5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2017, was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Depreciable capital assets				
Building and improvements	$ 336,050	6,629	--	342,679
Plant and equipment	203,146	17,710	(4,176)	216,680
Vehicles	125,949	7,440	(3,688)	129,701
Total depreciable capital assets	665,145	31,779	(7,864)	689,060
Less accumulated depreciation for				
Building and improvements	(154,380)	(8,880)	2	(163,258)
Plant and equipment	(78,108)	(8,286)	3,736	(82,658)
Vehicles	(68,740)	(11,608)	2,905	(77,443)
Total accumulated depreciation	(301,228)	(28,774) (2)	6,643	(323,359)
Depreciable capital assets, net	363,917	3,005	(1,221)	365,701
Nondepreciable capital assets				
Land and improvements	258,693	25,047	(64)	283,676
Arts and treasures	612	--	--	612
Construction in progress	32,472	55,999	(60,485)	27,986
Total nondepreciable assets	291,777	81,046	(60,549)	312,274
Total capital assets	$ 655,694	84,051	(61,770)	677,975

(1) Increases and decreases do not include transfers (at net book value) between nonmajor enterprise funds.
(2) Components of accumulated depreciation/amortization increases:

Current year depreciation	
Convention	$ 9,071
Environmental and health services	8,794
Public recreation	804
Urban growth management	10,105
Total increases in accumulated depreciation/amortization	$ 28,774

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Capitalized Interest

The City has recorded capitalized interest for fiscal year 2017 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

Enterprise Funds		
Major fund:		
Airport	$	1,893
Nonmajor enterprise funds:		
Convention Center		160
Drainage		843

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

Service Concession Arrangements

The City has recorded net capital assets of $172.8 million, other assets of $21.1 and deferred inflows of $169.2 million derived from four service concession arrangements (SCA) described below An SCA is an arrangement in which the City conveys use of a capital asset to an operator in exchange for significant consideration; where the operator is compensated from third parties; where the City may determine what services are provided, to whom and for what price; where the City retains a significant residual interest in the asset after the SCA terminates.

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

The City entered into an agreement with the Young Men's Christian Association (YMCA) in 2010 to develop and operate a new joint-use recreational facility for public use. The facility is owned by the City and operated by the YMCA under a 20 year agreement extending through 2032.

The City entered into a Master Lease Agreement with Austin CONRAC LLC, a corporation established to operate Austin's consolidated rent-a-car facility ("CONRAC") The master lease, with a 20 year initial term and a 10 year extension option, provides for construction, financing, and management of a joint use facility. CONRAC began operations October 1, 2015. The operator pays annual rent of $900,000 to the Airport. The present value of the future rent payments was $13 million at lease inception. As of September 30, 2017, the unamortized balance was $12.1 million and is presented in other assets and deferred inflows of resources. The CONRAC was financed with $143 million in City issued Rental Car Special Facility Bonds, conduit debt secured by customer facilities charges (CFC). CFC funds are remitted by rental car concessionaires directly to the bond trustee. See Note 16 for conduit debt information. Construction costs totaled $152.4 million and the City has recorded the asset with a corresponding deferred inflow of resources to be amortized over the 30 year term of the master lease agreement.

The City entered into a Lease and Development Agreement with Scott Airport Parking, LLC (Scott) to develop and operate a 2,000-space covered parking facility and full service pet boarding facility (Bark and Zoom). The lease has a 40 year term which began on October 2016. Scott pays a monthly square footage rate, a monthly percentage rate, and a fixed monthly rate in exchange for the right to operate the facilities, as defined in the lease and development agreement. The fixed monthly rate for the first 5 years is $5,000. The present value of the future payments was $9.2 million at lease inception. As of September 30, 2017, the unamortized balance was $8.9 million and is presented in other assets and deferred inflows of resources. Construction costs totaled $26.5 million and the City has recorded the asset with a corresponding deferred inflow of resources to be amortized over the 40 year term of the master lease agreement.

5 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

As of September 30, 2017, the City reported the following SCA activities (in thousands):

Service Concession Arrangement	Beginning Asset Construction Cost	Current year Additions	Beginning Accumulated Depreciation	Current Year Depreciation	Ending Accumulated Depreciation	Net Book Value
Governmental Activities:						
Umlauf Sculpture Garden	$ 2,337	--	1,457	58	1,515	822
YMCA Northeast Recreation Center	1,333	--	127	32	159	1,174
Total Governmental Activities	3,670	--	1,584	90	1,674	1,996
Business-type Activities:						
CONRAC facility	151,565	931	5,052	2,572	7,624	144,872
Bark and Zoom facility	--	26,558	--	664	664	25,894
Total Business-type Activities	151,565	27,489	5,052	3,236	8,288	170,766

	Beginning Deferred Inflows	Current year Additions	Beginning Accumulated Amortization	Current Year Amortization	Ending Accumulated Amortization	Ending Deferred Inflows
Governmental Activities:						
Umlauf Sculpture Garden	397	--	1,940	78	2,018	319
YMCA Northeast Recreation Center	921	--	412	66	478	855
Total Governmental Activities	1,318	--	2,352	144	2,496	1,174
Business-type Activities:						
CONRAC facility	146,513	931	5,052	5,083	10,135	142,361
CONRAC base rent agreement	12,605	--	436	435	871	12,170
Bark and Zoom facility	--	26,558	--	885	885	25,673
Bark and Zoom base rent agreement	--	9,264	--	307	307	8,957
Total Business-type Activities	$ 159,118	36,753	5,488	6,710	12,198	189,161

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. 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, 2017, were as follows (in thousands):

Description	October 1, 2016	Increases	Decreases	September 30, 2017	Amounts Due Within One Year
Governmental activities					
General obligation bonds, net	$ 1,108,558	133,078	(131,870)	1,109,766	60,206
Certificates of obligation, net	166,201	62,743	(14,550)	214,394	7,703
Contractual obligations, net	101,012	25,244	(14,388)	111,868	16,435
Debt service requirements total	1,375,771	221,065	(160,808)	1,436,028	84,344
Other long-term obligations					
Accrued compensated absences	136,682	3,239	(256)	139,665	61,301
Claims payable	49,338	26,076	(26,318)	49,096	26,353
Net pension liability	1,125,290	181,785	(103,670)	1,203,405	--
Other postemployment benefits	537,840	93,336	--	631,176	--
Other liabilities	93,682	12,953	(4,440)	102,195	83,648
Governmental activities total	3,318,603	538,454	(295,492)	3,561,565	255,646
Total business-type activities					
General obligation bonds, net	24,073	2,536	(6,306)	20,303	3,724
Certificates of obligation, net	58,814	7,043	(10,615)	55,242	2,177
Contractual obligations, net	45,537	--	(12,642)	32,895	11,051
Other tax supported debt, net	7,655	--	(539)	7,116	546
General obligation bonds and other tax supported debt total	136,079	9,579	(30,102)	115,556	17,498
Commercial paper notes, net	129,916	141,181	(125,000)	146,097	--
Revenue bonds, net	4,578,492	896,319	(593,609)	4,881,202	129,382
Capital lease obligations	1,040	--	(51)	989	54
Debt service requirements total	4,845,527	1,047,079	(748,762)	5,143,844	146,934
Other long-term obligations					
Accrued compensated absences	25,105	2,227	(985)	26,347	26,060
Claims payable	--	7,805	(5,172)	2,633	2,412
Net pension liability	634,844	74,485	(52,764)	656,565	--
Other postemployment benefits	325,744	54,417	--	380,161	--
Accrued landfill closure and postclosure costs	12,603	125	(35)	12,693	2,794
Decommissioning expense payable	186,350	--	(20,404)	165,946	6,662
Other liabilities	90,552	6,863	(940)	96,475	59,463
Business-type activities total	6,120,725	1,193,001	(829,062)	6,484,664	244,325
Total liabilities (1)	$ 9,439,328	1,731,455	(1,124,554)	10,046,229	499,971

(1) This schedule excludes select short-term liabilities of $105,385 for governmental activities. For business-type activities, it excludes select short-term liablities of $288,545, capital appreciation bond interest payable of $26,661 and derivative instruments of $61,919.

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

Description	October 1, 2016	Increases	Decreases	September 30, 2017	Amounts Due Within One Year
Business-type activities:					
Electric activities					
General obligation bonds, net	$ 406	--	(127)	279	115
General obligation bonds and other tax supported debt total	406	--	(127)	279	115
Commercial paper notes, net	87,746	58,351	--	146,097	--
Revenue bonds, net	1,339,190	113,890	(157,181)	1,295,899	34,971
Capital lease obligations	1,040	--	(51)	989	54
Debt service requirements total	1,428,382	172,241	(157,359)	1,443,264	35,140
Other long-term obligations					
Accrued compensated absences	10,271	585	(286)	10,570	10,570
Claims payable	--	3,822	(1,752)	2,070	2,060
Net pension liability	266,357	29,053	(21,959)	273,451	--
Other postemployment benefits	128,415	19,847	--	148,262	--
Decommissioning expense payable	186,350	--	(20,404)	165,946	6,662
Other liabilities	66,972	1,059	(451)	67,580	31,635
Electric activities total	2,086,747	226,607	(202,211)	2,111,143	86,067
Water and Wastewater activities					
General obligation bonds, net	1,753	1,270	(1,050)	1,973	731
Certificates of obligation bonds, net	--	1,781	(88)	1,693	86
Contractual obligations, net	7,440	--	(1,938)	5,502	1,608
Other tax supported debt, net	4,901	--	(345)	4,556	350
General obligation bonds and other tax supported debt total	14,094	3,051	(3,421)	13,724	2,775
Commercial paper notes, net	42,170	82,830	(125,000)	--	--
Revenue bonds, net	2,529,804	393,924	(369,559)	2,554,169	57,712
Debt service requirements total	2,586,068	479,805	(497,980)	2,567,893	60,487
Other long-term obligations					
Accrued compensated absences	5,531	507	(404)	5,634	5,632
Claims payable	--	3,974	(3,412)	562	351
Net pension liability	142,157	15,670	(11,737)	146,090	--
Other postemployment benefits	83,250	12,726	--	95,976	--
Other liabilities	14,210	3,970	--	18,180	17,113
Water and Wastewater activities total	2,831,216	516,652	(513,533)	2,834,335	83,583
Airport activities					
General obligation bonds, net	80	--	(24)	56	21
General obligation bonds and other tax supported debt total	80	--	(24)	56	21
Revenue bonds, net	546,495	359,425	(24,557)	881,363	23,744
Debt service requirements total	546,575	359,425	(24,581)	881,419	23,765
Other long-term obligations					
Accrued compensated absences	1,988	206	--	2,194	2,194
Claims payable	--	9	(8)	1	1
Net pension liability	44,268	5,690	(3,716)	46,242	--
Other postemployment benefits	21,935	4,259	--	26,194	--
Other liabilities	3,043	591	(461)	3,173	3,173
Airport activities total	617,809	370,180	(28,766)	959,223	29,133
Nonmajor activities					
General obligation bonds, net	21,834	1,266	(5,105)	17,995	2,857
Certificates of obligation, net	58,814	5,262	(10,527)	53,549	2,091
Contractual obligations	38,097	--	(10,704)	27,393	9,443
Other tax supported debt, net	2,754	--	(194)	2,560	196
General obligation bonds and other tax supported debt total	121,499	6,528	(26,530)	101,497	14,587
Revenue bonds, net	163,003	29,080	(42,312)	149,771	12,955
Debt service requirements total	284,502	35,608	(68,842)	251,268	27,542
Other long-term obligations					
Accrued compensated absences	7,315	929	(295)	7,949	7,664
Net pension liability	182,062	24,072	(15,352)	190,782	--
Other postemployment benefits	92,144	17,585	--	109,729	--
Accrued landfill closure and postclosure costs	12,603	125	(35)	12,693	2,794
Other liabilities	6,327	1,243	(28)	7,542	7,542
Nonmajor activities total	$ 584,953	79,562	(84,552)	579,963	45,542

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, 2017, including those reported in certain proprietary funds (in thousands):

Series	Fiscal Year	Original Amount Issue	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
NW Austin MUD - 2004	2005	$ 2,630	630	50	(1)(3)	4.15 - 4.30%	9/1/2018-2020
NW Austin MUD - 2006	2006	7,995	6,336	2,058	(1)(3)	4.10 - 4.25%	9/1/2018-2026
NW Austin MUD - 2009	2010	2,760	150	3	(1)(3)	4 25%	3/1/2018
Mueller Contractual Obligation - 2006	2006	12,000	7,180	1,714	(1)(4)	4.00 - 5 00%	9/1/2018-2026
Contractual Obligation - 2007	2008	9,755	245	4	(2)	3 66%	11/1/2017
Public Improvement Refunding - 2008	2008	172,505	37,525	3,878	(1)	5 00%	9/1/2018-2021
Public Improvement - 2008	2009	76,045	3,750	150	(1)	4 00%	9/1/2018
Certificates of Obligation - 2008	2009	10,700	495	25	(1)	5.00%	9/1/2018
Public Improvement - 2009B	2009	78,460	73,845	25,609	(1)	4.35 - 5.31%	9/1/2018-2029
Certificates of Obligation - 2009	2009	12,500	8,225	4,016	(1)	3.00 - 4.75%	9/1/2018-2039
Contractual Obligation - 2009	2009	13,800	1,460	69	(2)	3.00 - 3.25%	11/1/2017-2019
Mueller Contractual Obligation - 2009	2010	15,000	10,540	3,051	(1)(4)	4.00 - 4.25%	9/1/2018-2029
Public Improvement - 2010A	2011	79,528	66,030	21,024	(1)	2.13 - 4.00%	9/1/2018-2030
Public Improvement - 2010B	2011	26,400	24,570	8,845	(1)	3 45 - 4.65%	9/1/2018-2030
Certificates of Obligation - 2010	2011	22,300	16,805	4,171	(1)	2 00 - 3.50%	9/1/2018-2030
Contractual Obligation - 2010	2011	16,450	1,245	11	(2)	1 75%	11/1/2017
Public Improvement Refunding - 2010	2011	91,560	68,720	11,857	(1)	4.34 - 5.00%	9/1/2018-2023
Public Improvement - 2011A	2012	78,090	68,140	25,944	(1)	2.00 - 4 00%	9/1/2018-2031
Public Improvement - 2011B	2012	8,450	7,800	2,795	(1)	2 50 - 4.50%	9/1/2018-2031
Certificates of Obligation - 2011	2012	51,150	45,260	24,181	(1)	3 00 - 5.00%	9/1/2018-2041
Contractual Obligation - 2011	2012	26,725	6,360	128	(2)	2.00%	11/1/2017-2018
Public Improvement Refunding - 2011A	2012	68,285	18,100	3,283	(1)	4.00 - 5 00%	9/1/2018-2023
Public Improvement - 2012A	2013	74,280	70,945	25,069	(1)	3 00 - 5.00%	9/1/2023-2032
Public Improvement - 2012B	2013	6,640	5,030	1,389	(1)	2 00 - 3.50%	9/1/2018-2032
Certificates of Obligation - 2012	2013	24,645	20,485	6,220	(1)	3 00 - 4.00%	9/1/2018-2037
Contractual Obligation - 2012	2013	27,135	10,400	565	(2)	3.00 - 4.00%	11/1/2017-2019
Mueller Contractual Obligation - 2012	2013	16,735	14,210	4,487	(1)(4)	2.00 - 3 38%	9/1/2018-2032
Public Improvement - 2013	2014	104,665	93,380	44,457	(1)	4.00 - 5.00%	9/1/2019-2033
Certificates of Obligation - 2013	2014	25,355	23,765	12,302	(1)	3.25 - 5.00%	9/1/2018-2038
Contractual Obligation - 2013	2014	50,150	25,115	1,144	(2)	2.00 - 3.00%	11/1/2017-2020
Public Improvement Refunding - 2013A	2014	43,250	27,420	5,882	(1)	5 00%	9/1/2018-2024
Public Improvement Refunding - 2013B	2014	71,455	36,015	1,524	(1)	1.93 - 2.72%	9/1/2018-2020
Public Improvement - 2014	2015	89,915	89,205	56,882	(1)	3.00 - 5.00%	9/1/2020-2034
Public Improvement - 2014	2015	10,000	9,750	4,722	(1)	1.81 - 4.02%	9/1/2018-2034
Certificates of Obligation - 2014	2015	35,490	31,840	15,552	(1)	2 00 - 5 00%	9/1/2018-2034
Certificates of Obligation - 2014	2015	9,600	8,520	3,122	(1)	1 76 - 3.92%	9/1/2018-2034
Contractual Obligation - 2014	2015	14,100	12,245	1,372	(2)	4 00 - 5 00%	11/1/2017-2021
Mueller Contractual Obligation - 2014	2015	15,845	15,365	6,108	(1)(4)	3 00 - 5 00%	9/1/2018-2029
Public Improvement and Refunding - 2015	2016	236,905	229,105	79,137	(1)	2 95 - 5 00%	9/1/2018-2035
Public Improvement - 2015	2016	10,000	9,605	3,916	(1)	2.89 - 4.27%	9/1/2018-2035
Certificates of Obligation - 2015	2016	43,710	40,730	21,608	(1)	3.25 - 5.00%	9/1/2018-2035
Contractual Obligation - 2015	2016	14,450	11,700	1,789	(2)	3.00 - 5 00%	11/1/2017-2022
Public Improvement and Refunding - 2016	2017	98,365	91,210	39,115	(1)	3.00 - 5.00%	9/1/2018-2036
Certificates of Obligation - 2016	2017	44,015	42,460	23,306	(1)	3.00 - 5.00%	9/1/2018-2036
Contractual Obligation - 2016	2017	22,555	21,095	3,195	(2)	2.00 - 5.00%	11/1/2017-2023
Public Improvement - 2016	2017	12,000	11,530	3,577	(1)	1.81 - 4.00%	9/1/2018-2036
Certificates of Obligation - 2016	2017	8,700	8,360	2,592	(1)	1.81 - 4.00%	9/1/2018-2036
			$ 1,432,896				

(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 $4,556 and interest of $1,351 and Drainage Fund principal of $2,560 and interest of $760.
(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 2016, the City issued $98,365,000 of Public Improvement and Refunding Bonds, Series 2016. The net proceeds of $51,810,000 (after issue costs, discounts, and premiums) from the non-refunding portion of the issue will be used as follows: streets and mobility ($22,380,000), parks and recreation ($13,625,000), and facility improvements ($15,805,000). The net proceeds of the refunding portion of $68,557,045 were used to refund $56,905,000 Public Improvement Bonds, Series 2008 and $6,755,000 Certificates of Obligation, Series 2008. These bonds will be amortized serially on September 1 of each year from 2017 to 2036. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2017. Total interest requirements for these bonds, at rates ranging from 2.0% to 5.0%, are $43,356,567. An economic gain of $9,165,242 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $10,419,491. An accounting loss of $4,355,130, which will be deferred and amortized, was recorded on this refunding.

In October 2016, the City issued $44,015,000 of Certificates of Obligation, Series 2016. The net proceeds of $53,550,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts ($50,000,000), and the Central Library ($3,550,000). These certificates of obligation will be amortized serially on September 1 of each year from 2017 to 2036. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2017. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are $25,209,767.

In October 2016, the City issued $22,555,000 of Public Property Finance Contractual Obligations, Series 2016. The net proceeds of $25,070,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: capital equipment ($16,470,000), and CTM network equipment ($8,600,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2017 to 2023. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2017. Total interest requirements for these obligations, at rates ranging from 2.0% to 5.0%, are $3,734,764.

In October 2016, the City issued $12,000,000 of Public Improvement Taxable Bonds, Series 2016. The net proceeds of $12,176,103 (after issue costs, discounts, and premiums) from the issuance were used for affordable housing ($10,000,000) and for Austin Film Studios ($2,000,000). Interest is payable March 1 and September 1 of each year from 2017 to 2036, commencing on March 1, 2017. Principal payments are due September 1 of each year from 2017 to 2036. Total interest requirements for this obligation, at rates ranging from 1.8% to 4.0% are $3,889,491.

In October 2016, the City issued $8,700,000 of Certificates of Obligation Bonds, Taxable Series 2016. The net proceeds of $8,827,815 (after issue costs, discounts, and premiums) from the issuance were used for the Seaholm Garage. Interest is payable March 1 and September 1 of each year from 2017 to 2036, commencing on March 1, 2017. Principal payments are due September 1 of each year from 2017 to 2036. Total interest requirements for this obligation, at rates ranging from 1.8% to 4.0% are $2,817,885.

General obligation bonds authorized and unissued amounted to $866,420,000 at September 30, 2017. Bond ratings at September 30, 2017 were Aaa (Moody's Investors Service, Inc.), AAA (Standard & Poor's), and AAA (Fitch).

c -- Business-Type Activities Long-Term Liabilities

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

Combined Utility Systems Debt -- General - Austin Energy and Austin Water Utility comprise the combined utility systems, which issue combined utility systems revenue bonds to finance capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of Austin Energy and Austin Water Utility.

The total combined utility systems revenue bond obligations at September 30, 2017, exclusive of discounts, premiums, and loss on refundings consists of $18,625,434 prior lien bonds and $109,920,695 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $110,883,283 at September 30, 2017. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2017, for the prior lien and subordinate lien bonds were, respectively, Aa1 and Aa2 (Moody's Investors Service, Inc.), AA+ and AA (Standard & Poor's), and AA and AA- (Fitch).

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

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

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 refunding revenue bonds outstanding at September 30, 2017 (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	819	5,216 (2)	7.35%	11/15/2017
1994 Refunding	1995	142,559	17,806	66,244 (2)	6.60%	5/15/2018-2019
1998 Refunding	1999	139,965	103,105	27,955 (1)	5 25%	5/15/2018-2025
1998A Refunding	1999	105,350	6,816	11,469 (2)	4 25%	5/15/2018-2020
			$ 128,546			

(1) Interest is paid semiannually on May 15 and November 15.
(2) Interest requirements include accreted interest

Combined Utility Systems Debt -- Tax Exempt Commercial Paper Notes - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed $400,000,000 outstanding at any one time Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2017, were P-1 (Moody's Investors Service, Inc.), A-1 (Standard & Poor's), and F1 (Fitch). The notes are in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of Austin Energy and Austin Water Utility.

At September 30, 2017, Austin Energy had tax exempt commercial paper notes of $114,905,000 outstanding with interest ranging from 0.84% to 0.96%, which are adjusted daily. Subsequent issues cannot exceed the maximum rate of 12%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt. The associated letter of credit agreements have the following terms (in thousands):

Note Series	Liquidity Provider	Commitment Fee Rate	Remarketing	Remarketing Fee Rate	Outstanding	Expiration
Various	Bank of Tokyo Mitsubishi	0 41%	Goldman Sachs	0.05%	$ 114,905	10/15/2017 (1)

(1) In October 2017, the City extended the letter of credit agreement with the current parties. The new agreement expires October 9, 2020, thus the City has classified this debt as long-term at the end of the fiscal year.

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

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

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, 2017, were P-1 (Moody's Investors Service, Inc.), A-1 (Standard & Poor's), and F1 (Fitch).

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

At September 30, 2017, Austin Energy had outstanding taxable commercial paper notes of $31,192,000 with interest rates ranging from 1.20% to 1.23%. 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	Citibank	0 28%	Goldman Sachs	0.05%	$ 31,192	10/15/2017 (1)

(1) In October 2017, the City extended the letter of credit agreement with the current parties. The new agreement expires October 9, 2020, thus the City has classified this debt as long-term at the end of the fiscal year.

These taxable notes are payable at maturity to the holder at a price equal to the par value of the note. If the remarketing agent is unable to successfully remarket the notes, the notes will be purchased by Citibank, NA and become bank notes with principal due immediately. Bank notes bear an interest rate based on the bank rate which is the lesser of the base rate plus any applicable excess note interest or the maximum rate.

