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***DESCRIPTION AND SCHEDULES OF FUNDS***

**San Antonio Water System  
DESCRIPTION OF FUNDS  
For the Year Ended December 31, 2004**

City Ordinance No. 75686 adopted April 30, 1992 requires that Gross Revenues of the System be applied in sequence to: (a) current expenses of operation and maintenance including a two-month reserve amount; (b) debt service and reserve requirements; (c) transfers to the City and capital expenditures, or unexpected or extraordinary repairs or replacements, or for any other lawful purpose. Accordingly, the System has established certain self-balancing funds within its enterprise fund accounts to demonstrate compliance with City Ordinance No. 75686. In addition the System has established certain other self-balancing funds within its accounting system for purposes of internal management control and reporting. Following is a description of each self-balancing fund maintained by the Board.

**FUNDS ESTABLISHED BY CITY ORDINANCE NO. 75686**

**System Fund** - All Gross Revenues of the System shall be credited to this fund upon receipt, unless otherwise provided in City Ordinance No. 75686. All current expenses of operation and maintenance of the System shall be paid from this fund as a first charge against the gross revenues so credited. Before making any deposits to other funds required to be made from the System Fund, the Board of Trustees shall retain in the System Fund at all times an amount at least equal to two months of the amount budgeted for the then current fiscal year for the current maintenance and operation expenses of the System.

**Debt Service Fund** - The sole purpose of this fund is for the payment of principal and interest on all bonds which are payable from Pledged Revenues.

**Reserve Fund** - This fund shall be used to pay the principal of and interest on any Bonds when and to the extent the amounts in the Debt Service Fund are insufficient for such purpose, and may be used for the purpose of finally retiring the last of any Bonds.

**Project Fund** - This fund shall be used to account for

- (1) the proceeds of Senior Lien and Junior Lien Obligations,
- (2) any premium thereon, and
- (3) investment earnings thereon issued for the purposes of paying the costs of capitalized interest on the Senior Lien Obligations during the extension, construction, improvement, or repair of the System, the costs of issuance of Senior Lien and Junior Lien Obligations and
- (4) any other lawful purpose.

**Renewal and Replacement Fund** - This fund shall be used for the purpose of

- (1) paying the costs of improvements, enlargements, extensions, additions, replacements, or other capital expenditures related to the System, or

**San Antonio Water System  
DESCRIPTION OF FUNDS  
For the Year Ended December 31, 2004**

- (2) paying the costs of unexpected or extraordinary repairs or replacements of the System for which System Funds are not available
- (3) paying unexpected or extraordinary expenses of operation and maintenance of the System for which System Funds are not otherwise available
- (4) depositing any funds received by the System pursuant to the CPS Contract,
- (5) paying bonds or other obligations of the System for which other System revenues are not available
- (6) making up any shortfall in the Payment to the City General Fund required by Section 17, and
- (7) for any other lawful purpose,

**FUNDS ESTABLISHED BY MANAGEMENT**

**Internal Service Fund** -This fund is used to account for the financing of goods or services provided by an organizational unit to other organizational units of the Board on a cost-reimbursement basis. The Board utilizes this fund for internal management and control of a central stores and a central garage operation.

The Schedules of Funds presented on the following pages are prepared and presented for purposes of demonstrating compliance with City Ordinance No. 75686 and management requirements.

