

***COMPREHENSIVE ANNUAL FINANCIAL REPORT
OF THE
SAN ANTONIO WATER SYSTEM
A COMPONENT UNIT OF THE
CITY OF SAN ANTONIO, TEXAS
For the Years Ended December 31, 2005 and 2004***

***Prepared by:
Financial Services Department***

***Douglas P. Evanson
VP/Chief Financial Officer***

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INTRODUCTION

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COMPREHENSIVE ANNUAL FINANCIAL REPORT

SAN ANTONIO WATER SYSTEM

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Our Water. Our Future.

March 21, 2006

Mr. James M. Mayor, Chairman
Mr. R. Douglas Leonhard, Vice-Chairman
Mr. Salvadore M. Hernández, Secretary
Mr. Roberto Anguiano, Trustee
Mr. Michael W. Lackey, P.E., Trustee
Mr. Willie Mitchell, Trustee
Hon. Phil Hardberger, Mayor

Trustees:

In accordance with the requirements of City Ordinance No. 75686, we are pleased to submit herewith the Comprehensive Annual Financial Report (CAFR) of the San Antonio Water System (the System) for the year ended December 31, 2005. We believe that the financial and statistical information presented in the report is accurate in all material respects and that all disclosures necessary to enable the reader to gain an understanding of the System's financial status have been included. The information contained in this report is the responsibility of management.

City Ordinance No. 75686 also requires that the annual financial report be submitted for audit by an independent accountant. The report of our independent auditors, Padgett, Stratemann & CO., L.L.P. is included in the financial section of the December 2005 CAFR. Their report expresses an unqualified opinion as to the fairness of the presentation of our financial statements. In addition to meeting the requirements set forth in City Ordinance No.75686, the audit also was designed to meet the requirements of the Federal Single Audit Act Amendments of 1996 and related OMB Circular A-133. The Auditor's reports related specifically to the single audit are included in the federal awards section of this report.

DESCRIPTION OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT

The Comprehensive Annual Financial Report for the year ended December 31, 2005 conforms to governmental financial reporting principles prescribed by pronouncements of the Governmental Accounting Standards Board (GASB). The CAFR is presented in four major sections:

1. The Introduction section contains the title page, the table of contents, this letter of transmittal, a list of the members of the Board of Trustees, an organizational chart, and the Certificate of Achievement for Excellence in Financial Reporting.
2. The Financial section contains the auditor's report, management's discussion and analysis, the basic financial statements which provide an overview of the System's financial position and operating results, and other financial information that provide additional detailed information relative to the basic financial statements. Generally Accepted Accounting Principles (GAAP) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the report of the independent auditors.

3. The Statistical section contains various financial and statistical data about the System generally presented on a multi-year basis.
4. The System was required to obtain a single audit in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133, (Audits of States, Local Governments, and Non-Profit Organizations). Information related to the single audit, including the schedule of expenditures of federal awards, notes to the schedule of expenditures of federal awards, schedule of findings and questioned costs, summary schedule of prior audit findings, and auditors reports of internal control and compliance with applicable laws and regulations, are included in the federal awards section of this report.

DESCRIPTION OF ORGANIZATION AND REPORTING ENTITY

On February 13, 1992, the City Council determined that it was in the best interest of the citizens of San Antonio (the City) and the customers served by the water and wastewater systems to consolidate all water systems, agencies and activities into one institution. This action was taken due to the myriad of issues confronting the City related to the development and protection of its water resources. Such consolidation provided the City a singular voice of representation when promoting or defending the City's goals and objectives related to water resource planning and development with local, regional, state and federal water authorities and officials.

Final Council approval for such consolidation was given on April 30, 1992 with the approval of Ordinance No. 75686 which effectuated the consolidation of all city owned utilities related to water including the water, wastewater, and water reuse systems as the System and defeased all outstanding debt related to the consolidated entities through the issuance of Water System Revenue Refunding Bonds, Series 1992.

The System provides water and wastewater service to the majority of the population within the corporate limits of the City of San Antonio and Bexar County, which totals approximately 1.6 million residents. The System employs 1,592 personnel and provides maintenance of over 9,600 miles of water and sewer mains.

The complete management and control of the System has been vested in a board of trustees known as the "San Antonio Water System Board of Trustees." The Board of Trustees consists of the Mayor and six Trustees who are residents of the City of San Antonio or reside within the area serviced by the System. With the exception of the Mayor, all other trustees are appointed by the City Council for four year staggered terms and are eligible for reappointment for one additional four-year term.

The general operations of the System are under the supervision of the President/Chief Executive Officer who is employed by the Board of Trustees.

The financial statements of the System are included with other enterprise funds in the CAFR of the City of San Antonio. The December 2005 CAFR for the System includes all activities and functions for which the Board of Trustees exercises management and control. As the City Council has placed absolute and complete authority and power in the Board of Trustees with respect to the control, management, and operation of the System, except for fixing rates and charges for service rendered by the System and approval of debt issuances, it is the practice of the System to prepare its CAFR on a comprehensive basis.

