	--
Passenger facility charges	--	35,663	--
Operating reserve	3,525	13,760	--
Unrestricted	64,604	370,723	63,125
Total net assets	<u>337,602</u>	<u>3,029,561</u>	<u>107,515</u>
Reconciliation to government-wide Statement of Net Assets			
Adjustment to consolidate internal service activities	5,472	22,181	
Total net assets - Business-type activities	<u>343,074</u>	<u>3,051,742</u>	

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

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Assets
For the year ended September 30, 2012
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
OPERATING REVENUES			
Utility services	\$ 1,179,872	442,707	--
User fees and rentals	--	--	95,904
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	1,179,872	442,707	95,904
OPERATING EXPENSES			
Operating expenses before depreciation	896,396	190,987	69,201
Depreciation and amortization	144,909	95,392	20,398
Total operating expenses	1,041,305	286,379	89,599
Operating income (loss)	138,567	156,328	6,305
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	10,248	313	395
Interest on revenue bonds and other debt	(75,310)	(102,644)	(12,933)
Interest capitalized during construction	--	--	512
Passenger facility charges	--	--	18,414
Amortization of bond issue cost	(714)	(869)	(220)
Cost (recovered) to be recovered in future years	(4,607)	(32,509)	--
Other nonoperating revenue (expense)	(5,708)	3,466	537
Total nonoperating revenues (expenses)	(76,091)	(132,243)	6,705
Income (loss) before contributions and transfers	62,476	24,085	13,010
Capital contributions	12,360	20,059	9,030
Transfers in	319	6,505	--
Transfers out	(105,428)	(37,237)	(6,395)
Change in net assets	(30,273)	13,412	15,645
Total net assets - beginning	1,627,157	587,314	478,704
Total net assets - ending	\$ 1,596,884	600,726	494,349
Reconciliation to government-wide Statement of Activities			
Change in net assets	(30,273)	13,412	15,645
Adjustment to consolidate internal service activities	2,342	1,272	406
Change in net assets - Business-type activities	\$ (27,931)	14,684	16,051

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
OPERATING REVENUES			
Utility services	--	1,622,579	--
User fees and rentals	223,415	319,319	--
Billings to departments	--	--	311,362
Employee contributions	--	--	30,129
Operating revenues from other governments	--	--	3,464
Other operating revenues	--	--	12,330
Total operating revenues	<u>223,415</u>	<u>1,941,898</u>	<u>357,285</u>
OPERATING EXPENSES			
Operating expenses before depreciation	226,701	1,383,285	322,936
Depreciation and amortization	24,611	285,310	11,828
Total operating expenses	<u>251,312</u>	<u>1,668,595</u>	<u>334,764</u>
Operating income (loss)	<u>(27,897)</u>	<u>273,303</u>	<u>22,521</u>
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	573	11,529	43
Interest on revenue bonds and other debt	(12,086)	(202,973)	(229)
Interest capitalized during construction	1,528	2,040	--
Passenger facility charges	--	18,414	--
Amortization of bond issue cost	(346)	(2,149)	11
Cost (recovered) to be recovered in future years	--	(37,116)	--
Other nonoperating revenue (expense)	(3,142)	(4,847)	(11,672)
Total nonoperating revenues (expenses)	<u>(13,473)</u>	<u>(215,102)</u>	<u>(11,847)</u>
Income (loss) before contributions and transfers	<u>(41,370)</u>	<u>58,201</u>	<u>10,674</u>
Capital contributions	8,615	50,064	17,105
Transfers in	46,646	53,470	4,388
Transfers out	(4,318)	(153,378)	(6,410)
Change in net assets	<u>9,573</u>	<u>8,357</u>	<u>25,757</u>
Total net assets - beginning	<u>328,029</u>	<u>3,021,204</u>	<u>81,758</u>
Total net assets - ending	<u>337,602</u>	<u>3,029,561</u>	<u>107,515</u>
Reconciliation to government-wide Statement of Activities			
Change in net assets	9,573	8,357	
Adjustment to consolidate internal service activities	1,645	5,665	
Change in net assets - Business-type activities	<u>11,218</u>	<u>14,022</u>	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2012
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	\$ 1,214,955	448,392	93,947
Cash payments to suppliers for goods and services	(720,007)	(97,176)	(40,339)
Cash payments to employees for services	(161,077)	(81,327)	(24,958)
Cash payments to claimants/beneficiaries	--	--	--
Taxes collected and remitted to other governments	(38,236)	--	--
Net cash provided by operating activities	295,635	269,889	28,650
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	319	110	--
Transfers out	(105,428)	(37,237)	--
Interest paid on revenue notes and other debt	(219)	--	--
Increase in deferred assets	(3,304)	--	--
Contributions (to) from other funds	--	140	--
Loans to other funds	--	--	--
Loans from other funds	--	--	--
Loan repayments to other funds	--	(1,652)	--
Loan repayments from other funds	1,960	--	(135)
Collections from other governments	9,490	--	582
Net cash provided (used) by noncapital financing activities	(97,182)	(38,639)	447
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	72,674	237,560	--
Proceeds from the sale of general obligation bonds and other tax supported debt	--	1,965	--
Proceeds from the sale of revenue bonds	--	27,593	--
Principal paid on long-term debt	(75,851)	(72,194)	(42,196)
Purchased interest received	--	2,489	--
Interest paid on revenue bonds and other debt	(96,143)	(110,976)	(11,932)
Passenger facility charges	--	--	18,414
Acquisition and construction of capital assets	(164,240)	(275,647)	(21,515)
Contributions from municipality	--	--	--
Contributions in aid of construction	12,360	9,133	9,030
Bond issuance costs	--	(5,145)	--
Bond premiums	--	78,885	5
Bonds issued for advanced refundings of debt	--	575,625	48
Cash paid for bond refunding escrow	--	(270,480)	--
Cash paid to payoff commercial paper	--	(365,000)	--
Proceeds from municipal utility district reserves	--	--	(53)
Cash paid for nuclear fuel inventory	(4,084)	--	--
Net cash (used) by capital and related financing activities	\$ (255,284)	(166,192)	(48,199)

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

	Business-Type Activities		Governmental
	Nonmajor Enterprise Funds	Total	Activities- Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	216,468	1,973,762	351,414
Cash payments to suppliers for goods and services	(106,419)	(963,941)	(95,777)
Cash payments to employees for services	(101,619)	(368,981)	(125,176)
Cash payments to claimants/beneficiaries	--	--	(99,884)
Taxes collected and remitted to other governments	--	(38,236)	--
Net cash provided by operating activities	8,430	602,604	30,577
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	46,646	47,075	4,388
Transfers out	(4,318)	(146,983)	(6,410)
Interest paid on revenue notes and other debt	(9)	(228)	--
Increase in deferred assets	--	(3,304)	--
Contributions (to) from other funds	620	760	--
Loans to other funds	(332)	(332)	--
Loans from other funds	16	16	--
Loan repayments to other funds	(879)	(2,531)	(141)
Loan repayments from other funds	139	1,964	--
Collections from other governments	697	10,769	--
Net cash provided (used) by noncapital financing activities	42,580	(92,794)	(2,163)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	310,234	--
Proceeds from the sale of general obligation bonds and other tax supported debt	17,275	19,240	--
Proceeds from the sale of revenue bonds	--	27,593	--
Principal paid on long-term debt	(23,859)	(214,100)	(774)
Purchased interest received	126	2,615	--
Interest paid on revenue bonds and other debt	(12,474)	(231,525)	(233)
Passenger facility charges	--	18,414	--
Acquisition and construction of capital assets	(30,174)	(491,576)	(12,334)
Contributions from municipality	--	--	--
Contributions in aid of construction	5,235	35,758	--
Bond issuance costs	(876)	(6,021)	--
Bond premiums	3,737	82,627	--
Bonds issued for advanced refundings of debt	31,800	607,473	--
Cash paid for bond refunding escrow	(32,907)	(303,387)	--
Cash paid to payoff commercial paper	--	(365,000)	--
Proceeds from municipal utility district reserves	--	(53)	--
Cash paid for nuclear fuel inventory	--	(4,084)	--
Net cash (used) by capital and related financing activities	(42,117)	(511,792)	(13,341)

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2012
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	\$ (320,195)	(221,134)	(57,989)
Proceeds from sale and maturities of investment securities	338,682	182,456	58,136
Interest on investments	5,838	313	395
Net cash provided (used) by investing activities	24,325	(38,365)	542
Net increase (decrease) in cash and cash equivalents	(32,506)	26,693	(18,560)
Cash and cash equivalents, October 1	169,340	68,626	171,819
Cash and cash equivalents, September 30	136,834	95,319	153,259
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	138,567	156,328	6,305
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	144,909	94,404	20,398
Amortization	--	988	--
Change in assets and liabilities:			
Increase in working capital advances	3,711	--	--
(Increase) in accounts receivable	(15,473)	(1,778)	(1,995)
Increase in allowance for doubtful accounts	673	533	142
Decrease in due from other funds	--	--	11
(Increase) decrease in inventory	(5,847)	(213)	(220)
(Increase) decrease in prepaid expenses and other assets	4,296	(10)	(2)
(Increase) in advances to other funds	--	--	--
(Increase) decrease in deferred costs and other expenses	(1,541)	25	--
Decrease in other long-term assets	5	168	--
Increase (decrease) in accounts payable	(12,495)	241	395
Increase (decrease) in accrued payroll and compensated absences	(281)	249	221
Increase in claims payable	--	--	--
Increase in advances from other funds	--	--	--
Increase in pension obligations payable	2,878	1,378	426
Increase in other post employment benefits payable	17,843	10,718	3,085
Increase (decrease) in deferred credits and other liabilities	25,006	(72)	(94)
Increase (decrease) in customer deposits	(6,616)	6,930	(22)
Total adjustments	157,068	113,561	22,345
Net cash provided by operating activities	\$ 295,635	269,889	28,650

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

(Continued)

	Business-Type Activities		Governmental Activities- Internal Service Funds
	Nonmajor Enterprise Funds	Total	
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(21,491)	(620,809)	--
Proceeds from sale and maturities of investment securities	19,371	598,645	--
Interest on investments	573	7,119	43
Net cash provided (used) by investing activities	(1,547)	(15,045)	43
Net increase (decrease) in cash and cash equivalents	7,346	(17,027)	15,116
Cash and cash equivalents, October 1	193,198	602,983	99,867
Cash and cash equivalents, September 30	200,544	585,956	114,983
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income (loss)	(27,897)	273,303	22,521
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	24,611	284,322	11,828
Amortization	--	988	--
Change in assets and liabilities:			
Increase in working capital advances	--	3,711	--
(Increase) in accounts receivable	(6,932)	(26,178)	(5,636)
Increase in allowance for doubtful accounts	174	1,522	--
Decrease in due from other funds	--	11	--
(Increase) decrease in inventory	(1,356)	(7,636)	52
(Increase) decrease in prepaid expenses and other assets	24	4,308	(10)
(Increase) in advances to other funds	--	--	(87)
(Increase) decrease in deferred costs and other expenses	--	(1,516)	(5)
Decrease in other long-term assets	19	192	--
Increase (decrease) in accounts payable	441	(11,418)	420
Increase (decrease) in accrued payroll and compensated absences	758	947	879
Increase in claims payable	--	--	358
Increase in advances from other funds	22	22	--
Increase in pension obligations payable	1,674	6,356	--
Increase in other post employment benefits payable	11,121	42,767	--
Increase (decrease) in deferred credits and other liabilities	5,981	30,821	257
Increase (decrease) in customer deposits	(210)	82	--
Total adjustments	36,327	329,301	8,056
Net cash provided by operating activities	8,430	602,604	30,577

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2012
(In thousands)

	Business-Type Activities		
	Austin Energy	Austin Water Utility	Airport
	Austin Energy	Utility	Airport
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
(Increase) decrease in deferred assets/expenses	\$ 122	36,418	--
Capital appreciation bonds interest accreted	1,866	9,346	--
Capital assets contributed (to) from other funds	--	1,396	--
Contributed facilities	--	9,530	--
Decrease in the fair value of investments	(681)	--	--
Amortization of bond issue costs	(714)	(869)	(220)
Amortization of bond (discounts) premiums	3,986	7,160	241
Amortization of deferred loss on refundings	(9,482)	(4,442)	(1,243)
Gain (loss) on disposal of assets	(17,169)	2,245	--
Deferred costs to be recovered	11,429	(32,509)	--
Increase (decrease) in deferred credits and other liabilities	13,734	(4,331)	--
Transfers (to) from other funds	--	6,395	(6,395)
Capitalized interest	--	--	512

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

(Continued)

	<u>Business-Type Activities</u>		<u>Governmental</u>
	<u>Nonmajor Enterprise Funds</u>	<u>Total</u>	<u>Activities- Internal Service Funds</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
(Increase) decrease in deferred assets/expenses	(246)	36,294	--
Capital appreciation bonds interest accreted	--	11,212	--
Capital assets contributed (to) from other funds	(1,455)	(59)	17,082
Contributed facilities	--	9,530	--
Decrease in the fair value of investments	--	(681)	--
Amortization of bond issue costs	(346)	(2,149)	(11)
Amortization of bond (discounts) premiums	937	12,324	--
Amortization of deferred loss on refundings	(1,199)	(16,366)	--
Gain (loss) on disposal of assets	(443)	(15,367)	(11,672)
Deferred costs to be recovered	--	(21,080)	--
Increase (decrease) in deferred credits and other liabilities	--	9,403	--
Transfers (to) from other funds	--	--	--
Capitalized interest	1,528	2,040	--

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

Fiduciary Funds
Statement of Fiduciary Net Assets
September 30, 2012
(In thousands)

City of Austin, Texas
Exhibit D-1

	<u>Private-purpose Trust</u>	<u>Agency</u>
ASSETS		
Pooled investments and cash	\$ 1,452	2,276
Due from other funds	25	--
Other assets	120	--
Total assets	<u>1,597</u>	<u>2,276</u>
LIABILITIES		
Accounts payable	--	109
Due to other governments	--	1,622
Due to other funds	25	--
Deposits and other liabilities	701	545
Total liabilities	<u>726</u>	<u>2,276</u>
NET ASSETS		
Held in trust	<u>871</u>	
Total net assets	<u>\$ 871</u>	

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

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended September 30, 2012
(In thousands)

City of Austin, Texas
Exhibit D-2

	<u>Private-purpose Trust</u>
ADDITIONS	
Contributions	\$ 499
Interest and other	4
Total additions	<u>503</u>
DEDUCTIONS	
Benefit payments	<u>496</u>
Total deductions	<u>496</u>
Net additions (deductions)	<u>7</u>
Total net assets - beginning	<u>864</u>
Total net assets - ending	<u>\$ 871</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 will draw the boundaries for the 10 districts in compliance with federal and state requirements.

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. 59 and No. 64. In fiscal year 2012, the City implemented GASB Statement No. 64 titled "*Derivative Instruments: Application of Hedge Accounting Termination Provisions*," which had no material impact on the financial statements for fiscal year 2012. The more significant accounting and reporting policies and practices used by the City are described below.

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

a -- Reporting Entity

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

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

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

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

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

a -- Reporting Entity, continued

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

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

The City of Austin retirement plans (described in Note 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.

b -- Government-wide and Fund Financial Statements

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

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

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

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

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

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

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.

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

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.

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. In accordance with GASB Statement No. 20, the City applies all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

The City reports the following major enterprise funds:

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.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

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.

e -- Financial Statement Elements

Pooled Investments and Cash -- Cash balances of all city funds (except for certain funds shown in Note 2 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, 2012. Investments in local government investment pools are carried at net asset value per share calculated using the amortized cost method which approximates fair value.

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

Accounts Receivable -- Balances of accounts receivable, reported on the government-wide statement of net assets, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of September 30, 2012 (in thousands):

	Charges for Services	Fines	Taxes	Other Govern- ments	Other	Total
Governmental activities						
General Fund	\$ 169,501	23,385	36,253	--	--	229,139
Nonmajor governmental funds	1,026	64	13,590	13,090	1,969	29,739
Internal service funds	7,921	--	--	--	--	7,921
Allowance for doubtful accounts	(163,544)	(11,390)	--	(259)	--	(175,193)
Total	\$ 14,904	12,059	49,843	12,831	1,969	91,606

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

	Austin Energy	Austin Water	Airport	Nonmajor enterprise	Total
Accounts Receivable	\$ 164,479	70,864	6,132	22,941	264,416
Allowance for doubtful accounts	(2,585)	(770)	(919)	(524)	(4,798)
Total	\$ 161,894	70,094	5,213	22,417	259,618

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

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

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

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 a fund balance reserve, which indicates that they do not represent “available spendable resources.”

Restricted assets -- Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Since 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.

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

The balance 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	\$ 46,853	95,189	90,022	24,599	256,663
Customer and escrow deposits	23,481	6,710	410	2,973	33,574
Debt service	101,775	81,161	15,436	10,566	208,938
Environmental and landfill	--	--	--	7,195	7,195
Federal grants	5,250	--	502	724	6,476
Operating reserve account	--	--	10,235	10,218	20,453
Passenger facility charge account	--	--	35,663	--	35,663
Plant decommissioning	201,162	--	--	--	201,162
Renewal and replacement account	64	--	10,000	833	10,897
Revenue bond reserve	13,054	64,116	--	10,263	87,433
Strategic reserve	116,483	--	--	--	116,483
	<u>\$ 508,122</u>	<u>247,176</u>	<u>162,268</u>	<u>67,371</u>	<u>984,937</u>

Capital assets -- Capital assets, which primarily include land and improvements, buildings and improvements, plant and equipment, vehicles, water rights, and infrastructure assets, are reported in the proprietary funds and the applicable governmental or business-type activity columns of the government-wide statement of net assets; related depreciation or amortization is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of \$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 assets and expended in governmental funds.

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

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.

Capital assets 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	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
Water rights	--	--	101	--	--
Infrastructure					
Streets and roads	30	--	--	--	--
Bridges	50	--	--	--	--
Drainage systems	50	--	--	--	--
Pedestrian facilities	20	--	--	--	--
Traffic signals	25	--	--	--	--

(1) Includes internal service funds

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

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 \$12.8 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.

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

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

Compensated Absences -- The amounts owed to employees for unpaid vacation, exception vacation, and sick leave liabilities, including the City's share of employment-related taxes, are reported on the accrual basis of accounting in the applicable governmental or business-type activity columns of the government-wide statements and in the proprietary activities of the fund financial statements. The liabilities and expenditures are reported on the modified accrual basis in the governmental fund financial statements; the estimated liability for governmental funds is the amount of 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-Civil Service Employees (1)	Civil Service Police (2)	Civil Service Fire (3)
Vacation	0-40	240	240	240
	42	270	N/A	N/A
	48	309	N/A	N/A
	53	N/A	N/A	360
Exception vacation (4)	0-40	160	160	176
	42	160	N/A	N/A
	48	160	N/A	N/A
	53	N/A	N/A	264
Sick leave	0-40	720	1,400	720
	42	756	N/A	N/A
	48	926	N/A	N/A
	53	N/A	N/A	1,080

(1) Non-civil service employees are eligible for accumulated sick leave payout if hired before October 1, 1986.

(2) Civil service police employees with 10 years of actual service are eligible for accumulated sick leave payout.

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) Civil service fire employees are eligible for accumulated sick leave payout regardless of hire date.

(4) Exception vacation hours are hours accumulated by an employee when the employee works on a City holiday.

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, 2012, 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 assets. 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 are reported in accordance with GASB Statement No. 18, “Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs”. The liability for landfill closure and postclosure costs is reported in the Austin Resource Recovery Fund, a nonmajor enterprise fund.

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

	<u>Bad Debt Expense</u>
Austin Energy	\$ 3,483
Austin Water Utility	1,253
Airport	140
Nonmajor Enterprise	1,013

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, 2012. The amount of unbilled revenue recorded, as of September 30, 2012, was \$34.9 million. Austin Water Utility records unbilled revenue as earned based upon the percentage of October’s billing that represented water usage through September 30, 2012. The amount of unbilled revenue recorded as of September 30, 2012 was \$12.5 million for water and \$11.4 million for wastewater.

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

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 expenditures are recognized in the applicable proprietary fund.

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.

Assigned: The portion of fund balance that is constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Under the city charter, the City Manager and designees are authorized to assign individual amounts up to \$55,000 in fiscal year 2012 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. The most recently published Consumer Price Index on May 4, 2002, shall be used as a base of 100 and the adjustment thereafter will be to the nearest one thousand dollars (\$1,000).

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

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

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

	General Fund	Nonmajor Governmental	Total
Nonspendable			
General government	\$ 108	50	158
Public safety	672	--	672
Public Health	2	--	2
Public recreation and culture	--	990	990
Urban growth management	80	--	80
Total Nonspendable	<u>862</u>	<u>1,040</u>	<u>1,902</u>
Restricted			
General government	--	20,646	20,646
Public safety	--	15,356	15,356
Transportation, planning, and sustainability	--	56,468	56,468
Public Health	--	281	281
Public recreation and culture	--	15,006	15,006
Urban growth management	--	67,016	67,016
Total Restricted	<u>--</u>	<u>174,773</u>	<u>174,773</u>
Committed			
General government	40	3,266	3,306
Public safety	1,478	47	1,525
Transportation, planning, and sustainability	31	178	209
Public Health	2,037	1	2,038
Public recreation and culture	390	6,135	6,525
Urban growth management	1,244	18,272	19,516
Total Committed	<u>5,220</u>	<u>27,899</u>	<u>33,119</u>
Assigned			
General government	--	24,713	24,713
Public safety	278	2,073	2,351
Transportation, planning, and sustainability	44	17,994	18,038
Public Health	207	203	410
Public recreation and culture	201	23,710	23,911
Urban growth management	10,305	5,635	15,940
Total Assigned	<u>11,035</u>	<u>74,328</u>	<u>85,363</u>
Unassigned	<u>113,046</u>	<u>(38,012)</u>	<u>75,034</u>
Total Fund Balance	<u>\$ 130,163</u>	<u>\$ 240,028</u>	<u>370,191</u>

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, 2012, the contingency reserve maintains a balance of 1 percent of departmental expenditures, or \$6.5 million, the emergency reserve remains fixed with a balance of \$40 million, and the budget stabilization reserve reports a balance of \$64.3 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.

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

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 for coverage for property loss or damage, commercial crime, fidelity bonds, airport operations, and contractors working at selected capital improvement project sites. It complies with GASB Statement No. 10, "Accounting and Reporting for Risk Financing and Related Insurance issues" (see Note 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 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/expense 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, 2012 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	Restricted
General Fund	\$ 122,949	--
Nonmajor governmental funds	228,172	--
Austin Energy	48,648	81,100
Austin Water Utility	13,162	82,055
Airport	6,998	146,254
Nonmajor enterprise funds	154,694	45,818
Internal service funds	113,856	--
Fiduciary funds	3,728	--
Subtotal pooled investments and cash	<u>692,207</u>	<u>355,227</u>
Total pooled investments and cash	<u>\$ 1,047,434</u>	

3 – INVESTMENTS AND DEPOSITS

a -- Investments

Chapter 2256 of the Texas Government Code (the Public Fund 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.

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

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; and
12. Local government investment pools (LGIPs).

The City participates in four local government investment pools: 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 invests in TexPool, TexasDaily, TexStar, and Lone Star to provide its liquidity needs. TexPool, TexasDAILY, TexStar, and Lone Star are local government investment pools that were established in conformity with the interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool, TexasDaily, TexStar, and Lone Star are 2(a)7-like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of \$1.00, although this cannot be fully guaranteed. TexPool, TexasDaily, 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, 2012, TexPool, TexasDAILY, TexStar, and Lone Star had a weighted average maturity of 41 days, 54 days, 44 days, and 45 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 2012.

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.