The taxable notes are secured by a direct-pay Letter of Credit issued by Citibank, NA which permits draws for the payment of the Notes. Draws made under the Letter of Credit are immediately due and payable by the City from the resources more fully described in the ordinance. A 36-month term loan feature is provided by this agreement.

Electric Utility System Revenue Debt -- General - The City is authorized by ordinance to issue electric utility system revenue obligations Proceeds from these obligations are used only to fund electric capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of Austin Energy. Bond ratings at September 30, 2017, were Aa3 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

Electric Utility System Revenue Debt -- Revenue Bond Refunding Issues – In February 2017, the City issued $101,570,000 of Electric Utility System Revenue Refunding Bonds, Series 2017. The net proceeds of $113,890,104 (after issue costs, premium and discounts) from the issuance were used to refund $105,460,000 in series 2008A Revenue Refunding Bonds. Interest is payable May 15 and November 15 of each year from 2017 to 2038, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2019 to 2038. Total interest requirements for this obligation, with rates ranging from 4.0% to 5.0% are $79,171,457. An economic gain of $10,934,470 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $11,439,372. An accounting loss of $6,785,613, 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

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system refunding revenue bonds outstanding at September 30, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2007 Refunding	2007	$ 146,635	29,810	2,836	(1)	5.00%	11/15/2017-2020
2008 Refunding	2008	50,000	40,015	23,208	(1)	5.20 - 6.26%	11/15/2017-2032
2010A Refunding	2010	119,255	98,555	51,379	(1)	4.00 - 5.00%	11/15/2017-2040
2010B Refunding	2010	100,990	100,990	81,860	(1)	4.54 - 5.72%	11/15/2019-2040
2012A Refunding	2013	267,770	262,950	166,462	(1)	2.50 - 5.00%	11/15/2017-2040
2012B Refunding	2013	107,715	83,615	19,631	(1)	1.53 - 3.16%	11/15/2018-2027
2015A Refunding	2015	327,845	327,845	283,547	(1)	5.00%	11/15/2021-2045
2015B Refunding	2015	81,045	81,045	25,876	(1)	1.11 - 4.66%	11/15/2017-2037
2017 Refunding	2017	101,570	101,570	77,995	(1)	4.00 - 5.00%	11/15/2019-2038
			$ 1,126,395				

(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, 2017 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage
$ 1,373,020	1,018,604	354,416	104,970	3.38

(1) Gross revenue includes revenues from operations and interest income.
(2) Excludes depreciation, other postemployment benefits and net pension liability 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. Bond ratings at September 30, 2017, were Aa2 (Moody's Investors Service, Inc.), AA (Standard & Poor's), and AA- (Fitch).

Water and Wastewater System Revenue Debt -- Revenue Bond Issue - In November 2016, the City issued $20,430,000 of Water and Wastewater System Revenue Bonds, Series, 2016A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $19,119,376 will be used as follows: improving and extending the Water/Wastewater system. The debt service requirements on the bonds are $24,155,813 with interest rates ranging from 0.5% to 2.1%. Interest payments are due May 15 and November 15 of each year from 2017 to 2036. Principal payments are due November 15 of each year from 2017 to 2036.

Water and Wastewater System Revenue Debt -- Revenue Bond Cash Defeasance - In March 2017, the City defeased $8,330,000 of separate lien revenue refunding bonds, series 2004A, $7,070,000 of separate lien revenue refunding bonds, series 2009, $2,305,000 of separate lien revenue refunding bonds, series 2009A, and $2,000,000 of separate lien revenue refunding bonds, series 2014, with a $21,317,330 cash payment. The funds were deposited in an irrevocable escrow account to provide for the future debt service payments on the defeased bonds. The City is legally released from the obligation for the defeased debt.

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

Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues - In August 2017, the City issued $311,100,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2017. The net proceeds of $372,187,436 (after issue costs, discounts, and premiums) from the bond refunding were used to refund $98,460,000 of the City's separate lien revenue refunding bonds, series 2009, $130,340,000 of the City's separate lien revenue refunding bonds, series 2009A, and $125,000,000 of tax-exempt commercial paper. The debt service requirements on the refunding bonds are $219,556,958 with interest rates ranging from 2.5% to 5.0%. Interest payments are due May 15 and November 15 of each year from 2017 to 2046. Principal payments are due November 15 of each year from 2020 to 2046. An economic gain of $29,045,226 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $36,830,194. An accounting loss of $11,572,025, which will be deferred and amortized, was recorded on this refunding.

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, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding		Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt	
2004A Refunding	2005	$ 165,145	5,680	677	(1)	5 00%	11/15/2018-2019	
2007 Refunding	2008	135,000	3,220	85	(1)	5.25%	11/15/2017	
2008 Refunding	2008	170,605	109,820	34,560	(2)	0.54 - 0 94%	11/15/2017-2031	(3)
2009 Refunding	2009	175,000	17,115	1,021	(1)	4.00 - 5.00%	11/15/2017-2019	
2009A Refunding	2010	166,575	6,830	377	(1)	4.50 - 5.00%	11/15/2017-2019	
2010	2010	31,815	26,505	--	(4)	0.00%	11/15/2017-2041	
2010A Refunding	2011	76,855	71,235	51,720	(1)	5.00 - 5.13%	11/15/2017-2040	
2010B Refunding	2011	100,970	95,805	76,995	(1)	3.36 - 6 02%	11/15/2017-2040	
2011 Refunding	2012	237,530	236,030	150,270	(1)	2.00 - 5.00%	11/15/2017-2041	
2012 Refunding	2012	336,820	269,530	167,478	(1)	2 50 - 5.00%	11/15/2017-2042	
2013A Refunding	2013	282,460	270,100	178,760	(1)	3.00 - 5 00%	11/15/2017-2043	
2014 Refunding	2014	282,205	280,205	208,391	(1)	4.00 - 5 00%	5/15/2018-2043	
2015A Refunding	2015	249,145	247,805	108,274	(1)	2.85 - 5.00%	11/15/2017-2036	
2015B Refunding	2015	40,000	36,490	2,035	(1)	1.13 - 2 54%	11/15/2017-2021	
2016 Refunding	2016	247,770	247,770	222,580	(1)	5.00%	11/15/2019-2045	
2016A	2017	20,430	20,430	3,587	(1)	0.53 - 2.12%	11/15/2017-2036	
2017 Refunding	2017	311,100	311,100	219,557	(1)	2.50 - 5.00%	11/15/2020-2046	
			$ 2,255,670					

(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 of 3.60% in effect at the end of the fiscal year.
(3) Series matures on May 15 of the final year.
(4) Zero interest bond placed with Texas Water Development Board.

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	Citibank	0.28%	Goldman Sachs	0.05%	$ 109,820	10/15/2018

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

The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid.

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

Water and Wastewater System Revenue Debt -- Pledged Revenues - The net revenue of Austin Water Utility was pledged to service the outstanding principal and interest payments for revenue debt outstanding. The table below represents the pledged amounts at September 30, 2017 (in thousands):

Gross Revenue (1)	Operating Expense (2)	Net Revenue	Debt Service Requirement	Revenue Bond Coverage (3)
$ 601,928	233,592	368,336	227,382	1.62

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

Airport Revenue Bonds -- General - 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, 2017, the total airport system obligation for prior lien bonds is $812,933,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior lien bonds are $621,373,096 at September 30, 2017. Revenue bonds authorized and unissued amount to $735,795,000 Bond ratings at September 30, 2017, for the revenue bonds were A (Standard & Poor's) and A1 (Moody's Investors Service, Inc.).

Airport System Revenue Debt -- Revenue Bond Issue - In February 2017, the City issued $185,300,000 of Airport System Revenue Bonds, Series 2017A. The net proceeds of $213,319,508 (after issue costs, discounts, and premiums) from the issuance are being used for parking garage project construction. Interest is payable May 15 and November 15 of each year from 2017 to 2046, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2026 to 2046. Total interest requirements for these obligations, at a constant rate of 5.0%, are $199,610,319.

In February 2017, the City issued $129,665,000 of Airport System Revenue Bonds, Series 2017B (AMT). The bonds are subject to the alternative minimum tax (AMT). The net proceeds of $146,104,969 (after issue costs, discounts, and premiums) from the issuance are being used for expansion and improvements to the terminal and apron. Interest is payable May 15 and November 15 of each year from 2017 to 2046, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2026 to 2046. Total interest requirements for these obligations, a constant rate of 5.00% are $139,677,305.

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2005 Refunding	2008 (1)	$ 281,300	179,075	34,734 (2)	0.60 - 0.97%	11/15/2017-2025
2013 Revenue	2013	60,000	56,410	7,897 (3)	2.25%	11/15/2017-2028 (4)
2013A Refunding	2014	35,620	17,988	162 (3)	1.56%	11/15/2017-2018
2014 Revenue	2015	244,495	244,495	243,798 (3)	5.00%	11/15/2026-2044
2017A Revenue	2017	185,300	185,300	196,960 (3)	5.00%	11/15/2026-2046
2017B Revenue	2017	129,665	129,665	137,822 (3)	5.00%	11/15/2026-2046
			$ 812,933			

(1) Series was remarketed in 2008.
(2) Interest is paid monthly and is based on a variable rate. Aggregate interest requirement is calculated utilizing the rate of 4.05% in effect at the end of the fiscal year.
(3) Interest is paid semiannually on May 15 and November 15.
(4) Series matures on May 15 of the final year.

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

The Series 2005 refunding bonds that were remarketed in 2008 are variable rate demand bonds. These bonds are separated into 4 subseries with a total principal amount of $179,075,000. 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
2005-1	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	$ 44,775	10/15/2018
2005-2	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,750	10/15/2018
2005-3	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,775	10/15/2018
2005-4	Sumitomo Mitsui Banking Corporation	0.62%	Morgan Stanley	0.10%	44,775	10/15/2018
					$ 179,075	

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in annual installments over the remaining life of the bond series beginning on the first business day of the month six months following the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2017. 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.

The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid.

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, 2017 (in thousands):

Gross Revenue (1)	Other Available Funds (2)	Operating Expense (3)	Net Revenue and Other Available Funds	Debt Service Requirement (4)	Revenue Bond Coverage
$ 154,570	4,830	94,139	65,261	19,319	3.38

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

(2) Pursuant to the bond ordinance, in addition to gross revenue, the Airport is authorized to use "other available funds" in the calculation of revenue bond coverage not to exceed 25% of the debt service requirements.

(3) Excludes depreciation, other postemployment benefits, and net pension liability accruals.

(4) Excludes debt service amounts paid with passenger facility charge revenues and restricted bond proceeds applied to current interest payments.

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

Nonmajor Fund Debt:

Convention Center -- Prior and Subordinate Lien Revenue Refunding Bonds - The City's Convention Center Fund issues convention center revenue bonds and hotel occupancy tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. At September 30, 2017, the total convention center obligation for prior and subordinate lien bonds is $148,010,000 exclusive of discounts, premiums, and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are $29,469,204 at September 30, 2017. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2017.

Bond ratings at September 30, 2017, for the revenue bonds and subordinate lien bonds were, respectively, Aa3 and A1 (Moody's Investors Service, Inc.), and AA and A+ (Standard & Poor's).

Convention Center -- Revenue Refunding Bond Issue - In November 2016, the City issued 29,080,000 of Town Lake Park Community Events Center Venue Project Refunding Bonds, Series 2016. The bonds were issued via private placement bonds. Proceeds from the bonds were used to refund $28,920,000 of the City's Series 2005 Venue Project Refunding bonds. Interest is payable May 15 and November 15 of each year from 2017 to 2029, commencing on May 15, 2017. Principal payments are due November 15 of each year from 2017 to 2029. Total interest requirements at a rate of 1.875% are $3,945,923. An economic gain of $6,112,269 was recognized on this transaction. The change in net cash flows that resulted from the refunding was a decrease of $6,920,227. An accounting loss of $785,846, which will be deferred and amortized, was recorded on this refunding.

The following table summarizes Convention Center refunding revenue bonds outstanding at September 30, 2017 (in thousands):

Series	Fiscal Year	Original Amount Issued	Principal Outstanding	Aggregate Interest Requirements Outstanding	Interest Rates of Debt Outstanding	Maturity Dates of Serial Debt
2008AB Refunding	2008	$ 125,280	87,820	18,936 (2)	0.54 - 0.96%	11/15/2017-2029
2012 Refunding	2012	20,185	16,995	5,777 (1)	2.50 - 5.00%	11/15/2017-2029
2013 Refunding	2014	26,485	14,115	1,082 (1)	5.00%	11/15/2017-2019
2016 Refunding	2017	29,080	29,080	3,674 (1)	1.88%	11/15/2017-2029
			$ 148,010			

(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 of 3 25% 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	0.42%	Raymond James	0.06%	$ 43,910	12/15/2017 (1)
2008-B	JPMorgan Chase Bank, NA	0.42%	Merrill Lynch, Pierce, Fenner & Smith Inc.	0.05%	43,910	12/15/2017 (1)
					$ 87,820	

(1) In October 2017, the City extended the letter of credit agreements with the current parties. The new agreements expire on October 9, 2020, thus the City has classified this debt as long-term at the end of the fiscal year.

These bonds are subject to purchase on the demand of the holder at a price equal to principal plus accrued interest with proper notice and delivery to the corresponding remarketing agent. If the remarketing agent is unable to successfully remarket the bonds or if the agreement expires with no new agreement in place, the bonds will be purchased by the respective liquidity provider and become bank bonds with principal to be paid in equal semi-annual installments over a 5-year amortization period beginning six months from the triggering repayment event. Thus, under any circumstance, no principal payments will be due within a year of September 30, 2017 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.

The remarketing agent takes the variable debt to auction on a weekly basis; the winning bid determines the weekly rate paid.

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

Governmental Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2018	$ 60,206	44,419	7,703	8,184	16,435	3,986
2019	63,233	42,032	7,502	7,899	15,485	3,428
2020	66,161	39,375	7,729	7,621	13,824	2,879
2021	70,562	36,318	8,057	7,329	11,455	2,388
2022	70,876	32,943	8,402	7,022	8,953	1,935
2023-2027	352,950	116,862	47,907	29,718	24,562	5,545
2028-2032	263,350	48,163	57,090	18,694	14,395	1,376
2033-2037	75,130	5,779	41,643	6,879	--	--
2038-2042	--	--	9,835	974	--	--
	1,022,468	365,891	195,868	94,320	105,109	21,537
Less: Unamortized bond discounts	(45)	--	--	--	(7)	--
Add. Unamortized bond premiums	87,343	--	18,526	--	6,766	--
Net debt service requirements	1,109,766	365,891	214,394	94,320	111,868	21,537

Fiscal Year Ended September 30	Total Governmental Debt Service Requirements		
	Principal	Interest	Total
2018	84,344	56,589	140,933
2019	86,220	53,359	139,579
2020	87,714	49,875	137,589
2021	90,074	46,035	136,109
2022	88,231	41,900	130,131
2023-2027	425,419	152,125	577,544
2028-2032	334,835	68,233	403,068
2033-2037	116,773	12,658	129,431
2038-2042	9,835	974	10,809
	1,323,445	481,748	1,805,193
Less: Unamortized bond discounts	(52)	--	(52)
Add: Unamortized bond premiums	112,635	--	112,635
Net debt service requirements	$ 1,436,028	481,748	1,917,776

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

Business-type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2018	$ 3,724	869	2,177	2,157	11,051	922
2019	3,171	714	2,273	2,090	9,195	605
2020	3,119	587	2,371	2,016	6,851	339
2021	3,254	443	2,488	1,935	3,285	163
2022	2,574	297	2,602	1,849	1,256	63
2023-2027	3,365	253	15,048	7,617	413	10
2028-2032	--	--	15,920	4,105	--	--
2033-2037	--	--	7,453	952	--	--
2038-2042	--	--	745	53	--	--
2043-2047	--	--	--	--	--	--
	19,207	3,163	51,077	22,774	32,051	2,102
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	1,096	--	4,165	--	844	--
Net debt service requirements	20,303	3,163	55,242	22,774	32,895	2,102

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest	Revenue Bonds (2) Principal	Revenue Bonds (2) Interest
2018	546	467	146,097	136	129,382	251,990
2019	455	575	--	--	118,729	225,554
2020	775	258	--	--	162,048	198,454
2021	820	226	--	--	186,565	187,508
2022	845	191	--	--	195,216	179,476
2023-2027	3,675	394	--	--	1,005,955	761,991
2028-2032	--	--	--	--	886,182	538,454
2033-2037	--	--	--	--	715,825	358,408
2038-2042	--	--	--	--	674,355	179,119
2043-2047	--	--	--	--	397,297	39,933
	7,116	2,111	146,097	136	4,471,554	2,920,887
Less: Unamortized bond discounts	--	--	--	--	(1,123)	--
Add: Unamortized bond premiums	--	--	--	--	410,771	--
Net debt service requirements	$ 7,116	2,111	146,097	136	4,881,202	2,920,887

(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 0.54% to 0.97%.

(Continued)

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

Business-type Activities, continued
(in thousands)

Fiscal Year Ended September 30	Capital Lease Obligations		Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2018	$ 54	73	293,031	256,614	549,645
2019	57	70	133,880	229,608	363,488
2020	60	67	175,224	201,721	376,945
2021	63	64	196,475	190,339	386,814
2022	67	61	202,560	181,937	384,497
2023-2027	387	250	1,028,843	770,515	1,799,358
2028-2032	301	104	902,403	542,663	1,445,066
2033-2037	--	--	723,278	359,360	1,082,638
2038-2042	--	--	675,100	179,172	854,272
2043-2047	--	--	397,297	39,933	437,230
	989	689	4,728,091	2,951,862	7,679,953
Less: Unamortized bond discounts	--	--	(1,123)	--	(1,123)
Add: Unamortized bond premiums	--	--	416,876	--	416,876
Net debt service requirements	$ 989	689	5,143,844	2,951,862	8,095,706

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

Business-type Activities: Austin Energy
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest	Revenue Bonds Principal	Revenue Bonds Interest
2018	$ 115	7	146,097	136	34,971	58,656
2019	109	4	--	--	37,007	54,363
2020	50	2	--	--	46,993	52,724
2021	4	--	--	--	47,106	50,835
2022	--	--	--	--	54,593	48,794
2023-2027	--	--	--	--	272,027	205,366
2028-2032	--	--	--	--	244,980	141,113
2033-2037	--	--	--	--	198,520	90,294
2038-2042	--	--	--	--	162,165	43,403
2043-2047	--	--	--	--	105,015	10,880
	278	13	146,097	136	1,203,377	756,428
Less: Unamortized bond discounts	--	--	--	--	(180)	--
Add: Unamortized bond premiums	1	--	--	--	92,702	--
Net debt service requirements	279	13	146,097	136	1,295,899	756,428

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Austin Energy Debt Service Requirements Principal	Total Austin Energy Debt Service Requirements Interest	Total Austin Energy Debt Service Requirements Total
2018	54	73	181,237	58,872	240,109
2019	57	70	37,173	54,437	91,610
2020	60	67	47,103	52,793	99,896
2021	63	64	47,173	50,899	98,072
2022	67	61	54,660	48,855	103,515
2023-2027	387	250	272,414	205,616	478,030
2028-2032	301	104	245,281	141,217	386,498
2033-2037	--	--	198,520	90,294	288,814
2038-2042	--	--	162,165	43,403	205,568
2043-2047	--	--	105,015	10,880	115,895
	989	689	1,350,741	757,266	2,108,007
Less: Unamortized bond discounts	--	--	(180)	--	(180)
Add: Unamortized bond premiums	--	--	92,703	--	92,703
Net debt service requirements	$ 989	689	1,443,264	757,266	2,200,530

(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

Business-type Activities: Austin Water Utility
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2018	$ 731	84	86	62	1,608	174
2019	239	51	91	59	1,352	126
2020	207	43	92	56	1,052	83
2021	186	34	99	53	671	50
2022	187	27	102	50	419	24
2023-2027	343	26	590	190	175	4
2028-2032	--	--	591	60	--	--
2033-2037	--	--	3	--	--	--
2038-2042	--	--	--	--	--	--
2043-2047	--	--	--	--	--	--
	1,893	265	1,654	530	5,277	461
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	80	--	39	--	225	--
Net debt service requirements	1,973	265	1,693	530	5,502	461

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest	Total Austin Water Utility Debt Service Requirements Principal	Interest	Total
2018	350	299	57,712	152,213	60,487	152,832	213,319
2019	291	368	44,033	131,419	46,006	132,023	178,029
2020	496	165	74,955	107,441	76,802	107,788	184,590
2021	525	145	103,999	99,779	105,480	100,061	205,541
2022	541	122	105,583	95,042	106,832	95,265	202,097
2023-2027	2,353	252	547,133	398,391	550,594	398,863	949,457
2028-2032	--	--	497,067	271,786	497,658	271,846	769,504
2033-2037	--	--	392,720	171,824	392,723	171,824	564,547
2038-2042	--	--	353,205	74,704	353,205	74,704	427,909
2043-2047	--	--	130,827	11,018	130,827	11,018	141,845
	4,556	1,351	2,307,234	1,513,617	2,320,614	1,516,224	3,836,838
Less: Unamortized bond discounts	--	--	(620)	--	(620)	--	(620)
Add: Unamortized bond premiums	--	--	247,555	--	247,899	--	247,899
Net debt service requirements	$ 4,556	1,351	2,554,169	1,513,617	2,567,893	1,516,224	4,084,117

(1) Portions of these bonds are variable rate bonds with rates of 0.54% - 0.94%.

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

Business-type Activities: Airport
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest
2018	$ 21	2	23,744	36,505
2019	20	1	24,249	35,646
2020	10	--	26,135	34,682
2021	2	--	26,150	33,702
2022	1	--	25,430	32,748
2023-2027	--	--	134,065	148,641
2028-2032	--	--	108,135	124,112
2033-2037	--	--	124,585	96,290
2038-2042	--	--	158,985	61,012
2043-2047	--	--	161,455	18,035
	54	3	812,933	621,373
Less: Unamortized bond discounts	--	--	(259)	--
Add: Unamortized bond premiums	2	--	68,689	--
Net debt service requirements	56	3	881,363	621,373

Fiscal Year Ended September 30	Total Airport Debt Service Requirements Principal	Interest	Total
2018	23,765	36,507	60,272
2019	24,269	35,647	59,916
2020	26,145	34,682	60,827
2021	26,152	33,702	59,854
2022	25,431	32,748	58,179
2023-2027	134,065	148,641	282,706
2028-2032	108,135	124,112	232,247
2033-2037	124,585	96,290	220,875
2038-2042	158,985	61,012	219,997
2043-2047	161,455	18,035	179,490
	812,987	621,376	1,434,363
Less: Unamortized bond discounts	(259)	--	(259)
Add: Unamortized bond premiums	68,691	--	68,691
Net debt service requirements	$ 881,419	621,376	1,502,795

(1) Portions of these bonds are variable rate bonds with rates ranging from 0.60% - 0.97%.