**San Antonio Water System**  
**COMBINING SCHEDULE OF NET ASSETS**  
**December 31, 2004**

	<u>System Fund</u>	<u>Internal Service Fund</u>	<u>Debt Service Fund</u>
<b>CURRENT ASSETS</b>			
Investments	\$ 7,375,103	\$ -	\$ -
Accrued interest receivable	1,211,378	-	-
Accounts receivable	32,237,956	-	-
Allowance for uncollectable accounts (deduction)	(568,848)	-	-
Inventory - materials and supplies	-	4,537,892	-
Prepaid expenses and other assets	3,034,787	-	-
Interfund receivables	220,854,347	-	-
Total current assets	<u>264,144,723</u>	<u>4,537,892</u>	<u>-</u>
 <b>UNAMORTIZED REFUNDING BOND EXPENSE</b>	 10,659,959	 -	 -
 <b>RESTRICTED CURRENT ASSETS</b>			
Debt Service Fund:			
Investments	-	-	72,704
Construction Funds:			
Cash and cash equivalents - Note C	-	-	-
Investments	-	-	-
Conservation:			
Investments - Note C	2,503,665	-	-
Other:			
Common Stock - Note C	5,819,192	-	-
Customers' deposits:			
Investments - Note C	5,952,486	-	-
Total Restricted Current Assets	<u>14,275,343</u>	<u>-</u>	<u>72,704</u>
<b>Total Current Assets</b>	<u>289,080,025</u>	<u>4,537,892</u>	<u>72,704</u>
 <b>RESTRICTED NON-CURRENT ASSETS</b>			
Debt Service Fund			
Cash and investments	-	-	19,225,195
Interfund receivables	-	-	(440,534)
Construction funds:			
Investments	-	-	-
Interfund receivables	-	-	-
Conservation:			
Investments	10,194,614	-	-
Total restricted non-current	<u>10,194,614</u>	<u>-</u>	<u>18,784,661</u>
 <b>NET ASSETS HELD FOR RESALE</b>	 8,210,012	 -	 -
 <b>CAPITAL ASSETS</b>			
Utility plant in service	2,392,647,663	3,906,482	-
Less allowance for depreciation/amortization	<u>795,668,609</u>	<u>2,788,332</u>	<u>-</u>
	1,596,979,054	1,118,150	-
Land and land rights	82,338,637	-	-
Construction in progress	509,362,113	-	-
Total capital assets (net of accumulated depreciation)	<u>2,188,679,804</u>	<u>1,118,150</u>	<u>-</u>
 <b>Total Noncurrent Assets</b>	 2,207,084,430	 1,118,150	 18,784,661
 <b>TOTAL ASSETS</b>	 <u>\$ 2,496,164,455</u>	 <u>\$ 5,656,042</u>	 <u>\$ 18,857,365</u>

<b>Renewal and Replacement Fund</b>	<b>Project Fund</b>	<b>Eliminations</b>	<b>Combined Total</b>
\$ -	\$ 639,667	\$ 35,527,256	\$ 43,542,026
-	-	-	1,211,378
367,710	-	-	32,605,666
-	-	-	(568,848)
-	-	-	4,537,892
-	-	-	3,034,787
-	-	(220,854,347)	-
<u>367,710</u>	<u>639,667</u>	<u>(185,327,091)</u>	<u>84,362,901</u>
-	-	-	10,659,959
-	-	-	72,704
797	70,000	-	70,797
3,486,001	12,181,168	-	15,667,169
-	-	-	2,503,665
-	-	-	5,819,192
-	-	-	5,952,486
<u>3,486,798</u>	<u>12,251,168</u>	<u>-</u>	<u>30,086,013</u>
<u>3,854,508</u>	<u>12,890,835</u>	<u>(185,327,091)</u>	<u>125,108,873</u>
-	-	(440,534)	18,784,661
-	-	440,534	-
113,010,694	126,497,587	(34,346,699)	205,161,582
740,021	-	(740,021)	-
-	-	-	10,194,614
<u>113,750,715</u>	<u>126,497,587</u>	<u>(35,086,720)</u>	<u>234,140,857</u>
-	-	-	8,210,012
-	-	-	2,396,554,145
-	-	-	798,456,941
-	-	-	1,598,097,204
-	-	-	82,338,637
-	-	-	509,362,113
-	-	-	<u>2,189,797,954</u>
113,750,715	126,497,587	(35,086,720)	2,432,148,823
<u>\$ 117,605,223</u>	<u>\$ 139,388,422</u>	<u>\$ (220,413,811)</u>	<u>\$ 2,557,257,696</u>