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

The following table includes the portfolio balances of all non-pooled and pooled investments of the City at September 30, 2012 (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Non-pooled investments:				
Local Government Investment Pools	\$ 15,673	296,051	--	311,724
Money Market Funds	--	55,474	--	55,474
US Treasury Notes	--	52,998	--	52,998
US Agency Bonds	--	212,639	--	212,639
Total non-pooled investments	<u>15,673</u>	<u>617,162</u>	<u>--</u>	<u>632,835</u>
Pooled investments:				
Local Government Investment Pools	146,850	182,776	1,177	330,803
US Agency Bonds	322,837	401,853	2,551	727,241
Total pooled investments	<u>469,687</u>	<u>584,629</u>	<u>3,728</u>	<u>1,058,044</u>
Total investments	<u>\$ 485,360</u>	<u>1,201,791</u>	<u>3,728</u>	<u>1,690,879</u>

Concentration of Credit Risk

At September 30, 2012, 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 Home Loan Bank (\$397.3 or 24%), Federal Home Loan Mortgage Corporation (\$280.1 or 17%), and Federal National Mortgage Association (\$196.3 or 12%).

b -- Investment Categories

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

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

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.

Operating Funds

As of September 30, 2012, the City operating funds had the following investments:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>				<u>Weighted Average Maturity (days)</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>	
Local Government Investment Pools	\$ 146,850	182,776	1,177	330,803	1
US Agency Bonds	322,837	401,853	2,551	727,241	421
Total	<u>\$ 469,687</u>	<u>584,629</u>	<u>3,728</u>	<u>1,058,044</u>	<u>289</u>

Credit Risk

None of the operating portfolio consists of direct obligations of the US government. As of September 30, 2012, Standard and Poor's issued the following ratings for other investments:

Local Government Investment Pools	31%	AAAm
US Agencies	69%	AA+

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

Concentration of Credit Risk

At September 30, 2012, the operating funds held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Home Loan Bank (\$341.0 or 33%), Federal Home Loan Mortgage Corporation (\$210.5 or 20%), and Federal National Mortgage Association (\$135.6 or 13%).

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, 2012, less than half of the Investment Pool was invested in AAAM rated LGIPS (2(a) 7-like pools), with the remainder invested in short-to-medium term US Agency obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity of all securities was 289 days, which was less than the threshold of 365 days.

Debt Service Funds

As of September 30, 2012, the City's debt service funds had the following investments:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>		<u>Final Maturity</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
General Obligation Debt Service			
Local Government Investment Pools	\$ 15,673	--	N/A
Enterprise-Utility (1)			
Local Government Investment Pools	--	182,936	N/A
Enterprise-Airport			
Local Government Investment Pools	--	15,351	N/A
Nonmajor Enterprise-Convention Center			
Local Government Investment Pools	--	10,241	N/A
Total	<u>\$ 15,673</u>	<u>208,528</u>	

(1) Includes combined pledge debt service

Credit Risk

As of September 30, 2012, Standard and Poor's rated TexPool AAAM.

Interest Rate Risk

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

Special Project Fund

Utility Reserve

At September 30, 2012, the City's special project fund had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>
	<u>(in thousands)</u>	
	<u>Business-type Activities</u>	
Local Government Investment Pools	\$ 41,394	N/A

Credit Risk

As of September 30, 2012, Standard and Poor's rated TexPool AAAM.

Interest Rate Risk

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

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

Airport Construction

As of September 30, 2012, the City's special project fund had the following investments:

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

Credit Risk

As of September 30, 2012, Standard and Poor's rated TexPool AAAM.

Interest Rate Risk

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

Convention Center Reserve

At September 30, 2012, the City's special project fund had the following investments:

Investment Type	Fair Value (in thousands) Business-type Activities	Weighted Average Maturity (days)
Local Government Investment Pools	\$ 10,263	N/A

Credit Risk

As of September 30, 2012, Standard and Poor's rated TexPool AAAM.

Interest Rate Risk

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

Special Purpose Funds

Austin Energy Strategic Reserve Fund

As of September 30, 2012, the City's Special Purpose fund (Austin Energy Strategic Reserve Fund) had the following investments:

Investment Type	Fair Value (in thousands)	Weighted Average Maturity (days)
Local Government Investment Pools	\$ 14	1
US Treasury Notes	11,686	1,506
US Agency Bonds	104,783	1,252
Total	\$ 116,483	1,274

Credit risk

At September 30, 2012, the Austin Energy Strategic Reserve Fund held an investment in TexPool, an LGIP rated AAAM by Standard and Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. Standard and Poor rated the US Agency Bonds AA+. The remaining securities are direct obligations of the US government.

Concentration of Credit Risk

At September 30, 2012, the Austin Energy Strategic Reserve Fund held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank (\$10.2 or 9%), Federal Home Loan Bank (\$14.0 or 12%), Federal Home Loan Mortgage Corporation (\$30.1 or 26%), and Federal National Mortgage Association (\$50.5 or 43%).

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.

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

At September 30, 2012, 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 1,274 days (3.50 years).

Austin Energy Nuclear Decommissioning Trust Funds (NDTF)

At September 30, 2012, the City's Special Purpose Fund had the following investments:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>	<u>Weighted Average Maturity (years)</u>
Money Market Funds	\$ 35,815	1 day
US Treasury Notes	41,312	2.49
US Agency Bonds	107,856	3.08
Total	<u>\$ 184,983</u>	<u>2.33</u>

Credit Risk

At September 30, 2012, Standard and 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, 2012, the NDTF held investments with more than five percent of the total in securities of the following issuers (in millions): Federal Farm Credit Bank (\$15.8 or 9%), Federal Home Loan Bank (\$42.3 or 23%), Federal Home Loan Mortgage Corporation (\$39.5 or 21%), Federal National Mortgage Association (\$10.3 or 6%).

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, 2012, the dollar weighted average maturity was 2.33 years.

Combined Utility Reserve

At September 30, 2012, the City's special project fund had the following investments:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>	<u>Weighted Average Maturity (days)</u>
	<u>Business-type Activities</u>	
Local Government Investment Pools	\$ 35,776	1

Credit Risk

At September 30, 2012, Standard and Poor's rated TexPool AAAM.

Interest Rate Risk

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

Investments Held by Trustee

At September 30, 2012, the City's special project fund had the following investments:

<u>Investment Type</u>	<u>Fair Value (in thousands)</u>	<u>Weighted Average Maturity (years)</u>
Money Market Funds	\$ 19,659	1 day

Credit Risk

At September 30, 2012, Standard and Poor's rated the Money Market Fund AAAM.

Interest Rate Risk

Investment objectives for these special project 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.

3 – INVESTMENTS AND DEPOSITS, continued
c – Investments and Deposits

Investments and deposits portfolio balances at September 30, 2012, are as follows (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Non-pooled investments and cash	\$ 22,380	624,389	--	646,769
Pooled investments and cash	473,576	589,470	3,728	1,066,774
Total investments and cash	<u>495,956</u>	<u>1,213,859</u>	<u>3,728</u>	<u>1,713,543</u>
Unrestricted cash	71	66	--	137
Restricted cash	6,636	7,161	--	13,797
Pooled investments and cash	473,576	589,470	3,728	1,066,774
Investments	15,673	617,162	--	632,835
Total	<u>\$ 495,956</u>	<u>1,213,859</u>	<u>3,728</u>	<u>1,713,543</u>

A difference of \$19.3 million exists between portfolio balance and book balance, primarily due to deposits in transit offset by outstanding checks.

Deposits

The September 30, 2012 carrying amount of deposits at the bank and cash on hand are as follows (in thousands):

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Cash			
Unrestricted	\$ 71	66	137
Restricted	--	5,250	5,250
Cash held by trustee			
Restricted	6,636	1,911	8,547
Pooled cash	3,889	4,841	8,730
Total deposits	<u>\$ 10,596</u>	<u>12,068</u>	<u>22,664</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, 2012.

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, 2011, upon which the 2012 levy was based, was \$79,219,780,879.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2012, 99.27% of the current tax levy (October 1, 2011) 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.

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.

4 – PROPERTY TAXES, continued

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, 2012, was \$.3551 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, 2012 was \$.1260 per \$100 assessed valuation. The City has a tax margin for general governmental purposes of \$.6449 per \$100 assessed valuation, and could levy approximately \$510,888,367 in additional taxes from the assessed valuation of \$79,219,780,879 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

The City has recorded capitalized interest for fiscal year 2012 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

<u>Enterprise Funds</u>	
Major fund:	
Airport	\$ 512
Nonmajor enterprise funds:	
Convention Center	1,070
Drainage	458
Solid Waste Services	--

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

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Governmental Activities

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	\$ 343,852	5,991	(4,377)	345,466
Arts and treasures	6,950	651	--	7,601
Library collections	14,390	--	--	14,390
Total	<u>365,192</u>	<u>6,642</u>	<u>(4,377)</u>	<u>367,457</u>
Depreciable property, plant and equipment in service				
Building and improvements	702,041	55,415	(5,238)	752,218
Plant and equipment	188,680	60,371	(25,301)	223,750
Vehicles	103,152	18,956	(19,098)	103,010
Infrastructure	2,062,435	109,734	--	2,172,169
Total	<u>3,056,308</u>	<u>244,476</u>	<u>(49,637)</u>	<u>3,251,147</u>
Less accumulated depreciation for				
Building and improvements	(222,770)	(21,730)	757	(243,743)
Plant and equipment	(109,134)	(35,570)	7,493	(137,211)
Vehicles	(63,871)	(9,426)	7,045	(66,252)
Infrastructure	(790,041)	(60,576)	--	(850,617)
Total	<u>(1,185,816)</u>	<u>(127,302) (2)</u>	<u>15,295</u>	<u>(1,297,823)</u>
Net property, plant and equipment in service	<u>1,870,492</u>	<u>117,174</u>	<u>(34,342)</u>	<u>1,953,324</u>
Other capital assets				
Construction in progress	188,283	192,550	(217,439)	163,394
Total capital assets	<u>\$ 2,423,967</u>	<u>316,366</u>	<u>(256,158)</u>	<u>2,484,175</u>

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

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

Governmental activities:

General government	\$ 20,108
Public safety	14,511
Transportation, planning and sustainability	51,432
Public health	1,702
Public recreation and culture	11,463
Urban growth management	16,258
Internal service funds	11,828
Total increases in accumulated depreciation	<u>\$ 127,302</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Energy

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	\$ 69,128	6,118	(263)	74,983
Total	<u>69,128</u>	<u>6,118</u>	<u>(263)</u>	<u>74,983</u>
Depreciable property, plant and equipment in service				
Vehicles	29,243	2,419	(1,070)	30,592
Electric plant	4,102,736	174,366	(8,797)	4,268,305
Non-electric plant	157,188	16,732	(443)	173,477
Total	<u>4,289,167</u>	<u>193,517</u>	<u>(10,310)</u>	<u>4,472,374</u>
Less accumulated depreciation for				
Vehicles	(18,058)	(2,765)	1,078	(19,745)
Electric plant	(1,945,006)	(133,604)	7,891	(2,070,719)
Non-electric plant	(32,767)	(8,540)	184	(41,123)
Total	<u>(1,995,831)</u>	<u>(144,909) (1)</u>	<u>9,153</u>	<u>(2,131,587)</u>
Net property, plant and equipment in service	<u>2,293,336</u>	<u>48,608</u>	<u>(1,157)</u>	<u>2,340,787</u>
Other capital assets				
Construction in progress	159,409	165,856	(213,507)	111,758
Nuclear fuel, net of amortization	41,499	--	(526)	40,973
Plant held for future use	26,205	--	(3,090)	23,115
Total capital assets	<u>\$ 2,589,577</u>	<u>220,582</u>	<u>(218,543)</u>	<u>2,591,616</u>

(1) Components of accumulated depreciation increases:

Current year depreciation	<u>\$ 144,909</u>
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5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Austin Water Utility

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	\$ 218,246	7,440	(2)	225,684
Total	<u>218,246</u>	<u>7,440</u>	<u>(2)</u>	<u>225,684</u>
Depreciable property, plant and equipment in service				
Building and improvements	573,986	54,416	(11,009)	617,393
Plant and equipment	2,981,130	203,374	(18,213)	3,166,291
Vehicles	33,347	1,913	(1,249)	34,011
Total	<u>3,588,463</u>	<u>259,703</u>	<u>(30,471)</u>	<u>3,817,695</u>
Less accumulated depreciation for				
Building and improvements	(199,144)	(13,084)	9,452	(202,776)
Plant and equipment	(989,731)	(78,487)	21,591	(1,046,627)
Vehicles	(21,288)	(2,833)	1,307	(22,814)
Total	<u>(1,210,163)</u>	<u>(94,404) (2)</u>	<u>32,350</u>	<u>(1,272,217)</u>
Net property, plant and equipment in service	<u>2,378,300</u>	<u>165,299</u>	<u>1,879</u>	<u>2,545,478</u>
Other capital assets				
Construction in progress	351,678	272,068	(252,033)	371,713
Water rights, net of amortization	88,148	--	(988) (3)	87,160
Total capital assets	<u>\$ 3,036,372</u>	<u>444,807</u>	<u>(251,144)</u>	<u>3,230,035</u>

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

(2) Components of accumulated depreciation increases:

Current year depreciation	
Water	\$ 40,625
Wastewater	53,779
Total increases in accumulated depreciation	<u>\$ 94,404</u>

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

Current year amortization - Water	<u>\$ 988</u>
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5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport Fund

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	\$ 98,121	714	(3,249)	95,586
Arts and treasures	981	2	--	983
Total	<u>99,102</u>	<u>716</u>	<u>(3,249)</u>	<u>96,569</u>
Depreciable property, plant and equipment in service				
Building and improvements	679,434	19,602	(1,394)	697,642
Plant and equipment	22,942	3,350	(952)	25,340
Vehicles	5,475	2,474	(157)	7,792
Total	<u>707,851</u>	<u>25,426</u>	<u>(2,503)</u>	<u>730,774</u>
Less accumulated depreciation for				
Building and improvements	(195,393)	(18,162)	1,394	(212,161)
Plant and equipment	(12,155)	(1,615)	861	(12,909)
Vehicles	(3,340)	(621)	68	(3,893)
Total	<u>(210,888)</u>	<u>(20,398) (1)</u>	<u>2,323</u>	<u>(228,963)</u>
Net property, plant and equipment in service	<u>496,963</u>	<u>5,028</u>	<u>(180)</u>	<u>501,811</u>
Other capital assets				
Construction in progress	24,458	20,201	(27,590)	17,069
Total capital assets	<u>\$ 620,523</u>	<u>25,945</u>	<u>(31,019)</u>	<u>615,449</u>

(1) Components of accumulated depreciation increases:

Current year depreciation	<u>\$ 20,398</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, 2012, was as follows (in thousands):

	Beginning Balance	Increases	(1)Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	\$ 101,818	7,160	(3,031)	105,947
Arts and treasures	612	--	--	612
Total	<u>102,430</u>	<u>7,160</u>	<u>(3,031)</u>	<u>106,559</u>
Depreciable property, plant and equipment in service				
Building and improvements	323,511	4,332	(2,580)	325,263
Plant and equipment	136,317	17,604	(1,232)	152,689
Vehicles	78,617	13,135	(2,823)	88,929
Total	<u>538,445</u>	<u>35,071</u>	<u>(6,635)</u>	<u>566,881</u>
Less accumulated depreciation for				
Building and improvements	(106,622)	(9,528)	11	(116,139)
Plant and equipment	(42,510)	(7,122)	210	(49,422)
Vehicles	(44,786)	(7,961)	2,620	(50,127)
Total	<u>(193,918)</u>	<u>(24,611) (2)</u>	<u>2,841</u>	<u>(215,688)</u>
Net property, plant and equipment in service	<u>344,527</u>	<u>10,460</u>	<u>(3,794)</u>	<u>351,193</u>
Other capital assets				
Construction in progress	55,425	31,737	(39,297)	47,865
Total capital assets	<u>\$ 502,382</u>	<u>49,357</u>	<u>(46,122)</u>	<u>505,617</u>

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

(2) Components of accumulated depreciation increases:

Current year depreciation	
Convention Center	\$ 9,028
Environmental and health services	6,855
Public recreation	681
Urban growth management	8,047
Total increases in accumulated depreciation	<u>\$ 24,611</u>

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Total

Capital asset activity for the year ended September 30, 2012, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	\$ 487,313	21,432	(6,545)	502,200
Arts and treasures	1,593	2	--	1,595
Total	<u>488,906</u>	<u>21,434</u>	<u>(6,545)</u>	<u>503,795</u>
Depreciable property, plant and equipment in service				
Building and improvements	1,576,931	78,350	(14,983)	1,640,298
Plant and equipment	3,140,389	224,328	(20,397)	3,344,320
Vehicles	146,682	19,941	(5,299)	161,324
Electric plant	4,102,736	174,366	(8,797)	4,268,305
Non-electric plant	157,188	16,732	(443)	173,477
Total	<u>9,123,926</u>	<u>513,717</u>	<u>(49,919)</u>	<u>9,587,724</u>
Less accumulated depreciation for				
Building and improvements	(501,159)	(40,774)	10,857	(531,076)
Plant and equipment	(1,044,396)	(87,224)	22,662	(1,108,958)
Vehicles	(87,472)	(14,180)	5,073	(96,579)
Electric plant	(1,945,006)	(133,604)	7,891	(2,070,719)
Non-electric plant	(32,767)	(8,540)	184	(41,123)
Total	<u>(3,610,800)</u>	<u>(284,322)(2)</u>	<u>46,667</u>	<u>(3,848,455)</u>
Net property, plant and equipment in service	<u>5,513,126</u>	<u>229,395</u>	<u>(3,252)</u>	<u>5,739,269</u>
Other capital assets				
Construction in progress	590,970	489,862	(532,427)	548,405
Nuclear fuel, net of amortization	41,499	--	(526)	40,973
Plant held for future use	26,205	--	(3,090)	23,115
Water rights, net of amortization	88,148	--	(988) (3)	87,160
Total capital assets	<u>\$6,748,854</u>	<u>740,691</u>	<u>(546,828)</u>	<u>6,942,717</u>

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

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

Business-type activities:

Electric	\$ 144,909
Water	40,625
Wastewater	53,779
Airport	20,398
Convention Center	9,028
Environmental and health services	6,855
Public recreation	681
Urban growth management	8,047
Total increases in accumulated depreciation	<u>284,322</u>

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

Current year amortization - Water	<u>\$ 988</u>
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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, 2012 (in thousands):

Description	October 1, 2011	Increases	Decreases	September 30, 2012	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	\$ 842,708	151,995	(116,892)	877,811	54,816
Certificates of obligation, net	62,426	43,450	(10,450)	95,426	4,219
Contractual obligations, net	32,994	16,284	(4,708)	44,570	4,270
General obligation bonds and other tax supported debt total	938,128	211,729	(132,050)	1,017,807	63,305
Capital lease obligations	433		(274)	159	159
Debt service requirements total	938,561	211,729	(132,324)	1,017,966	63,464
Other long-term obligations					
Accrued compensated absences	116,730	8,147	(528)	124,349	50,754
Claims payable	33,861	15,759	(15,401)	34,219	16,546
Pension obligation payable	62,447	6,207	--	68,654	--
Other post employment benefits	234,018	67,092	--	301,110	--
Deferred credits and other liabilities	79,263	4,867	(7,371)	76,759	68,869
Governmental activities total	1,464,880	313,801	(155,624)	1,623,057	199,633
Total business-type activities					
General obligation bonds, net	25,398	14,246	(4,983)	34,661	2,944
Certificates of obligation, net	40,903	8,843	(15,290)	34,456	2,521
Contractual obligations, net	54,854	10,688	(13,244)	52,298	12,958
Other tax supported debt, net	11,274	--	(669)	10,605	690
General obligation bonds and other tax supported debt total	132,429	33,777	(34,186)	132,020	19,113
Commercial paper notes, net	359,792	310,257	(365,023)	305,026	--
Revenue notes	28,000	--	(28,000)	--	--
Revenue bonds, net	3,694,277	675,558	(425,040)	3,944,795	205,277
Capital lease obligations	1,258	-	(40)	1,218	42
Debt service requirements total	4,215,756	1,019,592	(852,289)	4,383,059	224,432
Other long-term obligations					
Accrued compensated absences	23,857	801	(1,400)	23,258	22,829
Accrued landfill closure and postclosure costs	7,509	6,205	(1,681)	12,033	1,119
Decommissioning expense payable	166,556	5,052	--	171,608	--
Pension obligation payable	61,245	6,356	--	67,601	--
Other post employment benefits	149,174	42,767	--	191,941	--
Deferred credits and other liabilities	778,097	25,293	(11,077)	792,313	88,463
Business-type activities total	5,402,194	1,106,066	(866,447)	5,641,813	336,843
Total liabilities (1)	\$ 6,867,074	1,419,867	(1,022,071)	7,264,870	536,476

(1) This schedule excludes select short-term liabilities of \$73,391 for governmental activities; and for business-type activities select short-term liabilities of \$200,529, capital appreciation bond interest payable of \$101,929, and derivative instruments of \$178,987.