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

Business-type Activities: *Nonmajor Enterprise*
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2018	$ 2,857	776	2,091	2,095	9,443	748
2019	2,803	658	2,182	2,031	7,843	479
2020	2,852	542	2,279	1,960	5,799	256
2021	3,062	409	2,389	1,882	2,614	113
2022	2,386	270	2,500	1,799	837	39
2023-2027	3,022	227	14,458	7,427	238	6
2028-2032	--	--	15,329	4,045	--	--
2033-2037	--	--	7,450	952	--	--
2038-2042	--	--	745	53	--	--
	16,982	2,882	49,423	22,244	26,774	1,641
Less: Unamortized bond discounts	--	--	--	--	--	--
Add: Unamortized bond premiums	1,013	--	4,126	--	619	--
Net debt service requirements	17,995	2,882	53,549	22,244	27,393	1,641

Fiscal Year Ended September 30	Other Tax Supported Debt Principal	Other Tax Supported Debt Interest	Revenue Bonds (1) Principal	Revenue Bonds (1) Interest	Total Nonmajor Enterprise Debt Service Requirements Principal	Total Nonmajor Enterprise Debt Service Requirements Interest	Total Nonmajor Enterprise Debt Service Requirements Total
2018	196	168	12,955	4,616	27,542	8,403	35,945
2019	164	207	13,440	4,126	26,432	7,501	33,933
2020	279	93	13,965	3,607	25,174	6,458	31,632
2021	295	81	9,310	3,192	17,670	5,677	23,347
2022	304	69	9,610	2,892	15,637	5,069	20,706
2023-2027	1,322	142	52,730	9,593	71,770	17,395	89,165
2028-2032	--	--	36,000	1,443	51,329	5,488	56,817
2033-2037	--	--	--	--	7,450	952	8,402
2038-2042	--	--	--	--	745	53	798
	2,560	760	148,010	29,469	243,749	56,996	300,745
Less: Unamortized bond discounts	--	--	(64)	--	(64)	--	(64)
Add: Unamortized bond premiums	--	--	1,825	--	7,583	--	7,583
Net debt service requirements	$ 2,560	760	149,771	29,469	251,268	56,996	308,264

(1) A portion of these bonds are variable rate bonds with rates ranging from 0.54% - 0.96%.

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

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

On September 30, 2017, defeased bonds remaining unredeemed or unmatured are provided below (in thousands):

Refunded Bonds	Escrow Maturity Dates	Balance (1)
General Obligation		
Public Improvement Bonds, Series 2008	9/1/2018	$ 56,905
Certificates of Obligation, Series 2008	9/1/2018	6,755
Austin Water Utility		
Series 2004A	11/15/2018 - 11/15/2019	8,330
Series 2007	11/15/2017	110,940
Series 2009	11/15/2018 - 11/15/2019	118,360
Series 2009A	11/15/2018 - 11/15/2019	137,210
Series 2014	5/15/2018 - 5/15/2019	2,000
Austin Energy		
Series 2008A	11/15/2017 - 11/15/2018	169,605
Combined Utility System Revenue		
Series 1994 Subordinate Lien	5/15/2019	3,700
		$ 613,805

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

7 – RETIREMENT PLANS
a -- General Information

Plan Description. The City participates in funding three contributory, defined benefit retirement plans: the City of Austin Employees' Retirement and Pension Fund (City Employees), the City of Austin Police Officers' Retirement and Pension Fund (Police Officers), and the Fire Fighters' Relief and Retirement Fund of Austin, Texas (Fire Fighters). An Independent Board of Trustees administers each plan. These plans are City-wide single employer funded plans each with a fiscal year end of December 31.

All three plans were created by state law and can be found in Vernon's Texas Civil Statutes as follows:

City Employees' Fund	Article 6243n
Police Officers' Fund	Article 6243n-1
Fire Fighters' Fund	Article 6243e.1

State law governs benefit and contribution provisions. Amendments may be made by the Legislature of the State of Texas.

Plan Financial Statements. The most recently available financial statements of the pension funds are for the year ended December 31, 2016. Stand-alone financial reports that include financial statements and supplementary information for each plan are publicly available at the locations and internet addresses shown below

Plan	Address	Telephone
City of Austin Employees' Retirement and Pension Fund	418 E. Highland Mall Blvd. Austin, Texas 78752-3720 **www.coaers.org**	(512)458-2551
City of Austin Police Officers' Retirement and Pension Fund	2520 S. IH 35, Ste. 100 Austin, Texas 78704 **www.ausprs.org**	(512)416-7672
Fire Fighters' Relief and Retirement Fund of Austin, Texas	4101 Parkstone Heights Dr., Ste. 270 Austin, Texas 78746 **www.afrs.org**	(512)454-9567

Classes of Employees Covered. The three pension plans cover substantially all full-time employees. The City Employees' fund covers all regular, full-time employees working 30 hours or more except for civil service police officers and fire fighters. Membership in this fund is comprised of two tiers. Group A includes all employees hired before January 1, 2012. Group B includes all employees hired on or after this date. The Police Officers' fund covers all commissioned law enforcement officers and cadets upon enrollment in the Austin Police Academy. The Fire Fighters' fund covers all commissioned civil service and Texas state-certified fire fighters with at least six months of service employed by the Austin Fire Department.

Benefits Provided. Each plan provides service retirement, death, and disability benefits as shown in the following chart. For the City Employees' fund, vesting occurs after 5 years of creditable service. For the other two systems, vesting occurs after 10 years of creditable service. For all three systems, creditable service includes employment at the City plus purchases of certain types of service where applicable. Withdrawals from the systems include actual contributions plus interest at varying rates depending on the system. This applies to both non-vested employees who leave the City as well as vested employees who leave the City and wish to withdraw their contributions. In addition, each plan offers various Deferred Retirement Option Programs (DROP). These are not included in the discussion of benefits provided.

7 – RETIREMENT PLANS, continued
a -- General Information, continued

	City Employees	Police Officers	Fire Fighters
Eligibility	Group A members qualify for retirement benefits at age 62; age 55 with 20 years creditable service; or any age with 23 years creditable service. No reduced benefits are available. Group B members qualify for normal retirement benefits at age 65 with 5 years creditable service or at age 62 with 30 years creditable service. Reduced benefits are available at age 55 with 10 years of creditable service.	Members are eligible for retirement benefits at any age with 23 years creditable service (excluding pre-membership military service), age 55 and 20 years creditable service (excluding pre-membership military service), or age 62 and any number of creditable service years.	Members are eligible for normal retirement benefits upon the earlier of age 50 with 10 years of service or 25 years of service regardless of age. Members are eligible for early retirement at 45 with 10 years of service or with 20 years of service regardless of age.
Calculation	Average of 36 highest months of base pay multiplied by years and months of creditable service multiplied by 3.0% for Group A and 2 5% for Group B.	Average of 36 highest months of base salary plus longevity pay multiplied by years and months of service multiplied by 3.2%.	Average of 36 highest months of base salary plus longevity pay multiplied by years of service multiplied by 3.3% with a $2,000 monthly minimum.
Death Benefits	Retiree or active member eligible for retirement, $10,000 lump sum and continuation of benefits to beneficiary if this option was selected. If not eligible for retirement, refund of accumulated deposits plus death benefit from COAERS equal to those deposits excluding purchases of time.	For retirees and members eligible for retirement, $10,000 lump sum and the member's accrued benefit as of the date of death based on annuity selected. Non-vested members receive the greater of $10,000 or twice the amount of the member's accumulated contributions.	Surviving spouse receives 75% of retiree benefits based on the greater of 20 years or years of service at time of death. If surviving spouse exists, each dependent receives 15% of the payment paid to the surviving spouse. If no surviving spouse exists, dependents split equally the amount that would have been paid to surviving spouse.
Disability Benefits	After approved for disability benefits, active members may choose from several different disability retirement options. Must have 5 years of service if disability is not job related.	After approved for disability benefits, if disability is the result of employment duties, benefit is based on the greater of 20 years or normal retirement calculation. Must have 10 years of service if disability is not job related.	For the first 30 months, eligible for retiree benefits based on the greater of service at time of disability or 20 years. After 30 months, continuance of annuity may be reevaluated.
Cost of Living Adjustments (COLA)	The plan does not require COLAs. Such increases must be deemed sustainable by the actuary and approved by the City Council and Board of Trustees of the fund. The most recent COLA was put into effect in 2002.	The plan does not require COLAs. Such increases must be approved by the Board of Trustees and the actuary of the fund. The most recent COLA was put into effect in 2007.	The plan does not require COLAs. Such increases must be approved by the Board of Trustees and the actuary of the fund. The most recent COLA was put into effect for 2017.

7 – RETIREMENT PLANS, continued
a -- General Information, continued

Employees Covered by Benefit Terms: Membership in the plans as of December 31, 2016, is as follows:

	City Employees	Police Officers	Fire Fighters
Inactive employees or beneficiaries currently receiving benefits	5,934	849	750
Inactive employees entitled to but not yet receiving benefits	2,507	36	7
Active employees	9,364	1,837	990
Total	17,805	2,722	1,747

Contributions. For all three systems, minimum contributions are determined by the enabling legislation cited above. In certain cases the City may contribute at a level greater than that stated in the law. While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted.

	City Employees	Police Officers	Fire Fighters
Employee contribution (percent of earnings)	8.00%	13.00%	18.70%
City contribution (percent of earnings)	18.00% (1)	21.313%	22.05%
City contributions year ended September 30, 2017 (in thousands)	$108,929	34,717	19,104

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

The City's net pension liability was measured as of December 31, 2016 for all three systems. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date for the City Employees' fund. For the other two systems, the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 using the final 2016 assumptions and then was rolled forward to the plan's year ending December 31, 2016.

Actuarial Assumptions Actuarial assumptions used in the most recent actuarial valuations include:

	City Employees	Police Officers	Fire Fighters
Inflation rate	2.75%	3.00%	3.00%
Projected annual salary increases	4.00% to 6.25%	0.1% to 18.00% Service based (1)(2)	1.00% to 8.50% Service based (2)
Investment rate of return	7.50%	7.70%	7.70%
Ad hoc postemployment benefit changes including COLAs	None	None	None
Dates of experience studies	2011 - 2015	2012 - 2016	2004 - 2014
Source for mortality assumptions	RP-2014 Mortality Table with Blue Collar adjustment. Generational mortality improvements in accordance with Scale BB are projected from the year 2014.	RP-2000 Combined Healthy without projection - Sex Distinct.	RP2000 (Fully Generational using Scale AA) set back two years for males and females - Sex Distinct.

(1) This includes the classification status change upon graduation from the academy.
(2) This does not include assumed general wage increases of 3.25% and 3.00% for Police and Fire, respectively.

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability

Development of Long-Term Rate of Return on Investments. Each pension plan utilizes different asset allocations and assumed rates of return in developing the long-term rate of return on investments. However all three use the same methodology as follows

The long-term rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

The following provides asset allocations and long-term expected real rate of return for each asset class for the three funds.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
City Employees:		
International equity	30.00%	5.90%
US equity	30.00%	4.57%
Fixed income	24.50%	1.25%
Alternative investments	10.00%	3.25% to 7.25%
Real estate	5.50%	4.00%
Total	100.00%	
Police Officers:		
Domestic equity	40.00%	7.50%
International equity	15.00%	8.50%
Other Equity	7.50%	7.50%
Core Fixed Income	5 00%	2 50%
Global fixed income	5.00%	3.50%
Other Fixed Income	5.00%	2.50%
Real estate	15.00%	4 50%
Timber	2.50%	2.50%
Hedge Funds	5.00%	5.00%
Total	100.00%	
Fire Fighters:		
Public domestic equity	20.00%	5.30%
Public foreign equity	22 00%	6.90%
Private equity fund of funds	15.00%	5.60%
Investment grade bonds	13.00%	1.10%
Treasury inflation protected securities	5.00%	0.80%
High yield/bank loans	5.00%	3.80%
Emerging market debt	7.00%	3.60%
Core real estate	5.00%	3.40%
Non-core real estate	5.00%	5.00%
Natural resources	3.00%	5.90%
Total	100.00%	

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

Discount Rate. The following provides information on the discount rate used to measure the City's total pension liability. Based on the assumptions presented below, the fiduciary net position for all three pension funds was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

	City Employees	Police Officers	Fire Fighters
Single discount rate	7.50%	7.70%	7.70%
Change since last measurement date	None	(0.10%)	None
Long-term expected rate of return on pension plan investments	7.50%	7.70%	7.70%
Cash flow assumptions	Plan member contributions will be made at the current rate. City contributions will be made at the current rate for 32 years and then will decrease to 8%.	Plan member contributions will be made at current contribution rates. City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate.	Plan member contributions will be made at current contribution rates. City contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate. The following presents the net pension liability of each of the pension funds of the City calculated using the long-term expected rate of return on pension plan investments, as well as what the net pension liability (in thousands) would be if it were calculated using a discount rate that is 1-percentage point lower and 1-percentage point higher than the current rate.

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability
City Employees	6.50%	$ 1,731,803	7.50%	$ 1,291,688	8.50%	$ 924,512
Police Officers	6.70%	543,431	7.70%	420,169	8.70%	315,661
Fire Fighters	6.70%	248,626	7.70%	148,113	8.70%	63,515

Pension Plan Fiduciary Net Position. Detailed information about the pension plans' fiduciary net position is available in the separately issued financial report of each of the pension systems.

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

Schedule of Changes in Net Pension Liability. Changes in net pension liability for all three funds and the City for the measurement period ended December 31, 2016 are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
Total pension liability at December 31, 2015 (a)	$ 3,391,796	1,028,909	913,618	5,334,323
Changes for the year:				
Service cost	107,111	32,990	24,323	164,424
Interest	251,684	80,846	70,893	403,423
Benefit changes	--	--	5,491	5,491
Differences between expected and actual experience	19,914	7,455	8,893	36,262
Assumption changes	--	5,148	--	5,148
Contribution buy back	--	1,668	--	1,668
Benefit payments including refunds	(179,129)	(50,827)	(45,495)	(275,451)
Net change in total total pension liability	199,580	77,280	64,105	340,965
Total pension liability at December 31, 2016 (b)	$ 3,591,376	1,106,189	977,723	5,675,288
Total plan fiduciary net position at December 31, 2015 (c)	$ 2,144,804	644,174	785,211	3,574,189
Changes for the year:				
Employer contributions	104,273	33,814	19,104	157,191
Employee contributions	60,801	20,623	15,884	97,308
Contribution buy back	--	1,668	--	1,668
Pension plan net investment income (loss)	171,640	37,965	55,569	265,174
Benefits payments and refunds	(179,129)	(50,827)	(45,496)	(275,452)
Pension plan administrative expense	(2,701)	(1,397)	(662)	(4,760)
Net change in total plan fiduciary net position	154,884	41,846	44,399	241,129
Total plan fiduciary net position at December 31, 2016 (d)	$ 2,299,688	686,020	829,610	3,815,318
Net pension liability at December 31, 2015 (a-c)	$ 1,246,992	384,735	128,407	1,760,134
Net pension liability at December 31, 2016 (b-d)	$ 1,291,688	420,169	148,113	1,859,970

7 – RETIREMENT PLANS, continued
b -- Net Pension Liability, continued

The City Employees' fund had no changes of assumptions or benefit terms that affected the total pension liability for the measurement period.

The Police Officers' fund had no changes to benefit terms during the measurement period but did have several changes in assumptions that affected the measurement of the total pension liability.

Changes to assumptions included:

- The investment return assumption has been decreased from 7.80% to 7.70%,
- The core inflation rate assumption has been decreased from 3.25% to 3.00% per year,
- The general wage inflation rate assumption has been decreased from 3.50% to 3.25% per year,
- The assumed rates of salary increase have been amended at most service points,
- The payroll growth assumption has been increased from 3.50% to 4.00% per year.

The Fire Fighters' fund had no significant changes of assumptions during the measurement period but did have a change in benefit term that affected the total pension liability. Effective January 1, 2017 a cost-of-living adjustment increase of 1.50% went into effect.

c -- Pension Expense

Total pension expense recognized by the City for the fiscal year ended September 30, 2017, was comprised of the following (in thousands).

	Pension Expense
City Employees	$ 232,097
Police Officers	61,389
Fire Fighters	42,862
Total	$ 336,348

d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the City reported deferred outflows and inflows of resources related to pensions from the following sources (in thousands):

Source	City Employees	Police Officers	Fire Fighters	Total
Deferred Outflows of Resources				
Contributions to the plans subsequent to the measurement date	$ 80,263	25,486	13,993	119,742
Differences between expected and actual experience	37,943	6,710	13,176	57,829
Changes in assumptions	76,077	17,653	3,255	96,985
Net difference between projected and actual earnings on pension plan investments	150,241	45,226	42,300	237,767
Total	344,524	95,075	72,724	512,323
Deferred Inflows of Resources				
Differences between expected and actual experience	--	5,054	--	5,054
Total	$ --	5,054	--	5,054

7 – RETIREMENT PLANS, continued
d -- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions, continued

The portion of deferred outflows and inflows of resources that will be recognized in pension expense is as follows (in thousands):

Fiscal Year Ended September 30	City Employees	Police Officers	Fire Fighters	Total
2018	$ 92,107	17,461	17,405	126,973
2019	91,888	17,461	17,406	126,755
2020	71,810	15,115	14,256	101,181
2021	6,876	4,919	3,446	15,241
2022	1,580	2,433	2,553	6,566
Thereafter	--	7,146	3,665	10,811
Total	$ 264,261	64,535	58,731	387,527

8 – OTHER POSTEMPLOYMENT BENEFITS
a -- Description

In addition to the contributions made to the three pension systems, the City provides certain other postemployment benefits to its retirees. Other postemployment 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 postemployment benefits. Retirees may also enroll eligible dependents under the medical, dental, and vision plan(s) in which they participate. The City's other postemployment benefits plan is a single employer plan.

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

The City recognizes the cost of providing these benefits 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 pay-as-you-go cost of providing medical and life benefits was $43.1 million for 4,834 retirees in 2017 and $39.3 million for 4,644 retirees in 2016.

b -- Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation

The annual cost associated with the City's OPEB retiree benefits for the fiscal year ended September 30, 2017 is as follows (in thousands):

	OPEB Obligation
Annual required contribution	$ 203,571
Interest on net OPEB obligation	36,358
Adjustment to annual required contribution	(49,125)
Annual OPEB cost	190,804
Contributions made	(43,051)
Change in net OPEB obligation	147,753
Beginning net OPEB obligation	863,584
Net OPEB obligation	$ 1,011,337

8 – OTHER POSTEMPLOYMENT BENEFITS, continued

b -- Annual Other Postemployment Benefits (OPEB) Cost and Net OPEB Obligation, continued

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

Year Ended September 30	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
2015	$ 126,916	31%	777,699
2016	125,199	31%	863,584
2017	190,804	22%	1,011,337

c -- Schedule of Funding Progress at September 30, 2017 (in thousands):

Actuarial Value of Assets	Actuarial Accrued Liability	UAAL (1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
$ --	2,004,664	2,004,664	0%	850,259	235.8%

(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 Required Supplementary Information, 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.

e -- Funding Policy

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

	OPEB
Actuarial valuation date	October 1, 2016
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	None
Salary increase	None
Payroll Increase	None
Health care cost trend rate	8.0% in 2017, decreasing 0.5% per year for six years to an ultimate trend of 5.0% in 2023

9 – DERIVATIVE INSTRUMENTS

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

In accordance with GAAP, the City is required to report the fair value of all derivative instruments on the statement of net position. All derivatives must be categorized into two basis types – (1) hedging derivative instruments and (2) investment derivative instruments. Hedging derivative instruments significantly reduce an identified financial risk by substantially offsetting changes in cash flows or fair values of an associated hedgeable item. Investment derivative instruments are entered into primarily for income or profit purposes or they are derivative instruments that do not meet the criteria of an effective hedging derivative instrument. Changes in fair value of hedging derivative instruments are deferred on the statement of net position, and changes in fair value of investment derivative instruments are recognized as gains or losses on the statement of activities.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, which is the City's fiscal year end date of September 30. This requires consideration of nonperformance risk when measuring the fair value of a liability and considers the effect of the government's own credit quality and any other factors that might affect the likelihood that the obligation will or will not be fulfilled.

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 revenue 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, using a hierarchy level 2 market approach. 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 is categorized as hierarchy level 2, 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, including any necessary price analysis adjustments, risk free interest rate, time to maturity, and the NYMEX forward price of the underlier as of the last day of the reporting period.

Premiums paid for options are deferred until the contract is settled. As of September 30, 2017, $195 thousand in premiums was deferred. As of September 30, 2017, the fair value of Austin Energy's futures, options, swaps and congestion revenue rights, was an unrealized loss of $13.1 million, of which $15.0 million is reported as derivative instruments in liabilities and $1.9 million is reported as derivative instruments in assets. The fair values of these derivative instruments are deferred until future periods on the statement of net position 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, 2017, PCRRs had a fair value of $81 thousand and CRRs had a fair value of $1.4 million, and both are reported as derivative instruments. The market value for CRRs and PCRRs is calculated using the implied market value (the difference between future proxy sink price and source price) multiplied by the number of open positions, hierarchy level 2 market approach. The difference in the prices represents what the expected cost of congestion will be for that given point in time.

In fiscal year 2017, Austin Energy sold PCRRs and recorded a gain of $205 thousand; however, this gain was deferred under the accounting requirements for regulated operations. At September 30, 2017, $205 thousand remained deferred.

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

On September 30, 2017, Austin Energy had the following outstanding hedging derivative instruments (in thousands):

Type of Transaction		Reference Index	Fair Value at September 30, 2017: Maturity Dates	Notional Volumes	Fair Value	Change in Fair Value	Premiums Deferred
Long	OTC Call Options	Henry Hub	Oct 2017 - Sept 2021	12,040,000 (1)	$ 389	(130)	2,868
Long	OTC Basis Swaps	WAHA	Apr 2018 - Oct 2018	1,070,000 (1)	24	24	--
n/a	Congestion Rights	ICE (2)	Oct 2017- Jun 2018	22,029,210 (3)	1,450	(1,728)	--
			Derivative instruments (assets)		1,863	(1,834)	2,868
Short	OTC Put Options	Henry Hub	Oct 2017 - Sep 2021	(12,040,000) (1)	(6,234)	1,242	(2,673)
Long	OTC Swaps	Henry Hub	Oct 2017 - Sep 2020	8,437,500 (1)	(8,726)	783	--
			Derivative instruments (liabilities)		(14,960)	2,025	(2,673)
			Total		$ (13,097)	191	195

(1) Volume in MMBTUs
(2) Intercontinental Exchange
(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 Power Supply Adjustment 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 At September 30, 2017, the brokerages had credit ratings of A.

The over-the-counter agreements expose Austin Energy to credit risk; however, at September 30, 2017, none of the counterparties had outstanding obligations with Austin Energy. The contractual provisions applied to these contracts under the International Swaps and Derivatives Association (ISDA) agreement include collateral provisions. At September 30, 2017, no collateral was required under these provisions.

The congestion revenue rights expose Austin Energy to custodial credit risk in the event of default or nonperformance by ERCOT, a regulatory entity of the State of Texas. In the event of default of nonperformance, Austin Energy's operations will not be materially affected

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

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

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

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, 2017, the NYMEX price was $2.97 per MMBTU (one million British thermal unit, a measurement of heating value), the WAHA Hub price was $2.44 per MMBTU, Katy was $2.92 per MMBTU, and the HSC Hub price was $2.88 per MMBTU

Risks

As of September 30, 2017, Austin Energy was not exposed to credit, interest, or foreign currency risk on its investment derivative instruments.

b -- Variable Rate Debt Management Program

Hedging Derivative Instruments

The intention of each of the City's swaps is to provide a cash flow hedge for its variable interest rate bonds by providing synthetic fixed rate bonds. As a means to lower its borrowing costs when compared against fixed rate bonds at the time of issuance, the City executed pay-fixed, receive-variable swaps in connection with its issuance of variable rate bonds.