**San Antonio Water System**  
**COMBINING SCHEDULE OF NET ASSETS**  
**December 31, 2004**

	<b>System Fund</b>	<b>Internal Service Fund</b>	<b>Debt Service Fund</b>
<b>CURRENT LIABILITIES</b>			
Accounts payable	\$ 5,332,513	\$ 368,112	\$ -
Sewer service collections payable	256,013	-	-
Capital leases payable	190,121	75,383	-
Note payable - CPS	361,596	-	-
Accrued vacation payable	2,663,822	153,065	-
Accrued payroll and benefits	2,454,231	85,663	-
Accrued claims payable	2,476,346	1,056	-
Accrued stormwater services	1,669,929	-	-
Sundry payables and accruals	4,550,280	176,308	-
Interfund payables	191,805,311	(6,478,220)	-
Total current liabilities	211,760,162	(5,618,633)	-
<b>CURRENT LIABILITIES PAYABLE FROM RESTRICTED FUNDS</b>			
Debt Service Fund:			
Accrued interest payable	-	-	7,151,404
Construction Funds:			
Contract retainage payable	-	-	-
Advances for construction	-	-	-
Interfund payable	-	-	-
Customers' deposits	5,952,486	-	-
Revenue bonds payable within one year	16,505,000	-	-
Total Restricted Current Liabilities	22,457,486	-	7,151,404
<b>Total Current Liabilities</b>	234,217,648	(5,618,633)	7,151,404
<b>NONCURRENT LIABILITIES</b>			
Capital leases	7,553	-	-
CPS Note Payable	1,380,619	-	-
Accrued vacation payable	1,879,465	-	-
Commercial paper notes	238,400,000	-	-
Revenue bonds payable after one year	1,145,905,000	-	-
Unamortized premium	9,078,394	-	-
Less unamortized loss	(22,727,392)	-	-
Less unamortized discount	(14,382,320)	-	-
Total noncurrent liabilities	1,359,541,319	-	-
<b>Total Liabilities</b>	1,593,758,967	(5,618,633)	7,151,404
<b>NET ASSETS</b>			
Restricted:			
Restricted for debt service	-	-	11,705,961
Restricted for conservation	2,503,665	-	-
Total Restricted	2,503,665	-	11,705,961
Invested in capital assets, net of related debt	803,301,272	1,042,768	-
Unrestricted	96,600,550	10,231,908	-
Total net assets	\$ 902,405,487	\$ 11,274,676	\$ 11,705,961

<b>Renewal and Replacement Fund</b>	<b>Project Fund</b>	<b>Eliminations</b>	<b>Combined Total</b>
\$ 1,169,913	\$ 5,960,048	\$ -	\$ 12,830,586
-	-	-	256,013
-	-	-	265,504
-	-	-	361,596
-	-	-	2,816,887
-	-	-	2,539,894
-	-	-	2,477,402
-	-	-	1,669,929
192,725	1,129,960	-	6,049,273
-	-	(185,327,091)	-
<u>1,362,638</u>	<u>7,090,008</u>	<u>(185,327,091)</u>	<u>29,267,084</u>
-	-	-	7,151,404
445,424	9,000,748	-	9,446,172
1,550,392	-	-	1,550,392
3,219,143	31,867,577	(35,086,720)	-
-	-	-	5,952,486
-	-	-	<u>16,505,000</u>
<u>5,214,959</u>	<u>40,868,325</u>	<u>(35,086,720)</u>	<u>40,605,454</u>
<u>6,577,597</u>	<u>47,958,333</u>	<u>(220,413,811)</u>	<u>69,872,538</u>
-	-	-	7,553
-	-	-	1,380,619
-	-	-	1,879,465
-	-	-	238,400,000
-	-	-	1,145,905,000
-	-	-	9,078,394
-	-	-	(22,727,392)
-	-	-	<u>(14,382,320)</u>
-	-	-	<u>1,359,541,319</u>
<u>6,577,597</u>	<u>47,958,333</u>	<u>(220,413,811)</u>	<u>1,429,413,857</u>
-	-	-	11,705,961
-	-	-	<u>2,503,665</u>
-	-	-	14,209,626
114,246,769	123,297,666	-	1,041,888,475
(3,219,143)	(31,867,577)	-	71,745,738
<u>\$ 111,027,626</u>	<u>\$ 91,430,089</u>	<u>\$ -</u>	<u>\$ 1,127,843,839</u>