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

Description	October 1, 2011	Increases	Decreases	September 30, 2012	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	\$ 1,030	--	(88)	942	125
General obligation bonds and other tax supported debt total	<u>1,030</u>	<u>--</u>	<u>(88)</u>	<u>942</u>	<u>125</u>
Commercial paper notes, net	152,582	72,697	(23)	225,256	--
Revenue bonds, net	1,256,096	--	(70,410)	1,185,686	105,091
Capital lease obligations	1,258	--	(40)	1,218	42
Debt service requirements total	<u>1,410,966</u>	<u>72,697</u>	<u>(70,561)</u>	<u>1,413,102</u>	<u>105,258</u>
Other long-term obligations					
Accrued compensated absences	11,303	23	(867)	10,459	10,385
Decommissioning expense payable	166,556	5,052	--	171,608	--
Pension obligation payable	27,737	2,878	--	30,615	--
Other post employment benefits	62,236	17,843	--	80,079	--
Deferred credits and other liabilities	262,816	18,051	(4,929)	275,938	39,022
Electric activities total	<u>1,941,614</u>	<u>116,544</u>	<u>(76,357)</u>	<u>1,981,801</u>	<u>154,665</u>
Water and Wastewater activities					
General obligation bonds, net	5,974	1,404	(2,563)	4,815	1,190
Contractual obligations, net	10,750	1,983	(3,362)	9,371	3,114
Other tax supported debt, net	7,218	--	(428)	6,790	442
General obligation bonds and other tax supported debt total	<u>23,942</u>	<u>3,387</u>	<u>(6,353)</u>	<u>20,976</u>	<u>4,746</u>
Commercial paper notes, net	207,210	237,560	(365,000)	79,770	--
Revenue bonds, net	1,953,688	654,076	(312,683)	2,295,081	75,186
Debt service requirements total	<u>2,184,840</u>	<u>895,023</u>	<u>(684,036)</u>	<u>2,395,827</u>	<u>79,932</u>
Other long-term obligations					
Accrued compensated absences	5,490	265	(368)	5,387	5,387
Pension obligation payable	13,765	1,378	--	15,143	--
Other post employment benefits	37,386	10,718	--	48,104	--
Deferred credits and other liabilities	496,979	6,947	(5,240)	498,686	38,609
Water and Wastewater activities total	<u>2,738,460</u>	<u>914,331</u>	<u>(689,644)</u>	<u>2,963,147</u>	<u>123,928</u>
Airport activities					
General obligation bonds, net	232	53	(86)	199	38
General obligation bonds and other tax supported debt total	<u>232</u>	<u>53</u>	<u>(86)</u>	<u>199</u>	<u>38</u>
Revenue notes	28,000	--	(28,000)	--	--
Revenue bonds, net	282,603	--	(13,319)	269,284	14,795
Debt service requirements total	<u>310,835</u>	<u>53</u>	<u>(41,405)</u>	<u>269,483</u>	<u>14,833</u>
Other long-term obligations					
Accrued compensated absences	1,604	113	--	1,717	1,471
Pension obligation payable	4,154	426	--	4,580	--
Other post employment benefits	10,763	3,085	--	13,848	--
Deferred credits and other liabilities	1,089	--	(116)	973	917
Airport activities total	<u>328,445</u>	<u>3,677</u>	<u>(41,521)</u>	<u>290,601</u>	<u>17,221</u>
Nonmajor activities					
General obligation bonds, net	18,162	12,789	(2,246)	28,705	1,591
Certificates of obligation, net	40,903	8,843	(15,290)	34,456	2,521
Contractual obligations	44,104	8,705	(9,882)	42,927	9,844
Other tax supported debt, net	4,056	--	(241)	3,815	248
General obligation bonds and other tax supported debt total	<u>107,225</u>	<u>30,337</u>	<u>(27,659)</u>	<u>109,903</u>	<u>14,204</u>
Revenue bonds, net	201,890	21,482	(28,628)	194,744	10,205
Debt service requirements total	<u>309,115</u>	<u>51,819</u>	<u>(56,287)</u>	<u>304,647</u>	<u>24,409</u>
Other long-term obligations					
Accrued compensated absences	5,460	400	(165)	5,695	5,586
Accrued landfill closure and postclosure costs	7,509	6,205	(1,681)	12,033	1,119
Pension obligation payable	15,589	1,674	--	17,263	--
Other post employment benefits	38,789	11,121	--	49,910	--
Deferred credits and other liabilities	17,213	295	(792)	16,716	9,915
Nonmajor activities total	<u>\$ 393,675</u>	<u>71,514</u>	<u>(58,925)</u>	<u>406,264</u>	<u>41,029</u>

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, 2012, including those reported in certain proprietary funds (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
NW Austin MUD	2005	\$ 2,630	1,655	308 (1)(3)	3.65 - 4.30%	9/01/2013-2020
NW Austin MUD	2006	7,995	7,170	3,622 (1)(3)	3.90 - 4.25%	9/01/2013-2026
NW Austin MUD	2010	2,760	1,780	189 (1)(3)	4.00 - 4.25%	3/01/2013-2018
Series 2002 Refunding	2002	12,190	1,320	27 (1)	4.13%	3/1/2013
Series 2002	2002	99,615	5,200	202 (1)	3.88%	9/1/2013
Series 2002	2002	34,095	1,675	67 (1)	4.00%	9/1/2013
Series 2003 Refunding	2003	62,585	2,580	129 (1)	5.00%	9/1/2013
Series 2003 Refunding	2003	68,855	6,825	420 (1)	4.00%	9/1/2013-2014
Series 2003A Refunding	2003	2,530	350	18 (1)	5.00%	9/1/2013
Series 2003	2003	4,450	430	26 (1)	4.00 - 4.10%	9/1/2013-2014
Series 2004 Refunding	2004	67,835	46,020	13,714 (1)	4.00 - 4.55%	9/1/2013-2024
Series 2004A Refunding	2004	2,430	785	61 (1)	4.75%	9/1/2013-2014
Series 2004	2004	25,000	6,710	1,659 (1)	4.63 - 5.00%	9/1/2013-2024
Series 2005 Refunding	2005	145,345	119,015	24,498 (1)	5.00%	9/1/2013-2020
Series 2005 Refunding	2005	19,535	14,040	5,676 (1)	4.00 - 4.50%	9/1/2013-2025
Series 2005	2005	7,185	5,445	1,737 (1)	3.50 - 4.30%	9/1/2013-2025
Series 2005	2005	14,940	1,155	22 (2)	3.75%	11/1/2012
Series 2006	2006	31,585	31,185	13,909 (1)	4.00 - 5.38%	9/1/2013-2026
Series 2006	2006	24,150	19,185	6,863 (1)	4.00 - 5.00%	9/1/2013-2026
Series 2006	2006	14,120	3,410	144 (2)	4.00 - 4.25%	11/1/2012-2013
Series 2006	2006	12,000	10,080	3,719 (1)(4)	4.13 - 6.00%	9/1/2013-2026
Series 2007	2008	97,525	93,225	50,136 (1)	4.64%	9/1/2012-2027
Series 2007	2008	3,820	3,185	1,386 (1)	4.88%	9/1/2013-2027
Series 2007	2008	9,755	4,690	402 (2)	3.66%	11/1/2012-2017
Series 2008 Refunding	2008	172,505	107,675	24,175 (1)	5.00%	9/1/2013-2021
Series 2008	2009	76,045	61,155	34,336 (1)	3.50 - 5.00%	9/1/2013-2028
Series 2008	2009	10,700	9,370	4,061 (1)	3.25 - 5.00%	9/1/2013-2028
Series 2008	2009	26,715	14,440	1,017 (2)	3.25 - 3.50%	11/1/2012-2015
Series 2009A	2009	20,905	8,470	1,068 (1)	3.00 - 5.00%	9/1/2013-2016
Series 2009B	2009	78,460	78,460	44,849 (1)	4.15 - 5.31%	9/1/2017-2029
Series 2009	2009	12,500	10,695	5,910 (1)	3.00 - 4.75%	9/1/2013-2039
Series 2009	2009	13,800	9,970	952 (2)	2.00 - 3.25%	11/1/2012-2019
Series 2009	2010	15,000	13,783	5,557 (1)(4)	3.50 - 4.25%	9/1/2013-2029
Series 2010A	2011	79,528	69,240	32,269 (1)	2.00 - 4.00%	9/1/2013-2030
Series 2010B	2011	26,400	25,760	14,065 (1)	3.50 - 4.65%	9/1/2013-2030
Series 2010	2011	22,300	20,915	7,001 (1)	2.00 - 3.50%	9/1/2013-2030
Series 2010	2011	16,450	13,365	576 (2)	1.00 - 1.75%	11/1/2012-2017
Series 2010 Refunding	2011	91,560	90,930	32,353 (1)	4.00 - 5.00%	9/1/2013-2023
Series 2011A	2012	78,090	69,690	39,243 (1)	2.00-4.00%	9/1/2013-2031
Series 2011B	2012	8,450	8,450	4,418 (1)	2.50-4.50%	9/1/2014-2031
Series 2011	2012	51,150	50,665	33,690 (1)	3.00-5.00%	9/1/2013-2041
Series 2011	2012	26,725	25,190	1,564 (2)	.05-2.00%	11/1/12-2018
Series 2011A Refunding	2012	68,285	53,050	12,034 (1)	4.00-5.25%	9/1/2013-2023
Series 2011B Refunding	2012	3,000	2,380	77 (1)	.81-1.86%	9/1/2013-2016
			<u>\$ 1,130,768</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 \$6,790 and interest of \$2,636 and Drainage Fund principal of \$3,815 and interest of \$1,483.
- (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 2011, the City issued \$78,090,000 of Public Improvement Bonds, Series 2011A. The proceeds from the issue will be used as follows: streets and signals (\$29,605,000), watershed protection improvements (\$21,490,000), parks and recreation (\$2,745,000), cultural arts (\$10,500,000), central library (\$4,000,000), and facility improvements (\$9,750,000). These bonds will be amortized serially on September 1 of each year from 2012 to 2031. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2012. Total interest requirements for these bonds, at rates ranging from 2.0% to 4.0%, are \$42,099,100.

In October 2011, the City issued \$8,450,000 of Public Improvements Bonds, Taxable Series 2011B. The proceeds from the issue will be used for affordable housing. These bonds will be amortized serially on September 1 of each year from 2014 to 2031. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2012. Total interest requirements for these bonds, at rates ranging from 2.5% to 4.5%, are \$4,747,410.

In October 2011, the City issued \$51,150,000 of Certificates of Obligation, Series 2011. The proceeds from this issue will be used as follows: Solid Waste Environmental Remediation (\$8,650,000), Transportation Projects (\$7,500,000), and Waller Creek Project (\$35,000,000). These certificates of obligation will be amortized serially on September 1 of each year from 2012 to 2041. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2012. Total interest requirements for these obligations, at rates ranging from 3.0% to 5.0%, are \$35,660,738.

In October 2011, the City issued \$26,725,000 of Public Property Finance Contractual Obligations, Series 2011. The proceeds from this issue will be used as follows: water utility capital equipment (\$315,000), wastewater utility capital equipment (\$1,650,000), public safety radio replacements (\$7,500,000), police vehicles and equipment (\$8,635,000), public works capital equipment (\$3,003,000), and solid waste services capital equipment (\$5,622,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2012 to 2018. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2012. Total interest requirements for these obligations, at rates ranging from 0.05% to 2.0%, are \$1,793,440.

Public Improvement Refunding Bond Issue - In November 2011, the City issued \$68,285,000 of Public Improvement Refunding Bonds, Series 2011A. The net proceeds of \$75,164,595 (after issue costs, discounts, and premiums) from the refunding were used to refund \$4,375,000 of Public Improvement Bonds, Series 2001; \$14,420,000 of Public Improvement Refunding Bonds, Series 2001; \$5,045,000 of Certificates of Obligation, Series 2001; \$5,500,000 of Public Improvement Bonds, Series 2002; \$1,775,000 of Certificates of Obligation, Series 2002; \$5,950,000 Public Improvement Refunding Bonds, Series 2002; \$12,485,000 of Public Improvement and Refunding Bonds, Series 2003; \$2,515,000 of Certificates of Obligation, Series 2003; \$9,590,000 of Certificates of Obligation, Series 2004; \$4,980,000 of Public Improvement and Refunding Bonds, Series 2004; \$2,780,000 of HUD 108 Loan, Series 2002A; \$785,000 of HUD 108 Loan, Series 2003A; \$655,000 of HUD 108 Loan, Series 2006A. The refunding resulted in future interest requirements to service the debt of \$14,428,816 with interest rates ranging from 2.0% to 5.0%. An economic gain of \$4,953,123 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$5,572,626. An accounting loss of \$3,504,769, which will be deferred and amortized, was recorded on this refunding.

In November 2011, the City issued \$3,000,000 of Public Improvement Refunding Bonds, Taxable Series 2011B. The net proceeds of \$2,975,379 (after issue costs, discounts, and premiums) from the refunding were used to refund \$2,865,000 of HUD 108 Loan, Series 2010A. The refunding resulted in future interest requirements to service the debt of \$107,077 with interest rates ranging from 0.44% to 1.86%. An economic loss of \$72,356 was recorded on this transaction. The change in net cash flows that resulted from the refunding was an increase of \$82,456. An accounting loss of \$110,379, which will be deferred and amortized, was recorded on this refunding.

General obligation bonds authorized and unissued amounted to \$266,712,000 at September 30, 2012. Bond ratings at September 30, 2012, were Aaa (Moody's Investor Services, 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.

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

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.

The total combined utility systems revenue bond obligations at September 30, 2012, exclusive of discounts, premiums, and loss on refundings consists of \$70,679,944 prior lien bonds and \$168,274,512 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are \$239,124,243 at September 30, 2012. Revenue bonds authorized and unissued amount to \$1,492,642,660 at that date. Bond ratings at September 30, 2012, for the prior lien and subordinate lien bonds were, respectively, Aa1 and Aa2 (Moody's Investor Services, Inc.), AA and AA (Standard & Poor's), and AA- and AA- (Fitch).

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

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

The net proceeds of each of the refunding bond issuances were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the financial statements. The accounting gains and losses due to the advance refunding of debt have been deferred and are being amortized over the 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, 2012 (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 (1)(3)	7.35%	11/15/2014-2017
1992 Refunding	1992	265,806	6,763	20,252 (1)(3)	6.85%	11/15/2012
1993 Refunding	1993	203,166	13,765	767 (1)(3)	6.30%	11/15/2012-2013
1994 Refunding	1995	142,559	26,894	96,961 (1)(3)	6.60%	05/15/2017-2019
1998 Refunding	1998	180,000	19,590	661 (1)(2)	6.75%	11/15/2012
1998 Refunding	1999	139,965	133,250	60,962 (1)	5.25%	5/15/2013-2025
1998A Refunding	1999	105,350	34,400	39,008 (1)(3)	4.25%-5.00%	5/15/2013-2028
1998B	1999	10,000	624	11 (1)	3.50%	11/15/2012
			<u>\$ 238,954</u>			

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

Combined Utility Systems Debt -- Commercial Paper Notes - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed \$350,000,000 outstanding at any 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, 2012, were P-2 (Moody's Investor Services, Inc.), A-1 (Standard & Poor's), and F1 (Fitch). The notes are in denominations of \$100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

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

At September 30, 2012, Austin Energy had outstanding commercial paper notes of \$181,555,000 and Austin Water Utility had \$79,770,000 of commercial paper notes outstanding. Interest rates on the notes range from 0.17% to 0.22%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 15%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The associated letter of credit agreements have the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Credit Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
various	JPMorgan Chase Bank, NA	0.85%	0.90%	Goldman Sachs	0.075%	\$ 106,963	10/1/2014
various	Bank of America	0.85%	0.90%	Goldman Sachs	0.075%	67,114	10/1/2014
various	State Street	0.85%	0.90%	Goldman Sachs	0.075%	87,248	10/1/2014
						<u>\$ 261,325</u>	

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

Combined Utility Systems Debt -- Taxable Commercial Paper Notes - The City is authorized by ordinance to issue taxable commercial paper notes (the “taxable notes”) in an aggregate principal amount not to exceed \$50,000,000 outstanding at any time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City’s electric system and the City’s water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2012, were P-1 (Moody’s Investor Services, Inc.), A-1 (Standard & Poor’s), and F1 (Fitch).

The taxable notes are issued in denominations of \$100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the taxable notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

At September 30, 2012, the Austin Energy Fund had outstanding taxable notes of \$43,723,000 (net of discount of \$22,280), and the Austin Water Utility had no taxable notes outstanding. Interest rates on the taxable notes range from 0.24% to 0.29%. 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):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
various	JPMorgan Chase Bank, NA	0.85%	Goldman Sachs	0.075%	<u>\$ 43,723</u>	10/1/2014

These taxable notes are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by JPMorgan Chase Bank, 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 JPMorgan Chase Bank, 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. No 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, 2012, were A1 (Moody’s Investor Services, Inc.), A+ (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, 2012 (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	42,830	2,873 (1)	5.50%	11/15/2012-2014
2002A Refunding	2002	172,880	90,760	11,390 (1)	5.50%	11/15/2012-2016
2003 Refunding	2003	182,100	133,600	65,223 (1)	5.00 - 5.25%	11/15/2012-2028
2006 Refunding	2006	150,000	137,600	96,580 (1)	5.00%	11/15/2012-2035
2006A Refunding	2007	137,800	94,800	24,685 (1)	5.00%	11/15/2012-2022
2007 Refunding	2007	146,635	122,320	19,492 (1)	5.00%	11/15/2012-2020
2008 Refunding	2008	50,000	46,635	36,349 (1)	4.00 - 6.26%	11/15/2012-2032
2008A Refunding	2008	175,000	174,600	159,313 (1)	4.00 - 6.00%	11/15/2012-2038
2010A Refunding	2010	119,255	119,255	77,913 (1)	2.00 - 5.00%	11/15/2012-2040
2010B Refunding	2010	100,990	100,990	109,641 (1)	4.54 - 5.72%	11/15/2019-2040
			<u>\$ 1,063,390</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, 2012 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
\$ 1,190,798	875,675	315,123	168,731	186.8%

(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 December 2011, the City issued \$237,530,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2011. The net proceeds from the bond refunding were used to refund \$175,000,000 of the City’s outstanding tax-exempt commercial paper issued for the water and wastewater utility system; \$52,345,000 of subordinate lien revenue refunding bonds, series 1998A; \$3,545,000 of subordinate lien revenue bonds, series 1998B; \$8,830,000 of water & wastewater system revenue refunding bonds, series 2001A; and \$7,885,000 of water & wastewater system revenue refunding bonds, series 2001B. The debt service requirements on the refunding bonds are \$449,868,159, with interest rates ranging from 2.0% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2012 to 2041. Principal payments are due November 15 of each year from 2014 to 2041. An economic gain of \$4,040,325 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$5,988,362. An accounting loss of \$2,614,243, which will be deferred and amortized, was recorded on this refunding.

In July 2012, the City issued \$336,820,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2012. The net proceeds from the bond refunding were used to refund \$190,000,000 of the City’s outstanding tax-exempt commercial paper issued for the water and wastewater utility system, \$68,000,000 of separate lien revenue refunding bonds, series 2003, and \$107,640,000 of separate lien revenue bonds, series 2004. The debt service requirements on the refunding bonds are \$579,523,562, with interest rates ranging from 1.0% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2012 to 2042. Principal payments are due November 15 of each year from 2013 to 2042. An economic gain of \$4,495,215 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$4,117,014. An accounting loss of \$22,645,338, which will be deferred and amortized, was recorded on this refunding.

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

In 2012, the City converted an additional \$6,775,000 of initial bonds to definitive Water and Wastewater System Revenue Bonds, Series 2010. With these issuances, the outstanding commitment with the Texas Water Development Board (TWDB) is now \$30,365,000. See Note 13.

Water and Wastewater System Revenue Debt – Special Assessment Revenue Bond Issues – In November 2011, the City issued \$18,485,168 of Special Assessment Revenue Bonds, Subordinate Series 2011 related to the Whisper Valley Public Improvement District. These bonds are being used by the City pursuant to the Public Improvement District Act, Chapter 372, Texas Local Government Code, Ordinance No. 20111103-055 adopted by the City Council on November 3, 2011. The proceeds from the issue will be used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater and roadway public improvements for the benefit of Whisper Valley Public Improvement District; payment of a portion of the costs incidental to the organization of the District; and payment of the cost of issuance of the bonds. The bonds are special obligations of the City payable solely from pledged revenues and any other funds, including certain Austin Water Utility funds, held under the indenture, as and to the extent provided in the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. These bonds will be amortized serially on December 1 of 2015 and 2016. Interest is payable on December 1 of 2015 and 2016. Total interest requirements for these bonds, at rates ranging from 2.5% to 2.8%, are \$2,534,832.

In November 2011, the City issued \$2,332,350 of Special Assessment Revenue Bonds, Subordinate Series 2011 related to the Indian Hills Public Improvement District. These bonds are being used by the City pursuant to the Public Improvement District Act, Chapter 372, Texas Local Government Code, Ordinance No. 20111103-053 adopted by the City Council on November 3, 2011. The proceeds from the issue will be used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater and roadway public improvements for the benefit of Indian Hills Public Improvement District; payment of a portion of the costs incidental to the organization of the District; and payment of the cost of issuance of the bonds. The bonds are special obligations of the City payable solely from pledged revenues and any other funds, including certain Austin Water Utility funds, held under the indenture, as and to the extent provided in the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. These bonds will be amortized serially on December 1 of each year of 2015 and 2016. Interest is payable on December 1 of 2015 and 2016. Total interest requirements for these bonds, at rates ranging from 2.5% to 2.8%, are \$297,650.

Bond ratings at September 30, 2012, were Aa2 (Moody's Investor Services, 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, 2012 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2001A Refunding	2001	\$ 152,180	211	5 (1)	4.70%	11/15/2012
2001C Refunding	2002	95,380	12,680	887 (1)	4.40 - 5.38%	11/15/2012-2015 (3)
2002A Refunding	2002	139,695	71,410	10,530 (1)	5.50%	11/15/2012-2016
2003 Refunding	2003	121,500	4,000	80 (1)	4.00%	11/15/2012
2004A Refunding	2005	165,145	143,120	73,682 (1)	5.00%	11/15/2012-2029
2005 Refunding	2005	198,485	192,060	77,048 (1)	4.00 - 5.00%	5/15/2013-2030
2005A Refunding	2006	142,335	121,165	80,718 (1)	4.30 - 5.00%	5/15/2013-2035
2006 Refunding	2006	63,100	49,240	17,870 (1)	5.00%	11/15/2012-2025
2006A Refunding	2007	135,000	125,840	82,748 (1)	3.50 - 5.00%	11/15/2012-2036
2007 Refunding	2008	135,000	128,010	99,253 (1)	4.00 - 5.25%	11/15/2012-2037
2008 Refunding	2008	170,605	154,360	57,048 (2)	0.04 - 0.30%	11/15/2012-2031 (3)
2009 Refunding	2009	175,000	169,025	85,791 (1)	3.00 - 5.13%	11/15/2012-2029
2009A Refunding	2010	166,575	163,245	131,071 (1)	4.00 - 5.00%	11/15/2012-2039
2010	2010	30,365	30,365	-- (4)	0.00%	11/15/2012-2040
2010A Refunding	2011	76,855	76,855	70,423 (1)	4.00 - 5.13%	11/15/2013-2040
2010B Refunding	2011	100,970	100,970	104,081 (1)	2.49 - 6.02%	11/15/2015-2040
2011 Refunding	2012	237,530	237,530	206,295 (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	336,820	242,703 (1)	1.00 - 5.00%	11/15/2013-2042
			<u>\$ 2,137,723</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.

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	Sumitomo Mitsui Banking Corp./The Bank of Tokyo-Mitsubishi UFJ, Ltd	0.85%	Goldman Sachs	0.050%	<u>\$ 154,360</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.

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, 2012 (in thousands):

Gross Revenue (1)	Operating Expense (2)(3)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
\$ 443,028	178,891	264,137	178,167	148.3%

- (1) Gross revenue includes revenues from operations and interest income.
- (2) Excludes depreciation.
- (3) Excludes other post employment benefits and pension obligation accruals.

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

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, 2012, the total airport system obligation for prior lien bonds is \$280,850,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are \$85,612,862 at September 30, 2012. Revenue bonds authorized and unissued amount to \$735,795,000.

The bond rating at September 30, 2012, for the prior lien bonds is A (Standard & Poor's).

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2012 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2003 Refunding	2004	\$ 54,250	44,550	9,700 (1)	4.00 - 5.25%	11/15/2012-2018
2008 Remarketing	2008	281,300	236,300	75,913 (2)	0.08% - 0.82%	11/15/2012-2025
			<u>\$ 280,850</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 remarketing bonds are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of \$236,300,000. The associated letter of credit agreements have 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	JPMorgan Chase Bank, NA	1.35%	Morgan Stanley	0.10%	\$ 59,075	6/21/2014	
2005-2	JPMorgan Chase Bank, NA	1.35%	Morgan Stanley	0.10%	59,025	6/21/2014	
2005-3	State Street Bank and Trust	1.00%	Morgan Stanley	0.10%	59,100	6/21/2014	
2005-4	Royal Bank of Canada	1.35%	Morgan Stanley	0.10%	59,100	6/21/2014	
					<u>\$ 236,300</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, 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. 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, 2012 (in thousands):

Gross Revenue (1)	Other available funds (2)(6)	Operating Expense (3)(4)	Net Revenue and Other Available Funds	Debt Service Requirement (5)	Revenue Bond Coverage
\$ 96,344	35,483	65,689	66,138	42,375	156.1%

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

(2) Pursuant to bond ordinance, in addition to gross revenue, the Airport is authorized to use "other available funds" in the calculation of revenue bond coverage.

(3) Excludes depreciation.

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

(5) Excludes debt service amounts paid with passenger facility charge revenues.

(6) Includes transfer from capital fund to debt service fund to pay off variable rate note.

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

Nonmajor fund:

Convention Center—Prior and Subordinate Lien Revenue Refunding Bonds

In March 2012, the City issued \$20,185,000 of Hotel Occupancy Tax Subordinate Lien Revenue Refunding Bonds, Series 2012. The net proceeds of \$22,422,882 (after issue costs, discounts, and premiums) from the refunding were used to refund \$20,175,000 of the City's outstanding Waller Creek Venue Project, Series 1999A. The debt service requirements on the refunding bonds are \$30,314,439 with interest rates ranging from 2.0% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2012 to 2029. Principal payments are due November 15 of each year from 2012 to 2029. An economic gain of \$1,337,876 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$ 1,421,296. An accounting loss of \$992,605, which will be deferred and amortized, was recorded on this refunding.

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, 2012, the total convention center obligation for prior and subordinate lien bonds is \$206,030,000, exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are \$71,256,058 at September 30, 2012. Revenue bonds authorized and unissued amount to \$760,000 at September 30, 2012.

Bond ratings at September 30, 2012, for the revenue bonds were A1 (Moody's Investor Services, Inc.), and A (Standard & Poor's).