As of September 30, 2017, the City has three outstanding swap transactions with initial and outstanding notional amounts totaling $602.1 million and $376.7 million, respectively. The fair values of the interest rate derivative transactions were estimated based on an independent pricing service. The valuations provided were derived from proprietary models based upon well-recognized principles and estimates about relevant future market conditions. The expected transaction cash flows are calculated using the zero-coupon discounting method which takes into consideration the prevailing benchmark interest rate environment, the specific terms and conditions of a given transaction, and assumes that the current forward rates implied by the benchmark yield curve are the market's best estimate of future spot interest rates. The income approach is then used to obtain the fair value of the transactions, where future amounts (the expected transaction cash flows) are converted to a single current amount, discounted using a rate of return that takes into account the relative risk of nonperformance associated with the cash flows. Where applicable under the income approach an option pricing model is applied such as the Black-Scholes-Merton model, the Black-Derman-Toy model, one of the short-rate models, or other market standard models consistent with accepted practices in the market for interest rate option products. The option models consider probabilities, volatilities, time, settlement prices, and other variables pertinent to the transactions. This valuation technique is applied consistently across all the transactions. Given the observability of inputs significant to the measurements, the fair values of the transactions are categorized as Level 2.

On September 30, 2017, 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	$ 109,820	(15,509)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Pay 4.051%, receive 71% of LIBOR	8/17/2005	11/15/2025	179,075	(21,535)
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	87,820	(9,915)
					$ 376,715	(46,959)

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.

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

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, 2017 (in thousands):

	Outstanding	Fair Value and Classification		Change in fair value	
Item	Notional Amount	Amount	Classification	Deferred Outflows	Deferred Inflows
Business-Type Activities:					
Hedging derivative instruments (cash flow hedges):					
WW2	$ 109,820	(15,509)	Non-current liability	7,917	--
AIR1	179,075	(21,535)	Non-current liability	10,492	--
HOT1	87,820	(9,915)	Non-current liability	5,156	--
	$ 376,715	(46,959)		23,565	--

Due to the continued low interest rate levels during fiscal year 2017, the City's interest rate swap hedging derivative instruments had negative fair values as of September 30, 2017. The fair value takes into consideration nonperformance risk, the prevailing interest rate environment, the specific terms and conditions of a given transaction, and any upfront payments that may have been received

Risks

Credit risk. As of September 30, 2017, the City was not exposed to credit risk on any of its outstanding swap agreements because each swap had a negative fair value. However, should interest rates change and the fair value of a swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value.

The counterparty credit ratings for the City's interest rate swap hedging derivative instruments at September 30, 2017, are included in the table below:

			Counterparty Ratings		
Item	Related Variable Rate Bonds	Counterparty	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	A1	A+	A
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	Morgan Stanley Capital Services, LLC	A3	BBB+	A
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	Morgan Keegan Financial Products (MKFP)	Baa2	A-	BBB+

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, 2017, are included in the table below (in thousands):

	Related Variable Rate	Counterparty Swap Interest			Interest to	Net Interest
Item	Bonds	Pay	Receive	Net	Bondholders	Payments
Business-Type Activities:						
WW2	Water & Wastewater Revenue Refunding Bonds, Series 2008	$ (3,978)	821	(3,157)	(826)	(3,983)
AIR1	Airport System Subordinate Lien Revenue Refunding Bonds, Series 2005	(7,278)	1,076	(6,202)	(1,385)	(7,587)
HOT1	Hotel Occupancy Tax Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2008	(2,883)	527	(2,356)	(674)	(3,030)
		$ (14,139)	2,424	(11,715)	(2,885)	(14,600)

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, 2017, the City bears basis risk on the two remaining swaps. These swaps have basis risk since the City receives a percentage of LIBOR to offset the actual variable rate the City pays on the related bonds. The City is exposed to basis risk should the floating rate that it receives on a swap drop below the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

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

Tax risk. Tax risk is a specific type of basis risk. Tax risk is the risk of a permanent mismatch occurring between the interest rate paid on the City's underlying variable rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds. For example, a grandfathering of the elimination of federal tax-exemption on existing tax-exempt bonds, or a tax cut, would result in the yields required by investors on the City's bonds coming close to or being equal to taxable yields. This would result in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 71% of LIBOR on AIR1, and 67% of LIBOR on Swap HOT1 and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Nonperformance/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, 2017, 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, 2017, 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) Principal	Interest (1)	Interest Rate Swaps, Net	Total Interest
2018	$ 12,600	43	13,652	13,695
2019	28,525	38	12,697	12,735
2020	31,935	28	11,507	11,535
2021	31,010	18	10,318	10,336
2022	27,710	9	9,235	9,244
2023-2027	168,090	(88)	25,629	25,541
2028-2031	76,845	(36)	5,181	5,145
Total	$ 376,715	12	88,219	88,231

(1) The net effect of the reference rate projected to be paid to the City versus the variable rate projected to be paid to bondholders utilizing rates in effect at 9/30/2017

10 – DEFICITS IN FUND BALANCES AND NET POSITION

At September 30, 2017, the following funds reported deficits in fund balances/net position (in thousands). Management intends to recover these deficits through future operating revenues, transfers, or debt issues.

Nonmajor Governmental	Deficit
Special Revenue Funds:	
Auto Theft Interdiction	$ 29
Fiscal Surety - Land Development	279
Neighborhood Housing & Conservation	1,948
City Hall	169
Mueller Tax Increment Financing	89
Tourism and Promotion	10
Waller Creek Tax Increment Finance	18
Capital Projects Funds:	
2012 fund	
Health	545
2016 fund	
Mobility	13,211
Other funds	
Health Projects	1,118
Build Austin	264
Public Works	439
Watershed Protection	718
City Hall, plaza, parking garage	6,532
Internal Service Funds	
Capital Projects Management	347
Nonmajor Enterprise	
Austin Resource Recovery	39,957
Transportation	27,413

11 – INTERFUND BALANCES AND TRANSFERS

a -- Interfund receivables, payables, and advances

Interfund receivables, payables, and advances at September 30, 2017, are as follows (in thousands):

Due To		Due From			
	Nonmajor Governmental	Austin Energy	Austin Water Utility	Nonmajor Enterprise	Total
General	$ 31	210	--	--	241
Nonmajor governmental	11,412	--	--	--	11,412
Austin Water Utility	--	3,101	--	--	3,101
Airport	--	162	--	--	162
Nonmajor enterprise	--	--	301	1,700	2,001
Total	$ 11,443	3,473	301	1,700	16,917

Interfund receivables (due from) and payables (due to) reflect short term loans between funds, mainly the result of short term deficits in pooled investments and cash ($13.1 million). Deficits in grant funds awaiting reimbursement from grantors ($9.9 million) was borrowed from the Fiscal Surety fund.

Advance From			Advance To				
	Nonmajor Governmental	Austin Energy	Austin Water Utility	Airport	Nonmajor Enterprise	Internal Service	Total
General	$ --	654	--	--	--	--	654
Nonmajor governmental	17,641	255	--	52	311	7	18,266
Austin Water Utility	680	13,926	--	--	--	--	14,606
Airport	--	506	--	--	--	--	506
Nonmajor enterprise	775	--	2,104	--	--	--	2,879
Total	$ 19,096	15,341	2,104	52	311	7	36,911

Advances to and advances from reflect borrowing that will not be liquidated within one year. Of the above amounts, $6.6 million is an interfund loan between capital project funds, the CTM and City Hall funds. $8.9 million is an interfund loan between the Transportation and Mobility funds, both capital project funds, to cover deficit pooled cash. $43 million in bond proceeds, including $15 million for corridor mobility improvements and $10 million for sidewalks, will be transferred to the Mobility fund in 2018. The advance to Austin Water Utility from Austin Energy funded the Combined Utility System Revenue Bond Retirement Reserve Account. Austin Energy funded the entire reserve on behalf of both enterprise funds.

b -- Transfers

Transfers at September 30, 2017, are as follows (in thousands):

Transfers Out			Transfers In				
	General Fund	Nonmajor Governmental	Austin Energy	Austin Water	Nonmajor Enterprise	Internal Service	Total
General Fund	$ --	8,393	9	--	1,353	2,370	12,125
Nonmajor governmental	4,918	26,116	3	--	126,905	--	157,942
Austin Energy	115,493	--	--	--	54	35	115,582
Austin Water Utility	45,805	76	2,110	--	3,050	174	51,215
Airport	--	--	--	--	--	33	33
Nonmajor enterprise	472	2,826	--	13	6,647	95	10,053
Internal service	--	18,441	--	--	1,191	222	19,854
Total	$ 166,688	55,852	2,122	13	139,200	2,929	366,804

Interfund transfers are authorized through City council approval. Significant transfers include: Austin Energy and Austin Water Utility transfers to the General fund ($161 3 million), which are comparable to a return on investment to owners The transfer of tax collections from the Hotel-Motel Occupancy Tax ($67.3 million) and the Vehicle Rental Tax ($9.3 million) special revenue funds to the Convention.Center, and a ($50 million) transfer from non-major governmental fund to Drainage for Watershed home buyout program.

12 – SELECTED REVENUES
a -- Major Enterprise Funds

Austin Energy and Austin Water Utility
The Texas Public Utility Commission (PUC) has jurisdiction over electric utility wholesale transmission rates. On June 3, 2014, the PUC approved the City's most recent wholesale transmission rate of $1.160111/KW. Transmission revenues totaled approximately $78 million in FY17. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council determines electric utility and water and wastewater utility rates based on the cost of operations.

Under a bill passed by the Texas Legislature in 1999, municipally-owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. As of September 30, 2017, the City has elected not to enter the retail market, as allowed by state law.

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

Airport
The City has entered into certain lease agreements as the lessor for concessions at the Airport These lease agreements qualify as operating leases for accounting purposes. In the fiscal year 2017, the Airport fund revenues included minimum concession guarantees of $20,253,878.

The following is a schedule by year of minimum future rentals on non-cancelable operating leases with remaining terms of up to 80 years for the Airport Fund as of September 30, 2017 (in thousands):

Fiscal Year Ended September 30	Airport Lease Receipts
2018	$ 26,576
2019	25,268
2020	24,156
2021	24,143
2022	22,535
2023-2027	101,204
2028-2032	16,430
2033-2037	14,858
2038-2042	10,344
Thereafter	4,863
Totals	$ 270,377

12 – SELECTED REVENUES, continued
b -- Operating Lease Revenue

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

Fiscal Year Ended September 30	Future Lease Receivables
2018	$ 2,635
2019	2,322
2020	2,118
2021	1,775
2022	1,583
2023-2027	7,272
Totals	$ 17,705

13 – TAX ABATEMENTS

The City grants tax abatements as defined in GASB Statement No. 77 under one of two programs, the Chapter 380 Performance Based Economic Development Incentive Program under which sales and property taxes may be rebated if the entity meets performance criteria, and the Media Production Development Zone program under which sales, excise, and use taxes may be abated.

Performance Based Rebate Program

To promote local economic development and stimulate business and commercial activity in the municipality, the City has granted tax rebate agreements under the authority of Chapter 380 of the Texas Local Government Code through the City's Chapter 380 Performance Based Economic Development Incentive Program. All or a portion of property taxes, sales taxes, or a combination of the two were abated as a part of these agreements. To be eligible to participate in the program an entity must make a commitment to move, or expand its business in the City through investments in real and/or personal property or leasehold improvements as well as commitments about the number of new jobs it will create. Some agreements also require the participants in this program to meet other City requirements such as salary levels of employees and local business participation. Each agreement is negotiated individually and the terms vary depending on the type of development and the economic benefits to the City.

Sales taxes abated may either be all or a portion of those generated by the entity or its actions. The amount of property taxes abated may be all or a portion of property taxes on the entity's real and personal property or leasehold investment. Agreements generally run for a certain number of years and also may be subject to a not-to-exceed maximum of taxes to be abated. All taxes are collected and then rebated if the entity meets commitments made under the agreement. If the criteria are not met, no taxes are refunded.

During fiscal year 2017, the City had four agreements under this program which resulted in rebates that meet the definition of tax abatements of approximately $13.3 million. The City had no commitments related to these agreements other than the timeframe during which a compliance review will occur and a deadline for the refund of the taxes.

The City is not subject to any tax abatement agreements entered into by other governmental entities.

14 – 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 $28.0 million as of September 30, 2017. The decrease in the pro-rata interest from 2016 is primarily due to a decrease in coal inventory. The pro-rata interest in the FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within the City's financial statements. The original cost of Austin Energy's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of the City in accordance with its accounting policies.

b -- South Texas Project

Austin Energy is one of three participants in the South Texas Project (STP), which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are NRG South Texas LP and City Public Service of San Antonio. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 400 megawatts of plant capacity. At September 30, 2017, Austin Energy's investment in the STP was approximately $380.1 million, net of accumulated depreciation.

Effective November 17, 1997, the participation agreement among the owners of STP was amended and restated, and the STP Nuclear Operating Company (STPNOC), a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. Each participant is responsible for its STP funding. The City's portion is financed through operations, revenue bonds, or commercial paper, which are repaid by Austin Energy (see Note 6). In addition, each participant has the obligation to finance any deficits that may occur.

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

STP requested a 20-year license extension for units 1 & 2 with the Nuclear Regulatory Commission (NRC). The 20 year license renewal was issued by the NRC in September 2017. Unit 1 and 2 are currently licensed through 2047 and 2048, respectively.

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. The increase to nuclear deferred inflow of resources from prior fiscal year is attributable to the NRC issued license extension in FY17. At September 30, 2017, the trust's assets were in excess of the estimated liability by $55.0 million which is reported as part of deferred inflows of resources (in thousands).

Decommissioning trust assets	$ 214,322
Pro rata decommissioning liability	(159,284)
	$ 55,038

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, 2016, showed that the trust assets exceeded the minimum required assurance by $49.0 million.

d -- Purchased Power

Austin Energy has commitments totaling $6.4 billion to purchase energy and capacity through purchase power agreements. This amount includes provisions for wind power through 2041, landfill power through 2018, biomass through 2032, and solar through 2049.

14 – COMMITMENTS AND CONTINGENCIES, continued
e -- Decommissioning and Environmental/Pollution Remediation Contingencies

Austin Energy may incur costs for environmental/pollution remediation of certain sites including the Holly, Fayette, and Decker Power Plants. At September 30 2017, the financial statements includes a $6.7 million short-term decommissioning liability related to Holly and a $430 thousand short-term environmental liability related to Fayette and Decker, classified as other liabilities. The amount is based on 2017 cost estimates to perform remediation and decommissioning. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

f -- Arbitrage Rebate Payable

The City's arbitrage consultant has determined that the City has not earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. Therefore, the City will not be required to rebate any amounts to the federal government. There are no estimated payables at September 30, 2017.

g -- Federal and State Financial Assistance Programs

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

h -- Capital Improvement Plan

As required by charter, the City has a *Capital Improvements Program* plan (capital budget) covering a five-year period which details anticipated spending for projects in the upcoming and future years. The City's 2017 Capital Budget has substantial contractual commitments relating to its capital improvement plan.

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

Project	Remaining Commitment (in thousands)
Governmental activities:	
General government	$ 175,819
Public safety	27,935
Transportation	113,821
Public health	5,916
Public recreation and culture	64,551
Urban growth management	22,240
Business-type activities:	
Electric	181,445
Water	120,408
Wastewater	170,867
Airport	417,956
Convention	55,601
Environmental and health services	1,835
Urban growth management	127,762
Total	$ 1,486,156

14 – COMMITMENTS AND CONTINGENCIES, continued

i -- Encumbrances

The City utilizes encumbrances to track commitments against budget in governmental funds. The amount of outstanding encumbrances at September 30, 2017, is as follows (in thousands):

	Encumbrances
General Fund	$ 19,487
Nonmajor governmental	
Special Revenue	28,273
Capital Projects	114,915
	$ 162,675

Significant encumbrances include reservations for the 2012 bond program ($30,632), Communications and Technology Management ($19,408), General Government Projects ($15,421), and 2016 Bond Program ($16,549).

j -- Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, a portion of these future closure and postclosure care costs are reported as an operating expense in each period as incurred in the Austin Resource Recovery Fund, a nonmajor enterprise fund. Substantial closure occurred in fiscal year 2011. Flooding in fiscal year 2015 has delayed final closure, which is expected in fiscal year 2019. 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, 2017, is as follows (in thousands):

	Closure	Postclosure	Total
Total estimated costs	$ 22,500	9,899	32,399
% capacity used	100%	100%	100%
Cumulative liability accrued	22,500	9,899	32,399
Costs incurred	(19,706)	--	(19,706)
Closure and postclosure liability	$ 2,794	9,899	12,693

These amounts are based on the 2017 cost estimates to perform closure and postclosure care. Actual costs may be higher due to inflation, changes in technology, or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

k -- Risk-Related Contingencies

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

Fund Name	Description
Employee Benefits	City employees and retirees may choose a self-insured PPO, HMO, or CDHP with HSA for health coverage. Approximately 20% of City employees and 27% of retirees use the HMO option; approximately 72% of City employees and 72% of retirees use the PPO option; and approximately 8% of City employees and 1% of retirees use the CDHP with HSA 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. Beginning in 2017, third-party claims activities are being reported directly in the Austin Energy, Austin Water Utility, and Aviation enterprise funds.
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.

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

The City purchases stop-loss insurance for the City's PPO, HMO, and CDHP plans. This stop-loss insurance covers individual claims that exceed $500,000 per calendar year, up to a maximum of $5 million. In calendar year 2017 (through September 30), four claims exceeded the stop-loss limit of $500,000; during calendar years 2016 and 2015, fifteen claims and ten claims, respectively, exceeded the stop-loss limit of $500,000. City coverage is unlimited for lifetime benefits. The City does not purchase stop-loss insurance for workers' compensation claims.

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

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. The City utilizes actuarial information and historical claim settlement trends to determine the claim liabilities for the Employee Benefits Fund and Workers' Compensation Fund. Claims liabilities for the Austin Energy, Austin Water Utility, Airport and Liability Reserve funds are calculated based on an estimate of outstanding claims, which may differ from the actual amounts paid. Possible losses are estimated to range from $51.7 to $55.7 million. In accordance with GAAP, $51.7 million is recognized as claims payable in the financial statements with $28.8 million recognized as a current liability and $22.9 million recognized as long term. For Employee Benefits and Workers Compensation, city funds contribute amounts to these internal service funds based on an estimate of anticipated costs for claims each year. Beginning in fiscal year 2017, the Austin Energy, Austin Water utility, and Airport funds report their respective claims activities for third-party claims. All other funds contribute amounts to the Liability Reserve Fund based on an estimate of anticipated costs for claims each year.

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

	Austin Energy		Austin Water Utility		Aviation	
	2017	2016	2017	2016	2017	2016
Liability balances, beginning of year	$ --	--	--	--	--	--
Claims and changes in estimates	2,221	--	1,839	--	9	--
Claim payments	(151)	--	(1,277)	--	(8)	--
Liability balances, end of year	2,070	--	562	--	1	--
	Employee Benefits (1)		**Liability Reserve**		**Workers' Compensation**	
	2017	2016	2017	2016	2017	2016
Liability balances, beginning of year	14,310	13,286	9,364	9,337	25,664	24,841
Claims and changes in estimates	18,568	17,904	3,984	3,929	3,524	4,651
Claim payments	(14,056)	(16,880)	(8,373)	(3,902)	(3,889)	(3,828)
Liability balances, end of year	$ 18,822	14,310	4,975	9,364	25,299	25,664

(1) For the Employee Benefits Fund, claim payments as reported above, represent amounts paid against claims outstanding at the beginning of the year. Claims initiated after the beginning of the year, but not yet settled, are reported in claims and changes in estimates. Cash paid for claims was $161,004 and $160,180 for the years ended September 30, 2016 and 2017, respectively.

The Austin Water Utility Fund claims liability balance at fiscal year-end included liabilities of $216 thousand discounted at 3.75%. The Liability Reserve Fund claims liability balance at fiscal year-end included liabilities of $3.1 million discounted at 3.75% and $3.1 million discounted at 3.19% in 2016.

l -- Redevelopment of Robert Mueller Municipal Airport

In December 2004, City Council approved a master development agreement with Catellus Development Group (Catellus) to develop approximately 700 acres at the former site of the City's municipal airport into a mixed-use urban village near downtown Austin. Catellus 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.

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

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

The MLGC has three additional debt issuances: October 2009 ($15,000,000), October 2012 ($16,735,000), and October 2014 ($15,845,000). Proceeds from the debt have been used to reimburse the developer for additional eligible infrastructure. Debt service payments are funded by property tax proceeds from the Mueller Tax Increment Reinvestment Zone.

The development contains over 1.6 million square feet of civic, institutional, hotel and Class A office space and approximately 602,000 square feet of retail space that is either complete or under construction. Over 80 employers provide approximately 5,000 jobs at Mueller. From the start of home sales in 2007, the community has been well received. As of September 30, 2017, approximately 1,736 single-family homes and 1,981 multi-family units were either complete or under construction. Catellus has also started the infrastructure for an additional 350 single-family homes.

m -- No-Commitment Special Assessment Debt

In November 2011, the City issued $15,500,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Whisper Valley Public Improvement District The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. $1,740,561 in total assessments were levied in the year ended September 30, 2017. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2017 are $14,365,000 and $109,580, respectively.

In November 2011, the City issued $2,860,000 of Special Assessment Revenue Bonds, Senior Series 2011 related to the Indian Hills Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. $344,396 in total assessments were levied in the year ended September 30, 2017. The aggregate principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2017 are $2,650,000 and $360, respectively

In July 2013, the City issued $12,590,000 of Special Assessment Revenue Bonds, Series 2013 related to the Estancia Hill Country Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as an agent for the property owners within the district in collecting the future assessments, forwarding collections to trustees, approving bond proceed disbursements, and initiating any future foreclosures. $1,745,255 in total assessments were levied during the fiscal year with $18,410 in delinquent receivables at September 30, 2017. The aggregate principal outstanding at September 30, 2017 is $11,300,000.

n -- Capital Leases

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

The following summarizes capital assets recorded at September 30, 2017, under capital lease obligations (in thousands):

Capital Assets	Austin Energy
Building and improvements	$ 1,405
Accumulated depreciation	(527)
Net capital assets	$ 878

14 – COMMITMENTS AND CONTINGENCIES, continued

o -- Operating Leases

The City is committed under various leases for building and office space, tracts of land and rights-of-way, and certain equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2017, was $21.9 million.

Fiscal Year Ended September 30	Future Lease Payments
2018	$ 15,132
2019	12,746
2020	8,996
2021	7,345
2022	6,324
2023-2027	9,269
Totals	$ 59,812

15 – 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 Austin Energy, Austin Water Utility, Airport, and Liability Reserve funds for claims payable at September 30, 2017. These liabilities, reported in the government-wide statement of net position, include amounts for claims and lawsuits settled subsequent to year-end.

16 – CONDUIT DEBT

The City has issued several series of housing revenue bonds to provide for low cost housing. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. As of September 30, 2017, $66.1 million in housing revenue bonds were outstanding with an original issue value of $74 million.

Revenue bonds have been issued by various related entities to provide for facilities located at the international airport and convention center. These bonds are special limited obligations payable solely from and secured by a pledge of revenue to be received from agreements between the entities and various third parties. As of September 30, 2017, $146.5 million in revenue and revenue refunding bonds were outstanding with an original issue value of $148.6 million

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

17 – SEGMENT INFORMATION – CONVENTION CENTER

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

Condensed Statement of Net Position

ASSETS	
Current assets	$ 169,223
Capital assets	214,497
Other noncurrent assets	13,347
Total assets	397,067
DEFERRED OUTFLOWS OF RESOURCES	25,923
LIABILITIES	
Other current liabilities	23,020
Other noncurrent liabilities	204,825
Total liabilities	227,845
DEFERRED INFLOWS OF RESOURCES	231
NET POSITION	
Net investment in capital assets	60,018
Restricted	25,991
Unrestricted	108,905
Total net position	$ 194,914

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

OPERATING REVENUES	
User fees and rentals	$ 40,196
Total operating revenues	40,196
OPERATING EXPENSES	
Operating expenses before depreciation	59,969
Depreciation and amortization	9,071
Total operating expenses	69,040
Operating income (loss)	(28,844)
Nonoperating revenues (expenses)	(6,845)
Transfers	76,299
Change in net position	40,610
Total net position, beginning	154,304
Total net position, ending	$ 194,914

Condensed Statement of Cash Flows

Net cash provided (used) by:	
Operating activities	$ (13,241)
Noncapital financing activities	76,296
Capital and related financing activities	(28,187)
Investing activities	414
Net increase (decrease) in cash and cash equivalents	35,282
Cash and cash equivalents, beginning	122,525
Cash and cash equivalents, ending	$ 157,807

18 – SUBSEQUENT EVENTS

a -- General Obligation Bond Issue

In October 2017, the City issued $63,580,000 of Public Improvement Bonds, Series 2017. The net proceeds of $74,000,000 (after issue costs, discounts, and premiums) from the issue will be used as follows: streets and mobility ($43,000,000), parks and recreation ($15,300,000), and facility improvements ($15,700,000). These bonds will be amortized serially on September 1 of each year from 2018 to 2037 Interest is payable on March 1 and September 1 of each year, commencing March 1, 2018. Total interest requirements for these bonds, at a rate of 5.0%, are $28,965,422.