**San Antonio Water System**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2004**

	<u>System Fund</u>	<u>Internal Service Fund</u>	<u>Debt Service Fund</u>
<b>OPERATING REVENUES</b>			
Water delivery system	\$ 72,888,054	\$ -	\$ -
Water supply system	78,546,461	-	-
Wastewater system	99,224,713	-	-
Chilled water and steam system	12,027,528	-	-
Total operating revenues	<u>262,686,756</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSE</b>			
Personal services	74,416,616	-	-
Contractual services	69,126,680	-	-
Materials & supplies	14,144,227	-	-
Other charges	15,474,823	-	-
Less: costs capitalized & transferred to			
Renewal & Replacement Fund	(19,052,929)	-	-
Internal service fund - net (gain)	-	(249,453)	-
Total operating expenses before depreciation	<u>154,109,417</u>	<u>(249,453)</u>	<u>-</u>
Depreciation expense	60,279,577	366,292	-
Total operating expenses	<u>214,388,994</u>	<u>116,839</u>	<u>-</u>
Operating income/(loss)	<u>48,297,762</u>	<u>(116,839)</u>	<u>-</u>
<b>NONOPERATING REVENUES:</b>			
Interest earned and miscellaneous	2,406,215	-	983,894
Net increase (decrease) in the fair value of investments	357,459	-	-
Total nonoperating revenues	<u>2,763,674</u>	<u>-</u>	<u>983,894</u>
<b>NONOPERATING EXPENSES:</b>			
Amortization of refunding bond expense	499,745	-	-
Amortized discount/premium/loss expense	1,485,132	-	-
Other finance charges	1,144,437	-	-
Interest expense:			
Revenue bonds and commercial paper	(15,917,641)	-	55,851,055
Capital leases	167,139	7,339	-
Loss on sale of fixed assets	(141,296)	10,019	-
Transfers to GKDA	184,100	-	-
Transfers to the City of San Antonio	7,101,972	-	-
Total nonoperating expenses	<u>(5,476,412)</u>	<u>17,358</u>	<u>55,851,055</u>
(Decrease) in net assets, before capital contributions and special items	56,537,848	(134,197)	(54,867,161)
Special items	(8,974,832)	(811,289)	-
Capital contributions	69,527,611	-	-
	<u>117,090,627</u>	<u>(945,486)</u>	<u>(54,867,161)</u>
Transfers in (out)	<u>(54,867,161)</u>	<u>-</u>	<u>54,867,161</u>
<b>NET INCOME (LOSS) - carried forward</b>	<u>\$ 62,223,466</u>	<u>\$ (945,486)</u>	<u>\$ -</u>

<b>Renewal and Replacement Fund</b>	<b>Project Fund</b>	<b>Combined Total</b>
\$ -	\$ -	\$ 72,888,054
-	-	78,546,461
-	-	99,224,713
-	-	12,027,528
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-	-	262,686,756
-	-	74,416,616
-	-	69,126,680
-	-	14,144,227
-	-	15,474,823
-	-	(19,052,929)
-	-	(249,453)
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-	-	153,859,964
-	-	60,645,869
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-	-	214,505,833
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-	-	48,180,923
232,043	3,081,066	6,703,218
-	-	357,459
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232,043	3,081,066	7,060,677
-	-	499,745
-	-	1,485,132
-	-	1,144,437
-	-	39,933,414
-	-	174,478
-	-	(131,277)
-	-	184,100
-	-	7,101,972
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-	-	50,392,001
232,043	3,081,067	4,849,600
-	-	(9,786,121)
-	-	69,527,611
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232,043	3,081,067	64,591,090
-	-	-
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<u>\$ 232,043</u>	<u>\$ 3,081,067</u>	<u>\$ 64,591,090</u>

**San Antonio Water System**  
**COMBINING SCHEDULE OF REVENUES, EXPENSES**  
**AND CHANGES IN NET ASSETS**  
**For the Year Ended December 31, 2004**

	<u>System Fund</u>	<u>Internal Service Fund</u>	<u>Debt Service Fund</u>
<b>NET INCOME (LOSS) - brought forward</b>	\$ 62,223,466	\$ (945,486)	\$ -
Retained earnings, December 31, 2003	778,438,121	12,222,455	5,156,111
Residual Equity Transfers in (out)	(21,848,577)	-	14,284,850
Contributions in aid of construction	(69,527,611)	-	-
Commercial paper retired	30,600,000	-	-
Proceeds from Bond Issue	(120,140,127)	-	-
Retirement of Bonds	7,735,000	-	(7,735,000)
Reclass of stock dividend	95,997	-	-
Record Stocks received and gain(loss) on fair value	4,707,723	-	-
Settlement payment for bankruptcy case	(6,500)	-	-
Payroll expense correction	(23,671)	(2,294)	-
Correction of prior year capital assets	295,522	-	-
Expenditures for plant additions	<u>229,856,144</u>	<u>-</u>	<u>-</u>
Retained earnings, December 31, 2004	<u>\$ 902,405,487</u>	<u>\$ 11,274,675</u>	<u>\$ 11,705,961</u>