The following table summarizes Convention Center original and refunding revenue bonds outstanding at September 30, 2012 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2004 Refunding	2004	\$ 52,715	36,745	7,830 (1)	5.00%	11/15/2012-2019
2005 Refunding	2005	36,720	36,140	18,287 (1)	3.50 - 5.00%	11/15/2012-2029
2008AB Refunding	2008	125,280	112,960	35,009 (2)	0.05% - .35%	11/15/2012-2029
2012 Refunding	2012	20,185	20,185	10,129 (1)	2.00 - 5.00%	11/15/2012-2029
			<u>\$ 206,030</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):

Bond Sub-Series	Liquidity Provider	Commitment Fee Rate	Remarketing Agent	Remarketing Fee Rate	Outstanding	Expiration
2008-A	JPMorgan Chase Bank, NA	1.10%	Morgan Keegan	0.060%	\$ 56,480	7/25/2014
2008-B	Bank of America, NA	1.10%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.050%	56,480	7/25/2014
					<u>\$ 112,960</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, 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. 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	Governmental Activities (in thousands)					
	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30						
2013	\$ 54,816	38,834	4,219	3,711	4,270	1,377
2014	52,444	36,432	3,710	3,559	4,350	1,304
2015	52,496	34,032	3,473	3,436	4,958	1,192
2016	48,675	31,645	3,652	3,300	4,613	1,053
2017	55,311	29,355	3,807	3,158	4,235	938
2018-2022	274,518	107,276	21,817	13,582	11,490	3,250
2023-2027	221,140	52,484	24,602	8,950	8,170	1,459
2028-2032	102,765	8,537	12,348	4,767	2,145	138
2033-2037	--	--	8,370	2,850	--	--
2038-2042	--	--	8,329	907	--	--
	<u>862,165</u>	<u>338,595</u>	<u>94,327</u>	<u>48,220</u>	<u>44,231</u>	<u>10,711</u>
Less: Unamortized bond discounts	(637)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(19,373)	--	--	--	--	--
Add: Unamortized bond premiums	35,656	--	1,099	--	339	--
Net debt service requirements	<u>877,811</u>	<u>338,595</u>	<u>95,426</u>	<u>48,220</u>	<u>44,570</u>	<u>10,711</u>

Fiscal Year Ended	Capital Lease Obligations		Total Governmental Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
	Principal	Interest	Principal	Interest	Total
September 30					
2013	159	3	63,464	43,925	107,389
2014	--	--	60,504	41,295	101,799
2015	--	--	60,927	38,660	99,587
2016	--	--	56,940	35,998	92,938
2017	--	--	63,353	33,451	96,804
2018-2022	--	--	307,825	124,108	431,933
2023-2027	--	--	253,912	62,893	316,805
2028-2032	--	--	117,258	13,442	130,700
2033-2037	--	--	8,370	2,850	11,220
2038-2042	--	--	8,329	907	9,236
	<u>159</u>	<u>3</u>	<u>1,000,882</u>	<u>397,529</u>	<u>1,398,411</u>
Less: Unamortized bond discounts	--	--	(637)	--	(637)
Unamortized gain(loss) on bond refundings	--	--	(19,373)	--	(19,373)
Add: Unamortized bond premiums	--	--	37,094	--	37,094
Net debt service requirements	<u>\$ 159</u>	<u>3</u>	<u>1,017,966</u>	<u>397,529</u>	<u>1,415,495</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
2013	\$ 125	45	225,279	21	105,091	69,013
2014	131	39	--	--	123,006	53,913
2015	139	33	--	--	79,754	50,964
2016	112	26	--	--	52,996	47,779
2017	121	20	--	--	50,808	44,967
2018-2022	281	25	--	--	211,409	180,673
2023-2027	--	--	--	--	216,698	120,761
2028-2032	--	--	--	--	176,460	67,871
2033-2037	--	--	--	--	121,400	29,868
2038-2042	--	--	--	--	55,390	4,796
	<u>909</u>	<u>188</u>	<u>225,279</u>	<u>21</u>	<u>1,193,012</u>	<u>670,605</u>
Less: Unamortized bond discount	(2)	--	(23)	--	(1,464)	--
Unamortized gain(loss) on bond refundings	--	--	--	--	(34,625)	--
Add: Unamortized bond premium	35	--	--	--	28,763	--
Net debt service requirements	<u>942</u>	<u>188</u>	<u>225,256</u>	<u>21</u>	<u>1,185,686</u>	<u>670,605</u>

Fiscal Year Ended September 30	Capital Lease Obligations		Total Austin Energy Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2013	42	74	330,537	69,153	399,690
2014	44	72	123,181	54,024	177,205
2015	47	69	79,940	51,066	131,006
2016	49	67	53,157	47,872	101,029
2017	52	64	50,981	45,051	96,032
2018-2022	300	280	211,990	180,978	392,968
2023-2027	385	195	217,083	120,956	338,039
2028-2032	299	68	176,759	67,939	244,698
2033-2037	--	--	121,400	29,868	151,268
2038-2042	--	--	55,390	4,796	60,186
	<u>1,218</u>	<u>889</u>	<u>1,420,418</u>	<u>671,703</u>	<u>2,092,121</u>
Less: Unamortized bond discounts	--	--	(1,489)	--	(1,489)
Unamortized gain(loss) on bond refundings	--	--	(34,625)	--	(34,625)
Add: Unamortized bond premiums	--	--	28,798	--	28,798
Net debt service requirements	<u>\$ 1,218</u>	<u>889</u>	<u>1,413,102</u>	<u>671,703</u>	<u>2,084,805</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
2013	\$ 1,190	269	3,114	224	442	273
2014	975	214	2,410	130	461	256
2015	1,009	174	1,326	73	476	238
2016	1,022	133	1,020	46	509	218
2017	852	82	805	23	345	300
2018-2022	814	58	603	11	2,204	1,099
2023-2027	--	--	--	--	2,353	252
	<u>5,862</u>	<u>930</u>	<u>9,278</u>	<u>507</u>	<u>6,790</u>	<u>2,636</u>
Less: Unamortized bond discounts	(2)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(1,606)	--	--	--	--	--
Add: Unamortized bond premiums	561	--	93	--	--	--
Net debt service requirements	<u>4,815</u>	<u>930</u>	<u>9,371</u>	<u>507</u>	<u>6,790</u>	<u>2,636</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
2013	79,770	2	75,186	112,679	159,702	113,447	273,149
2014	--	--	103,584	100,274	107,430	100,874	208,304
2015	--	--	97,402	104,783	100,213	105,268	205,481
2016	--	--	98,984	95,527	101,535	95,924	197,459
2017	--	--	115,581	120,111	117,583	120,516	238,099
2018-2022	--	--	418,403	453,971	422,024	455,139	877,163
2023-2027	--	--	487,643	264,433	489,996	264,685	754,681
2028-2032	--	--	390,889	154,090	390,889	154,090	544,979
2033-2037	--	--	254,370	84,968	254,370	84,968	339,338
2038-2042	--	--	193,611	23,923	193,611	23,923	217,534
2043-2047	--	--	11,400	285	11,400	285	11,685
	<u>79,770</u>	<u>2</u>	<u>2,247,053</u>	<u>1,515,044</u>	<u>2,348,753</u>	<u>1,519,119</u>	<u>3,867,872</u>
Less: Unamortized bond discounts	--	--	(4,052)	--	(4,054)	--	(4,054)
Unamortized gain(loss) on bond refundings	--	--	(59,142)	--	(60,748)	--	(60,748)
Add: Unamortized bond premiums	--	--	111,222	--	111,876	--	111,876
Net debt service requirements	<u>\$ 79,770</u>	<u>2</u>	<u>2,295,081</u>	<u>1,515,044</u>	<u>2,395,827</u>	<u>1,519,119</u>	<u>3,914,946</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 0.04% to 0.30%.

(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		
2013	\$ 38	9	14,795	11,466
2014	26	8	15,610	10,699
2015	28	6	16,345	10,042
2016	22	5	17,105	9,357
2017	23	4	18,865	8,699
2018-2022	54	5	105,105	28,724
2023-2027	--	--	93,025	6,626
2028-2032	--	--	--	--
	191	37	280,850	85,613
Less: Unamortized bond discounts	--	--	(647)	--
Unamortized gain(loss) on bond refundings	(2)	--	(12,248)	--
Add: Unamortized bond premiums	10	--	1,329	--
Net debt service requirements	199	37	269,284	85,613

Fiscal Year Ended September 30	Total Airport		
	Debt Service Requirements		
	Principal	Interest	Total
2013	14,833	11,475	26,308
2014	15,636	10,707	26,343
2015	16,373	10,048	26,421
2016	17,127	9,362	26,489
2017	18,888	8,703	27,591
2018-2022	105,159	28,729	133,888
2023-2027	93,025	6,626	99,651
	281,041	85,650	366,691
Less: Unamortized bond discounts	(647)	--	(647)
Unamortized gain(loss) on bond refundings	(12,250)	--	(12,250)
Add: Unamortized bond premiums	1,339	--	1,339
Net debt service requirements	\$ 269,483	85,650	355,133

(1) Portions of these bonds are variable rate bonds with rates ranging from 0.08% to .82%.

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
2013	\$ 1,591	1,261	2,521	1,287	9,844	940
2014	2,359	1,183	2,205	1,187	8,775	704
2015	1,994	1,074	2,117	1,099	8,180	500
2016	2,004	983	2,228	1,015	6,667	299
2017	2,377	884	1,014	926	4,486	172
2018-2022	14,703	2,459	5,868	4,184	4,622	121
2023-2027	1,650	83	9,348	2,866	--	--
2028-2032	--	--	6,342	1,156	--	--
2033-2037	--	--	1,560	406	--	--
2038-2042	--	--	745	53	--	--
	<u>26,678</u>	<u>7,927</u>	<u>33,948</u>	<u>14,179</u>	<u>42,574</u>	<u>2,736</u>
Less: Unamortized bond discounts	(28)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(440)	--	--	--	--	--
Add: Unamortized bond premiums	2,495	--	508	--	353	--
Net debt service requirements	<u>28,705</u>	<u>7,927</u>	<u>34,456</u>	<u>14,179</u>	<u>42,927</u>	<u>2,736</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
2013	248	154	10,205	7,977	24,409	11,619	36,028
2014	259	144	10,750	7,455	24,348	10,673	35,021
2015	268	133	11,175	7,015	23,734	9,821	33,555
2016	286	123	12,085	6,542	23,270	8,962	32,232
2017	194	169	12,555	6,042	20,626	8,193	28,819
2018-2022	1,238	618	59,340	22,400	85,771	29,782	115,553
2023-2027	1,322	142	52,870	11,948	65,190	15,039	80,229
2028-2032	--	--	37,050	1,877	43,392	3,033	46,425
2033-2037	--	--	--	--	1,560	406	1,966
2038-2042	--	--	--	--	745	53	798
	<u>3,815</u>	<u>1,483</u>	<u>206,030</u>	<u>71,256</u>	<u>313,045</u>	<u>97,581</u>	<u>410,626</u>
Less: Unamortized bond discounts	--	--	(318)	--	(346)	--	(346)
Unamortized gain(loss) on bond refundings	--	--	(15,617)	--	(16,057)	--	(16,057)
Add: Unamortized bond premiums	--	--	4,649	--	8,005	--	8,005
Net debt service requirements	<u>\$ 3,815</u>	<u>1,483</u>	<u>194,744</u>	<u>71,256</u>	<u>304,647</u>	<u>97,581</u>	<u>402,228</u>

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.05 to .35%.

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

Business-Type Activities
(in thousands)

Fiscal Year Ended	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30						
2013	\$ 2,944	1,584	2,521	1,287	12,958	1,164
2014	3,491	1,444	2,205	1,187	11,185	834
2015	3,170	1,287	2,117	1,099	9,506	573
2016	3,160	1,147	2,228	1,015	7,687	345
2017	3,373	990	1,014	926	5,291	195
2018-2022	15,852	2,547	5,868	4,184	5,225	132
2023-2027	1,650	83	9,348	2,866	--	--
2028-2032	--	--	6,342	1,156	--	--
2033-2037	--	--	1,560	406	--	--
2038-2042	--	--	745	53	--	--
	<u>33,640</u>	<u>9,082</u>	<u>33,948</u>	<u>14,179</u>	<u>51,852</u>	<u>3,243</u>
Less: Unamortized bond discounts	(32)	--	--	--	--	--
Unamortized gain(loss) on bond refundings	(2,048)	--	--	--	--	--
Add: Unamortized bond premiums	3,101	--	508	--	446	--
Net debt service requirements	<u>34,661</u>	<u>9,082</u>	<u>34,456</u>	<u>14,179</u>	<u>52,298</u>	<u>3,243</u>

Fiscal Year Ended	Other Tax Supported Debt		Commercial Paper Notes (1)		Revenue Bonds (2)(3)	
	Principal	Interest	Principal	Interest	Principal	Interest
September 30						
2013	690	427	305,049	23	205,277	201,135
2014	720	400	--	--	252,950	172,341
2015	744	371	--	--	204,676	172,804
2016	795	341	--	--	181,170	159,205
2017	539	469	--	--	197,809	179,819
2018-2022	3,442	1,717	--	--	794,257	685,768
2023-2027	3,675	394	--	--	850,236	403,768
2028-2032	--	--	--	--	604,399	223,838
2033-2037	--	--	--	--	375,770	114,836
2038-2042	--	--	--	--	249,001	28,719
2043-2047	--	--	--	--	11,400	285
	<u>10,605</u>	<u>4,119</u>	<u>305,049</u>	<u>23</u>	<u>3,926,945</u>	<u>2,342,518</u>
Less: Unamortized bond discounts	--	--	(23)	--	(6,481)	--
Unamortized gain(loss) on bond refundings	--	--	--	--	(121,632)	--
Add: Unamortized bond premiums	--	--	--	--	145,963	--
Net debt service requirements	<u>\$ 10,605</u>	<u>4,119</u>	<u>305,026</u>	<u>23</u>	<u>3,944,795</u>	<u>2,342,518</u>

- (1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.
(2) A portion of these bonds are variable rate bonds with rates ranging from 0.04% to 0.82%.
(3) Portions of these bonds are Special Assessment Revenue Bonds.

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

Fiscal Year Ended September 30	Business-Type Activities (in thousands)				
	Capital Lease Obligations		Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2013	42	74	529,481	205,694	735,175
2014	44	72	270,595	176,278	446,873
2015	47	69	220,260	176,203	396,463
2016	49	67	195,089	162,120	357,209
2017	52	64	208,078	182,463	390,541
2018-2022	300	280	824,944	694,628	1,519,572
2023-2027	385	195	865,294	407,306	1,272,600
2028-2032	299	68	611,040	225,062	836,102
2033-2037	--	--	377,330	115,242	492,572
2038-2042	--	--	249,746	28,772	278,518
2043-2047	--	--	11,400	285	11,685
	1,218	889	4,363,257	2,374,053	6,737,310
Less: Unamortized bond discounts	--	--	(6,536)	--	(6,536)
Unamortized gain(loss) on bond refundings	--	--	(123,680)	--	(123,680)
Add: Unamortized bond premiums	--	--	150,018	--	150,018
Net debt service requirements	1,218	889	4,383,059	2,374,053	6,757,112

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, 2012, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity	Balance (1)
General Obligation		
Public Improvement and Refunding Bonds, Series 2003	9/1/2013	\$ 44,270
Public Improvement and Refunding Bonds, Series 2004	9/1/2014	4,980
Certificates of Obligations, Series 2003	9/1/2013	2,515
Certificates of Obligations, Series 2004	9/1/2014	10,945
HUD 108 Loan, Series 2003A	8/1/2013	785
HUD 108 Loan, Series 2006A	8/1/2016	655
HUD 108 Loan, Series 2010A	8/1/2016	2,865
Austin Energy		
Series 2003	5/15/2013	18,800
Austin Water Utility		
Series 2003	5/15/2013	97,100
		<u>\$ 182,915</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, 2011. Membership in the plans at December 31, 2011, 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	5,464	605	590	6,659
Current employees	8,348	1,690	963	11,001
Total	13,812	2,295	1,553	17,660

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

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

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

b -- Funding Policy

	<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%	16.20%
City's contribution (percent of earnings)	16.0% (1)	20.63% (2)	20.05% (3)

(1) The City contributes two-thirds of the cost of prior service benefit payments. A rate of 16% was effective October 1, 2011. The City contribution includes an 8% employee match plus a subsidy contribution of 8%. This rate increased to 18% effective October 1, 2012 for fiscal year 2012-13 and each fiscal year thereafter. The City contribution includes an 8% employee match plus a subsidy contribution of 10%.

(2) A rate of 20.63% was effective October 1, 2011.

(3) A rate of 20.05% was effective October 1, 2011.

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, 2012, are as follows (in thousands):

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
City	\$ 72,772	27,809	15,627	116,208
Employees	36,186	17,514	12,626	66,326
Total contributions	<u>\$ 108,958</u>	<u>45,323</u>	<u>28,253</u>	<u>182,534</u>

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

The City's annual pension cost of \$128,170,000 for the fiscal year ended September 30, 2012, was \$11,962,000 more 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)				
2010	\$ 78,559	21,926	10,058	110,543
2011	81,615	22,306	15,649	119,570
2012	85,335	27,246	15,589	128,170
Percentage of APC contributed				
2010	69%	104%	133%	N/A
2011	79%	117%	95%	N/A
2012	85%	102%	100%	N/A
Net Pension Obligation (Asset)				
2010	106,376	(364)	(3,144)	102,868
2011	123,692	(4,170)	(2,413)	117,109
2012	136,255	(4,733)	(2,451)	129,071

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

	<u>City Employees</u>	<u>Police Officers</u>	<u>Fire Fighters</u>	<u>Total</u>
Annual required contribution	\$ 83,142	27,352	15,635	126,129
Interest on net pension obligation (asset)	9,586	(334)	(187)	9,065
Adjustment to annual required contribution	(7,393)	228	141	(7,024)
Annual pension cost	85,335	27,246	15,589	128,170
Employer contributions	(72,772)	(27,809)	(15,627)	(116,208)
Change in net pension obligation (asset)	12,563	(563)	(38)	11,962
Beginning net pension obligation (asset)	123,692	(4,170)	(2,413)	117,109
Net pension obligation (asset)	<u>\$ 136,255</u>	<u>(4,733)</u>	<u>(2,451)</u>	<u>129,071</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, 2011. 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	3.50%	3.75%	3.5%
Projected Annual Salary Increases	5% to 6%	6.8% 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	27.1 years	25.2 years	20.91 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						
2011	\$ 1,790,900	2,723,800	932,900	65.7%	451,800	207.0%
Police Officers						
2011	553,702	815,259	261,557	67.9%	134,844	194.0%
Fire Fighters (2)						
2011	651,557	746,143	94,568	87.3%	76,700	123.3%

(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 \$24.2 million for 3,731 retirees in 2012 and \$22.7 million for 3,529 retirees in 2011.

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, 2012 is as follows (in thousands):

	<u>OPEB</u>
Annual required contribution	\$ 139,760
Interest on net OPEB obligation	16,132
Adjustment to annual required contribution	<u>(21,810)</u>
Annual OPEB cost	134,082
Contributions made	<u>(24,223)</u>
Change in net OPEB obligation	109,859
Beginning net OPEB obligation	<u>383,192</u>
Net OPEB obligation	<u>\$ 493,051</u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 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>
2010	\$ 116,704	18%	270,148
2011	135,756	17%	383,192
2012	134,082	18%	493,051

c -- Schedule of Funding Progress at September 30, 2012 (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>
\$ --	1,499,465	1,499,465	0%	668,679	224.2%

(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:

	<u>OPEB</u>
Actuarial Valuation Date	October 1, 2010
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	9.0% in 2011, decreasing 1.0% per year for five years to an ultimate trend of 5.0% in 2015

9 – DERIVATIVE INSTRUMENTS

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

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

a -- Energy Risk Management Program

In an effort to mitigate the financial and market risk associated with the purchase of natural gas, 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, 2012, \$4.6 million in premiums was deferred. As of September 30, 2012, the fair value of Austin Energy's futures, options, swaps and congestion rights, was an unrealized loss of \$71.1 million, of which \$79.7 million is reported as derivative instruments in liabilities and \$8.6 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, 2012, PCRRs had a fair value of \$2.24 million and CRRs had a fair value of \$3.27 million and 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, 2012, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

<u>Fair Value at September 30, 2012</u>							
<u>Type of Transaction</u>	<u>Reference Index</u>	<u>Maturity Dates</u>	<u>Notional Volumes</u>	<u>Fair Value</u>	<u>Change in Fair Value</u>	<u>Premiums Deferred</u>	
Long OTC Call Option: Henry Hub		Oct 2012 - Dec 2015	9,180,523 (1)	\$ 1,151	(623)	8,083	
Long OTC Put Options Henry Hub		Oct 2012 - Sep 2013	5,470,000 (1)	361	361	--	
Long Options Henry Hub		Apr 2013 - Oct 2013	2,140,000 (1)	155	(322)	--	
Long Basis Swaps WAHA		Oct 2012 - Dec 2013	2,285,000 (1)	1,178	133	--	
Short Futures Henry Hub		Oct 2012 - July 2013	(382,500) (1)	292	292	--	
N/A Congestion Rigt ICE (2)		Oct 2012 - Dec 2013	14,615,211 (3)	5,508	2,395	--	
Derivative instruments (assets)				<u>8,645</u>	<u>2,236</u>	<u>8,083</u>	
Short OTC Call Option: Henry Hub		Apr 2016 - Oct 2016	(1,050,000) (1)	(631)	(631)	--	
Short OTC Put Options Henry Hub		Oct 2012 - Sep 2015	(11,015,000) (1)	(23,980)	(6,409)	(3,482)	
Long Futures Henry Hub		Oct 2012 - July 2013	765,000 (1)	(2,285)	(1,016)	--	
Short Options Henry Hub		Apr 2013 - Oct 2013	(2,140,000) (1)	(6,905)	(1,552)	--	
Long OTC Swaps Henry Hub		Oct 2012 - Dec 2016	49,277,500 (1)	(45,907)	(28,143)	--	
Derivative instruments (liabilities)				<u>(79,708)</u>	<u>(37,751)</u>	<u>(3,482)</u>	
Total				<u>\$ (71,063)</u>	<u>(35,515)</u>	<u>4,601</u>	

(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, 2012, the brokerages had credit ratings of AA- and A-.

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

The over-the-counter agreements expose Austin Energy to credit risk. In the event of default Austin Energy's operations will not be materially affected. However, Austin Energy does not expect the counterparties to fail to meet their obligations given their high credit rating. At September 30, 2012, the two counterparties had credit ratings of A+ and A-. The contractual provisions under the ISDA (International Swaps and Derivatives Association) agreement applied to these contracts include collateral provisions. At September 30, 2012 no collateral was required under these provisions.

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

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

Netting Arrangements. Austin Energy enters into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements, should one party become insolvent or otherwise default on 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, 2012, the NYMEX price was \$3.023 per MMBTU, the WAHA Hub price was \$2.79 per MMBTU, Katy was \$2.87 per MMBTU, and the HSC Hub price was \$2.97 per MMBTU.

Investment Derivative Instruments

On September 30, 2012, Austin Energy had the following closed out investment derivative instruments (in thousands):

Type of Transaction	Reference Index	Fair Value at September 30, 2012			Change in Fair Value
		Maturity Dates	Volumes in MMBTU	Fair Value	
Long OTC Call Option:	Henry Hub	Oct 2012 - Oct 2013	5,660,000	\$ 493	(608)
Short OTC Call Option:	Henry Hub	Oct 2012 - Oct 2013	(5,660,000)	(493)	608
Long OTC Swaps	Henry Hub	Dec 2015 - Dec 2015	155,000	72	72
Short OTC Swaps	Henry Hub	Dec 2015 - Dec 2015	(155,000)	(63)	(63)
Long Futures	Henry Hub	Aug 2013 - Oct 2013	230,000	(1,148)	(210)
Short Futures	Henry Hub	Aug 2013 - Oct 2013	(230,000)	1,079	210
				<u>\$ (60)</u>	<u>9</u>

At September 30, 2012, Austin Energy recorded an unrealized gain of \$8 thousand on outstanding emission investment instruments.

In fiscal year 2012 Austin Energy sold Preassigned Congestion Revenue Rights (PCRRs) and recorded a gain of \$1.54 million. However, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2012, \$948 thousand remained deferred.

Risks

As of September 30, 2012, Austin Energy was not exposed to credit, interest, or foreign currency risk on its investment derivative instruments.

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

Hedging Derivative Instruments

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

As of September 30, 2012, the City has 3 outstanding swap transactions with initial and outstanding notional amounts totaling \$602.1 million and \$503.6 million, respectively. The mark-to-market or fair value for each swap is estimated using the zero-coupon method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the London Interbank Offered Rate (LIBOR) swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swaps.