In October 2017, the City issued $29,635,000 of Certificates of Obligation, Series 2017. The net proceeds of $35,325,000 (after issue costs, discounts, and premiums) from this issue will be used as follows: watershed home buyouts ($22,000,000), central library ($5,000,000), animal shelter improvements ($5,425,000), and women and children's shelter ($2,900,000). These certificates of obligation will be amortized serially on September 1 of each year from 2018 to 2037. Interest is payable on March 1 and September 1 of each year, commencing on March 1, 2018. Total interest requirements for these obligations, at rates ranging from 4.0% to 5.0%, are $17,602,222.

In October 2017, the City issued $5,075,000 of Public Property Finance Contractual Obligations, Series 2017. The net proceeds of $5,460,000 (after issue costs, discounts, and premiums) from this issue will be used for capital equipment ($5,460,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2018 to 2024. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2018. Total interest requirements for these obligations, at rates ranging from 2 0% to 5.0%, are $702,034.

In October 2017, the City issued $25,000,000 of Public Improvement Taxable Bonds, Series 2017. The net proceeds of $25,000,000 (after issue costs, discounts, and premiums) from the issuance will be used for affordable housing ($25,000,000). Interest is payable March 1 and September 1 of each year from 2018 to 2037, commencing on March 1, 2018. Principal payments are due September 1 of each year from 2018 to 2037. Total interest requirements for this obligation, at rates ranging from 2.3% to 5 0% are $9,890,858.

b -- Water and Wastewater – System Revenue Bond Issue

In November 2017, the City issued $45,175,000 of Water and Wastewater System Revenue Bonds, Series, 2017A. This is a private placement structured through a memorandum with the Texas Water Development Board (TWDB). Project funds of $42,363,027 will be used to improve and extend the water/wastewater system. The debt service requirements on the bonds are $54,326,741 with interest rates ranging from 0.6% to 2.3%. Interest payments are due May 15 and November 15 of each year from 2018 to 2037. Principal payments are due November 15 of each year from 2018 to 2037

REQUIRED SUPPLEMENTARY INFORMATION

(In thousands)

General Fund	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance (3) Positive (Negative)
REVENUES						
Taxes	$ 646,918	100	647,018	650,538	650,538	(3,520)
Franchise fees	36,057	153	36,210	36,717	36,717	(507)
Fines, forfeitures and penalties	13,117	1	13,118	16,209	16,209	(3,091)
Licenses, permits and inspections	61,076	(1)	61,075	50,799	50,799	10,276
Charges for services/goods	59,362	1,266	60,628	60,890	60,890	(262)
Interest and other	15,754	(9,626)	6,128	4,540	4,540	1,588
Total revenues	832,284	(8,107)	824,177	819,693	819,693	4,484
EXPENDITURES						
General government						
Municipal Court	22,386	158	22,544	22,619	22,619	75
Public safety						
Police	340,924	42,103	383,027	386,573	386,573	3,546
Fire	172,320	16,901	189,221	187,208	190,708	1,487
Emergency Medical Services	72,006	10,199	82,205	84,036	84,036	1,831
Transportation, planning, and sustainability						
Transportation, planning, and sustainability	421	(421)	--	--	--	--
Public health						
Health	80,487	2,870	83,357	83,688	83,688	331
Public recreation and culture						
Parks and Recreation	72,452	7,823	80,275	80,829	80,829	554
Austin Public Library	40,276	4,930	45,206	47,167	47,167	1,961
Urban growth management						
Neighborhood Planning and Zoning	38,088	6,865	44,953	45,567	45,567	614
Other urban growth management	32,403	480	32,883	35,244	35,244	2,361
General city responsibilities (4)	104,259	(97,501)	6,758	6,963	6,963	205
Total expenditures	976,022	(5,593)	970,429	979,894	983,394	12,965
Excess (deficiency) of revenues over expenditures	(143,738)	(2,514)	(146,252)	(160,201)	(163,701)	17,449
OTHER FINANCING SOURCES (USES)						
Transfers in	166,688	39,203	205,891	187,296	190,803	15,088
Transfers out	(12,125)	(41,132)	(53,257)	(34,662)	(38,169)	(15,088)
Total other financing sources (uses)	154,563	(1,929)	152,634	152,634	152,634	--
Excess (deficiency) of revenues and other sources over expenditures and other uses	10,825	(4,443)	6,382	(7,567)	(11,067)	17,449
Fund balance at beginning of year	160,989	7,501	168,490	142,590	142,590	25,900
Fund balance at end of year	$ 171,814	3,058	174,872	135,023	131,523	43,349

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, 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 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 nine separately budgeted funds: the Budgetary General Fund, as budgeted by the City, plus the Budget Stabilization Reserve, Community Development Incentives, Economic Development, Economic Incentives Reserve, Emergency Reserve, Long Center Capital Improvements, Music Venue Assistance Program, and the Property Tax Reserve Fund.

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 interdepartmental charges ($6,137,157).

b -- Budget Amendments

The original revenue budget of the General Fund was not amended during fiscal year 2017. The original expenditure budget of the General Fund was amended during fiscal year 2017 for the addition of one full time position at the Austin Fire Department ($83,000). This increase was offset by a reimbursement from Aviation. In addition, an increase in expenditures in the Austin Fire Department for the increase in overtime due to staffing shortage. The Budget Stabilization Reserve transferred ($3.5 million) to Austin Fire to fund this additional expense.

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	$ 10,825
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	(1,688)
Net compensated absences accrual	300
Outstanding encumbrances established in current year	(16,780)
Payments against prior year encumbrances	12,609
Other	1,116
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 6,382

RETIREMENT PLANS-TREND INFORMATION

Changes in net pension liability for each pension plan for the measurement periods ended December 31, 2014, 2015, and 2016 are presented in the next three schedules:

Schedule of Changes in the City Employees' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016
Beginning total pension liability (a)	$ 2,909,918	3,094,056	3,391,796
Changes for the year:			
Service cost	89,235	93,506	107,111
Interest	222,710	236,844	251,684
Differences between expected and actual experience	33,911	13,414	19,914
Assumption changes	--	123,493	--
Benefit payments including refunds	(161,718)	(169,517)	(179,129)
Net change in total pension liability	184,138	297,740	199,580
Ending total pension liability (b)	$ 3,094,056	3,391,796	3,591,376
Beginning total plan fiduciary net position (c)	$ 2,130,624	2,209,800	2,144,804
Changes for the year:			
Employer contributions	93,331	100,485	104,273
Employee contributions	50,490	54,066	60,801
Pension plan net investment income (loss)	99,704	(47,608)	171,640
Benefits payments and refunds	(161,718)	(169,517)	(179,129)
Pension plan administrative expense	(2,631)	(2,422)	(2,701)
Net change in plan fiduciary net position	79,176	(64,996)	154,884
Ending total plan fiduciary net position (d)	$ 2,209,800	2,144,804	2,299,688
Beginning net pension liability (a-c)	$ 779,294	884,256	1,246,992
Ending net pension liability (b-d)	$ 884,256	1,246,992	1,291,688
Plan fiduciary net position as a percentage of the total pension liability (d/b)	71.42%	63.24%	64.03%
Covered payroll	$ 514,787	546,058	573,308
City's net pension liability as a percentage of covered payroll	171.77%	228.36%	225.30%

Notes to Changes in the City Employees' Net Pension Liability and Related Ratios

The City Employees' fund had no significant changes of benefit terms in any of the years presented. There were no other significant factors that affected measurement of the total pension liability during the years ended December 31, 2016 or December 31, 2014; however, significant changes to assumptions were made as the result of an experience study of the five years ended December 31, 2015, including:

- Decreasing the inflation assumption from 3.25% to 2.75%,
- Reducing the investment rate of return assumption from 7 75% to 7.5%,
- Decreasing the salary increase assumption from 4.5% to 4.0%,
- Increasing new entrant pay from 3.75% to 4.0%,
- Reducing the assumed retirement rates at most ages to better reflect the emerging trend of members retiring at later ages,
- Lowering termination rates and using a select table based on a three year select period for withdrawal rates, and
- Using the RP-2014 blue collar mortality table for males and females project from 2014 to 2026 using mortality improvement scale BB with a 62% weighting of males and a 38% weighting of females. Previously the RP-2000 white collar mortality tables were used.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Changes in the Police Officers' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016
Beginning total pension liability (a)	$ 909,000	971,623	1,028,909
Changes for the year:			
Service cost	30,254	32,138	32,990
Interest	72,443	76,999	80,846
Benefit changes	(11,015)	(4,080)	–
Differences between expected and actual experience	--	(6,318)	7,455
Assumption changes	14,137	3,904	5,148
Contribution buy back	2,207	4,648	1,668
Benefit payments including refunds	(45,403)	(50,005)	(50,827)
Net change in total pension liability	62,623	57,286	77,280
Ending total pension liability (b)	$ 971,623	1,028,909	1,106,189
Beginning total plan fiduciary net position (c)	$ 595,110	638,019	644,174
Changes for the year:			
Employer contributions	32,400	33,239	33,814
Employee contributions	19,458	20,061	20,623
Contribution buy back	2,207	4,648	1,668
Pension plan net investment income (loss)	35,574	(322)	37,965
Benefits payments and refunds	(45,403)	(50,005)	(50,827)
Pension plan administrative expense	(1,327)	(1,466)	(1,397)
Net change in plan fiduciary net position	42,909	6,155	41,846
Ending total plan fiduciary net position (d)	$ 638,019	644,174	686,020
Beginning net pension liability (a-c)	$ 313,890	333,604	384,735
Ending net pension liability (b-d)	$ 333,604	384,735	420,169
Plan fiduciary net position as a percentage of the total pension liability (d/b)	65.67%	62.61%	62.02%
Covered payroll	$ 149,686	152,696	157,303
City's net pension liability as a percentage of covered payroll	222.87%	251.96%	267.11%

Notes to Changes in the Police Officers' Net Pension Liability and Related Ratios

The Police Officers' fund had no significant changes of benefit terms, and no other significant factors that affected measurement of the total pension liability during the years ended December 31, 2015 or December 31, 2014. For the year ended December 31, 2016 there were no changes to benefit terms that affected measurement of the total pension liability; there were, however, the following assumption changes:

- The investment return assumption has been decreased from 7.80% to 7.70% (decreasing 0.30% over the last three years)
- The core inflation rate assumption has been decreased from 3.25% to 3 00%,
- The general wage inflation rate assumption has been decreased from 3.50% to 3.25%,
- The assumed rates of salary increase have been amended at most service points, and
- The payroll growth assumption has been increased from 3.50% to 4.00%.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Changes in the Fire Fighters' Net Pension Liability and Related Ratios (in thousands)

	2014	2015	2016
Beginning total pension liability (a)	$ 806,282	861,468	913,618
Changes for the year:			
Service cost	25,319	23,309	24,323
Interest	62,977	66,405	70,893
Benefit Changes	--	--	5,491
Differences between expected and actual experience	--	7,193	8,893
Assumption changes	4,883	--	--
Benefit payments including refunds	(37,993)	(44,757)	(45,495)
Net change in total pension liability	55,186	52,150	64,105
Ending total pension liability (b)	861,468	913,618	977,723
Beginning total plan fiduciary net position (c)	752,622	789,433	785,211
Changes for the year:			
Employer contributions	18,670	19,222	19,104
Employee contributions	14,660	15,547	15,884
Pension plan net investment income	42,005	6,328	55,569
Benefits payments and refunds	(37,993)	(44,757)	(45,496)
Pension plan administrative expense	(531)	(562)	(662)
Net change in plan fiduciary net position	36,811	(4,222)	44,399
Ending total plan fiduciary net position (d)	789,433	785,211	829,610
Beginning net pension liability (a-c)	53,660	72,035	128,407
Ending net pension liability (b-d)	$ 72,035	128,407	148,113
Plan fiduciary net position as a percentage of the total pension liability (d/b)	91.64%	85.95%	84.85%
Covered payroll	84,589	83,979	86,632
City's net pension liability as a percentage of covered payroll	85.16%	152.90%	170.97%

Notes to Changes in the Fire Fighters' Net Pension Liability and Related Ratios

There were no significant assumption or benefit changes or any other significant factors that affected measurement of the total pension liability for the Fire Fighter's Fund during the years ended December 31, 2016, 2015, or 2014.

RETIREMENT PLANS-TREND INFORMATION, continued

Information pertaining to City contributions to the retirement systems for the fiscal year ending September 30, 2017, is shown in the following two tables (in thousands). An actuarially determined contribution was calculated for the City Employees' fund but was not calculated for the other two funds.

Schedule of Actuarially Determined City Contributions to the City Employees' Fund (in thousands)

Fiscal Year Ended September 30	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll
	$	$	$	$	
2015	96,554	97,655	(1,101)	540,110	18.08%
2016	109,725	102,609	7,116	566,227	18.12%
2017	119,038	108,929	10,109	600,726	18.13%

Notes to Schedule of Actuarially Determined City Contributions to the City Employees' Fund

Valuation Date:	December 31 of each calendar year occurring during the fiscal year.
Notes	Members and employers contribute based on statutorily fixed or negotiated rates. A funding period is solved for through open group projections.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal (all years)
Asset Valuation Method	2017 - Expected actuarial value plus 20% recognition of prior years' differences between expected and actual investment income 2016 and 2015 - 20% of market plus 80% of expected actuarial value
Inflation	2.75% for 2017 and 2016, 3.25% for 2015
Salary Increases	4 00% to 6 25% for 2017 and 2016, 4.50% to 6.00% for 2015
Investment Rate of Return	7.50% for 2017 and 2016, 7.75% for 2015
Retirement Age	2017 and 2016 - Experience-based table of rates that are gender specific. Last updated for December 31, 2015 valuation pursuant to an experience study of the 5-year period ending December 31, 2015. 2015 - For previous valuation updated on December 31, 2012 valuation pursuant to an experience study of the 5-year period ending December 31, 2011.
Mortality	2017 and 2016 - RP-2014 Mortality Table with Blue Collar adjustment. Generational mortality improvements in accordance with Scale BB are projected from the year 2014. For 2015 RP-2000 Mortality Table with White Collar adjustment and multipliers of 110% for males and 120% for females. Generational mortality improvements in accordance with Scale AA are projected from the year 2000.
Other Information:	There were no benefit changes during the periods displayed.

RETIREMENT PLANS-TREND INFORMATION, continued

Schedule of Statutorily Required City Contributions to the Police Officers' Fund and the Fire Fighters' Fund (in thousands)

Fiscal Year Ended September 30	Statutorily Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll (1)
	$	$	$	$	
Police Officers					
2015	32,942	32,942	--	152,229	21.64%
2016	33,141	33,141	--	155,476	21.32%
2017	34,717	34,717	--	162,891	21.31%
Fire Fighters					
2015	18,327	18,327	--	83,118	22.05%
2016	19,145	19,145	--	86,826	22.05%
2017	19,104	19,104	--	86,642	22.05%

(1) Statutorily required contribution for Police Officers decreased from 21.63% in 2015 to 21.313% in 2016.

Supplementary information for each plan as well as information on where to obtain plan financial statements can be found in Note 7.

OTHER POSTEMPLOYMENT BENEFITS-TREND INFORMATION

Under GAAP, the City is required to have an actuarial valuation of its other postemployment benefits program every other year. The Schedule of Funding Progress for other postemployment 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
		$	$	$		$	
2013	2012	--	1,384,490	1,384,490	0.0%	696,559	198.8%
2015	2014	--	1,449,238	1,449,238	0.0%	775,527	186.9%
2017	2016	--	2,004,664	2,004,664	0.0%	850,259	235.8%

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

Supplementary information for the OPEB plan can be found in Note 8

CITY OF AUSTIN, TEXAS

Schedule of Expenditures of Federal Awards

For the Penod ended September 30, 2017

	Federal CFDA Number	Award Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
U.S. DEPARTMENT OF AGRICULTURE						
Pass through - Texas Department of State Health Services						
Women/Infants/Children 14	10 557	2014-047380	$ 5,888,423	$ (501)	$ -	$ (501)
Women/Infants/Children 15	10 557	2015-047380	6,269,136	1,516	-	1,516
Women/Infants/Children 16	10.557	2016-048871	6,139,041	205,136	-	205,136
Women/Infants/Children 17	10 557	2017-049850	5,899,818	5,163,400	-	5,163,400
Total Texas Department of State Health Services			24,196,418	5,369,551	-	5,369,551
The Watershed Research and Training Center						
Fire Adapted Communities Learning Network	10.664	194_2016_221	25,000	25,000	-	25,000
Total The Watershed Research and Training Center			25,000	25,000	-	25,000
TOTAL U.S. DEPARTMENT OF AGRICULTURE			24,221,418	5,394,551	-	5,394,551
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT						
ENTITLEMENT GRANTS CLUSTER						
Community Development Block Grant						
Community Development Block Grant 09	14 218	B-09-MC-48-0500	7,934,405	55,208	-	55,208
Community Development Block Grant 11	14 218	B-11-MC-48-0500	7,210,297	13,530	-	13,530
Community Development Block Grant 12	14 218	B-12-MC-48-0500	7,426,183	118,179	-	118,179
Community Development Block Grant 13	14.218	B-13-MC-48-0500	7,477,383	379,323	27	379,350
Community Development Block Grant 14	14.218	B-14-MC-48-0500	7,268,750	773,119	482	773,601
Community Development Block Grant 15	14 218	B-15-MC-48-0500	7,340,203	1,108,130	74,847	1,182,977
Community Development Block Grant 16	14 218	B-16-MC-48-0500	7,115,474	3,418,657	1,672,985	5,091,642
Total Community Development Block Grant			51,772,695	5,866,146	1,748,341	7,614,487
TOTAL ENTITLEMENT GRANTS CLUSTER			51,772,695	5,866,146	1,748,341	7,614,487
Direct Programs						
Emergency Solutions Grant						
Emergency Solutions Grant 16	14 231	E-15-MC-48-0500	622,474	36,183	75,898	112,081
Emergency Solutions Grant 17	14 231	E-16-MC-48-0500	637,196	182,785	383,878	566,663
Total Emergency Solutions Grant			1,259,670	218,968	459,776	678,744
Home Grant						
Home Grant 10	14 239	M-10-MC-48-0500	4,991,989	15,922	-	15,922
Home Grant 11	14 239	M-11-MC-48-0500	4,385,848	101,979	-	101,979
Home Grant 12	14 239	M-12-MC-48-0500	3,094,514	107,321	-	107,321
Home Grant 13	14 239	M-13-MC-48-0500	3,473,703	112,832	-	112,832
Home Grant 14	14 239	M-14-MC-48-0500	3,767,591	271,326	-	271,326
Home Grant 15	14.239	M-15-MC-48-0500	4,921,049	1,010,136	-	1,010,136
Home Grant 16	14.239	M-16-MC-48-0500	2,612,058	1,338,083	284,485	1,622,568
Total Home Grant			27,246,752	2,957,599	284,485	3,242,084
Housing Opportunity for People w/AIDS (HOPWA)						
Housing Opportunity People W/Aids II 15	14 241	TXH15F004	1,118,247	(18)	218,883	218,865
Housing Opportunity People W/Aids II 16	14.241	TXH16F004	1,138,204	33,900	1,090,306	1,124,206
Total Housing Opportunity for People w/AIDS (HOPWA)			2,256,451	33,882	1,309,189	1,343,071

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Section 108 Loan						
Section 108 NCMP	14 248	B-01-MC-48-0500A	3,342,467	169,306	-	169,306
Section 108 Family Business Loan B-10	14 248	B-10-MC-48-0500A	8,000,000	70	677,760	677,830
Section 108 Loan--E 11th/12th	14 248	B-94-MC-48-0500A	1,672,228	330,235	-	330,235
Total Section 108 Loan			13,014,695	499,611	677,760	1,177,371
Fair Housing Assistance						
Fair Housing Assistance Partnership	14.401	FF206K136006	185,000	10,990	-	10,990
Fair Housing Assistance - 17	14 401	FF206K166006	324,600	324,600	-	324,600
Total Fair Housing Assistance			509,600	335,590	-	335,590
Lead Hazard Reduction						
Lead Smart	14 900	TXLHB0567-13	2,500,000	778,677	-	778,677
Total Lead Hazard Reduction			2,500,000	778,677	-	778,677
Pass through -						
Capital Area Council of Governments						
Sustainable Planning Program	14.703	TXRIP0034-10	238,007	-	14,889	14,889
Total Capital Area Council of Governments			238,007	-	14,889	14,889
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			98,797,870	10,690,473	4,494,440	15,184,913
U.S. DEPARTMENT OF JUSTICE						
Direct Programs						
Federal Bureau of Investigation						
Joint Terrorism Task Force 03	16.000	N/A	25,086	(1,294)	-	(1,294)
Total Federal Bureau of Investigation			25,086	(1,294)	-	(1,294)
Justice Assistance Program						
City of Austin and Travis County JAG Project	16.738	2013-DJ-BX-1095	321,038	-	1,581	1,581
City of Austin and Travis County FY14 Edward Byrne Memorial JAG Program	16.738	2014-DJ-BX-0701	330,356	-	4,943	4,943
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2015-DJ-BX-1007	281,625	187,945	41,316	229,261
Total Justice Assistance Program			933,019	187,945	47,840	235,785
Intellectual Property Crime Enforcement Program						
Intellectual Property Crime Enforcement Program	16 752	2015-ZP-BX-0001	400,000	146,977	-	146,977
Total Intellectual Property Crime Enforcement Program			400,000	146,977	-	146,977
Byrne Criminal Justice Innovation Program						
Byrne Criminal Justice Innovation Program	16.817	2012-AJ-BX-0015	1,000,000	41,397	-	41,397
Total Byrne Criminal Justice Innovation Program			1,000,000	41,397	-	41,397
Austin Body Worn Expansion Project						
Austin Body Worn Camera Expansion Project	16 835	2016-BC-BX-K054	750,000	2,254	-	2,254
Total Austin Body Worn Camera Expansion Project			750,000	2,254	-	2,254
Federal Department of Justice Asset Forfeiture Fund						
Federal Department of Justice Asset Forfeiture Fund	16 922	N/A	-	289,172	-	289,172
Total Federal Dept. of Justice Asset Forfeiture Fund			-	289,172	-	289,172
Pass through - Texas Governor's Office Criminal Justice Division						
Criminal Justice Division						
Juvenile Accountability Incentive Block	16 523	JB04J201710402	22,253	(5,266)	-	(5,266)
Total Criminal Justice Division			22,253	(5,266)	-	(5,266)