<b>Renewal and Replacement Fund</b>	<b>Project Fund</b>	<b>Combined Total</b>
\$ 232,043	\$ 3,081,067	\$ 64,591,090
127,588,581	134,780,704	1,058,185,972
7,563,727	-	-
69,527,611	-	-
-	(30,600,000)	-
-	120,140,127	-
-	-	-
-	-	95,997
-	-	4,707,723
-	-	(6,500)
-	-	(25,965)
-	-	295,522
<u>(93,884,336)</u>	<u>(135,971,808)</u>	<u>-</u>
<u>\$ 111,027,626</u>	<u>\$ 91,430,090</u>	<u>\$ 1,127,843,839</u>

**San Antonio Water System**  
**COMBINING SCHEDULE OF CASH FLOW**  
**For the Year Ended December 31, 2004**

	<b>System Fund</b>	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 259,090,890	\$ -
Cash paid to vendors for operations	(85,583,074)	-
Cash paid to employees for services	(64,820,555)	-
Net cash provided by operating activities	<u>108,687,261</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Transfers to the City's General Fund	(4,417,485)	-
Transfers to GKDA	(139,163)	-
Transfers in	(54,867,161)	-
Equity transfers	(21,848,577)	-
Net cash provided by/(used for) noncapital financing activities	<u>(81,272,386)</u>	<u>-</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Proceeds from sale of capital assets	289,065	-
Proceeds from developers for plant construction	-	-
Proceeds from Revenue Bonds	-	-
Proceeds from Grants	189,520	-
Payments for acquisition of equipment and furniture	-	-
Payment on the retirement of commercial paper	-	-
Payment on Defeasement on Revenue bonds	-	-
Payments for acquisition of property and plant	-	-
Payment of interest on tax exempt commercial paper	-	-
Payment of interest on revenue bonds outstanding	-	-
Payment on Capital Leases	(338,179)	-
Payment on CPS Note	(479,999)	-
Cash paid to employees for construction of plant	-	-
Cash paid for supplies for construction of plant	-	-
Net cash provided by/(used for) capital and related financing	<u>(339,593)</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of investments	(33,507,818)	-
Maturity of investments	3,516,119	-
Dividend Income	77,539	-
Interest income	2,838,878	-
Net cash provided by/(used for) from investing activities	<u>(27,075,282)</u>	<u>-</u>
<b>NET CASH INCREASE (DECREASE)</b>	-	-
<b>CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD</b>	-	-
<b>CASH AND CASH EQUIVALENTS, AT END OF PERIOD</b>	<u>\$ -</u>	<u>\$ -</u>

<b>Debt Service Fund</b>	<b>Renewal and Replacement Fund</b>	<b>Project Fund</b>	<b>Combined Total</b>
\$ -	\$ -	\$ -	\$ 259,090,890
-	-	-	(85,583,074)
-	-	-	(64,820,555)
-	-	-	108,687,261
-	-	-	(4,417,485)
-	-	-	(139,163)
54,867,161	-	-	-
14,284,850	7,563,727	-	-
69,152,011	7,563,727	-	(4,556,648)
-	-	-	289,065
-	24,842,110	-	24,842,110
-	-	119,030,934	119,030,934
-	-	639,667	829,187
-	(8,079,640)	-	(8,079,640)
-	-	(30,600,000)	(30,600,000)
(7,735,000)	-	-	(7,735,000)
-	(83,198,954)	(75,234,085)	(158,433,039)
(2,805,893)	-	-	(2,805,893)
(52,204,800)	-	-	(52,204,800)
-	-	-	(338,179)
-	-	-	(479,999)
-	(8,837,070)	-	(8,837,070)
-	(9,635,091)	(792,872)	(10,427,963)
(62,745,693)	(84,908,645)	13,043,643	(134,950,287)
(79,943,807)	(207,289,973)	(183,225,036)	(503,966,635)
72,626,299	317,130,248	112,353,361	505,626,029
-	-	-	77,539
983,894	232,043	2,441,399	6,496,214
(6,333,614)	110,072,318	(68,430,276)	8,233,147
72,704	32,727,400	(55,386,633)	(22,586,527)
-	(30,317,707)	68,714,904	38,397,197
\$ 72,704	\$ 2,409,693	\$ 13,328,271	\$ 15,810,670

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