On September 30, 2012, the City had the following outstanding interest rate swap hedging derivative instruments (in thousands):

Item	Related Variable Rate Bonds	Terms	Effective Date	Maturity Date	Notional Amount	Fair Value
Business-Type Activities - Hedging derivatives:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	Pay 3.600%, receive SIFMA swap index	5/15/2008	5/15/2031	\$ 154,360	(26,424)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025	236,300	(52,418)
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	112,960	(20,368)
					<u>\$ 503,620</u>	<u>(99,210)</u>

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, 2012 (in thousands):

Item	Outstanding Notional Amount	Fair Value and Classification as of September 30, 2012		Change in fair value for the year ended September 30, 2012	
		Amount	Classification	Deferred Outflows	Deferred Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	\$ 154,360	(26,424)	Non-current liability	(4,088)	--
AIR1	236,300	(52,418)	Non-current liability	(1,402)	--
HOT1	112,960	(20,368)	Non-current liability	(1,189)	--
	<u>\$ 503,620</u>	<u>(99,210)</u>		<u>(6,679)</u>	<u>--</u>

Due to the continued low interest rate levels during fiscal year 2012, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2012. 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.

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

As of September 30, 2012, the City had refunded Austin Water Utility's variable rate debt associated with the previously reported pay-fixed, receive-variable swap WWW1. Accordingly, the accumulated changes in the fair value of the swap that were reported as a deferred outflow of resources of \$(16,280,216) at September 30, 2011, and the decrease in the fair value of the swap in fiscal year 2012 of \$(199,784), that totaled \$(16,480,000), was paid as a termination payment, and included in the net carrying amount of the refunded bonds.

Risks

Credit risk. As of September 30, 2012, 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 changes 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.

The counterparty credit ratings for the City's interest rate swap hedging derivative instruments at September 30, 2012 are included in the table below:

Item	Related Variable Rate Bonds	Counterparty	Counterparty Ratings		
			Moody's Investors Service, Inc	Standard & Poor's	Fitch, Inc
Business-Type Activities:					
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.	Baa1	A-	A
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products	A2	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.

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

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, 2012 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		
Business-Type Activities:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	\$ (5,595)	237	(5,358)	(215)	(5,573)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	(9,753)	433	(9,320)	(567)	(9,887)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(3,676)	191	(3,485)	(211)	(3,696)
		<u>\$ (19,024)</u>	<u>861</u>	<u>(18,163)</u>	<u>(993)</u>	<u>(19,156)</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, 2012, the City bears basis risk on the three remaining swaps. These swaps have basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bonds. The City is exposed to basis risk should the floating rate that it receives on a swap drop below the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

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

Tax risk. Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the City's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds, e.g. a tax cut that results in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 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, 2012, the City did not have any investment derivative instruments related to interest rate swaps.

9 – DERIVATIVE INSTRUMENTS, continued
c -- Swap Payments and Associated Debt

As of September 30, 2012, 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		
2013	\$ 17,485	171	18,107	18,278
2014	42,825	160	16,876	17,036
2015	30,520	148	15,485	15,633
2016	23,820	139	14,540	14,679
2017	12,255	133	14,006	14,139
2018-2022	131,780	537	57,016	57,553
2023-2027	168,090	237	25,315	25,552
2028-2031	76,845	39	5,106	5,145
Total	\$ 503,620	1,564	166,451	168,015

10 – DEFICITS IN FUND BALANCES AND NET ASSETS

At September 30, 2012, the following funds reported deficits in fund balances/net assets (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issues.

<u>Nonmajor Governmental</u>	<u>Deficit</u>
Special Revenue Funds:	
Municipal Court Traffic Safety	\$ 109
One Texas Center	65
Rutherford Lane Facility	935
Capital Projects Funds:	
Street & traffic signals	8
Parks and recreation facilities	288
Libraries	17
Radio Trunking	47
Transportation	1,586
Cultural Facilities	211
Affordable Housing	902
Central Library	505
Mobility	9,564
Planning & development improvements	1
TPSD general improvements	2,050
Health projects	38
Build Austin	407
Park improvements	1,231
Police and courts	9,137
Capital Reserve	810
Public Works	2,361
Watershed Protection	670
City Hall, plaza, parking garage	7,055
Conservation Land	15
Nonmajor Enterprise	
Austin Resource Recovery	13,085

11 – INTERFUND BALANCES AND TRANSFERS

Interfund receivables, payables, and advances at September 30, 2012, are as follows (in thousands):

Receivable Fund	Payable Fund	Amount	
		Current	Advances
Governmental funds:			
General Fund	Nonmajor governmental funds	\$ 226	--
Nonmajor governmental funds	General Fund	11	--
	Nonmajor governmental funds	44,931	--
	Austin Water Utility	--	2,761
	Nonmajor enterprise funds	--	16
Internal Service funds	Nonmajor governmental funds	11	179
Enterprise funds:			
Austin Energy	General Fund	185	1,630
	Nonmajor governmental funds	--	268
	Austin Water Utility (restricted)	--	22,723
	Airport	141	1,260
	Nonmajor enterprise funds	320	997
	Internal service funds	148	167
Airport (restricted)	Nonmajor governmental funds	--	85
Nonmajor enterprise funds	Nonmajor governmental funds	--	370
	Nonmajor enterprise funds	210	--
Fiduciary funds:			
Private Purpose	Private Purpose	25	--
		<u>\$ 46,208</u>	<u>30,456</u>

Interfund receivables, payables, and advances reflect loans between funds. Of the above current amount, \$16.6 million is an interfund loan from the Fiscal Surety Fund, a special revenue fund, to other special revenue funds (primarily grant funds) to cover deficit pooled investments and cash. The above current amount also includes \$28.3 million in interfund loans between capital project funds to cover deficit pooled investments and cash.

Interfund transfers during fiscal year 2012 were as follows (in thousands):

Transfers Out	Transfers In						Total
	General	Nonmajor Governmental	Austin Energy	Austin Water Utility	Nonmajor Enterprise	Internal Service	
General	\$ --	17,223	--	--	2,538	--	19,761
Nonmajor governmental	--	8,366	319	--	44,004	4,388	57,077
Austin Energy	105,428	--	--	--	--	--	105,428
Austin Water Utility	36,840	287	--	110	--	--	37,237
Airport	--	--	--	6,395	--	--	6,395
Nonmajor enterprise	1,940	2,356	--	--	22	--	4,318
Internal Service	--	6,328	--	--	82	--	6,410
Total transfers out	<u>\$ 144,208</u>	<u>34,560</u>	<u>319</u>	<u>6,505</u>	<u>46,646</u>	<u>4,388</u>	<u>236,626</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 9, 2006, the PUC approved the City's most recent wholesale transmission rate of \$1.002466/KW. Transmission revenues totaled approximately \$63.4 million in 2012. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council determines electric utility and water and wastewater utility rates based on the cost of operations and a debt service coverage approach.

Under a bill passed by the Texas Legislature in 1999, municipally-owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. As of September 30, 2012, City management has elected not to enter the retail market, as allowed by state law.

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

Airport

The City has entered into certain lease agreements as the lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In the fiscal year 2012, the Airport fund revenues included minimum concession guarantees of \$9,871,811.

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, 2012 (in thousands):

Fiscal Year Ended September 30	Enterprise Airport Lease Receipts
2013	\$ 14,160
2014	10,303
2015	2,851
2016	2,374
2017	1,547
2018-2022	233
Totals	<u>\$ 31,468</u>

Projection of minimum future rentals for the Austin-Bergstrom Landhost Enterprises, Inc. is based on the current adjusted minimum rent for the period May 1, 2010 through April 30, 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.

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 \$32.7 million as of September 30, 2012. The increase in the pro-rata interest from 2011 is primarily due to an increase in coal inventory and a reduction in liabilities. The pro-rata interest in the FPP is calculated pursuant to the participation agreement and is reported in various assets 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.

13 – COMMITMENTS AND CONTINGENCIES, continued
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, 2012, Austin Energy's investment in the STP was approximately \$423 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 renewal for units 1 & 2 with the Nuclear Regulatory Commission (NRC). 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, 2012, the trust's assets were in excess of the estimated liability by \$21.4 million which is reported as part of deferred revenue and other liabilities (in thousands):

Decommissioning trust assets	\$ 178,191
Pro rata decommissioning liability	<u>(156,747)</u>
	<u>\$ 21,444</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, 2010 showed that the trust assets exceeded the minimum required assurance by \$29.2 million.

d -- Purchased Power

Austin Energy has commitments totaling \$4.4 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2037, 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 \$15.7 million at September 30, 2012. Austin Energy anticipates payment of these costs in 2013 and future years. The amount is based on 2012 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.

13 – COMMITMENTS AND CONTINGENCIES, continued

e -- Decommissioning and Environmental/Pollution Remediation Contingencies, continued

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 \$10 million at September 30, 2012 for sites related to Harold Court, Rosewood and Loop 360. Austin Resource Recovery anticipates payment of these costs in 2012 and future years. The amount is based on 2012 cost estimates to perform remediation. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

f -- Texas Water Development Board

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

Total bonds authorized	\$ 31,815
Definitive bonds issued to date	<u>(30,365)</u>
Remaining commitment	<u>\$ 1,450</u>

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

g -- Arbitrage Rebate Payable

The City's arbitrage consultant has determined that the City has 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, 2012.

h -- Federal and State Financial Assistance Programs

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

i -- Capital Improvement Plan

As required by charter, the City has a *Capital Improvements Program* plan (capital budget) covering a five-year period which details anticipated spending for projects in the upcoming and future years. The City's 2012 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
i -- Capital Improvement Plan, continued

Project	(in thousands)	Remaining Commitment
Governmental activities:		
General government		\$ 75,807
Public safety		12,820
Transportation		154,826
Public health		874
Public recreation and culture		149,708
Urban growth management		144,290
Business-type activities:		
Electric		241,870
Water		592,718
Wastewater		438,748
Airport		77,928
Convention		4,359
Environmental and health services		16,347
Urban growth management		76,272
Total		<u>\$ 1,986,567</u>

j -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2012, is as follows:

	Encumbrances
General Fund	<u>\$ 5,157</u>
Nonmajor governmental	
Special Revenue	3,496
Capital Projects	181,226
	<u>\$ 189,879</u>

Significant encumbrances include reservations for the 2006 bond program (\$38,980), the 2010 bond program (38,869) and the Waller Creek Tunnel project (\$69,605).

k -- 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 2013. 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, 2012, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	\$ 14,584	11,185	25,769
% capacity used	100%	100%	100%
Cumulative liability accrued	14,584	11,185	25,769
Costs incurred	(13,736)	--	(13,736)
Closure and post-closure liability	<u>\$ 848</u>	<u>11,185</u>	<u>12,033</u>

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

These amounts are based on the 2012 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.

l -- Risk-Related Contingencies

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

Fund Name	Description
Employee Benefits	City employees and retirees may choose a self-insured PPO or HMO for health coverage. Approximately 30% of city employees and 37% of retirees use the HMO option; approximately 70% of city employees and 63% 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 2012, two claims exceeded the stop-loss limit of \$500,000; during fiscal year 2011, six claims exceeded the stop-loss limit of \$500,000, and during fiscal year 2010, six 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 (IBNRs). The City utilizes actuarial information and historical claim settlement trends to determine the claim liabilities for the Employee Benefits Fund and Workers' Compensation Fund. Claims liabilities for the Liability Reserve Fund are calculated based on an estimate of outstanding claims, which may differ from the actual amounts paid. Possible losses are estimated to range from \$34.2 to \$49.9 million. The City contributes amounts to an internal service fund based on an estimate of anticipated costs for claims each year.

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

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2012	2011	2012	2011	2012	2011
Liability balances, beginning of year	\$10,638	10,558	7,585	7,576	15,638	15,301
Claims and changes in estimates	8,348	7,386	803	4,289	6,608	3,810
Claim payments	(8,682)	(7,306)	(2,064)	(4,280)	(4,655)	(3,473)
Liability balances, end of year	<u>\$10,304</u>	<u>10,638</u>	<u>6,324</u>	<u>7,585</u>	<u>17,591</u>	<u>15,638</u>

The Liability Reserve Fund claims liability balance at fiscal year end includes liabilities of \$3.4 million discounted at 3.99% in 2012 and \$5.0 million discounted at 4.47% in 2011.

13 – COMMITMENTS AND CONTINGENCIES, continued
m -- 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 will be funded through an economic development grant from the City of Austin, and supported by sales tax proceeds from the development.

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

The development contains over 1.15 million square feet of institutional Class A office space which hosts over 40 employers providing more than 3,600 jobs at Mueller. In addition, the development has more than 390,000 square feet of retail space. From the start of home sales in 2007, the community has been well received. As of September 30, 2012, approximately 925 single-family homes and 943 multi-family units were either complete or under construction. Catellus has also started the infrastructure for an additional 98 single-family homes, 274 multi-family units, and 125,000 square feet of retail space.

n -- 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. These bonds are being used by the City pursuant to the Public Improvement District Act, Chapter 372, Texas Local Government Code, Ordinance No. 20111103-054 adopted by the City Council on November 3, 2011. The proceeds from the issue will be used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater and roadway public improvements for the benefit of Whisper Valley Public Improvement District; funding of a reserve fund; payment of a portion of the costs incidental to the organization of the District; funding of capitalized interest; and payment of the cost of issuance of the bonds. 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, 2012. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2012 are \$15,500,000 and \$13,735,785, 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. These bonds are being used by the City pursuant to the Public Improvement District Act, Chapter 372, Texas Local Government Code, Ordinance No. 20111103-052 adopted by the City Council on November 3, 2011. The proceeds from the issue will be used as follows: payment of a portion of the costs of construction, acquisition, or purchase of certain water, wastewater and roadway public improvements for the benefit of Indian Hills Public Improvement District; funding of a reserve fund; payment of a portion of the costs incidental to the organization of the District; funding of capitalized interest; and payment of the cost of issuance of the bonds. 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, 2012. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2012 are \$2,860,000 and \$2,417,699, respectively.

o -- Other Commitments and Contingencies

The City is committed under various leases for building and office space, tracts of land and rights-of-way, and certain equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2012 was \$26.1 million. The City expects these leases to be replaced with similar leases in the ordinary course of business. Future minimum lease payments for these leases will remain approximately the same.

The City has entered into certain lease agreements to finance equipment for both governmental and business-type activities. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments at their inception date. Refer to Note 6 for the debt service requirements on these leases.

13 – COMMITMENTS AND CONTINGENCIES, continued
o -- Other Commitments and Contingencies, continued

The following summarizes capital assets recorded at September 30, 2012, under capital lease obligations (in thousands):

Capital Assets	Governmental Activities	Business-type Activities
		Austin Energy
Building and improvements	\$ --	1,405
Equipment	578	--
Accumulated depreciation	(513)	(351)
Net capital assets	\$ 65	1,054

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, 2012. These liabilities, reported in the government-wide statement of net assets, 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. The City has issued \$115.2 million in various series of housing revenue bonds that have an outstanding balance of \$108.4 million as of September 30, 2012.

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, 2012, \$336.5 million in revenue and revenue refunding bonds was outstanding that had an original issue value of \$382.2 million.

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

16 – SEGMENT INFORMATION – CONVENTION CENTER

The Convention Center provides event facilities and services to its customers.

Condensed Statement of Net Assets	
ASSETS	
Current assets	\$ 61,295
Advances to other funds	45
Capital assets	260,022
Other assets	14,042
Total assets	335,404
Deferred outflows of resources	20,368
LIABILITIES	
Due to other funds	320
Other current liabilities	17,703
Advances from other funds	997
Other noncurrent liabilities	238,846
Total liabilities	257,866
NET ASSETS	
Invested in capital assets, net of related debt	49,867
Restricted	19,586
Unrestricted	28,453
Total net assets	\$ 97,906

16 – SEGMENT INFORMATION – CONVENTION CENTER, continued

Condensed statement of revenues, expenses, and changes in net assets	
OPERATING REVENUES	
User fees and rentals	\$ 19,200
Total operating revenues	<u>19,200</u>
OPERATING EXPENSES	
Operating expenses before depreciation	37,617
Depreciation and amortization	9,028
Total operating expenses	<u>46,645</u>
Operating income (loss)	<u>(27,445)</u>
Nonoperating revenues (expenses)	(12,597)
Capital contributions	34
Transfers	43,791
Change in net assets	<u>3,783</u>
Total net assets - beginning	<u>94,123</u>
Total net assets - ending	<u>\$ 97,906</u>

Condensed statement cash flows	
Net cash provided (used) by:	
Operating activities	\$ (16,172)
Noncapital financing activities	43,470
Capital and related financing activities	(25,125)
Investing activities	(1,965)
Net increase (decrease) in cash and cash equivalents	<u>208</u>
Cash and cash equivalents, October 1	<u>49,847</u>
Cash and cash equivalents, September 30	<u>\$ 50,055</u>

17 – SUBSEQUENT EVENTS

a -- General Obligation Bond Issue

In October 2012, the City issued \$74,280,000 of Public Improvement Bonds, Series 2012A. The net proceeds of \$78,980,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and signals (\$44,700,000), watershed protection improvements (\$5,000,000), parks and recreation (\$9,640,000), cultural arts (\$5,900,000), central library (\$1,300,000), and facility improvements (\$12,440,000). These bonds will be amortized serially on September 1 of each year from 2013 to 2032. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2013. Total interest requirements for these bonds, at rates ranging from 3.0% to 5.0%, are \$37,944,100.

In October 2012, the City issued \$6,640,000 of Public Improvements Bonds, Taxable Series 2012B. The net proceeds of \$6,650,000 (after issue costs, discounts, and premiums) from the issue will be used for affordable housing. These bonds will be amortized serially on September 1 of each year from 2013 to 2032. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2013. Total interest requirements for these bonds, at rates ranging from 2.0% to 3.5%, are \$2,201,098.

In October 2012, the City issued \$24,645,000 of Certificates of Obligation, Series 2012. The net proceeds of \$25,890,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: Solid Waste Services Environmental Remediation (\$1,830,000), Transportation Projects (\$10,000,000), parks and recreation (\$4,060,000), and Waller Creek Tunnel (\$10,000,000). These certificates of obligation will be amortized serially on September 1 of each year from 2013 to 2037. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2013. Total interest requirements for these obligations, at rates ranging from 2.0% to 4.0%, are \$10,111,213.

17 – SUBSEQUENT EVENTS, continued

a -- General Obligation Bond Issue, continued

In October 2012, the City issued \$27,135,000 of Public Property Finance Contractual Obligations, Series 2012. The net proceeds of \$29,515,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: water utility capital equipment (\$1,210,000), wastewater utility capital equipment (\$1,040,000), parks capital equipment (\$865,000), police vehicles and equipment (\$11,900,000), and solid waste services capital equipment (\$14,500,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2013 to 2019. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2013. Total interest requirements for these obligations, at rates ranging from 1.0% to 4.0%, are \$3,748,758.

b -- Mueller Local Government Corporation Tax Increment Contract Revenue Bonds

In October 2012, the City issued \$16,735,000 of Mueller Local Government Corporation Tax Increment Contract Revenue Bonds, Series 2012. The Mueller Local Government Corporation is a not-for-profit local government corporation acting on behalf of the City of Austin, Texas. Proceeds from the issue will be used to provide funds for certain public infrastructure improvements within the Reinvestment Zone Number Sixteen, City of Austin, Texas, a tax increment reinvestment zone created by the City. The debt service requirements on the bonds are \$23,576,313, with interest rates ranging from 2.0% to 3.4%. Interest payments are due March 1 and September 1 of each year from 2013 to 2032. Principal payments are due September 1 of each year from 2013 to 2032.

c -- Texas Water Development Board

As of February 11, 2013, the City has converted an additional \$1,035,000 of initial bonds to definitive Water and Wastewater System Revenue Bonds, Series 2010 over three separate draw requests. With these issuances, the outstanding commitment with the TWDB is now reduced to \$415,000.

d -- Electric Utility System Revenue Refunding Bonds, Series 2012A

In December 2012, the City issued \$267,770,000 of Electric Utility System Revenue Refunding Bonds, Series 2012A. The net proceeds from the bond refunding were used to refund \$181,555,000 of the City's outstanding tax-exempt commercial paper issued for the electric utility system and \$127,800,000 of separate lien refunding bonds, series 2003. The debt service requirements on the refunding bonds are \$488,264,319, with interest rates ranging from 2.5% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2013 to 2040. Principal payments are due November 15 of each year from 2016 to 2040. An economic gain of \$24,186,987 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of \$25,484,029. An accounting loss of \$1,354,733, which will be deferred and amortized, was recorded on this refunding.

In December 2012, the City issued \$107,715,000 of Electric Utility System Revenue Refunding Bonds, Series 2012B. The net proceeds from the bond refunding were used to refund \$43,745,000 of the City's outstanding taxable commercial paper notes issued for the electric utility system; \$24,135,000 of separate lien revenue refunding bonds, series 2002A; \$3,500,000 of separate lien revenue refunding bonds, series 2006; \$29,000,000 of separate lien revenue refunding bonds, series 2007; and \$2,570,000 of separate lien revenue refunding bonds, series 2008. The debt service requirements on the refunding bonds are \$138,270,727, with interest rates ranging from 0.67% to 3.2%. Interest payments are due May 15 and November 15 of each year from 2013 to 2027. Principal payments are due November 15 of each year from 2015 to 2027. An economic loss of \$1,193,260 was recognized on this transaction. The change in net cash flows that resulted from the refunding was an increase of \$11,339,873. An accounting loss of \$7,806,248, which will be deferred and amortized, was recorded on this refunding.