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APD Juvenile Justice & Delinquency Prevention Project						
APD Juvenile Justice & Delinquency Prevention Project	16 540	2016-JF-FX-0008	37,600	33,999	-	33,999
Total APD Juvenile Justice & Delinquency Prevention Project			37,600	33,999	-	33,999
Title V Delinquency Prevention						
Title V Delinquency Prevention	16 548	JT04J201806401	147,182	(29,022)	-	(29,022)
Total Title V Delinquency Prevention			147,182	(29,022)	-	(29,022)
DNA Capacity Enhancement Program						
DNA Capacity Enhancement Program	16.564	2006-DN-BX-K143	145,710	(19,810)	-	(19,810)
Total DNA Capacity Enhancement Program			145,710	(19,810)	-	(19,810)
Victims of Crime Act						
Comprehensive Victim Services 06	16 575	VA-05-V30-17549-01	393,555	73,954	-	73,954
Victims of Crime Act Formula Grant Program	16 575	2016-VA-GX-0033	243,660	229,362	-	229,362
Victims of Crime Act Formula Grant Program	16.575	2015-VA-GX-0009-00	230,311	14,635	-	14,635
Victims of Crime Act Formula Grant Program	16 575	2015-VA-GX-0009-01	521,145	250,385	-	250,385
Total Victims of Crime Act			1,388,671	568,336	-	568,336
Anti Human Trafficking						
Anti Human Trafficking	16 582	2005-VT-BX-0017	622,942	(12,212)	-	(12,212)
Total Anti Human Trafficking			622,942	(12,212)	-	(12,212)
Violence Against Women						
Assist Females Victim Domestic Violence	16 525	N/A	77,500	(1,824)	-	(1,824)
VAWA-Assistance for Females 16	16 588	2015-WF-AX-0032	133,881	18,128	-	18,128
Total Violence Against Women			211,381	16,304	-	16,304
Coverdell Forensic Project						
Coverdell Forensic Project	16.742	DN-06-A10-17487-03	93,000	(14,773)	-	(14,773)
Coverdell Forensic Project/Austin Police Department Coverdell Project	16 742	2015-CD-BX-0023	116,008	115,659	-	115,659
Total Coverdell Forensic Project			209,008	100,886	-	100,886
Total Texas Governor's Office Criminal Justice Division			2,784,747	653,215	-	653,215
Pass through - SafePlace						
Grant to Encourage Arrest Policies and Enforcement of Protection Orders Program						
Grant to Encourage Arrest Policies and Enforcement of Protection Orders Program	16.590	2015-WE-AX-0012	60,119	3,004	-	3004
Total SafePlace			60,119	3,004	-	3,004
Pass through - Office of Attorney General						
Project Safe Neighborhoods						
Project Safe Neighorhoods	16.592	04-05552	550,931	(9,948)	-	(9,948)
Total Office of Attorney General			550,931	(9,948)	-	(9,948)
TOTAL U.S. DEPARTMENT OF JUSTICE			6,503,902	1,312,722	47,840	1,360,562
U.S. DEPARTMENT OF STATE						
Direct Programs						
US Embassy Pakistan Entrepreneurship Grant	19 501	SPK33015CA083	499,989	4,397	322,666	327,063
TOTAL U.S. DEPARTMENT OF STATE			499,989	4,397	322,666	327,063

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U.S. DEPARTMENT OF TRANSPORTATION						
HIGHWAY SAFETY CLUSTER						
Pass through - Texas State Hwys and Public Transportation Dept.						
State and Community Highway Safety						
STEP-Comprehensive Traffic 06	20 600	N/A	50,000	4,910	-	4,910
STEP-Impaired Driving	20 600	2009-AustinPD-STEP-IDM-00025	50,000	(12,810)	-	(12,810)
STEP-Comprehensive Traffic 16	20 600	2016-AustinPD-S-1YG-0086	1,000,000	44,361	-	44,361
STEP-Comprehensive Traffic 17	20.600	2017-AustinPD-S-1YG-0086	1,000,000	962,966	-	962,966
Total State and Community Highway Safety			2,100,000	999,427	-	999,427
National Priority Safey Programs						
Child Safety Seat Program	20 616	2017-Austin EM-G-1YG-0123	82,462	82,187	-	82,187
Total National Priority Safey Programs			82,462	82,187	-	82,187
Impaired Driving Countermeasures Incentives						
STEP - Impaired Driving Mobilization 17	20 616	2017-AustinPD-IDM-00015	100,000	83,928	-	83,928
Total Impaired Driving Countermeasures Incentives			100,000	83,928	-	83,928
Occupant Protection Incentives						
Click It or Ticket	20.616	2017-AustinPD-CIOT-00052	80,000	41,181	-	41,181
Total Occupant Protection Incentives			80,000	41,181	-	41,181
Total Texas State Hwys and Public Transportation Dept.			2,362,462	1,206,723	-	1,206,723
TOTAL HIGHWAY SAFETY CLUSTER			2,362,462	1,206,723	-	1,206,723
HIGHWAY PLANNING AND CONSTRUCTION CLUSTER						
Pass through - Texas State Hwys and Public Transportation Dept.						
Highway Planning and Construction						
Southern Walnut Creek Hike and Bike Trail	20.205	CSJ0914-00-205	8,080,000	482,352	-	482,352
Travel Time & Traffic Count Sensors	20.205	CSJ0914-00-338	499,915	23,316	-	23,316
North Lamar: Parmer Lane to US 183	20.205	CSJ0914-04-274	1,200,000	243,925	-	243,925
Bicycle Traffic Signal and Detection	20.205	CSJ0914-04-296	200,000	190,000	-	190,000
Bike Share Expansion	20.205	CSJ0914-04-299	908,500	111,942	-	111,942
STP Metropolitan Mobility Project	20.205	CSJ-0914-00-357,360	2,884,000	82,609	-	82,609
Total Texas State Hwys and Public Transportation Dept.			13,772,415	1,134,144	-	1,134,144
TOTAL HIGHWAY PLANNING AND CONSTRUCTION CLUSTER			13,772,415	1,134,144	-	1,134,144
Direct Programs						
ABIA FAA-59-16-AIP						
ABIA FAA 59-16-AIP	20 106	3-48-0359-059-2016	14,518,190	14,349,781	-	14,349,781
Total ABIA FAA-59-16-AIP			14,518,190	14,349,781	-	14,349,781
National Motor Carrier Safety						
MCSAP - TACT Public Education and Outreach	20.218	FM-MHP-0209-15-01-00	526,177	7,568	-	7,568
MCSAP - TACT Public Education and Outreach	20.218	FM-MHP-0270-16-01-00	859,220	633,781	-	633,781
Total National Motor Carrier Safety			1,385,397	641,349	-	641,349
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			32,038,464	17,331,997	-	17,331,997

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U.S. TREASURY DEPARTMENT						
Federal Treasury Asset Forfeiture Fund						
Federal Treasury Asset Forfeiture Fund	21.000	N/A	-	55,373	-	55,373
Total Federal Treasury Asset Forfeiture Fund			-	55,373	-	55,373
TOTAL U.S. TREASURY DEPARTMENT			-	55,373	-	55,373
EQUAL EMPLOYMENT OPPORTUNITY COMMISSION						
Equal Employment Opportunity						
Equal Employment Opportunity 2016	30 001	EEC45016C0081P00001	87,400	53,500	-	53,500
Equal Employment Opportunity 2017	30.001	EEC45016C0081P00002	79,600	79,600	-	79,600
Total Equal Employment Opportunity			167,000	133,100	-	133,100
TOTAL EQUAL EMPLOYMENT OPPORTUNITY COMMISSION			167,000	133,100	-	133,100
U.S. NATIONAL FOUNDATION FOR THE ARTS						
National Endowment for the Arts						
National Endowment for the Arts	45 024	10-6200-7019	35,000	-	1,493	1,493
National Endowment for the Arts	45 024	14-6200-7015	30,000	30,000	-	30,000
Total National Endowment for the Arts			65,000	30,000	1,493	31,493
TOTAL U.S. NATIONAL FOUNDATION FOR THE ARTS			65,000	30,000	1,493	31,493
U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES						
Pass through - Texas State Library and Archives Commission						
TEX Treasures	45 310	478-17001	74,995	73,104	-	73,104
TEX Treasures-Mears Collection	45.310	723-17004	25,000	24,036	-	24,036
Total Texas State Library and Archives Commission			99,995	97,140	-	97,140
Pass through - Central Texas Library System						
Connect 4 Literacy Grant						
Interlibrary Loan	45.310	478-16001	9,500	(8)	-	(8)
Total Central Texas Library System			9,500	(8)	-	(8)
TOTAL U.S. INSTITUTE OF MUSEUM AND LIBRARY SERVICES			109,495	97,132	-	97,132
U.S. NATIONAL SCIENCE FOUNDATION						
Pass through - US Ignite, Inc.						
Smart Gigabit Communities Program						
Smart Gigabit Communities Program	47 070	BF-01F21301	75,000	5,519	-	5,519
Total Smart Gigabit Communities Program			75,000	5,519	-	5,519
TOTAL NATIONAL SCIENCE FOUNDATION			75,000	5,519	-	5,519

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U.S. ENVIRONMENTAL PROTECTION AGENCY							
Direct Programs							
Brownfield Assessments							
Brownfield Assessment - Hazardous Substances	66 818	BF-00F90901	200,000	87,238	-	87,238
Brownfield Assessment - Petroleum	66.818	BF-00F91001	200,000	153,822	-	153,822
Brownfield Cleanup Revolving Loan	66.811	BF-01F21301	819,841	599	-	599
Total Brownfield Assessments			1,219,841	241,659	-	241,659
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			1,219,841	241,659	-	241,659
U.S. DEPARTMENT OF ENERGY						
Direct Programs						
Energy Efficiency & Renewable Energy						
Austin SHINES	81.087	DE-EE0007177	3,625,487	799,817	349,669	1,149,486
Total Energy Efficiency & Renewable Energy			3,625,487	799,817	349,669	1,149,486
Pass through						
State Energy Conservation Office						
Clean Cities	81.041	N/A	170,590	(5,528)	-	(5,528)
Total State Energy Conservation Office			170,590	(5,528)	-	(5,528)
TOTAL U.S. DEPARTMENT OF ENERGY			3,796,077	794,289	349,669	1,143,958
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
AGING CLUSTER						
Pass through - Capital Area Council of Governments						
Senior Transportation	93 044	N/A	85,000	76,726	-	76,726
Total Capital Area Council of Governments			85,000	76,726	-	76,726
TOTAL AGING CLUSTER			85,000	76,726	-	76,726
CHILD CARE AND DEVELOPMENT FUND CLUSTER						
Pass through - Greater Austin Area Workforce Development						-
Title IV-A At Risk Child Care	93.575	07141C01	1,487,459	3,190	-	3,190
Total Greater Austin Area Workforce Development			1,487,459	3,190	-	3,190
TOTAL CHILD CARE AND DEVELOPMENT FUND CLUSTER			1,487,459	3,190	-	3,190
Direct Programs						
Assets of Independence Demonstration						
Assets of Independence	93 602	90EI0743-01-00	300,000	106,492	-	106,492
Total Assets of Independence Demonstration			300,000	106,492	-	106,492
Ryan White I Emergency Care						
Ryan White I Emergency Care 14	93.914	H89HA00036	4,578,775	(122)		(122)
Ryan White I Emergency Care 16	93.914	H89HA00036	4,835,255	279,959	2,563,396	2,843,355
Ryan White I Emergency Care 17	93.914	H89HA00036	4,831,170	330,132	2,294,125	2,624,257
Total Ryan White I Emergency Care			14,245,200	609,969	4,857,521	5,467,490

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Ryan White - Part C						
Ryan White - Part C 16	93.918	H76HA00127	869,432	43,411	433,325	476,736
Ryan White - Part C 17	93 918	H76HA00127	852,234	83,819	475,003	558,822
Total Ryan White - Part C			1,721,666	127,230	908,328	1,035,558
Pass through - Texas Dept of State Health Services						
Public Health Emergency Response						
Public Health Emergency Preparedness 15	93.069	2015-001151	573,066	(85)	-	(85)
Public Health Emergency Preparedness 16	93.069	2016-001151-01	682,177	(3,707)	-	(3,707)
Public Health Emergency Preparedness 17	93 069	2016-001151-02	682,177	578,439	-	578,439
Public Health Emergency Preparedness 18	93.069	537-18-0151-00001	682,177	139,291	-	139,291
Public Health Emergency Preparedness 16	93.069	2016-004033	86,731	(20)	-	(20)
Infectious Disease Control Unit/ Surveillance and Epidemiology	93 069	537-18-0343-00001	316,314	45,607	-	45,607
CPS/ Ebola Grant	93.069	2015-003613	183,906	63,859	-	63,859
Total Public Health Emergency Response			3,206,548	823,384	-	823,384
TB Outreach						
TB Outreach 15	93 116	2015-001374-00	439,014	4,167	-	4,167
TB Outreach 16	93.116	2016-001374-00	360,068	211,301	-	211,301
TB Outreach 17	93.116	2016-001374-01	359,727	191,466	-	191,466
Total TB Outreach			1,158,809	406,934	-	406,934
Immunization Outreach						
Immunization Outreach 17	93 268	2016-001043-01	749,994	683,992	-	683,992
Immunization Outreach 17	93 268	537-18-0071-00001	700,871	119,312	-	119,312
Total Immunization Outreach			1,450,865	803,304	-	803,304
Zika Epidemiology Lab Capacity and PH Response						
Zika Epidemiology Lab Capacity and PH Response	93.323	537-18-0343-00001	171,275	68,306	-	68,306
Total Zika Epidemiology Lab Capacity and PH Response			171,275	68,306	-	68,306
Refugee Health Services						
Refugee Health Services 16	93 566	2016-000032-00	1,705,464	154,334	-	154,334
Refugee Health Services 17	93.566	2016-000032-01	697,230	547,690	-	547,690
US Committee for Refugees & Immigrants	93.566	2017-AUSTX-01	1,328,968	1,016,362	-	1,016,362
Total Refugee Health Services			3,731,662	1,718,386	-	1,718,386
HIV PCPE						
HIV PCPE 12	93 940	2012-040435	782,303	(691)	-	(691)
HIV PCPE 16	93.940	2016-004063-00	733,303	271,311	-	271,311
HIV PCPE 17	93 940	2016-004063-01	733,303	400,922	-	400,922
Total HIV PCPE			2,248,909	671,542	-	671,542
HIV Surveillance						
HIV Surveillance 16	93 944	2016-001379-00	138,964	52,610	-	52,610
HIV Surveillance 17	93 944	2016-004102-01	138,964	79,231	-	79,231
Total HIV Surveillance			277,928	131,841	-	131,841
STD Control						
STD Control 15	93 977	2016-001346-00	478,671	208,113	-	208,113
STD Control 16	93 977	2016-001346-01	674,325	420,315	-	420,315
Total STD Control			1,152,996	628,428	-	628,428
OPHP- Regional & Local Services						
OPHP-Regional & Local Services Section 16	93 991	2016-001055-00	320,552	143,837	-	143,837
OPHP-Regional & Local Services Section 18	93 991	537-18-0195-00001	160,276	9,559	-	9,559
Total OPHP - Regional & Local Services			480,828	153,396	-	153,396

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Texas Healthy Adolescent						
Texas Healthy Adolescent 13	93.994	2013-041537	168,750	(168)	-	(168)
Texas Healthy Adolescent 17	93 994	2016-003861-01	145,800	144,044	-	144,044
Total Texas Healthy Adolescent			314,550	143,876	-	143,876
Total Texas Dept of State Health Services			14,194,370	5,549,397	-	5,549,397
Pass through - Texas Dept. of Protective & Regulatory Services						
Promoting Safe and Stable Families						
Community Youth Development 16	93.556	24186674	402,620	-	-	-
Community Youth Development 17	93 556	24186674	362,358	144,719	195,755	340,474
Community Youth Development 17-2	93 556	24427073	108,382	57,823	47,184	105,007
Community Youth Development 18	93 556	24427073	449,956	7,151	6,478	13,629
Total Texas Dept. of Protective & Regulatory Services			1,323,316	209,693	249,417	459,110
Pass through - Texas Dept. of Housing and Community Affairs						
Community Services Block Grant						
Community Services Block Grant 14	93 569	61140001830	1,080,391	1,098	-	1,098
Community Services Block Grant 16	93.569	61160002366	1,158,192	526,053	-	526,053
Community Services Block Grant 17	93 569	61170002616	1,158,192	792,844	-	792,844
Total Texas Dept. of Housing and Community Affairs			3,396,775	1,319,995	-	1,319,995
TOTAL U.S. DEPARTMENT OF HEALTH			36,753,786	8,002,692	6,015,266	14,017,958
U.S. DEPARTMENT OF HOMELAND SECURITY						
Direct Program						
Firefighters Grant						
FEMA Smoke Alarm	97.044	EMW-2006-FP-01365	71,147	1	-	1
FEMA Fire Prevention & Safety	97.044	EMW-2009-FO-01768	117,640	2	-	2
FEMA Assistance to Firefighters Grant D.E.E S	97.044	EMW-2009-FO-08668	611,360	100	-	100
Total Firefighters Grant			800,147	103	-	103
Pass through - Texas Department of Public Safety						
Public Assistance						
FEMA Flood Public Assistance	97 036	PA-06-TX-4159	5,470,323	(174,296)	-	(174,296)
FEMA Flood Public Assistance	97.036	PA-06-TX-4223	1,554,681	338,681	-	338,681
FEMA Flood Public Assistance	97.036	PA-06-TX-4245	2,463,349	1,138,617	-	1,138,617
Total Public Assistance			9,488,353	1,303,002	-	1,303,002
Hazard Mitigation Grant						
FEMA Woodview Mobile Home Buyout	97.039	DR.1709 012	1,189,356	(179)	-	(179)
FEMA Onion Creek Buyouts	97 039	DR.4159.001	1,472,437	515	-	515
Total Hazard Mitigation Grant			2,661,793	336	-	336
EMPG						
EMPG 17	97 042	17TX-EMPG-1404	122,916	122,916	-	122,916
Total EMPG			122,916	122,916	-	122,916

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State Homeland Security Program						
State Homeland Security Program - 14	97 067	11-SR-5000-01, 02	890,960	4,815		4,815
State Homeland Security Program - 15	97 067	14-SR-5000-01,02,03,04,05,06,07	984,084	9	-	9
State Homeland Security Program - 16	97 067	EMW-2015-SS-00080	883,644	530,262	-	530,262
State Homeland Security Program - 17	97 067	EMW-2016-SS-00056	572,187	523,600	-	523,600
Total State Homeland Security Program			3,330,875	1,058,686	-	1,058,686
Total Texas Department of Public Safety			15,603,937	2,484,940	-	2,484,940
Pass through - Texas Commission on Environmental Quality						
Whole Air Quality	97 091	582-16-60198	511,833	(140)	-	(140)
Whole Air Quality	97 091	582-16-60198-1	476,681	402,248	-	402,248
Whole Air Quality	97 091	582-16-60198-2	486,758	26,578	-	26,578
Total Texas Commission on Environmental Quality			1,475,272	428,686	-	428,686
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			17,879,356	2,913,729	-	2,913,729
TOTAL FEDERAL FINANCIAL ASSISTANCE			$ 222,127,198	$ 47,007,633	$ 11,231,374	$ 58,239,007

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

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CITY OF AUSTIN, TEXAS
Schedule of Expenditures of State Awards
For the Period ended September 30, 2017

	Award Number	Program Award or Amount	Current Expenditures	Subrecipient Payments	Total Expenditures
TEXAS GOVERNOR'S OFFICE					
Direct Programs					
Juvenile Justice & Delinquency Prevention Project					
APD Juvenile Justice & Delinquency Prevention Project	2016-SF-ST-0015	$ 47,916	$ 23,110	$ -	$ 23,110
APD Body Worn Camera Program	2016-BC-ST-0020	750,000	740,223	-	740,223
Total Juvenile Justice & Delinquency Prevention Project		797,916	763,333	-	763,333
TOTAL TEXAS GOVERNOR'S OFFICE		797,916	763,333	-	763,333
TEXAS DEPARTMENT OF STATE HEALTH SERVICES					
Direct Programs					
Katrina Medical Response					
Katrina Medical Response	N/A	180,122	5,461	-	5,461
Total Katrina Medical Response		180,122	5,461	-	5,461
Local Project Grant					
Local Project Grant	2010-033883	17,888	33	-	33
Local Project Grant	2011-037344	21,751	305	-	305
Local Project Grant	2013-042933	27,760	(6,215)	-	(6,215)
Total Local Project Grant		67,399	(5,877)	-	(5,877)
TB Elimination					
TB Elimination 14	2014-001438-00	454,450	(500)	-	(500)
TB Elimination 17	2017-001438-00	490,512	489,016	-	489,016
TB Elimination 18	537-18-0026-0001	488,152	4,081	-	4,081
Total TB Elimination		1,433,114	492,597	-	492,597
Food Borne Intervention					
Food Borne Intervention	2016-003783-00	97,000	(35)	-	(35)
Food Borne Intervention	2016-003783-01	97,000	87,751	-	87,751
Total Food Borne Intervention		194,000	87,716	-	87,716
Infectious Disease Control Unit/ Surveillance and Epidemiology					
Infectious Disease Control Unit/ Surveillance and Epidemiology	2016-003824-00	169,750	82,678	-	82,678
Infectious Disease Control Unit/ Surveillance and Epidemiology	537-18-0329-00001	207,796	14,895	-	14,895
Total Infectious Disease Control Unit/ Surveillance and Epidemiology		377,546	97,573	-	97,573
OTVFH - Lactation Support Center Services - Strategic Expansion Program					
OTVFH - Lactation Support Center Services - Strategic Expansion Program	2015-047635-001	217,500	11,369	-	11,369
OTVFH - Lactation Support Center Services - Strategic Expansion Program	2015-047635-002	145,000	128,182	-	128,182
OTVFH - Lactation Support Center Services - Strategic Expansion Program	2015-047635-002A	145,000	13,073	-	13,073
Total OTVFH - Lactation Support Center Services - Strategic Expansion Program		507,500	152,624	-	152,624

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Healthy Texas Babies					
Healthy Texas Babies	2015-047509-001	90,000	(1,691)	-	(1,691)
Healthy Texas Babies	2016-048293-001	90,000	(31)	-	(31)
Healthy Texas Babies	2016-048293-002	90,000	77,572	7,179	84,751
Total Healthy Texas Babies		270,000	75,850	7,179	83,029
Pass through - Capital Area Trauma Regional					
Trauma System	N/A	33,064	243	-	243
Trauma System	N/A	31,883	1,000	-	1,000
Trauma System	2016-004118-00	38,000	38,000	-	38,000
Total Capital Area Trauma Regional		102,947	39,243	-	39,243
TOTAL DEPARTMENT OF STATE HEALTH SERVICES		3,132,628	945,187	7,179	952,366
TEXAS COMMISSION OF THE ARTS					
Direct Program					
TCA Grants					
TCA Core Support 08	07-28104	12,316	-	6,713	6,713
TCA Core Support 10	10-31252	15,500	-	563	563
TCA Core Support 12	128141086-088	2,475	-	2,475	2,475
TCA Sub-granting 06	0627275	28,481	-	(1,000)	(1,000)
TCA Sub-granting 08	08-29271	33,794	-	2,000	2,000
TCA Sub-granting 09	N/A	26,934	-	(4,197)	(4,197)
TCA Sub-granting 11	11-32086	35,000	-	1,000	1,000
TCA Sub-granting 15	15-36086	28,000	-	6	6
TCA Sub-granting 16	16-38313	26,500	-	2,650	2,650
TCA Sub-granting 17	17-40575	26,500	-	24,000	24,000
Total TCA Grants		235,500	-	34,210	34,210
TOTAL TEXAS COMMISSION OF THE ARTS		235,500	-	34,210	34,210
TEXAS STATE LIBRARY AND ARCHIVES COMMISSION					
Direct Program					
Public Library Digital Inclusion	Gates OPP1023019	737	317		317
TOTAL TEXAS STATE LIBRARY AND ARCHIVES COMMISSION		737	317	-	317
TEXAS COMMISSION ON ENVIRONMENTAL QUALITY					
Direct Program					
Local Emission Reduction Grant	777-757-5911-1	26,022	26,022		26,022
Clean Transportation Triangle	582-17-72075-2654	400,000	123,500		123,500
TOTAL TEXAS COMMISSION OF ENVIRONMENTAL QUALITY		426,022	149,522	-	149,522
TEXAS COMPTROLLER OF PUBLIC ACCOUNTS					
Direct Programs					
State Contraband Asset Forfeiture Fund	N/A	-	99,775	-	99,775
TOTAL TEXAS COMPTROLLER OF PUBLIC ACCOUNTS		-	99,775	-	99,775