General Fund
Schedule of Revenues, Expenditures, and Changes in
Fund Balances--Budget and Actual-Budget Basis
For the year ended September 30, 2012
(In thousands)

City of Austin, Texas
RSI

General Fund	Actual	Adjustments (1) (2)	Actual- Budget Basis	Budget		Variance (3) Positive (Negative)
				Original	Final	
REVENUES						
Taxes	\$ 448,537	99	448,636	437,261	437,261	11,375
Franchise fees	32,578	47	32,625	33,827	33,827	(1,202)
Fines, forfeitures and penalties	15,784	(1)	15,783	20,079	20,079	(4,296)
Licenses, permits and inspections	22,664	(3)	22,661	15,300	15,618	7,043
Charges for services/goods	44,147	2,188	46,335	43,540	43,540	2,795
Interest and other	4,414	(883)	3,531	3,645	3,645	(114)
Total revenues	568,124	1,447	569,571	553,652	553,970	15,601
EXPENDITURES						
General government						
Municipal Court	12,674	(6)	12,668	12,834	12,834	166
Public safety						
Police	265,016	(579)	264,437	267,580	267,580	3,143
Fire	132,832	(148)	132,684	131,199	131,264	(1,420)
Emergency Medical Services	50,096	(276)	49,820	49,781	49,781	(39)
Transportation, planning, and sustainability						
Transportation, planning, and sustainability	5	(5)	--	--	--	--
Public health:						
Health	41,991	729	42,720	41,553	42,693	(27)
Public recreation and culture						
Parks and Recreation	44,810	263	45,073	45,290	45,290	217
Austin Public Library	26,943	(143)	26,800	26,593	26,593	(207)
Urban growth management						
Neighborhood Planning and Zoning	21,933	(224)	21,709	21,181	22,255	546
Other Urban Growth Management	16,486	(1,528)	14,958	17,527	17,492	2,534
General city responsibilities (4)	83,875	(59,850)	24,025	23,737	23,737	(288)
Total expenditures	696,661	(61,767)	634,894	637,275	639,519	4,625
Excess (deficiency) of revenues over expenditures	(128,537)	63,214	(65,323)	(83,623)	(85,549)	20,226
OTHER FINANCING SOURCES (USES)						
Transfers in	144,208	18,066	162,274	161,215	163,193	(919)
Transfers out	(19,761)	(76,873)	(96,634)	(96,304)	(96,338)	(296)
Total other financing sources (uses)	124,447	(58,807)	65,640	64,911	66,855	(1,215)
Excess (deficiency) of revenues and other sources over expenditures and other uses	(4,090)	4,407	317	(18,712)	(18,694)	19,011
Fund balance at beginning of year	134,253	(13,226)	121,027	84,184	103,746	17,281
Fund balance at end of year	\$ 130,163	(8,819)	121,344	65,472	85,052	36,292

- (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 five separately budgeted funds: the General Fund, as budgeted by the City plus the Economic Incentives Reserve, New Central Library, Neighborhood Housing and Community 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 (\$340,000), accrued payroll (\$2,323,439), expenditures for workers' compensation (\$5,391,885), liability reserve (\$2,000,000), and public safety (\$2,632,781).

b -- Budget Amendments

The original revenue budget of the General Fund was amended during the fiscal year 2012 to increase social services and planning and development review. The original expenditure budget of the General Fund was amended during fiscal year 2012 primarily for increased social services and planning and development review costs. 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):

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	\$ (4,090)
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	1,438
Net compensated absences accrual	(329)
Outstanding encumbrances established in current year	(5,157)
Payments against prior year encumbrances	3,132
Other	5,323
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	<u>\$ 317</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						
2009	\$ 1,672,470	2,330,937	658,467	71.8%	442,539	148.8%
2010	1,711,600	2,460,700	749,100	69.6%	438,900	170.7%
2011	1,790,900	2,723,800	932,900	65.7%	451,800	207.0%
Police Officers						
2009	518,112	733,635	215,523	70.6%	122,928	175.3%
2010	546,957	776,231	229,274	70.5%	127,732	179.5%
2011	553,702	815,259	261,557	67.9%	134,844	194.0%
Fire Fighters (2)						
2007	584,420	586,802	2,382	99.6%	76,556	3.1%
2009	589,261	664,185	74,924	88.7%	78,980	94.9%
2011	651,557	746,143	94,568	87.3%	76,700	123.3%

(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
2010	2008	\$ --	1,134,864	1,134,864	0.0%	620,526	182.9%
2011	2010	--	1,404,692	1,404,692	0.0%	668,679	210.1%
2012	2010	--	1,499,465	1,499,465	0.0%	668,679	224.2%

(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, 2012

Federal Grantor/Pass through Grantor	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE							
Pass through -TX Department of State Health Services							
Women/Infants/Children 11	10.557	2011-037215	6001	\$ 6,178,761	\$ 211,371	\$ -	\$ 211,371
Women/Infants/Children 12	10.557	2012-039937	6001	6,130,826	5,790,751	-	5,790,751
Total TX Department of State Health Services				<u>12,309,587</u>	<u>6,002,122</u>	<u>-</u>	<u>6,002,122</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>12,309,587</u>	<u>6,002,122</u>	<u>-</u>	<u>6,002,122</u>
U.S. DEPARTMENT OF COMMERCE							
Pass through -Texas State Library							
American Recovery and Reinvestment Act (ARRA)- BTOP PCC Carver	11.557	461-11003	6030	63,152	13,637	-	13,637
Total Texas State Library				<u>63,152</u>	<u>13,637</u>	<u>-</u>	<u>13,637</u>
TOTAL U.S. DEPARTMENT OF COMMERCE				<u>63,152</u>	<u>13,637</u>	<u>-</u>	<u>13,637</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT							
Direct Program							
Community Development Block Grant							
Community Development Block Grant 08	14.218	1	B-07-MC-48-0500	6130	7,618,132	2,230,472	2,230,472
Community Development Block Grant 09	14.218	1	B-08-MC-48-0500	6130	7,374,683	551,465	9,504
Community Development Block Grant 10	14.218	1	B-09-MC-48-0500	6133	5,324,879	916,643	245,139
Community Development Block Grant 11	14.218	1	B-10-MC-48-0500	6144	7,727,635	435,128	17,957
Community Development Block Grant 12	14.218	1	B-11-MC-48-0500	6144	6,882,613	2,432,301	2,147,778
Total Community Development Block Grant					<u>34,927,942</u>	<u>6,566,009</u>	<u>2,420,378</u>
Emergency Shelter Grant							
Emergency Shelter Grant 11	14.231		S-10-MC-480500	6131	330,444	-	10,278
Emergency Shelter Grant 12	14.231		E-11-MC-48-0500	6131	330,444	68,269	261,726
Total Emergency Shelter Grant					<u>660,888</u>	<u>68,269</u>	<u>272,004</u>
Home Grant							
Home Grant 06	14.239		M-96-MC-48-0500	6130	42,977,569	63,823	-
Home Grant 08	14.239		M-07-MC-48-0500	6130	4,327,459	160,660	160,660
Home Grant 09	14.239		M-08-MC-48-0500	6130	4,100,000	337,123	337,123
Home Grant 10	14.239		M-09-MC-48-0500	6134	4,681,649	526,333	526,333
Home Grant 11	14.239		M-10-MC-48-0500	6145	4,531,817	1,697,617	147,115
Home Grant 12	14.239		M-11-MC-48-0500	6145	4,017,139	1,032,384	474,500
Total Home Grant					<u>64,635,633</u>	<u>3,817,940</u>	<u>621,615</u>
Housing Opportunity for People W/AIDS (HOPWA)							
Housing Opportunity for People W/AIDS II 07	14.241		TXH06-F004	6130	940,000	1,358	-
Housing Opportunity for People W/AIDS II 11	14.241		TXH08F004	6132	1,103,927	70	322,224
Housing Opportunity for People W/AIDS II 12	14.241		TXH11F004	6132	1,096,976	32,909	817,351
Total Housing Opportunity for People with AIDS					<u>3,140,903</u>	<u>34,337</u>	<u>1,139,505</u>
Economic Development Initiative - East Austin							
Economic Development Initiative - East Austin	14.246		B-05-SP-TX-0299	6130	198,400	98,931	37,786
Total Economic Development Initiative					<u>198,400</u>	<u>98,931</u>	<u>37,786</u>
Section 108 Loan							
Section 108 NCMP	14.248		B-01-MC-48-0500A	6130	2,510,350	138,636	-
Section 108 Family Business Loan	14.248		B-05-MC-48-0500A	7295	3,000,000	70	70
Section 108 Loan-E, 11th/12th	14.248		B-94-MC-48-0500-A	6130/6142	10,098,639	138,729	-
Total Section 108 Loan					<u>15,608,989</u>	<u>277,435</u>	<u>-</u>

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Federal Grantor/Pass through Grantor	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
ARRA-Community Development Block Grant				302,962			302,962
ARRA-Community Development Block Grant	14.253	1	B-09-MY-48-0500	6135	2,003,003	302,962	302,962
Total ARRA - Community Development Block Grant					<u>2,003,003</u>	<u>302,962</u>	<u>302,962</u>
ARRA-NSP Acquisition/Disposition							
ARRA-NSP Acquisition/Disposition	14.256		77090000146	6137	2,065,344	145,563	145,563
Total ARRA-NSP Acquisition/Disposition					<u>2,065,344</u>	<u>145,563</u>	<u>145,563</u>
ARRA - Homeless Prevention							
ARRA-Homelessness Prevention	14.257		S09-MY-48-0500	6136	3,062,820	10,304	68,174
Total ARRA - Homeless Prevention					<u>3,062,820</u>	<u>10,304</u>	<u>68,174</u>
Fair Housing Assistance							
Fair Housing Assistance	14.401		FF206K106006	6130	278,160	278,160	278,160
Total Fair Housing Assistance					<u>278,160</u>	<u>278,160</u>	<u>278,160</u>
Community Challenge Programs							
Community Challenge Programs	14.704		CCPTX0067-11	6146	3,000,000	76,604	76,604
Total Community Challenge Programs					<u>3,000,000</u>	<u>76,604</u>	<u>76,604</u>
Lead Hazard Reduction							
Lead Hazard Reduction	14.900		TXLHD0232-11	6141	2,500,000	384,064	384,064
Total Lead Hazard Reduction					<u>2,500,000</u>	<u>384,064</u>	<u>384,064</u>
Pass through - Capital Area Council of Governments							
Sustainable Planning Program	14.703		TXRIP0034-10	6920	238,007	24,607	78,275
Total Capital Area Council of Governments					<u>238,007</u>	<u>24,607</u>	<u>78,275</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT					<u><u>132,320,089</u></u>	<u><u>12,085,185</u></u>	<u><u>4,637,737</u></u>
U.S. DEPARTMENT OF INTERIOR							
Direct Program							
Save America's Treasures							
Save America's Treasures	15.150		48-03-ML-1390	6160	250,000	250,000	250,000
Total Save America's Treasures					<u>250,000</u>	<u>250,000</u>	<u>250,000</u>
Austin Historical Survey Web Tool							
Austin Historical Survey Web Tool	15.929		48-10-AP-5049	6160	87,278	59,765	59,765
Total Austin Historical Survey Web Tool					<u>87,278</u>	<u>59,765</u>	<u>59,765</u>
Pass through - Texas Historical Commission							
Austin Public Property Survey and Inventory	15.904		TX-11-030	6160	9,000	9,000	9,000
CLG-Historical Survey Web Tool	15.904		TX-10-031	6160	15,000	15,000	15,000
Total Texas Historical Commission					<u>24,000</u>	<u>24,000</u>	<u>24,000</u>
TOTAL U.S. DEPARTMENT OF INTERIOR					<u><u>361,278</u></u>	<u><u>333,765</u></u>	<u><u>-</u></u>
U.S. DEPARTMENT OF JUSTICE							
Direct Program							
Asset Forfeiture Funds							
Federal Department of Treasury Asset Forfeiture Fund	16.000		N/A	7870	-	235,214	235,214
Federal Department of Justice Asset Forfeiture Fund	16.000		N/A	7871	-	523,212	523,212
Total Asset Forfeiture Funds					<u>-</u>	<u>758,426</u>	<u>-</u>
County Family Violence Protection							
County Family Violence Protection	16.123		2010-WE-AX-0030	6060	1,000,000	470,112	470,112
Total County Family Violence Protection					<u>1,000,000</u>	<u>470,112</u>	<u>-</u>

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Human Trafficking							
Human Trafficking	16.320	2010-VT-BX-0020	6060	170,000	68,229	-	68,229
Total Human Trafficking				<u>170,000</u>	<u>68,229</u>	<u>-</u>	<u>68,229</u>
CenTex Gang Net Project							
CenTex Gang Net Project	16.580	2008-DD-BX-0273	6060	178,870	8,405	-	8,405
Total CenTex Gang Net Project				<u>178,870</u>	<u>8,405</u>	<u>-</u>	<u>8,405</u>
Weed & Seed Central/East							
Weed & Seed Central/East	16.595	2010-WS-QX-0048	6060	157,000	59,075	-	59,075
Total Weed & Seed Central/East				<u>157,000</u>	<u>59,075</u>	<u>-</u>	<u>59,075</u>
Bulletproof Vest Program							
Bulletproof Vest Program	16.607	N/A	6060	199,650	34,183	-	34,183
Total Bulletproof Vest Program				<u>199,650</u>	<u>34,183</u>	<u>-</u>	<u>34,183</u>
COPS Technology							
COPS Technology 08	16.710	2008CKWX0355	6060	210,443	190,668	-	190,668
COPS Technology 09	16.710	2009CKWX0036	6060	350,000	96,156	-	96,156
Total COPS Technology				<u>560,443</u>	<u>286,824</u>	<u>-</u>	<u>286,824</u>
Justice Assistance Program							
Justice Assistance Program 09	16.738	2008-DJ-BX-0401	6060	140,005	24,390	-	24,390
Justice Assistance Program 10	16.738	2009-DJ-BX-1296	6060	466,492	108,123	-	108,123
Justice Assistance Program 11	16.738	2011-DJ-BX-3251	6060	393,697	213,780	-	213,780
Total Justice Assistance Program				<u>1,000,194</u>	<u>346,293</u>	<u>-</u>	<u>346,293</u>
DNA Backlog Reduction Program							
DNA Backlog Reduction Program 11	16.741	2010-DN-BX-K045	6060	182,097	129,923	-	129,923
DNA Backlog Reduction Program 12	16.741	2011-DN-BX-K409	6060	240,532	120,440	-	120,440
Total DNA Backlog Reduction Program				<u>422,629</u>	<u>250,363</u>	<u>-</u>	<u>250,363</u>
Coverdell Forensic Science							
Coverdell Forensic Science 11	16.742	2010-CD-BX-0054	6060	175,000	14,747	-	14,747
Coverdell Forensic Science 12	16.742	2011-CD-BX-0099	6060	175,000	123,922	-	123,922
Total Coverdell Forensic Science				<u>350,000</u>	<u>138,669</u>	<u>-</u>	<u>138,669</u>
Austin City Intellectual Property Crime Enforcement							
Austin City Intellectual Property Crime Enforcement	16.752	2011-BE-BX-0002	6060	200,000	192,539	-	192,539
Total Austin City Intellectual Property Crime Enforcement				<u>200,000</u>	<u>192,539</u>	<u>-</u>	<u>192,539</u>
Congressionally Selected COPS							
Congressionally Selected COPS	16.753	2010-DD-BX-0428	6060	250,000	151,182	-	151,182
Total Congressionally Selected COPS				<u>250,000</u>	<u>151,182</u>	<u>-</u>	<u>151,182</u>
ARRA- Bryne Justice Assistance Grant							
ARRA-Byrne Justice Assistance Grant	16.804	2009-SB-B9-0986	6060	1,937,577	781,179	-	781,179
Total ARRA- Bryne Justice Assistance Grant				<u>1,937,577</u>	<u>781,179</u>	<u>-</u>	<u>781,179</u>
ARRA - Emergency Communication Services							
ARRA-Emergency Communication Services	16.808	2009-SC-B9-0105	6060	1,398,506	427,011	-	427,011
Total ARRA - Emergency Communication Services				<u>1,398,506</u>	<u>427,011</u>	<u>-</u>	<u>427,011</u>
Pass through - Texas Governor's Office Criminal Justice Division							
APD Gang Intervention Team Project							
APD Gang Intervention Team Project	16.523	JB-10-J20-23236-02	6060	32,973	32,972	-	32,972
Total APD Gang Intervention Team Project				<u>32,973</u>	<u>32,972</u>	<u>-</u>	<u>32,972</u>

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Anti - Gange Youth Apprenticeship Program							
Anti-Gang Youth Apprenticeship Program	16.540	JA-11-J20-24600-01	6060	40,892	5,606	-	5,606
Total Anti-Gang Youth Apprenticeship Program				<u>40,892</u>	<u>5,606</u>	<u>-</u>	<u>5,606</u>
Gang Prevention and Intervention Coordination Project							
Gang Prevention and Intervention Coordination Project	16.548	JT-10-J20-25608-01	6060	84,945	19,635	-	19,635
Total Gang Prevention and Intervention Coordination Project				<u>84,945</u>	<u>19,635</u>	<u>-</u>	<u>19,635</u>
Violence Against Women Grant							
VAWA-Assistance for Females	16.588	WF-11-V30-13410-14	6060	258,808	158,129	-	158,129
ARRA-APD VAWA-Assistance for Females	16.588	EF-09-V30-23032-01	6060	58,200	(321)	-	(321)
ARRA-Violence Against Women Formula Grant Program	16.588	EF-09-V30-24896-01	6060	181,973	(3,052)	-	(3,052)
Total Violence Against Women Grant				<u>498,981</u>	<u>154,756</u>	<u>-</u>	<u>154,756</u>
Criminal Justice Clandestine Program							
Criminal Justice Program Clandestine	16.738 ²	DJ-09-A10-23240-01	6060	144,628	144,628	-	144,628
Total Criminal Justice Clandestine Program				<u>144,628</u>	<u>144,628</u>	<u>-</u>	<u>144,628</u>
Coverdell Forensic Project							
Coverdell Forensic Project	16.742 ³	CD-11-A10-17487-08	6060	150,420	150,420	-	150,420
Total Coverdell Forensic Project				<u>150,420</u>	<u>150,420</u>	<u>-</u>	<u>150,420</u>
Total Texas Governor's Office Criminal Justice Division							
				<u>952,839</u>	<u>508,017</u>	<u>-</u>	<u>508,017</u>
TOTAL U.S. DEPARTMENT OF JUSTICE				<u><u>8,777,708</u></u>	<u><u>4,480,507</u></u>	<u><u>-</u></u>	<u><u>4,480,507</u></u>
U.S. DEPARTMENT OF TRANSPORTATION							
Direct Program							
ABIA FAA							
ABIA FAA 40-08 (Noise Implementation)	20.106	3-48-0359-040-2008	6900	4,000,000	532,490	-	532,490
ABIA FAA 46-08 AIP	20.106	3-48-0359-046-2008	6900	1,538,929	414,069	-	414,069
ABIA FAA 49-09 AIP	20.106	3-48-0359-049-2009	6900	10,998,674	3,202,598	-	3,202,598
ABIA FAA 50-09 AIP	20.106	3-48-0359-050-2009	6900	5,098,712	276,591	-	276,591
ABIA FAA 51-09 AIP	20.106	3-48-0359-051-2009	6900	1,900,000	888,030	-	888,030
ABIA FAA 52 (Noise Mitigation)	20.106	3-48-0359-052-2009	6900	2,001,288	1,973,389	-	1,973,389
ABIA FAA 54-10 AIP	20.106	3-48-0359-054-2010	6900	2,237,144	360,694	-	360,694
ABIA FAA 55-10 AIP	20.106	3-48-0359-055-2010	6900	2,316,089	1,119,303	-	1,119,303
ABIA FAA 57-12 AIP	20.106	3-48-0359-057-2012	6900	3,300,242	4,660	-	4,660
Total ABIA FAA				<u>33,391,078</u>	<u>8,771,824</u>	<u>-</u>	<u>8,771,824</u>
National Motor Carrier Safety							
MCSAP - Corridor Enforcement	20.218	MH104830000000	6090	303,089	10,191	-	10,191
MCSAP-TACT Public Education & Outreach	20.218	FM-MHP-0072-12-01-00	6090	895,514	5,037	-	5,037
Total National Motor Carrier Safety				<u>1,198,603</u>	<u>15,228</u>	<u>-</u>	<u>15,228</u>
Pass through - Texas State Highways & Public Transportation Dept.							
Highway Planning and Construction							
Austin Manor Rail Trail	20.205	CSJ-0914-04-224	6090	1,600,000	259,362	-	259,362
Safe routes to School-Kealing	20.205	581XXF6149	6230	100,000	88,169	-	88,169
Safe routes to School-Bedicheck	20.205	581XXF6150	6230	100,000	91,921	-	91,921
Safe routes to School-St Elmo	20.205	581XXF6151	6230	100,000	92,375	-	92,375
Safe routes to School-Pickle	20.205	581XXF6152	6230	100,000	92,984	-	92,984
Safe routes to School-Wooldridge	20.205	581XXF6153	6230	100,000	93,219	-	93,219
Regional Bicycle Routes	20.205	CSJ0914-04-221	6090	800,000	526,331	-	526,331
Intelligent Transportation Systems Deployment 05	20.205	0914-00-177	6090	103,415	21,039	-	21,039
Intelligent Transportation Systems Deployment 11	20.205	CSJ0914-00-191	6090	415,971	10,000	-	10,000
ISTEA Bicycle Projects	20.205	0914-04-095	6090	921,146	134,463	-	134,463
Citywide Bicycle Project	20.205	CSJ0914-04-265	6090	569,509	2,652	-	2,652

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Walk for a day vision Trail	20.205	CSJ0914-00-340	6090	300,000	12,945		12,945
Pleasant Valley to Northwestern	20.205	CSJ0914-00-258	6090	1,529,910	176,951		176,951
Northwestern to Chicon	20.205	CSJ0914-00-217	6090	1,120,000	49,468		49,468
Safe Routes to School 10	20.205	CSJ0914-04-253	6090	557,800	(6,295)		(6,295)
ARRA-Uninterrupted Power Sources	20.205	CSJ0914-00-325	6090	1,433,000	1,005,480		1,005,480
ARRA-Signals Project	20.205	CSJ0914-00-302;306;309;-013;-014	6090	2,400,000	339,665		339,665
Total Highway Planning and Construction				<u>12,250,751</u>	<u>2,990,729</u>	<u>-</u>	<u>2,990,729</u>
State and Community Highway Safety							
STEP-Comprehensive Traffic	20.600	2012-APD-S-1YG-0093	6090	1,000,000	421,355		421,355
Austin Bright Cyclist Campaign	20.600	2012-APW-G-1YG-0057	6090	10,200	10,196		10,196
STEP - Impaired Driving Mobilization	20.600	2012-APD-IDM-00012	6570	70,000	53,662		53,662
Click It or Ticket	20.600	2012-APD-CIOT-00029	6090	40,000	39,773		39,773
Total State and Community Highway Safety				<u>1,120,200</u>	<u>524,986</u>	<u>-</u>	<u>524,986</u>
Total Texas State Highway and Public Transportation Department				<u>13,370,951</u>	<u>3,515,715</u>	<u>-</u>	<u>3,515,715</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION				<u>47,960,632</u>	<u>12,302,767</u>	<u>-</u>	<u>12,302,767</u>
U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION							
Direct Program							
Equal Employment Opportunity							
Equal Employment Opportunity 11	30.002	EECCN100084	6020	129,200	48,850		48,850
Equal Employment Opportunity 12	30.002	EECCN100084	6020	119,900	59,250		59,250
Total Equal Employment Opportunity				<u>249,100</u>	<u>108,100</u>	<u>-</u>	<u>108,100</u>
TOTAL U.S. EQUAL EMPLOYMENT OPPORTUNITY COMMISSION				<u>249,100</u>	<u>108,100</u>	<u>-</u>	<u>108,100</u>
U.S. GENERAL SERVICES ADMINISTRATION							
Pass through - Texas Facilities Commission							
Donation-Federal Surplus Personal Property	39.003	7 10190	5120		235,243		235,243
Total Texas Facilities Commission				<u>-</u>	<u>235,243</u>	<u>-</u>	<u>235,243</u>
TOTAL U.S. GENERAL SERVICES ADMINISTRATION				<u>-</u>	<u>235,243</u>	<u>-</u>	<u>235,243</u>
U.S. NATIONAL ENDOWMENT FOR THE ARTS							
Direct Program							
NEA Local Art Agencies							
NEA Local Art Agencies	45.024	10-62-7019	6920	35,000		9,314	9,314
Total NEA Local Art Agencies				<u>35,000</u>	<u>-</u>	<u>9,314</u>	<u>9,314</u>
Pass through - Texas State Library							
Interlibrary Loan	45.310	771-12009	6140	10,000	432		432
Total Texas State Library				<u>10,000</u>	<u>432</u>	<u>-</u>	<u>432</u>
TOTAL U.S. NATIONAL ENDOWMENT FOR THE ARTS				<u>45,000</u>	<u>432</u>	<u>9,314</u>	<u>9,746</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY							
Direct Program							
Sanitary Sewer Overflow							
Sanitary Sewer Overflow	66.600	XP-97677201-3	6910	1,014,000	303,220		303,220
Total Sanitary Sewer Overflow				<u>1,014,000</u>	<u>303,220</u>	<u>-</u>	<u>303,220</u>