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TEXAS DEPARTMENT OF MOTOR VEHICLES					
Direct Programs					
Auto Theft Prevention					
Auto Theft Prevention 12	SA-T01-10039-12	406,147	(3,508)	-	(3,508)
Auto Theft Prevention 17	608-17-2270100	430,685	412,327	-	412,327
Total Auto Theft Prevention		836,832	408,819	-	408,819
TOTAL TEXAS DEPARTMENT OF MOTOR VEHICLES		836,832	408,819	-	408,819
TEXAS PARKS AND WILDLIFE DEPARTMENT					
Direct Programs					
Colony Park	55-000023	725,000	167,861		167,861
Growing Outdoor Leaders	52-000594	37,031	17,317	-	17,317
TOTAL TEXAS PARKS AND WILDLIFE DEPARTMENT		762,031	185,178	-	185,178
TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS					
Direct Programs					
Homeless Housing and Services Program					
Homeless Housing and Services Program	63170002527	508,796	170,000	338,796	508,796
Total Homeless Housing and Services Program		508,796	170,000	338,796	508,796
TOTAL DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS		508,796	170,000	338,796	508,796
TOTAL STATE FINANCIAL ASSISTANCE		$ 6,700,462	$ 2,722,131	$ 380,185	$ 3,102,316

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

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CITY OF AUSTIN, TEXAS

NOTES TO SUPPLEMENTAL SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED SEPTEMBER 30, 2017

1. GENERAL

The accompanying Schedules of Expenditures of Federal and State Awards (the Schedules) present the activity of all federal and state awards to the City of Austin, Texas ("City"). The information in these Schedules are presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State of Texas Uniform Grant Management Standards* (UGMS). Some amounts presented in these Schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The Schedules include certain program expenditures that relate to fiscal year 2016. These expenditures have been deemed immaterial to the Schedules, which are evaluated in relation to the financial statements taken as a whole. The programs affected are as follows:

Program Name	CFDA #	Prior Year Expenditures Included in Current Year SEFA Amount
Women/Infants/Children 16	10.557	$ 150,191
Community Development Block Grant	14.218	170,390
Emergency Solutions Grant 16	14.231	59,853
Housing Opportunity People with AIDS II 15	14.241	76,197
Fair Housing Assistance 16	14.401	18,400
Lead Smart	14 900	51,728
City of Austin and Travis County JAG Project	16.738	1,581
Byrne Criminal Justice Innovation Program	16.817	8,311
Victims of Crime Act Formula Grant Program	16.575	10,243
VAWA-Assistance for Females 16	16.588	3,867
Ryan White I Emergency Care 16	93.914	531,715
Ryan White-Part C 16	93.918	128,623
Senior Transportation	93.044	6,971
Public Health Emergency Preparedness	93.069	22,481
CPS/Ebola Grant	93.069	173
TB Outreach 16	93.116	28,517
Immunization Outreach 17	93.268	55,902
Refuge Health Services	93.566	120,604
HIV PCPE 16	93.940	19,100

HIV Surveillance 16	93.944	5,304
STD Control 15	93.977	16,984
OPHP-Regional & Local Services Section 16	93.991	8,222
Community Youth Development 17	93.556	11,238
Community Services Block Grant 16	93.569	80,669
State Homeland Security Program-16	97.067	418
Whole Air Quality	97.091	12,350

Program Name	CFDA #	Prior Year Expenditures Included in Current Year SESA Amount
Food Borne Intervention	NA	3,350
OTVFH-Lactation Support Center Services	NA	16,858
Colony Park	NA	36,649
Healthy Texas Babies	NA	5,061
TCA Sub-granting	NA	1,500

2. BASIS OF ACCOUNTING

The accompanying schedules of expenditures of federal and state awards were prepared on the accrual basis of accounting. The amounts reported as expenditures in the schedules of expenditures of federal and state awards may not agree with the amounts reported in the financial reports filed with grantor agencies due to accruals, which would be included in the next report filed with the agency. Negative amounts shown in the Schedules represent corrections, adjustments or credits made to amounts reported as expenditures in prior years.

The City elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. DISASTER GRANTS-PUBLIC ASSISTANCE (PRESIDENTIALLY DECLARED DISASTERS PROGRAM)

Reconciliation of Federal Expenditures related to Disaster Grants-Public Assistance CFDA 97.036; reported in the Schedule of Expenditures of Federal Awards to the City's Consolidated Financial Statements - There have been three declared disasters in Austin, Texas in the last four years: Halloween 2013, Memorial Day 2015, and Halloween 2015. The City expects to recoup some of the cost associated with the repair and rebuilding of damaged assets over the next several years from insurance, federal government assistance and operating funds.

Below is the reconciliation of Federal Expenditures related to the disaster grant-Public Assistance (Presidentially Declared Disasters) CFDA #97.036, reported in the Schedule of Expenditures of Federal Awards to the City's financial statements.

Total cumulative project worksheets obligated as of September 30, 2017	$ 9,488,353
Total federal expenditures incurred as of September 30, 2014, and reported in the 2014 Schedule of Expenditures of Federal Awards	(2,363,063)
Total federal expenditures incurred as of September 30, 2015, and reported in the 2015 Schedule of Expenditures of Federal Awards	(1,310,683)
Total federal expenditures incurred as of September 30, 2016, and reported in the 2016 Schedule of Expenditures of Federal Awards	(1,100,937)
Total cumulative project worksheet obligated, but not expensed and are not included in the Schedule of Expenditures of Federal Awards	(3,410,668)
Total project worksheets obligated and expensed for the year ended September 30, 2017, and included in the 2017 Schedule of Expenditures of Federal Awards	$ 1,303,002

4. LOANS

In addition to federal awards involving expenditures in 2017, the City has federally guaranteed loans outstanding as of September 30, 2017 with the Department of Housing and Urban Development. These loans related to the Section 108 Loan Program (CFDA 14.248).

Three of the Section 108 loans have remaining balances to be disbursed (i.e., awarded) by the City at September 30, 2017. The remaining loan balances at September 30, 2017, are as follows:

	Loan Balance
NCMP Section 108	$ 123,030
Section 108 Family Business Loan	102,706
Section 108 Family Business Loan	6,814,333
Total	**$ 7,040,069**

5. LOANS TO THIRD PARTIES

The City uses CDBG and HOME funds to grant loans to low and moderate-income individuals. As of September 30, 2017, the balance of the loans receivable was approximately $20,408,000.

* * * * * *

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Austin, Texas (the "City") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 1, 2018. Our report includes a reference to other auditors who audited the financial statements of discretely presented component units, which represents 100% of the assets, net position, and revenues of the discretely presented component units, one of which contains an emphasis of matter paragraph related to a going concern issue (Austin Bergstrom Landhost Enterprises, Inc.), as described in our report on the City's financial statements. The financial statements of the Austin Bergstrom Landhost Enterprises, Inc. and the Austin Convention Enterprises, Inc., discretely presented component units, were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Austin Bergstrom Landhost Enterprises, Inc. and Austin Convention Enterprises, Inc.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we and the other auditors did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control described in the accompanying *Schedule of Findings and Questioned Costs,* as item 2017-001, that we consider to be a significant deficiency.

Compliance and Other Matters

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

The City's Responses to Findings

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

Purpose of this Report

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

Deloitte & Touche LLP

March 1, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Austin's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* could have a direct and material effect on each of the City's major federal programs for the year ended September 30, 2017. The City's major federal programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying *Schedule of Findings and Questioned Costs* as items 2017-002, 2017-004, and 2017-006. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency* in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying *Schedule of Findings and Questioned Costs* as items 2017-002, 2017-003, 2017-004, 2017-005, and 2017-006 that we consider to be significant deficiencies.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Deloitte & Touche LLP

April 24, 2018

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM, AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

Report on Compliance for Each Major State Program

We have audited the City of Austin's (the "City") compliance with the types of compliance requirements described in the State of Texas *Uniform Grant Management Standards* (UGMS) that could have a direct and material effect on each of the City's major state programs for the year ended September 30, 2017. The City's major state programs are identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs.*

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and UGMS. Those standards 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 state program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major State Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended September 30, 2017.

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with UGMS, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

Deloitte & Touche LLP

April 24, 2018

CITY OF AUSTIN, TEXAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED SEPTEMBER 30, 2017

I. SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified not considered to be material weakness(es)?	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' reports issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	Yes
Any audit findings disclosed that are required to be reported in accordance with Uniform Grant Management Standards?	No

Identification of major programs:

Federal	
93.914	Ryan White I Emergency Care
20.600, 20.616	Highway Safety Cluster – STEP Comprehensive Traffic, STEP Impaired Driving, and Child Safety Seat Program
14.218	Entitlement Grant Cluster – Community Development Block Grant
81.087	Austin SHINES

State	
55-000023	Colony Park
2016-BC-ST-0020	APD Body Worn Camera Program

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

Federal:	$1,747,170
State:	$300,000

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

II. FINDINGS RELATED TO THE FINANCIAL STATEMENTS

Finding 2017-001: Preparation of the Schedules of Expenditures of Federal and State Awards—Significant Deficiency

Criteria—In accordance with Uniform Guidance and UGMS, management is responsible for the preparation of the Schedules of Expenditures of Federal and State Awards ("Schedules"). This includes identifying all expenditures by grant for any given fiscal year.

Condition and Cause—Expenditures related to fiscal year 2016 for multiple federal and state grant programs were improperly included in the fiscal year 2017 Schedules. Additionally, the City corrected the Schedules to include expenditures incurred in fiscal year 2017 for multiple federal and state grant programs, but not originally reflected in the fiscal year 2017 Schedules. This error resulted when the respective department failed to identify and record expenditures as grant-funded in a timely manner and failed to communicate the expenditure to the Controller's Office for proper reporting in the Schedules. In summary, the Schedules, as initially prepared by management, did not consistently reflect the accrual basis of accounting for seven departments receiving federal or state funding.

Perspective—$1,600,032 of expenditures related to 25 programs reported on the SEFA and $63,418 of expenditures related to five programs reported on the SESA are reported in the current year but relate to the prior year. In addition, the City corrected the Schedules by adding $1,554,655 of current year expenditures related to 25 programs in the SEFA and $19,435 of current year expenditures related to four programs in the SESA that were originally not included.

Questioned Costs—None

Effect—Federal and state programs may be inaccurately reported in the Schedules. This could impact the assessment of major programs in any given year and could potentially affect compliance with period of performance requirements for grants.

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

View of Responsible Officials—See Corrective Action

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

Finding 2017-002: Subrecipient Monitoring—Significant Deficiency in Controls over Compliance and Noncompliance

Federal Program: Ryan White I Emergency Care, CFDA 93.914
FAIN: 6 H89HA000362301
Year: 2017
Federal Agency: U.S Department of Health and Human Services
Pass-Through Entity: Not Applicable

Criteria—In accordance with Uniform Grant Guidance, management is responsible for the preparation of subrecipient contracts to ensure specified components are included and clearly identified within the contract.

Condition and Cause—The City of Austin did not have the appropriate procedures or control structure in place to ensure that the required components are included in the subrecipient contracts.

Perspective— The contracts with four of the City's subrecipients for this program excluded the CFDA and FAIN numbers.

Questioned Costs—None

Effect—Without full information on the grants, subrecipients may not follow the grant guidelines as they may not be aware of all of the details associated with the federal funds. This could impact their compliance with program requirements.

Recommendation—Create a checklist or cover page for all subrecipient contracts and establish a review process to ensure that all required elements are included in the subrecipient contracts.

View of Responsible Officials—See Correction Action Plan

Finding 2017-003: Special Tests: Wage Rate Requirements—Significant Deficiency in Controls over Compliance

Federal Program: Community Development Block Grant (CDBG), CFDA 14.218
FAIN: B-16-MC-48-0500 .
Year: 2017
Federal Agency: U.S Department of Housing and Urban Development
Pass-Through Entity: Not Applicable

Criteria—The Housing and Community Development Act of 1974, Statutory Provision Section 100, requires that all laborers and mechanics employed by contractors and subcontractors in the performance of construction work financed in whole or in part with assistance received under this title shall be paid wages at rates not less than those prevailing on similar construction in the locality as determined by the Secretary of Labor in accordance with the Davis-Bacon Act.

Management should review the weekly certified payroll records obtained from contractors and subcontractors to ensure that the vendor pays prevailing wage rates in accordance with the Davis-Bacon Act.

Condition and Cause—For four of the selected weekly certified payroll records, NHCD reviewed vendor timesheets to ensure timesheet certifications were obtained but did not detect that the certifications did not contain the proper week ending dates or project names. Corrected weekly timesheet certifications were obtained subsequent to audit requests reflecting that the process and controls were not properly implemented to ensure that accurate timesheet certifications were obtained timely for fiscal year 2017.

Perspective—four out of 56 weekly timesheet certifications tested noted an improper project name or improper week end period leading to a subsequent weekly timesheet certification with some having a year delay.

Questioned Costs—None

Effect—Failure to obtain and/or monitor certified payrolls provided by the primary contractor and any subcontractors for controls could result in failure to timely identified those that may not meet wage rate requirements or in disallowed costs.

Recommendation—Improve processes and review procedures surrounding obtaining, tracking, and reviewing certified weekly payroll information from contractors. Conducting monitoring activities during the year to compare certified weekly payroll submissions against projects to ensure all wage rate requirements weeks have been met. Maintain a listing of all weekly certified payrolls by week by contractor to aid in this monitoring activity.

View of Responsible Officials—See Correction Action Plan

Finding 2017-004: Reporting—Significant Deficiency in Controls over Compliance and Noncompliance

Federal Program: Community Development Block Grant (CDBG), CFDA 14.218
FAIN: B-16-MC-48-05001
Year: 2017
Federal Agency: U.S Department of Housing and Urban Development (HUD)
Pass-Through Entity: Not Applicable

Criteria—Under HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons*, (*OMB No. 2529-0043*) – Each recipient that administers covered "public and Indian housing" assistance, regardless of the amount expended, and each recipient that administers covered housing and community development assistance in excess of $200,000 in a program year, must submit HUD 60002 information; "Section 3 Report", using the automated Section 3 Performance Evaluation and Registry System (SPEARS) (24 CFR sections 135.3(a)(1) and 135.90).

The Key Line Items of the Section 3 Report include the following critical information:

a. Number of new hires that meet the definition of a Section 3 resident
b. Total dollar amount of construction contracts awarded during the reporting period
c. Dollar amount of construction contracts awarded to Section 3 businesses during the reporting period
d. Number of Section 3 businesses receiving the construction contracts
e. Total dollar amount of non-construction contracts awarded during the reporting period
f. Dollar amount of non-construction contracts awarded to Section 3 businesses during the reporting period
g. Number of Section 3 businesses receiving the non-construction contracts

Condition and Cause—The Neighborhood Housing and Community Development Department (NHCD) submitted the annual Section 3 Report with inaccurate information for the Key Line Items as required by HUD due to the lack of a proper controls and processes to review and monitor the information submitted to the grantor for the fiscal year 2017.

Perspective—three of the seven Key Line Items of the Section 3 Report (lines b, c, and d above) were not accurate for the reporting period.

Total dollar amount of construction contracts awarded during the reporting period (b) and Dollar amount of construction contracts awarded to Section 3 businesses during the reporting period (c): There was a difference of $27,906 between the amount reporting to HUD and the amount paid to the Section 3 contractors. The difference was due to a miscalculation by the department during the preparation of the report.

Number of Section 3 businesses receiving the construction contracts (d): NHCD reported that three Section 3 businesses received contracts; however, NHCD had qualified and awarded contracts to six Section 3 business during the fiscal year.

Questioned Costs—None

Effect—Inaccurate performance reporting of program construction contracts and amounts and other stipulations under Section 3 could result in revising the report provided to the granting agency and could affect future funding opportunities.

Recommendation—Improve processes and review procedures surrounding obtaining, tracking, and reporting information on Section 3 contractors that are reported to HUD. Conduct monitoring activities during the year and reconcile the number of contracts and contract amounts included in the report to the program records.

View of Responsible Officials—See Corrective Action Plan

Finding 2017-005: Reporting—Significant Deficiency in Controls over Compliance

Federal Program: Safety Seat Program, CFDA 20.616
FAIN: 18X920405BTX17
Year: 2017
Federal Agency: U.S Department of Transportation
Pass-Through Entity: Texas State Highways and Public Transportation Department

Criteria—The A-102 Common Rule, OMB Circular A-110 and 2 CFR section 200.303 require that non-Federal entities receiving Federal awards (i.e., auditee management) establish and maintain internal control designed to reasonably ensure compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. Reports submitted to grantor for reimbursement must be adequately reviewed by the proper personnel.

Condition and Cause—The Emergency Medical Services Department (EMS) did not have a control in place to ensure that reimbursement requests were reviewed by someone other than the preparer before being submitted to the grantor.

Perspective—The City is required to submit monthly performance and reimbursement requests.

For the sample of three monthly performance reports, there was evidence of review by someone other than the preparer; however, for all reimbursement requests, there was no evidence of review by someone other than the preparer.

Questioned Costs—None

Effect—Failure to review reimbursement requests could result in submission of inaccurate or incomplete information to the grantor.

Recommendation—Implement policies and procedures that require review and approval of reimbursement requests to ensure the request is accurate.

View of Responsible Officials—See Correction Action Plan

Finding 2017-006: Procurement—Significant Deficiency in Controls over Compliance and Noncompliance

Federal Program: Community Development Block Grant (CDBG), CFDA 14.218
FAIN: B-16-MC-48-05001
Year: 2017
Federal Agency: U.S Department of Housing and Urban Development (HUD)
Pass-Through Entity: Not Applicable

Criteria—2 CFR 200.319 requires that a non-Federal entity conduct procurements in a manner that prohibits the use of statutorily or administratively imposed state or local geographical preferences in the evaluation of bids or proposals, except in those cases where applicable Federal statutes expressly mandate or encourage geographic preference. Nothing in this section preempts state licensing laws. When contracting for architectural and engineering services, geographic location may be a selection criterion provided its application leaves an appropriate number of qualified firms, given the nature and size of the project, to compete for the contract.

Condition and Cause—Bid tabulations for procurement of certain contractor services included points awarded for geographic location for the bidders. Procurement policies and procedures do not specifically include evaluating whether geographic preference is permitted for procurements associated with federal awards.

Perspective—Five selected vendors with whom the City spent CDBG funds in the fiscal year were procured through a bidding process that awarded points for geographic location. Based on the final bid tabulations, it appears that the results of this procurement (the vendors selected) would not have changed had there not been points awarded for geographic location.

Questioned Costs—None

Effect—Including geographic preference in competitive bidding processes for federal awards violates federal regulations and could result in expenditures being disallowed by the grantor.

Recommendation—Improve policies and procedures in the City's centralized procurement function for all competitive procurements associated with federal awards to include consideration of whether including geographic preference is permitted under federal regulations and grant provisions.

View of Responsible Officials—See Corrective Action Plan

City of Austin
Controller's Office, 124 W. 8th St., Austin, Texas 78701 controllers.office@austintexas.gov
P.O. Box 2920, Austin, Texas 78768 Telephone 512/974-2600

CITY OF AUSTIN, TEXAS

CORRECTIVE ACTION PLAN
YEAR ENDED SEPTEMBER 30, 2017

2017-001: Preparation of the Schedules of Expenditures of Federal and State Awards- Significant Deficiency

***Contact Person*:** Diana Thomas, Controller

Management Response – Concur. The Controller's Office implemented a policy to accrue all grant payments for services or products received prior to year-end. Controller's Office will review all payments made 60 days after fiscal year end and work with departments to appropriately accrue any expenses for prior year goods and services. The Controller's Office will also coordinate with departments on any payments for prior year goods and services that occur or are expected to occur after the 60-day review. Furthermore, the Controller's Office will increase communication with departments about the timely recording of expenses to the appropriate fiscal year.

Estimated Completion—September 30, 2018

2017-002: Sub-recipient Monitoring-Significant Deficiency in Controls over Compliance and Non Compliance

***Contact Person*:** Stephanie Hayden, Director of Austin Public Health (APH)

Management Response—Concur. APH implemented a new process to ensure all Uniform Grant Guidance elements are included in the sub-recipient contracts including the CFDA and FAIN numbers. This process change is a standardized exhibit page now included as part of each contract.

Estimated Completion—Implemented November 2017

2017-003: Special Tests: Wage Rate Requirements-Significant Deficiency in Controls over Compliance

***Contact Person*:** Rosie Truelove, Director of Neighborhood Housing and Community Development (NHCD)

Management Response: Concur. NHCD will incorporate a holistic review of current processes and procedures in relation to the federal Davis-Bacon requirements. The proposed improvements will include a full review of current systems, including LPC Tracker, as well as additional quality control in relation to project assignment, payroll tracking, and contractor oversight. In addition, NHCD will undergo an internal assessment of our current staff capacity and evaluation of complementary training requirements for staff and contractors. Upon completion of the comprehensive review and assessment, we expect to improve our capacity to review efficiently the weekly certified payrolls to ensure all wage rate requirements have been met, create a complete and correct list of all contractors and payrolls, and identify in advance any discrepancy and errors in all steps of the review process.

Estimated Completion—September 30, 2018

2017-004: Reporting-Significant Deficiency in Controls over Compliance and Non Compliance

***Contact Person*:** Rosie Truelove, Director of Neighborhood Housing and Community Development (NHCD)

Management Response: Concur. NHCD will incorporate the appropriate changes to improve the tracking and reporting of Section 3 businesses receiving construction contracts and the total expenditures from those contractors. In addition, NHCD will take the required actions, including management level review, to verify in advance all information submitted to HUD and any other entities.

Estimated Completion—September 30, 2018

2017-005: Reporting-Significant Deficiency in Controls over Compliance

***Contact Person*:** Enesto Rodriguez, Chief of Emergency Medical Services (EMS)

Management Response —Concur. (EMS) created a monthly billing packet that includes a document checklist coversheet, a monthly and year-to-date summary report of expenses, and a reconciliation spreadsheet for the Child Safety Seat Grant. To ensure adequate documentation of the review and approval of reimbursement requests and grant expenditures, the financial analyst will complete the billing packet each month and will submit to the financial manager for review. Upon completion of the review, the financial manager will approve the billing packet by signing and dating the document checklist coversheet.

The financial analyst will review the general ledger following each month-end close and will update the monthly summary spreadsheets to document allowable grant related expenses that posted and will be billed to the grantor for that month. Once the review is completed, the department will create a receivable (RE) document in the financial system to record the monthly billing amount. Once the review of expenses, spreadsheets, and RE document are completed, the financial analyst will submit the packet to the financial manager for review and approval. Once the packet has been reviewed by the financial manager, the RE document will be approved in the financial system and the request for reimbursement (RFR) will be submitted in the eGrants system for State approval and funding. The accounts payable staff will continue to obtain copies of paid invoices and checks to include in the billing packet, as well as submitted with the RFR for review.