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Brownfield Cleanup Revolving Loan							
Brownfield Cleanup Revolving Loan	66.811	BL-986328-01-0	6930	402,090	43,138		43,138
Total Brownfield Cleanup Revolving Loan				<u>402,090</u>	<u>43,138</u>	-	<u>43,138</u>
Pass through - Texas Water Development Board							
ARRA-Clean Water State Revolving Fund	66.458	72454	4600		5,468,699		5,468,699
Total Texas Water Development Board				-	<u>5,468,699</u>	-	<u>5,468,699</u>
TOTAL US. ENVIRONMENTAL PROTECTION AGENCY				<u>1,416,090</u>	<u>5,815,057</u>	-	<u>5,815,057</u>
U.S. DEPARTMENT OF ENERGY							
Direct Program							
Conservation Research and Development							
Texas River Cities Electric Vehicles	81.086	4	DE-EE0005585	6920	499,782	133,138	133,138
Total Conservation Research and Development					<u>499,782</u>	-	<u>133,138</u>
Energy Efficiency and Renewable Energy Education							
ARRA-Solar Curriculum	81.117		DE-EE0002084	6920	450,000		205,868
Solar City Partnership	81.117		DE-FC36-07G017069	6920	186,930		62,331
Total Energy Efficiency and Renewable Energy Education					<u>636,930</u>	-	<u>268,199</u>
Energy Efficiency and Conservation Block Grant Program							
ARRA-Energy Efficiency & Conservation	81.128		DE-EE0000960	6920	7,492,700		3,362,496
ARRA-Clean Energy Accelerator	81.128		DE-EE0003555	6920	10,000,000	4,875	2,127,009
Total Energy Efficiency and Conservation Block Grant Program					<u>17,492,700</u>	<u>4,875</u>	<u>5,489,505</u>
Pass through - Leonardo Technologies							
CTCC-LTI	81.041	5	S100-CCC-PPM4002	6920	85,764		27,521
Total Leonardo Technologies					<u>85,764</u>	-	<u>27,521</u>
Pass through - Railroad Commission of Texas							
ARRA- Railroad Commission Propane							
ARRA-Railroad Commission Propane	81.041	5	121526	6155	240,000		178,737
Total ARRA - Railroad Commission Propane					<u>240,000</u>	-	<u>178,737</u>
ARRA- Propane Vehicles/Infrastructure							
ARRA-Propane Vehicles/Infrastructure	81.086	4	585831	6920/6155	35,000		1,917
Total ARRA - Propane Vehicles/Infrastructure					<u>35,000</u>	-	<u>1,917</u>
Total Railroad Commission of Texas					<u>275,000</u>	-	<u>180,654</u>
Pass through - State Energy Conservation Office							
ARRA - Carver Museum & Library	81.041	5	CS1118	6920	363,250		363,250
Central TX Clean Cities	81.041	5	CM913	6920/6155	100,736		2,830
Total State Energy Conservation Office					<u>463,986</u>	-	<u>366,080</u>
Pass through - TX Comptroller of Public Accounts							
SECO Alt Fuel & Hybrid Vehicles	81.041	5	CM1122	6155	90,000		85,000
SECO - ARRA Emissions Reduction Incentive	81.041	5	CS0110	6540	589,600		246,972
Total TX Comptroller of Public Accounts					<u>679,600</u>	-	<u>331,972</u>
Pass through - Texas Dept. of Housing and Community Affairs							
ARRA-Weatherization	81.042		16090000753	6920	8,090,874		3,452,135
Total Texas Dept. of Housing and Community Affairs					<u>8,090,874</u>	-	<u>3,452,135</u>
TOTAL U.S. DEPARTMENT OF ENERGY				<u>28,224,636</u>	<u>10,244,329</u>	<u>4,875</u>	<u>10,249,204</u>

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Federal Grantor/Pass through Grantor	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Direct Program							
Steps to Healthier US							
Steps to Healthier US 06	93.283	6	U58/CCU623332-04-1	1,918,007	(69,069)	(25,611)	(94,680)
Steps to Healthier US 08	93.283	6	5U58DP623332-05	1,559,858	326		326
Total Steps to Healthier US				<u>3,477,865</u>	<u>(68,743)</u>	<u>(25,611)</u>	<u>(94,354)</u>
Community Transformation Grant							
Community Transformation Grant	93.531		1U58DP003499-01	1,026,158	447,199	288,721	735,920
Total Community Transformation Grant				<u>1,026,158</u>	<u>447,199</u>	<u>288,721</u>	<u>735,920</u>
ARRA Tobacco Prevention							
ARRA Tobacco Prevention Grant	93.724		1U58DP002587-01	7,473,150	2,604,682	1,410,491	4,015,173
Total ARRA Tobacco Prevention				<u>7,473,150</u>	<u>2,604,682</u>	<u>1,410,491</u>	<u>4,015,173</u>
Ryan White 1 Emergency Care							
Ryan White I Emergency Care 09	93.914		H89HA00036	131,094	399	3,086	3,485
Ryan White I Emergency Care 12	93.914		H89HA00036	1,594,329	315,228	2,422,040	2,737,268
Ryan White I Emergency Care 13	93.914		H89HA00036-18	4,299,128	373,955	828,385	1,202,340
Total Ryan White 1 Emergency Care				<u>6,024,551</u>	<u>689,582</u>	<u>3,253,511</u>	<u>3,943,093</u>
Ryan White - Part C							
Ryan White - Part C 07	93.918		H76HA00127	922,358	(1,120)		(1,120)
Ryan White- Part C 11	93.918		H76HA00127	872,383	5,285	261,456	266,741
Ryan White - Part C 12	93.918		H76HA00127	872,383	141,053	89,459	230,512
Total Ryan White - Part C				<u>2,667,124</u>	<u>145,218</u>	<u>350,915</u>	<u>496,133</u>
Pass through - Capital Area Council of Governments							
Senior Transportation	93.044		N/A	96,000	96,000		96,000
Total Capital Area Council of Governments				<u>96,000</u>	<u>96,000</u>	<u>-</u>	<u>96,000</u>
Pass through - Texas Department of State Health Services							
HIV Technical Assistance							
HIV Technical Assistance	93.006		TAMCP030118-03-00	395,401	570		570
Total HIV Technical Assistance				<u>395,401</u>	<u>570</u>	<u>-</u>	<u>570</u>
Public Health Emergency Preparedness							
CPS-Bioterrorism Preparedness 09	93.069		2009-031815-001	810,016	11		11
Public Health Emergency Response 10	93.069		2010-033409	1,980,446	8,123		8,123
CPS-Bioterrorism Preparedness 11	93.069		2010-035621-001	810,574	(246)		(246)
Public Health Emergency Preparedness 12	93.069		2011-038766	680,163	644,613		644,613
Public Health Emergency Preparedness 13	93.069		2013-041384	822,466	45,889		45,889
Total Public Health Emergency Preparedness				<u>5,103,665</u>	<u>698,390</u>	<u>-</u>	<u>698,390</u>
Title V CHS Population							
Title V CHS Population	93.110		2009-029519	350,261	(950)		(950)
Total Title V CHS Population				<u>350,261</u>	<u>(950)</u>	<u>-</u>	<u>(950)</u>
TB Outreach							
TB Outreach 06	93.116		7460000858 2007	150,003	9,005		9,005
TB Outreach 11	93.116		2011-037507	216,286	63,979		63,979
TB Outreach 12	93.116		2012-040160	217,942	144,460		144,460
TB Outreach 13	93.116		2013-041384	217,389	14,018		14,018
Total TB Outreach				<u>801,620</u>	<u>231,462</u>	<u>-</u>	<u>231,462</u>
Immunization Outreach							
Immunization Outreach 07	93.268		2007-021253	694,345	(7,373)		(7,373)
Immunization Outreach 08	93.268		2008-023669	694,345	7,314		7,314
Immunization Outreach 10	93.268		2010-031589	694,345	(77)		(77)

CITY OF AUSTIN, TEXAS
Schedule of Expenditures of Federal Awards
For the Period ended September 30, 2012

Federal Grantor/Pass through Grantor	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Immunization Outreach 11	93.268	2011-036452	6114	694,345	(25)		(25)
Immunization Outreach 12	93.268	2012-039066	6114	694,344	674,321		674,321
Immunization Outreach 13	93.268	2013-041384	6114	698,344	57,982		57,982
Total Immunization Outreach				<u>4,170,068</u>	<u>732,142</u>	-	<u>732,142</u>
CDC- Investigations & Technical Assistance							
PHEP Discretionary Funds	93.283	2009-031298-001	6126	62,268	(1,369)		(1,369)
Preparedness for Bioterrorism 06	93.283	7460000858 2006-10B	6110	2,755,044	(45,361)		(45,361)
Preparedness for Bioterrorism 08	93.283	2008-022923-001	6110	1,074,916	(3,728)		(3,728)
Preparedness for Bioterrorism 09	93.283	2008-027969	6112	673,194	(41)		(41)
Total CDC- Investigations & Technical Assistance				<u>4,565,422</u>	<u>(50,499)</u>	-	<u>(50,499)</u>
Refugee Health Services							
Refugee Health Services 08	93.566	2009-029963-001	6116	618,507	(40)		(40)
Refugee Health Services 11	93.566	2011-037310	6116	1,157,094	25,747		25,747
Refugee Health Services 12	93.566	2012-039781	6116	1,124,141	922,615		922,615
Refugee Health Services 13	93.566	2013-041384-006	6116	1,281,690	46,385		46,385
Total Refugee Health Services				<u>4,181,432</u>	<u>994,707</u>	-	<u>994,707</u>
ARRA Mother Friendly Worksite							
ARRA Mother Friendly Worksite	93.723	2011-038073	6110	10,000	9,978		9,978
Total ARRA Mother Friendly Worksite				<u>10,000</u>	<u>9,978</u>	-	<u>9,978</u>
HIV PCPE							
HIV PCPE 06	93.940	7460000858-07-03	6110	579,963	25,695		25,695
HIV PCPE 07	93.940	2007-021938	6110	386,642		(7,795)	(7,795)
HIV PCPE 11	93.940	2011-037626	6123	681,803	197,745		197,745
HIV PCPE 12	93.940	2012-040435	6123	782,303	497,191		497,191
Total HIV PCPE				<u>2,430,711</u>	<u>720,631</u>	(7,795)	<u>712,836</u>
HIV Surveillance							
HIV Surveillance 06	93.944	7460000858-07-04A	6110	88,898	5,418		5,418
HIV Surveillance 07	93.944	2007-021806	6110	85,898	1,411		1,411
HIV Surveillance 08	93.944	2008-025455-001	6110	145,620	485		485
HIV Surveillance 11	93.944	2011-037581	6122	181,320	58,063		58,063
HIV Surveillance 12	93.944	2012-040380	6122	181,320	91,256		91,256
HIV Surveillance 13	93.944	2013-041384	6122	181,320	9,883		9,883
Total HIV Surveillance				<u>864,376</u>	<u>166,516</u>	-	<u>166,516</u>
STD Control							
STD Control 06	93.977	7460000858 2007	6110	217,363	31,381		31,381
STD Control 07	93.977	2007-021857	6110	246,655	(1,990)		(1,990)
STD Control 08	93.977	2008-025430-001	6124	273,036	1,222		1,222
STD Control 11	93.977	2011-037546	6124	373,259	153,666		153,666
STD Control 12	93.977	2012-040467	6124	227,991	237,342		237,342
STD Control 13	93.977	2013-041384	6124	212,259	3,652		3,652
Total STD Control				<u>1,550,563</u>	<u>425,273</u>	-	<u>425,273</u>
OPHP - Regional & Local Services Section							
OPHP-Regional & Local Services Section 12	93.991	2012-035638	6512	197,872	167,845		167,845
OPHP-Regional & Local Services Section 13	93.991	2013-041384	6512	197,872	9,570		9,570
Total OPHP - Regional & Local Services Section				<u>395,744</u>	<u>177,415</u>	-	<u>177,415</u>
Texas Healthy Adolescent							
Texas Healthy Adolescent 11	93.994	2011-035521	6138	225,000	(2,830)		(2,830)
Texas Healthy Adolescent 12	93.994	2012-038977	6138	225,000	171,235		171,235
Texas Healthy Adolescent 13	93.944	2013-041537	6138	168,750	725		725
Total Texas Healthy Adolescent				<u>618,750</u>	<u>169,130</u>	-	<u>169,130</u>
Total Texas Department of State Health Services				<u>25,438,013</u>	<u>4,274,765</u>	(7,795)	<u>4,266,970</u>

CITY OF AUSTIN, TEXAS
Schedule of Expenditures of Federal Awards
For the Period ended September 30, 2012

Federal Grantor/Pass through Grantor	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Pass through - TX Department of Family and Protective Services							
Promoting Safe and Stable Families							
Youth of Promise Initiative 12	93.556	23794901	6113	320,202	131,439	169,152	300,591
Youth of Promise Initiative 13	93.556	23794901	6113	320,202	7,594		7,594
Total Promoting Safe and Stable Families				<u>640,404</u>	<u>139,033</u>	<u>169,152</u>	<u>308,185</u>
Total TX Department of Family and Protective Services				<u>640,404</u>	<u>139,033</u>	<u>169,152</u>	<u>308,185</u>
Pass through - Texas Department of Housing & Community Affairs							
Community Services Block Grant							
Community Services Block Grant - Additional	93.569	61000001424	6118	84,846	54,095		54,095
Community Services Block Grant 11	93.569	61100000839	6118	889,658	211,088		211,088
Community Services Block Grant 12	93.569	61100000839	6118	990,165	517,047		517,047
Total Community Services Block Grant				<u>1,964,669</u>	<u>782,230</u>	-	<u>782,230</u>
Total Texas Department of Housing & Community Affairs				<u>1,964,669</u>	<u>782,230</u>	-	<u>782,230</u>
Pass through - Greater Austin Area Workforce Development							
Title IV-A At Risk Child Care	93.575	07141C01	6110	1,487,459	780	70,376	71,156
Total Greater Austin Area Workforce Development				<u>1,487,459</u>	<u>780</u>	<u>70,376</u>	<u>71,156</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>50,295,393</u>	<u>9,110,746</u>	<u>5,509,760</u>	<u>14,620,506</u>
U.S. DEPARTMENT OF HOMELAND SECURITY							
Direct Program							
FEMA Flood Study							
FEMA Flood Study	97.045	EMT-2010-CA-0011	6930	1,100,000	722,755		722,755
Total FEMA Flood Study				<u>1,100,000</u>	<u>722,755</u>	-	<u>722,755</u>
ABIA K-9 Bomb Squad							
ABIA K-9 Bomb Squad	97.072	HSTS0208HCAN404	6900	1,765,000	242,500		242,500
Total ABIA K-9 Bomb Squad				<u>1,765,000</u>	<u>242,500</u>	-	<u>242,500</u>
ABIA Checkpoints							
ABIA Checkpoints	97.090	HSTS0208HSLR018	6900	2,643,654	449,804		449,804
Total ABIA Checkpoints				<u>2,643,654</u>	<u>449,804</u>	-	<u>449,804</u>
Pass Through - Texas Department of Public Safety (GDEM)							
Urban Area Security Initiative							
Urban Area Security Initiative 08	97.008	08-SR-5000-01	6120	1,543,848	261,159		261,159
Urban Area Security Initiative 09	97.008	09-SR-5000-05	6120	2,834,922	1,546,853		1,546,853
Urban Area Security Initiative 10	97.008	10-SR-5000-01	6120	1,083,030	683,249		683,249
Total Urban Area Security Initiative				<u>5,461,800</u>	<u>2,491,261</u>	-	<u>2,491,261</u>
Hazard Mitigation Grant							
Hazard Mitigation-Bayton Loop	97.039	1791-016	6930	4,585,207	295		295
FEMA Woodview Mobile Home Buyout	97.039	DR-1709-012	6930	1,189,356	528,591		528,591
Total Hazard Mitigation Grant				<u>5,774,563</u>	<u>528,886</u>	-	<u>528,886</u>
EMPG							
EMPG 11	97.042	N/A	6120	133,350	20,003		20,003
EMPG 12	97.042	N/A	6120	133,353	133,350		133,350
Total EMPG				<u>286,703</u>	<u>153,353</u>	-	<u>153,353</u>
Citizens Corp Program							
Citizens Corp Program 09	97.053	09-GA 5000-06	6120	32,650	572		572
Citizens Corp Program 10	97.053	10-SR-5000-01	6120	1,810	(45)		(45)
Total Citizen's Corp Program				<u>34,460</u>	<u>527</u>	-	<u>527</u>

CITY OF AUSTIN, TEXAS
Schedule of Expenditures of Federal Awards
For the Period ended September 30, 2012

Federal Grantor/Pass through Grantor	Federal CFDA Number	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Metro Medical Response System							
Metro Medical Response System(MMRS)	97.067	N/A	6631	280,000	42,715		42,715
Metro Medical Response System(MMRS) 11	97.067	11-SR-5000-03	6120	258,145	41,800		41,800
				<u>538,145</u>	<u>84,515</u>	-	<u>84,515</u>
Metro Medical Response System(MMRS) 08	97.071	08-SR-5000-01	6120	321,221	314		314
Metro Medical Response System(MMRS) 09	97.071	09-GA 5000-06	6120	321,221	191,289		191,289
Metro Medical Response System(MMRS) 10	97.071	10-SR-5000-01	6120	317,419	223,736		223,736
				<u>959,861</u>	<u>415,339</u>	-	<u>415,339</u>
Total Metro Medical Response System				<u>1,498,006</u>	<u>499,854</u>	-	<u>499,854</u>
State Homeland Security Program							
State Homeland Security Program - 08	97.073	2008-GE-T8-0034	6120	558,745	96,074		96,074
State Homeland Security Program - 09	97.073	09-GA 5000-06	6120	128,750	11,362		11,362
State Homeland Security Program -10	97.073	10-SR-5000-01	6120	797,868	689,805		689,805
State Homeland Security Program - 11	97.073	11-SR-5000-01,02	6120	847,769	190,208		190,208
Total State Homeland Security Program				<u>2,333,132</u>	<u>987,449</u>	-	<u>987,449</u>
Total Texas Department of Public Safety (GDEM)				<u>15,388,664</u>	<u>4,661,330</u>	-	<u>4,661,330</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY				<u>20,897,318</u>	<u>6,076,389</u>	-	<u>6,076,389</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE				<u>\$ 302,919,983</u>	<u>\$ 66,808,279</u>	<u>\$ 10,161,686</u>	<u>\$ 76,969,965</u>

See accompanying notes to schedule of expenditures of federal awards.
See accompanying independent auditors' report.

- 1 Cluster-Community Development Block Grant
- 2 Cluster-Justice Assistance Program
- 3 Cluster-Coverdell Forensic Science
- 4 Cluster-Conservation Research and Development
- 5 Cluster-State Energy Program
- 6 Cluster-CDC Investigations & Technical Assistance

7 Valuation: In accordance with the U.S. General Service Administration guidelines, the fair market value is 23.3% of the original acquisition cost of the property. As the donee, the City of Austin does not pay for the property but does pay a small service charge (\$24,900) to cover handling fees. The service charges were recorded in the operating statements for the City of Austin.

CITY OF AUSTIN, TEXAS
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State Grantor/ Pass Through Grantor	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
TEXAS GOVERNOR'S OFFICE						
Direct Programs						
APD Central Records Project						
2012 APD Central Records Project	SF-12-A10-25732-01	6500	\$ 74,986	\$ 40,680	\$ -	\$ 40,680
Total APD Central Records Project			<u>74,986</u>	<u>40,680</u>	<u>-</u>	<u>40,680</u>
TOTAL TEXAS GOVERNOR'S OFFICE			<u>74,986</u>	<u>40,680</u>	<u>-</u>	<u>40,680</u>
TEXAS DEPARTMENT OF STATE HEALTH SERVICES						
Direct Programs						
TB Elimination						
TB Elimination 07	N/A	6510	279,876	11,550		11,550
TB Elimination 08	2008-023214	6510	369,879	6,362		6,362
TB Elimination 12	2012-039048	6513	304,094	277,349		277,349
TB Elimination 13	2013-041384	6513	304,094	13,094		13,094
Total TB Elimination			<u>1,257,943</u>	<u>308,355</u>	<u>-</u>	<u>308,355</u>
Community Diabetes Project						
Community Diabetes Project 10	2010-031847	6201	80,000	(3,092)		(3,092)
Community Diabetes Project 12	2012-039706	6201	80,000	56,994	13,318	70,312
Community Diabetes Project 13	2013-041342	6201	80,000	2,090		2,090
Total Community Diabetes Project			<u>240,000</u>	<u>55,992</u>	<u>13,318</u>	<u>69,310</u>
Tobacco Prevention & Control Coalition						
Tobacco Prevention & Control Coalition 08	2008-025609	6240	119,290	(524)		(524)
Tobacco Prevention & Control Coalition 09	2009-029460	6240	383,216	(54)		(54)
Tobacco Prevention & Control Coalition 11	2011-037118	6240	420,033	2,688	(30,706)	(28,018)
Tobacco Prevention & Control Coalition 12	2012-039666	6240	283,171	170,556	95,498	266,054
Tobacco Prevention & Control Coalition 13	2013-042401	6240	283,171	9,024		9,024
Total Tobacco Prevention & Control Coalition			<u>1,488,881</u>	<u>181,690</u>	<u>64,792</u>	<u>246,482</u>
Health Services Local Project						
Health Services Local Project 11	2010-037344	6510	21,751	(2,470)		(2,470)
Health Services Local Project 12	2012-040045	6510	5,098	5,098		5,098
Total Health Services Project			<u>26,849</u>	<u>2,628</u>	<u>-</u>	<u>2,628</u>
Zoonosis Animal Friendly						
Zoonosis Animal Friendly	2011-038776	6515	37,592	36,050		36,050
Total Zoonosis Animal Friendly			<u>37,592</u>	<u>36,050</u>	<u>-</u>	<u>36,050</u>

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State Grantor/ Pass Through Grantor	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
Heart Disease/Value Based Benefit						
Heart Disease/Value Based Benefit	2009-031506	6575	50,000	(124)		(124)
Total Heart Disease/Value Based Benefit			<u>50,000</u>	<u>(124)</u>	<u>-</u>	<u>(124)</u>
Influenza Incidence Surveillance						
Influenza Incidence Surveillance	2012-040185-01	6139	17,000	13,589		13,589
Total Influenza Incidence Surveillance			<u>17,000</u>	<u>13,589</u>	<u>-</u>	<u>13,589</u>
Pass Through - Capital Area Trauma Regional Advisory Council						
Injury Prevention	4846	6710	5,848	5,848		5,848
Trauma care System	4676	6710	26,230	26,230	-	26,230
Total Capital Area Trauma Regional Advisory Council			<u>32,078</u>	<u>32,078</u>	<u>-</u>	<u>32,078</u>
TOTAL TEXAS DEPARTMENT OF STATE HEALTH SERVICES			<u>3,150,343</u>	<u>630,258</u>	<u>78,110</u>	<u>708,368</u>
TEXAS COMMISSION OF THE ARTS						
Direct Programs						
TCA Grants						
TCA Basic Grant	N/A	6920	2,452		2,452	2,452
TCA Core Support	51681	6920	7,364		7,364	7,364
TCA Sub-granting 11	11-32086	6920	35,000		1,000	1,000
TCA Sub-granting 12	51911	6920	15,620		15,620	15,620
Total TCA Grants			<u>60,436</u>	<u>-</u>	<u>26,436</u>	<u>26,436</u>
TOTAL TEXAS COMMISSION OF THE ARTS			<u>60,436</u>	<u>-</u>	<u>26,436</u>	<u>26,436</u>
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY						
Direct Programs						
Texas Clean Fleet Program						
Texas Clean Fleet Program	582-11-11032-3266	6542	5,026,045	4,791,353		4,791,353
Total Texas Clean Fleet Program			<u>5,026,045</u>	<u>4,791,353</u>	<u>-</u>	<u>4,791,353</u>
TOTAL TEXAS COMMISSION ON ENVIRONMENTAL QUALITY			<u>5,026,045</u>	<u>4,791,353</u>	<u>-</u>	<u>4,791,353</u>

CITY OF AUSTIN, TEXAS
Schedule of Expenditures of State Awards
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State Grantor/ Pass Through Grantor	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS						
Direct Programs						
LEOSE-Police						
LEOSE-Police 08	116483628	6540	330,539	814		814
LEOSE-Police 11	124149107	6540	104,576	40,487		40,487
Total LEOSE- Police			<u>435,115</u>	<u>41,301</u>	-	<u>41,301</u>
Asset Forfeiture Fund						
State Contraband Asset Forfeiture Fund	N/A	7740		205,517		205,517
State Gambling Asset Forfeiture Fund	N/A	7750		33,122		33,122
Total Asset Forfeiture Fund			-	<u>238,639</u>	-	<u>238,639</u>
Tobacco Compliance						
Tobacco Compliance 11	N/A	6540	36,000	(704)		(704)
Tobacco Compliance 12	N/A	6540	31,000	31,000		31,000
Total Tobacco Compliance			<u>67,000</u>	<u>30,296</u>	-	<u>30,296</u>
TOTAL TEXAS COMPTROLLER OF PUBLIC ACCOUNTS			<u>502,115</u>	<u>310,236</u>	-	<u>310,236</u>
TEXAS DEPARTMENT OF MOTOR VEHICLES						
Direct Programs						
Auto Theft Prevention						
Auto Theft Prevention 12	SA-T01-10039-12	6571	406,147	388,359		388,359
Auto Theft Prevention 13	SA-T01-10039-13	6571	406,147	37,738		37,738
Total Auto Theft Prevention			<u>812,294</u>	<u>426,097</u>	-	<u>426,097</u>
TOTAL TEXAS DEPARTMENT OF MOTOR VEHICLES			<u>812,294</u>	<u>426,097</u>	-	<u>426,097</u>
TEXAS DEPARTMENT OF PARKS AND WILDLIFE						
Direct Programs						
Trail Programs						
Emma Long Trail	RT-0802	6560	196,000	7,632		7,632
Zilker Preserve Recreation Trail	N/A	6560	60,390	45,121		45,121
Total Trail Programs			<u>256,390</u>	<u>52,753</u>	-	<u>52,753</u>
Outreach Program						
Community Outdoor Outreach Program	N/A	6560	47,395	36,116		36,116
Total Outreach Program			<u>47,395</u>	<u>36,116</u>	-	<u>36,116</u>
TOTAL TEXAS DEPARTMENT OF PARKS AND WILDLIFE			<u>303,785</u>	<u>88,869</u>	-	<u>88,869</u>

CITY OF AUSTIN, TEXAS
Schedule of Expenditures of State Awards
For the Period ended September 30, 2012

State Grantor/ Pass Through Grantor	Award Number	Fund Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS						
Direct Programs						
Homeless Housing and Services Program						
Homeless Housing and Services Program 10	63100000770	6575	1,922,498		88,598	88,598
Homeless Housing and Services Program 12	66120001328 & 6512000138	6575	408,235	20,411	180,447	200,858
Total Homeless Housing and Services Program			<u>2,330,733</u>	<u>20,411</u>	<u>269,045</u>	<u>289,456</u>
TOTAL TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS			<u>2,330,733</u>	<u>20,411</u>	<u>269,045</u>	<u>289,456</u>
TOTAL STATE FINANCIAL ASSISTANCE			<u>\$ 12,260,737</u>	<u>\$ 6,307,904</u>	<u>\$ 373,591</u>	<u>\$ 6,681,495</u>

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, 2012

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:

Program Name	CFDA #	Award #	Prior year expenditure amount
Save America's Treasures	15.150	48-03-ML-1390	\$250,000
Donation-Federal Surplus Personal Property	39.003	10190	\$232,393
Sanitary Sewer Overflow	66.600	XP-97677201-3	\$303,220
Texas Clean Fleet Program	State grant	582-11-11032-3266	\$2,036,678

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.