Estimated Completion-Implemented April 2018

Finding 2017-006: Procurement-Significant Deficiency in Controls over Compliance and Noncompliance

***Contact Persons*:** James Scarboro, Purchasing Officer, Purchasing Office; Rosie Truelove, Director of Neighborhood Housing and Community Development

Management Response —Concur. Management will implement written policies regarding specialized rules for federal procurement, including review of whether the procurement will allow geographic preference. In addition, department procurement staff will also be made aware of the requirements at the annual purchasing refresher training.

Estimated Completion—September 30, 2018

City of Austin
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CITY OF AUSTIN, TEXAS

STATUS OF PRIOR YEAR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

Finding 2016-001: Significant Deficiency—Internal Controls Over Accounting and Reporting for Service Concession Arrangements

Criteria—In accordance with accounting principles generally accepted in the United States of America (GAAP), the City is required to record the present value of lease payments made to the City by the operator under service concession arrangements. Further, the City is required to include the deferred inflows related to service concession arrangements in the Net Investment in Capital Assets calculation for enterprise funds.

Condition and Cause—During the 2016 audit, management correctly classified the arrangement for the Consolidated Rent-A-Car Center as a service concession arrangement. However, management did not properly record the present value of lease payments ($12.6 million) due to the City as an asset and related deferred inflow in accordance with GAAP. Further, management did not properly include the deferred inflow amounts of $146.5 million related to the service concession arrangement in the calculation of Net Investment in Capital Assets.

Effect—Improperly assessing all GAAP aspects of a transaction, like a service concession arrangement, could result in material misstatements to the City's financial statements.

Recommendation—We recommend that a detailed accounting summary memo be prepared by appropriate City personnel to outline the City's considerations and accounting treatment for such transactions and reviewed by appropriate City personnel to ensure that it meets the requirements of the accounting standards.

***Status*—Controller's Office** -Implemented. The Controller's Office properly recorded the present value of lease payments and properly included the deferred inflow amounts in the calculation of Net Investment in Capital Assets for fiscal year 2017. Future Service Concession Arrangements will be assessed using a worksheet that addresses all relevant paragraphs of GASB S60 to ensure that all applicable transactions are recorded timely.

Finding 2016-002: Significant Deficiency—Internal Controls Over Review Controls related to the Accounting and Financial Reporting for Regulated Operations for Austin Water

Criteria—Austin Water utilizes accounting for regulated operations under Government Accounting Standards Board Statement No. 62. As part of this specialized accounting, Austin Water determines deferred depreciation annually. The calculations supporting the deferred depreciation balances are detailed, complex and are to follow the City policies related to costs to be recovered through rates.

Condition and Cause—During the 2016 audit, we noted an error in the calculation for deferred depreciation related to contributions. There was a prior year uncorrected audit adjustment related to contributions used in the calculation and the City did not properly adjust the current year calculation to correct this error. Thus, the error was carried forward to the 2016 deferred depreciation calculation.

Effect—Improperly applying the City's policies and/or capturing all audit adjustments into the deferred depreciation calculation could have a material effect on the City's financial statements.

Recommendation—Develop a detailed and precise review procedure to ensure that all amounts within the deferred depreciation schedule agrees to the underlying City records or to prior year audited balances.

***Status*—Controller's Office** - Implemented. The Controller's Office updated their FASB71 procedures to include a validation of the correct file and prior year audited balances.

Finding 2016-003: HOME Loan CFDA 14.239 – Department of Housing and Urban Development

Reporting—Significant Deficiency in Controls over Compliance and Noncompliance (Award M-15-MC-48-0500, CFDA 14.239)

Criteria—Matching regulations require that the City contribute or match no less than 25 cents for each dollar of HOME funds spent on affordable housing. The City must report the annual match amount as well as the carry forward balance for any excess match in the Consolidated Annual Performance and Evaluation Report ("CAPER").

Condition and Cause—The City of Austin did not have the appropriate procedures or control structure in place to ensure the match was properly reported on the CAPER for fiscal year 2016. While the total cumulative carryforward amount of the match at the end of fiscal year 2016 agrees to the City's records, the amount reported as the beginning carryforward match amount was overstated and the current year match amount was understated.

Questioned Cost—None

Perspective—A match amount of $294,420 that was incurred in fiscal year 2016 was improperly reflected in the beginning carryforward match rather than being reported as new match in 2016. Thus, the beginning carryforward balance from fiscal year 2015 was overstated and the current year match was understated by $294,420 both on the CAPER and on the Match Summary Report.

Effect—Inaccurate reporting of matching amounts could result in inability to properly calculate carryforward amounts and demonstrate compliance with matching requirements to the grantor.

Recommendation—Implement policies and procedures that require review and approval of the CAPER, specifically the matching information and calculations, to ensure the CAPER is accurate.

Status – Neighborhood Housing and Community Development – Implemented. NHCD took immediate action to implement the following:

1. NHCD accounting staff prepares the HOME Match using only projects funded from the Housing Trust Fund and General Obligation Bond proceeds.

2. NHCD financial manager reviews and approves the HOME Match and CAPER, including all projects, calculations and source documentation.

Finding 2016-004: HOME Loan CFDA 14.239 — Department of Housing and Urban Development

Subrecipient Monitoring—Significant Deficiency in Controls over Compliance and Noncompliance (Award E-15-MC-48-0500, CFDA 14.239)

Criteria—In accordance with Uniform Grant Guidance, management is responsible for the preparation of subrecipient contracts to ensure specified components are included and clearly identified within the contract.

Condition and Cause—The City of Austin did not have the appropriate procedures or control structure in place to ensure that the required components are included in the subrecipient contracts.

Perspective—The contracts with both of the City's subrecipients for this program excluded the following:
- Subrecipients' responsibilities to be in compliance with pass through requirements
- FAIN
- Federal Award Data of the award to the City
- Subaward period of performance
- Amount of Federal funds obligated to the subrecipient by this action and the total amount obligated to the subrecipient including this action

Further, both contracts referred to OMB Circular A-133 instead of the UGG standards.

Questioned Costs—None

Effect—Subrecipients may not follow the grant guidelines as they may not be aware of all of the details associated with the federal funds. This could impact their compliance with major programs.

Recommendation—Work with the City's legal department to create a checklist or cover page for all subrecipient contracts and establish a review process to ensure that all required elements are included in the contracts.

Status – Neighborhood Housing and Community Development – Implemented. NHCD has made the appropriate contract amendments with subrecipients to incorporate UGG standards. They have also implemented an agreement checklist to ensure agreements going forward adhere to the UGG standards.

Finding 2016-005: Federal Emergency Management Assistance (FEMA) Public Flood Assistance CFDA 97.036 - U.S. Department of Homeland Security

Allowable Costs—Significant Deficiency in Controls over Compliance and Noncompliance (Award PA-06-TX-4223, CFDA 97.036)

Criteria—Except where otherwise noted by statutes, costs must be adequately documented in order to be allowable under Federal awards.

Condition and Cause—The City's Parks and Recreation Department did not accumulate and maintain adequate documentation for the number of equipment usage hours charged to the project.

Questioned Cost—$946

Perspective—7 out of 12 selections for equipment usage charges were not adequately supported by documentation. 4 out of the 7 questioned transactions, representing $885 of the total questioned costs, had some supporting documentation (vehicle inspection forms noting mileage and that the vehicle was assigned to the project on the correct date), but the support did not include the number of hours that the equipment was used for the project. The remaining 3 questioned transactions, representing $61 of the total questioned costs had support containing the hours the equipment was used on the project, but the support did not agree to the hours that were charged to the project. The Parks and Recreation Department spent a total of $79,491 on equipment usage and $3,162 was subjected to testing. Based on the statistically valid sample tested, likely questioned costs for equipment usage is $22,846.

Effect—Failure to maintain adequate supporting documentation for all costs charged to Federal programs could require amounts to be refunded to the granting agency and affect future funding opportunities.

Recommendation—Ensure that equipment usage time is documented for these federally funded projects and implement a review procedure to ensure that only properly supported equipment usage hours are charged to the project.

***Status*—Parks and Recreation Department** – Implemented. PARD has implemented numerous new controls surrounding document review, retention, as well as staff training to ensure adequate documentation is maintained to support project costs. They have included these controls in an updated grant reimbursement Statement of Procedures.

Finding 2016-006: Housing Opportunities for People with AIDS (HOPWA) CFDA 14.241 - U.S. Department of Housing and Urban Development

Reporting—Significant Deficiency in Controls over Compliance and Noncompliance (Award TXH14F004, TXH15F004, CFDA 14.241)

Criteria—The City must report total expenditures by program year for the HOPWA program in Part 3 of the Consolidated Annual Performance and Evaluation Report ("CAPER"). This amount should be the total amount of HOPWA funds expended during the program year (October 1, 2015 through September 30, 2016) for all active HOPWA grant years.

Condition and Cause—The City only reported expenditures of HOPWA funds associated with the 2015 grant year rather than expenditures of HOPWA funds associated with both active grant years (2014 and 2015). The City did not fully understand the requirement for reporting expenditures in the CAPER.

Questioned Cost—None

Perspective—The amount of expenditures reported on the CAPER totaled $956,352 for the program year; however, the expenditures for the fiscal year per the Schedule of Expenditures of Federal Awards for the fiscal year ended September 30, 2016 was $1,226,435. The City is currently working with the U.S. Department of Housing and Urban Development to amend the CAPER and resubmit it with the corrected amount.

Effect—Inaccurate reporting of program year expenditure amounts could result in inaccurate information either at the City or at the U.S. Department of Housing and Urban Development about the amount of funds remaining that are available to be spent in future years.

Recommendation—Implement policies and procedures that require review and approval of the CAPER, specifically the current year expenditure amounts, to ensure the CAPER is accurate.

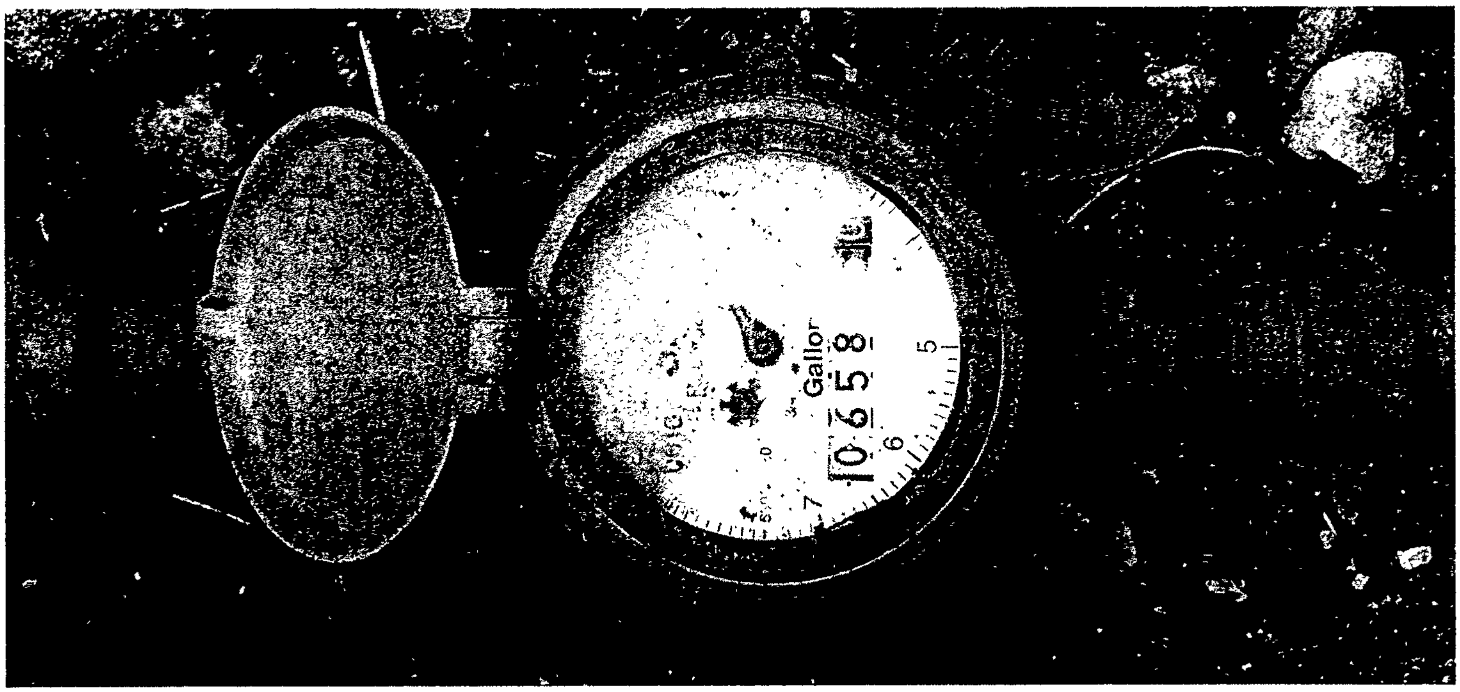
***Status*—Austin Public Health** - Implemented. A revised CAPER was submitted in June 2017. The Health department will work closely with NHCD staff (who prepare the CAPER) to ensure correct expenditures are included both in the CAPER and on the SEFA going forward. They have also sent staff to attend the HUD HOPWA training which occurred in August 2017.

City of Austin
Office of the City Auditor

Special Report

Water Meter Reading and Billing Accuracy

March 2018



For a sample of meters, customers' bills accurately reflected actual water usage for the sampled period. Additionally, Austin Energy handled a sample of complaints about high water bills in accordance with their policies and procedures. Lastly, while a flat rate may lower the billed amount for customers with high bills, it would likely increase the billed amount for most Austin Water customers.

Objective

The objective of this special request was to answer the following questions:

1. Were the meters physically read for the sampled customers?
2. Did customer bills accurately reflect the actual water usage?
3. Were complaints handled following applicable policies/procedures?
4. How did tiered rates impact customers with high bills?

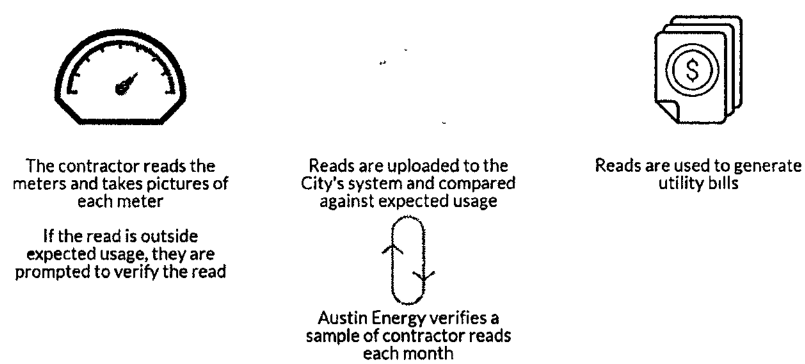
Cover: OCA photo, January 2018

Background

The City has approximately 229,000 water meters and the City contracts with a vendor to manually read these meters.[1] This contract is managed by Austin Energy and it includes various performance and accuracy goals, including a goal of 99.5% accuracy for all meter reads in a given month. Austin Energy has the option to terminate the contract if the contractor does not achieve these goals. In January 2018, Austin Energy amended the contract to require that the contractor take a picture of every meter they read. Austin Energy asserted that this amendment would allow them to better address customer complaints.

For each billing cycle, the contractor reads meters along individually assigned routes and uploads the reads to Austin Energy's Customer Care and Billing system, which generates a bill for the customer. The meter reading process is shown in Exhibit 1.

Exhibit 1: Water Meter Reading Process



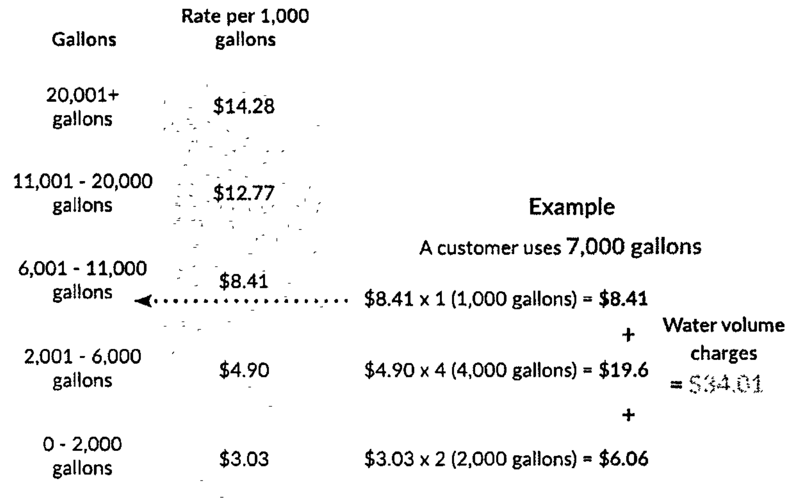
SOURCE: OCA analysis of the water meter reading process, January 2018

Bill amounts are determined by a system of tiered rates based on monthly water use.[2] In this system, customers who use more water are charged more. See Exhibit 2 for an explanation of this rate structure.

[1] In May 2017, a new contractor was selected to perform meter reading services.

[2] Water bills also contain other charges, such as a meter charge which varies based on meter size, a tiered minimum charge, the Reserve Fund Surcharge ($0.19 per 1,000 gallons), and the Community Benefit Charge ($0.15 per 1,000 gallons).

Exhibit 2: Austin Water's Tiered Rate System



SOURCE: OCA analysis of Austin Water's tiered rate system, February 2018

On January 31, 2018, Austin Water and Austin Energy acknowledged issues with the previous contractor in a memo to City Council. They identified a pattern of abnormal water usage over August and September 2017, and plan to issue administrative adjustments to customers affected by this pattern, which occurred under the previous meter reading contractor. Our observations reflect the performance of a different contractor than that referenced by Austin Energy and Austin Water.

What We Learned

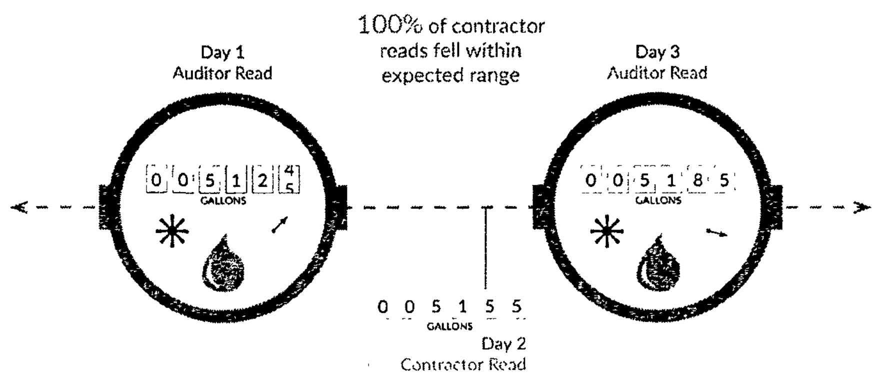
For a sample of meters, customers' bills accurately reflected actual water usage for the sampled period. Additionally, Austin Energy handled a sample of complaints about high water bills in accordance with their policies and procedures. Lastly, while a flat rate may lower the billed amount for customers with high bills, a flat rate would likely increase the billed amount for most Austin Water customers.

Meter Accuracy

Customers' bills accurately reflected actual water usage.

For a sample of 70 residential meters, auditors read the meter the day before and the day after the contractor was scheduled to read the meter. All of the contractor's reads were within the range established by the auditor's reads and reflect the customer's recorded water usage. Exhibit 3 describes this testing process.

Exhibit 3: Meter Read Testing Process



SOURCE: OCA meter read testing, January 2018

Complaints

The City appears to handle complaints related to high water bills in accordance with applicable policies and procedures.

Customers who think their water bill is incorrect may submit a complaint to Austin Energy. According to Austin Energy's policies, a complaint requires that staff research possible causes for the high bill and review the customer's usage history. At the customer's request, staff may authorize another meter read or a leak check.

There were approximately 3,000 complaints made to Austin Energy in fiscal year 2017.[3] Records related to a sample of 41 of those complaints indicated Austin Energy handled every complaint in accordance with their policies.[4]

[3] This amount is similar to the amount received in fiscal year 2015 and below the amount received in fiscal year 2016.

[4] We selected a sample of 50 complaints (five from each Council District) that were submitted in fiscal year 2017. Nine of the complaints were not relevant to this special request.

Customers who are not satisfied with the resolution of their complaint by Austin Energy and Austin Water may request an administrative hearing. In calendar year 2017, customers made 211 hearing requests. The outcomes of these requests are shown in Exhibit 4.

Exhibit 4: Outcomes of Water Bill Hearing Requests

Outcome	Number of Requests
Denied after receiving administrative adjustment	72
Denied for other reasons	32
In administrative processing	73
Settled before hearing	28
Ruling received	6

SOURCE: OCA analysis of AWU hearing requests, February 2018

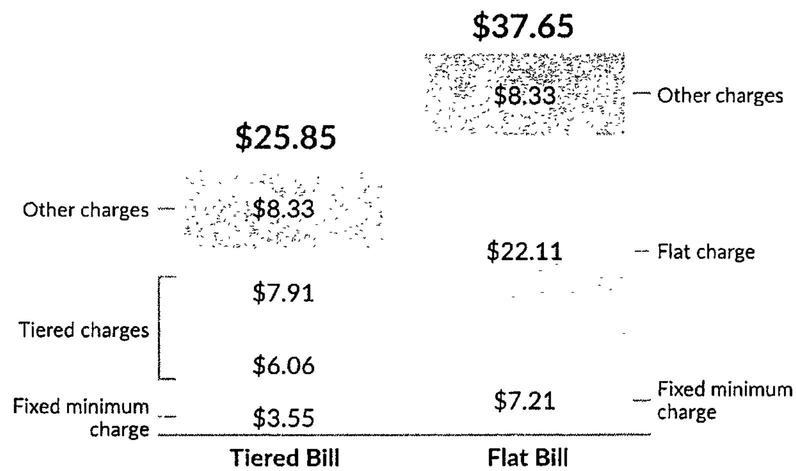
Tiered Rates

Tiered water rates resulted in lower water bills for a sample of Austin Water customers.

Austin Water staff reported that customers who use more than 11,000 gallons a month - approximately 11% of all residential customers - would have lower bills under a flat rate system.

Based on a sample of 69 bills from January 2018, 96% of those customers would have higher bills under a flat rate system.[5] On average, these customers would have seen an increase of around $12.[6] Exhibit 5 shows how flat and tiered rates affect the average customer in our sample.

Exhibit 5: Bill under flat and tiered rate systems for an average customer using 3,614 gallons



SOURCE: OCA analysis of flat and tiered rate structures, February 2018

[5] This analysis is based on a single month of bills, and the proportion of customers who would have higher bills under a flat rate system may change during other months.

[6] Austin Water determined this flat rate by dividing total revenue from volumetric rates by forecasted water usage. This calculation produced a flat rate of $6.12 per 1,000 gallons for 2017. The calculation also includes a new, higher fixed charge of $7.21 to replace the tiered minimum charge which was determined in the same way.

Why We Did This Report

This report responds to a request from Council Members Troxclair and Alter regarding the accuracy of water bills.

Scope

The scope for this special request included the City of Austin's water meter reading and billing processes in January 2018 and complaint processes in fiscal year 2017.

Methodology

To complete this special request, we performed the following steps:

- Reviewed Austin Energy's policies and procedures related to water billing;
- Reviewed Austin Energy's contract for water meter reading;
- Reviewed Austin Energy's policies and procedures related to water bill complaints;
- Selected and tested a sample of meters to determine if these meters were being physically read and if reads reflected actual usage;
- Selected and tested a sample of high water bill complaints to determine if complaints were handled according to applicable policy and procedure;
- Recalculated a sample of water bills using a flat water rate to determine how a flat rate would affect bill amounts;
- Interviewed Austin Energy staff related to the water meter reading and billing process.

Project Type

Special request projects conducted by the Office of the City Auditor are considered non-audit projects under Government Auditing Standards and are conducted in accordance with the ethics and general standards (Chapters 1-3).