3. LOANS

In addition to federal awards involving expenditures in 2012, the City of Austin has federally guaranteed loans outstanding as of September 30, 2012, 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, 2012. The remaining loan balances at September 30, 2012, are noted below. No new loans were awarded during fiscal year 2012.

	September 30, 2012 Loan Balance
NCMP Section 108	\$ 538,705
Sec 108 Family Business Loan	<u>2,999,930</u>
Total	<u>\$3,538,635</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, 2012, the balance of the loans receivable was approximately \$17,829,000.

5. SUBRECIPIENTS

During the year, the City had several grant programs passed through to subrecipients. During the year ended September 30, 2012, subrecipients were awarded \$10,161,686 and \$373,591 under federal and state grants, respectively.

* * * * *

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

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

We have audited the basic financial statements of the governmental activities, the business type activities, each major fund, and the aggregate remaining fund information of the City of Austin, Texas (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated March 29, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as previously defined. However, we identified certain deficiencies in internal control over financial reporting, included in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02 that we consider to be significant deficiencies. 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.

Compliance and Other Matters

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

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

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

Deloitte & Touche LLP

March 29, 2013

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

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

Compliance

We have audited the City of Austin's (the "City") compliance with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and in the State of Texas *Uniform Grant Management Standards (UGMS)* that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2012. The City's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements which are described in the accompanying schedule of findings and questioned costs as items 2012-03 through 2012-09.

Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the City's internal control over

compliance with requirements that could have a direct and material effect on a major federal or state program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a deficiency in internal controls over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as items 2012-04. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Deloitte & Touche LLP

June 13, 2013

CITY OF AUSTIN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS YEAR ENDED SEPTEMBER 30, 2012

I. SUMMARY OF AUDITORS' RESULTS:

Financial Statements

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

Federal and State Awards

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

Identification of major programs:

Federal:

U.S. Department of Housing and Urban Development

- CFDA 14.239 - HOME Grant

U.S. Department of Transportation:

- CFDA 20.106 - Austin Bergstrom International Airport – FAA Noise Mitigation
- CFDA 20.205 - Highway Cluster (includes ARRA funds)

U. S. Environmental Protection Agency:

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

U.S. Department of Energy:

- CFDA 81.041 - State Energy Program (includes ARRA funds)
- CFDA 81.042 - Weatherization (includes ARRA funds)
- CFDA 81.128 - Energy Efficiency and Conservation (includes ARRA funds)

U. S. Department of Health & Human Services:

- CFDA 93.569 - Community Services Block Grant
- CFDA 93.724 - Tobacco Prevention Grant (includes ARRA funds)
- CFDA 93.914 - Ryan White Emergency Care

U.S. Department of Homeland Security:

- CFDA 97.008 - Urban Area Security Initiative

State

State Health Services:

- Tuberculosis Elimination

State- Texas Commission on Environmental Quality

- Texas Clean Fleet Program

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

Federal: \$2,309,000

State: \$300,000

Auditee qualified as low-risk auditee?

Federal — Yes

State — Yes

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Finding 2012-01: Accounting and Financial Reporting for Construction in Progress; Significant deficiency in controls over financial reporting

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 — In certain instances, asset accounting personnel within the Controller’s Office failed to timely monitor and account for the status of construction projects, resulting in adjustments to CIP, completed assets, and expenses in various funds. Additionally, certain projects were identified that were not transferred from CIP to completed assets in a timely manner.

Effect — Failure to appropriately monitor CIP may result in errors in ending CIP balances, errors in completed assets and related depreciation, deferred depreciation, and/or errors in amounts expensed.

Recommendation — Perform a departmental and assigned responsibilities review to assess where resources are needed to accomplish routine and nonroutine tasks, with a goal of achieving a more efficient closing and reporting process related to construction in progress. Additionally, develop a plan for information transfer on a routine basis from project managers to accountants. Develop and implement procedures to review all construction projects (regardless of percent complete) prior to closing to determine whether they should be (1) transferred to completed assets or (2) removed from CIP and expensed. Further, assess the need for additional training of Asset Accounting personnel and other personnel throughout the City that are part of the overall CIP accounting process.

View of Responsible Officials — *Controller’s Office*. See corrective action plan.

Finding 2012-02: Preparation of the Schedule of Expenditures of Federal and State Awards; Significant Deficiency in Internal Controls

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 federal and state awards received and expended as well as the federal and state programs under which they were received. Federal and state program and award identification includes, as applicable, the Catalogue of Federal Domestic Assistance (CFDA) title and number, the award number and year, the name of the federal or state granting agency, and the name of the pass-through entity. Using this information, the auditee should be able to reconcile amounts presented in the financial statements to related amounts in the Schedule.

Condition and Cause — The City did not report 2011 expenditures related to the Texas Commission on Environmental Quality Texas Clean Fleet Program grant (a state program) from the 2011 Schedule and reported them in the 2012 Schedule. Certain other amounts related to prior years for various grants were also included in the 2012 Schedule. This resulted when department grant personnel failed to identify and record expenditures as grant-funded in a timely manner and failed to communicate the funding source to accountants in the Controller’s Office for proper reporting in the Schedule.

Effect — Federal and state programs may be reported in the Schedule in the incorrect period, or may not be included at all, if a reconciliation is performed improperly. This could impact the assessment of major programs in any given year.

Recommendation — Review and revise policies and procedures surrounding the preparation and reconciliation process of the Schedule. Ensure department personnel are properly educated about grant reporting and reconciliation requirements.

View of Responsible Officials — *Controller’s Office*. See corrective action plan.

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

Finding 2012-03: Highway Safe Routes to Schools Control CFDA 20.205 — Department of Transportation, Federal Highway Administration, passed through Texas State Highways and Public Transportation Department

Matching — Deficiency in Controls over Compliance and Noncompliance

Criteria — Management is responsible for understanding and monitoring the matching requirements over the life of the grant to ensure that such requirements are met by the expiration of the grant award.

Condition and Cause — Due to an oversight in reconciliations of the local matching calculation by program personnel, the City submitted requests for reimbursement in amounts exceeding the federally funded portion of the grant by \$397 (Contract #7 - \$78, Contract #8 - \$27, Contract #9 - \$106, and Contract #10 - \$186). Subsequent to year end, upon final reconciliation in January 2013, the City refunded the excess amount to the grantor.

Perspective — Four of five sub-awards selected for testing within the grant CFDA had not received an appropriate local match prior to a refund to the granting agency.

Questioned Costs — None. Amounts were refunded to the grantor by the City.

Effect — Noncompliance with grant requirements could potentially impact grant funding.

Recommendation — Implement policies and procedures that ensure departments receiving grant funds are consistently monitoring matching requirements on a timely basis.

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

Finding 2012-04: Community Services Block Grant CFDA 93.569 — Department of Health and Human Services, passed through TDHCA

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 and documented. Additionally, we noted that the City performs a self-review of the files for eligibility determination subsequent to intake procedures. Five files contained errors in the initial intake process. Four of the five errors were identified by City personnel in the review process. (The fifth file is the file noted in the first sentence of this section.)

Perspective — One of 60 intake files selected for testing had insufficient or inappropriate information to determine whether the individual met income eligibility guidelines. Similar control deficiencies related to eligibility controls and determinations were also reported by the external auditors as well as the Office of the City Auditor related to fiscal year 2010 grant activity.

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

Effect — Services could be provided to ineligible recipients. Noncompliance with grant requirements could potentially impact grant funding.

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 2012-05: ARRA Tobacco Prevention CFDA 93.724 — Department of Health and Human Services

Subrecipient Monitoring — Deficiency in Controls over Compliance and Noncompliance

Criteria — In accordance with the OMB Circular A-133 Compliance Supplement (June 2012), as a part of subrecipient monitoring, pass-through grantors must ensure that all subrecipients requiring single audits have received one and either verify that no findings exist through review of the reports from subrecipients (or through the Federal Audit Clearinghouse) or issue management decisions within six months of the report date if follow-up is required.

Condition and Cause — HHSD did not consistently receive and monitor single audits each year from subrecipient that expended annually \$500,000 in federal grant dollars.

Perspective — One of three subrecipients selected for testing expended federal awards in excess of \$500,000 (partially City-pass-through funded) and underwent a single audit.

Questioned Costs — None.

Effect — Failure to monitor all subrecipients and their related compliance reports could result in unremediated findings that ultimately affect the City grant funding.

Recommendation — Implement policies and procedures to verify if single audits are required and to ensure that single audit reports are consistently requested and reviewed by program managers from all subrecipients.

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

Finding 2012-06: State Energy — Fleet CFDA 81.041 — Department of Energy, passed through State Energy Conservation Office; Community Services Block Grant CFDA 93.569 — Department of Health and Human Services, passed through TDHCA

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 State Energy grant (CFDA 81.041), the ARRA Emissions report is due 30 days from the end of the reporting period. For the Community Services Block Grant (“CSBG”) (CFDA 93.569), monthly reimbursement reports are due on the 15th day of the subsequent month.

Condition and Cause — The ARRA Emissions report due September 30, 2012 was submitted on October 4, 2012. State Energy grant program personnel experienced delays in gathering close-out information at the end of the reporting period which caused them to miss the reporting deadline. The CSBG February 2012 monthly reimbursement report, due March 15, 2012, was submitted March 16, 2012.

Perspective — State Energy – One of two ARRA Emissions reports selected for testing was submitted late.

CSBG – One of five monthly reimbursement reports selected for testing was submitted late.

Questioned Costs — None

Effect — Failure to comply with reporting requirements could affect the City grant funding.

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 — State Energy: *Fleet Services Division*. CSBG: *Health and Human Services Department* See corrective action plans.

Finding 2012-07: Urban Areas Security Initiatives (UASI) CFDA 97.008 — Department of Homeland Security, passed through Texas Department of Public Safety

Equipment and Real Property Management — Deficiency in Controls over Compliance and Noncompliance

Criteria — Federal regulations require entities purchasing equipment with federal funds perform a physical inventory of such equipment not less than every two years.

Condition and Cause — A physical inventory of equipment purchased with UASI grant funds has not been performed in the past two fiscal years. Department personnel indicated that the inventory initially scheduled for fiscal year 2012 was delayed until 2013.

Perspective — Not Applicable

Questioned Costs — None

Effect — Failure to perform physical inventories on a regular basis could result in the loss or movement of assets going undetected for a significant time and could result in the repayment of grant funds upon disposal.

Recommendation — Implement policies and procedures to require physical inventories of grant-funded assets not less than every two years to ensure proper safeguarding of assets. Reinforce the importance of compliance with such requirements to mitigate risk of not only physical loss of assets but also potential for required repayment to grantor in the case of disposals.

View of Responsible Officials — *Homeland Security and Emergency Management*. See corrective action plan.

Finding 2012-08: ARRA Capitalization Grants for Clean Water (CFDA 66.458) — Environmental Protection Agency, passed through the Texas Water Development Board

Davis-Bacon — Deficiency in Controls over Compliance and 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 discussions with Contract Management Department staff, we were informed that one subcontractor failed to pay prevailing wage rates in accordance with Davis-Bacon requirements. While weekly payroll reports were submitted by the prime contractor, Contract Management Department staff did not sufficiently review the reports for completeness to ensure the contractor and all subcontractors met the minimum wage requirements of the Davis-Bacon Act. After the issue was discovered, the deficiencies were corrected.

Perspective — This non-compliance was not identified as part of our testing but communicated to us by Contract Management Department staff.

Questioned Costs — None

Effect — Failure to obtain and/or monitor certified payrolls provided by the primary and any sub-contractors for compliance with Davis-Bacon Act is a violation of the Department of Labor regulations and may impact future grant funding.

Recommendation — Implement procedures and controls to appropriately monitor Davis-Bacon compliance in all federally-funded construction contracts on an ongoing basis for appropriate certified payrolls from any contractors (prime or sub) prior to payment when practicable or as soon as possible thereafter.

View of Responsible Officials — *Contract Management Department and Austin Water.* See corrective action plan.

Finding 2012-09: Texas Commission on Environmental Quality Texas Clean Fleet Program (State Funded)

Reporting — Deficiency in Controls over Compliance and Noncompliance

Criteria — Management should monitor and report the amount of local matching to the grantor.

Condition and Cause — Errors in the department's tracking spreadsheet caused the amount of matching reported to the grantor to be understated by \$152,500. An amended report was required to be filed showing the proper local match amount.

Perspective — One of four matching selections was improperly reported to the grantor.

Questioned Costs — None; the actual amount of the match met grant requirements. The amount reported to the grantor was in error.

Effect — Errors in matching calculations may cause the City to inadvertently under- or over-match, resulting in noncompliance with grant requirements.

Recommendation — Implement policies and procedures that require the review and approval of not only the reports submitted to grantors but the supporting information (spreadsheets and other data) to ensure that reports provided to grantors are accurate and complete.

View of Responsible Officials — *Fleet Services Department*. See corrective action plan.

CITY OF AUSTIN, TEXAS

CORRECTIVE ACTION PLAN YEAR ENDED SEPTEMBER 30, 2012

Finding 2012-01 Accounting and Financial Reporting for Construction in Progress; Significant deficiency in controls over financial reporting

Contact Person — Diana Thomas, Controller

Management Response — Concur. The Asset Accounting Section is implementing procedural enhancements to standardize the review and evaluation of construction projects across all funds to better ensure that completed projects are transferred appropriately to the proper asset category and non-capitalizable expenses are removed from the construction /work in process category in a timely manner, including identifying the appropriate communication channels between the Controller's Office and departments to help ensure sufficient and accurate information is provided timely. Training needs of both Asset Accounting section and departmental staff will be assessed and training provided as needed.

Estimated Completion — September 30, 2013

Finding 2012-02 Preparation of the Schedule of Expenditures of Federal and State Awards; Significant Deficiency in Internal Controls

Contact Person — Diana Thomas, Controller

Management Response — Concur. The Controller's Office has reviewed its current policies and procedures surrounding the preparation and reconciliation process of the Schedule. The annual instructional and notification email that is currently sent to grant departments will now be sent on a quarterly basis. The email will be updated to include more specific language in regards to the timely recording of grant expenditures, housed in non-grant funds, to the appropriate grant program. In addition, the Controller's Office will conduct a mandatory grant training session on grant reporting and reconciliation requirements, to all grant departments.

Estimated Completion — August/September 2013

Finding 2012-03 Highway Safe Routes to Schools Control CFDA 20.205 – Department of Transportation, Federal Highway Administration, passed through Texas State Highways and Public Transportation Department – Matching – Deficiency in Controls over Compliance and Noncompliance

Contact Person — Maria Allen; Michelle Price

Management Response — Concur. Beginning with the May 2013 billing cycle, a B13A Match form, a DSHS form not necessarily required by all grants, will be utilized for all grants with a matching component to ensure accuracy of the match calculation in the future.

Estimated Completion — May 31, 2013

Finding 2012-04 Community Services Block Grant CFDA 93.569 – Department of Health and Human Services, passed through TDHCA – Eligibility – Significant Deficiency in Controls over Compliance and Noncompliance

Contact Person — Maria Allen

Management Response — Concur. Health and Human Services will provide additional training to staff on income eligibility and documentation and the peer review procedure. The peer review procedure will also be revised and enhanced to further streamline expectations of staff and increase management oversight, to help ensure goods and services are only provided to eligible persons.

Estimated Completion — August 31, 2013

Finding 2012-05 ARRA Tobacco Prevention CFDA 93.724 – Department of Health and Human Services, passed through TDHCA – Subrecipient Monitoring – Deficiency in Controls over Compliance and Noncompliance

Contact Person — Robert Kingham; Cassie DeLeon

Management Response — Concur. HHSD Management will update department contract monitoring policies and procedures to require that all subrecipients verify whether they are required to have a Single Audit performed, and that all final Single Audit reports are provided to HHSD. Additionally, management will update the policy to require contract managers to either verify that no findings exist through review of the reports from subrecipients (or through the Federal Audit Clearinghouse) or issue management decisions within six months of the report date if follow-up is required.

Estimated Completion — October 1, 2013

Finding 2012-06 State Energy – Fleet CFDA 81.041 – Department of Energy, passed through State Energy Conservation Office; Community Services Block Grant CFDA 93.569 – Department of Health and Human Services, passed through TDHCA – Reporting – Deficiency in Controls over Compliance and Noncompliance

Fleet Contact Person - Valerie Spinelli, Grants Coordinator

Fleet Management Response - Concur. Fleet Services will submit our final reimbursement request within 30 days of the grant closing date and notify the grantor of any required materials that are not available but will be sent to them as soon as they are. In addition, we will add a section on how to process grants to our Policies and Procedures Manual by July 2013.

Fleet Estimated Completion – July 2013

HHSD Contact Person – Maria Allen

HHSD Management Response - Concur. Beginning on October 10, 2012, HHSD management implemented a procedure to begin review of CSBG related billings by the 10th of the month to ensure adequate time for review and corrections prior to TDHCA's submission due date of the 15th of the month.

HHSD Estimated Completion – October 12, 2012

Finding 2012-07 Urban Areas Security Initiatives (UASI) CFDA 97.008 – Department of Homeland Security, passed through Texas Department of Public Safety – Equipment and Real Property Management – Deficiency in Controls over Compliance and Noncompliance

Contact Person — Otis Latin, Director; Aoife Longmore, Administrative Manager

Management Response — Concur. The Office of Homeland Security and Emergency Management (HSEM) concurs with this finding and will draft a policy and implement procedures to ensure that assets acquired with grant funds are inventoried at least every two years after the assets go into service.

Estimated Completion — September 30, 2013

Finding 2012-08 ARRA Capitalization Grants for Clean Water (CFDA 66.458) – Environmental Protection Agency, passed through the Texas Water Development Board – Davis-Bacon – Deficiency in Controls over Compliance and Noncompliance

Contact Person — Rosie Truelove, Director, Contract Management Department; Greg Meszaros, Director, Austin Water Utility

Management Response — **Contract Management Department Response:** Concur. CMD will review its procedures to identify additional steps it may be able to include in its review process to ensure the prime is submitting complete and accurate information for all contractors. **Austin Water Department Response:** Concur. AWU's Internal Audit Division conducted a Davis-Bacon Compliance Audit in February 2011 for one of the contracts related to the grant and found no major findings. AWU staff will discuss with AWU Management and assess the need of adding an audit or special project related to reviewing CMD's monitoring of Davis-Bacon requirements of AWU-sponsored projects to the AWU Internal Audit current or future audit plans.

Estimated Completion — September 30, 2013

Finding 2012-09 Texas Commission on Environmental Quality Texas Clean Fleet Program (State Funded) – Reporting – Deficiency in Controls over Compliance

Contact Person — Valerie Spinelli, Grants Coordinator

Management Response — Concur. Fleet Services financial, purchasing and operations staff met on March 28, 2013 to discuss the importance of the initial set up of the budget for grant purchases on our financial system and determine improved procedures for these set ups. These improvements will ensure the elimination of errors and corrections required for grant expenditures and City match requirements. When processing contracts and invoices for grant-funded vehicles, we will work to divide the budget between the grant and department funds properly and therefore track and report matching funds correctly. In addition, we will add a section on how to process grants to our Policies and Procedures Manual by July 2013.

Estimated Completion — July 2013

CITY OF AUSTIN, TEXAS

STATUS OF PRIOR YEAR AUDIT FINDINGS FOR THE YEAR ENDED SEPTEMBER 30, 2012

Finding 2011-01: Significant Deficiency — Financial Accounting and Close Process (Program N/A)

Criteria — Management is responsible for establishing internal controls to ensure that financial statements are free of material misstatement. These controls include policies and procedures regarding detailed review of supporting documentation and higher level review of financial results. Personnel responsible for these controls should have a thorough understanding of the activities necessary to carry out the control procedures.

Condition and Cause — Due to the size and diversity of the City's operations, the financial accounting and reporting process is very complex. A number of audit adjustments and reclassifications were identified during the audit process to correct the financial statements as prepared by management. These adjustments related to classification of restricted net assets at the government-wide financial statements and water fund; calculation and recording of allowance for doubtful accounts related to emergency management services receivables recorded in the City's general fund; and the calculation of the value of contributed infrastructure assets recorded in the government-wide financial statements related to the public works department.

Effect — Lack of a detailed review of supporting schedules could result in misstatements to the financial statements. Proper adjusting entries were proposed and made to the financial statements.

Recommendation — Implement policies and procedures that require a more thorough review by a senior member of the originating department and a senior member of the Controller's Office of all schedules that support financial statement balances or transactions.

Status — Implemented. The Controller's Office enhanced reviews performed by its management, including performing additional levels of review of significant areas; requiring additional supporting documentation from staff and departments for entries, schedules, and statements, and; ensuring appropriate levels of departmental review have occurred prior to final Controller's Office approval.

Finding 2011-02: Deficiency Major Program Compliance — Reporting (CFDA 14.256, Neighborhood Stabilization Program — NSP)

Criteria — Management is responsible for understanding reporting requirements related to grants. Specifically related to NSP reporting, requirements of the grant stipulate that a report be submitted monthly to the grantor for the first three months (October, November, and December 2011) and then quarterly thereafter.

Condition and Cause — The City initially submitted the monthly reports and one quarterly report timely as required by the grant. However, the City did not submit quarterly reports consistently throughout the year, as management was not aware of the requirement.

Effect — Noncompliance with grant requirements could potentially impact grant funding.

Recommendation — Implement policies and procedures that ensure departments receiving grant funds are fully aware of external reporting requirements.

Status — All required reports were submitted to Texas Department of Housing and Community Affairs (TDHCA) within 90 days. Management is complying with the grant external reporting requirements.