ECONOMIC CONDITIONS AND OUTLOOK

The San Antonio economy has experienced robust, sustained growth since the mid-1990's, at a rate considerably higher than national averages. This growth is expected to continue for the next several years. San Antonio's economy has become more diverse over the last decade through decreased dependence on the military sector and the expansion into global markets. This gradual shift has increased San Antonio's exposure to the cyclical nature of the national economy.

The System provides water and wastewater services to the majority of the population within the corporate limits of the City of San Antonio. The System also provides water and wastewater services to other municipalities and certain users outside the corporate limits of the City. San Antonio's population, affected by the net in-migration trends experienced in many areas of Texas, continues to grow at rates that exceed the national average. Currently, the System provides water and wastewater service to 325,944 and 354,878 customers respectively, including residential, commercial, industrial, and irrigation customers.

The growth rate in System water customers from fiscal year 2004 to 2005 of 3.5% is slightly higher than the San Antonio metropolitan area as outlined in Table 1.

Table 1	Estimated Population at December 31,		
	2004	2005	% CHG
City of San Antonio	1,282,800	1,306,900	1.9
Bexar County	1,560,500	1,584,800	1.5

Source: City of San Antonio Planning Department.

In addition to population, other strong indicators for the local economy and System customer growth include employment, building permits and housing starts, indicated in Table 2 below.

Table 2	2005	2004	2003	2002	2001	2000	1999	1998	1997
Employment (thousands)	855.6	833.3	817.4	807.0	794.4	786.6	N/A*	N/A*	N/A*
Subdivision Platting									
Plats	520	510	455	407	480	529	458	439	469
Lots	14,460	14,060	11,414	10,290	8,350	9,303	7,937	6,360	5,369
Single Family Building Permits	7,670	7,176	6,771	6,347	6,132	5,494	5,771	5,630	4,240

Source: San Antonio Region Economics Trends 1996-2006; January 2006, The Greater San Antonio Chamber of Commerce.

*Not Available

WATER SUPPLY

In August 2005, the System completed a comprehensive analysis of its existing water supply projects and developed a series of conservation goals and water resource strategies that will enable it to provide adequate water supplies, even during critical drought periods; while recognizing that future water supplies must be affordable. These strategies are outlined in the 2005 Update to the System's Water Resource Plan. The 2005 Update is a continuation of the process that began in 1996 to develop a fifty-year plan. In 1996, the City

Council appointed a 34-member citizens committee to develop strategic policies and goals for water resource management. The Citizens Committee on Water Policy report, entitled "A Framework for Progress: Recommended Water Policy Strategy for the San Antonio Area," was unanimously accepted by City Council, becoming the foundation for the System's "Water Resources Plan." On November 5, 1998, the City Council accepted the Water Resources Plan "Securing Our Water Future Together" as the first comprehensive widely supported water resource plan for San Antonio.

In October 2000, the City Council created a permanent funding mechanism (known as the Water Supply Fee) for water supply development and water quality protection through Ordinance No. 92753. The Water Supply Fee provides a specific fund for the development of water resources.

In August 2005, the System's Board of Trustees unanimously approved the 2005 Update to the Water Resource Plan. The 2005 Update is a comprehensive review of the assumptions governing population and per capita consumption projections in Bexar County through 2050. The 2005 Update includes an analysis of each water supply alternative available for meeting future needs and demonstrates the System's commitment to increasing the diversification of our portfolio of supplies. Based upon the results of the analysis, the Board directed the System's staff to:

- (a) Planning Scenario 2: Serve as the regional water provider and contact every independent water retailer in Bexar County to see how SAWS can work with them on their long-term water supply needs.
- (b) Edwards Supply: Solidify the Edwards Aquifer inventory by converting the approximately 25,000 acre-feet now under lease to permanent ownership, and where possible, seeking an additional 35,000 acre-feet of water rights through either acquisitions or other supply sources.
- (c) Recharge Initiatives: Actively participate in the Nueces River Basin Feasibility Study and Cibolo Creek Watershed Feasibility Study. Both studies are on-going and contain local and federal partners. In addition, a continued effort will be made with the Edwards Aquifer Authority to activate the recharge credit rules. This project is further described in the section entitled "Edwards Aquifer Recharge Initiatives."
- (d) Brackish Groundwater: Accelerate the brackish groundwater desalination project. This project will assist in diversifying overall supplies in the medium-term. The project will generate up to a 22,000 acre-feet facility, with the potential to offset summer "peaks." This project is further described in the section entitled "Brackish Groundwater Desalination Project."
- (e) Regional Carrizo: Accelerate the Regional Carrizo project. Staff should reduce the time for a consultant to perform an independent evaluation of the routing and phasing of this project to three (3) months, quickly reapply for the initial permit, and continue to pursue leases. This project is further described in the section entitled "Carrizo Aquifer Projects."
- (f) LCRA-SAWS: Continue analysis of the feasibility of the Lower Colorado River Authority ("LCRA")-SAWS project. This project is an important option for meeting long-term water needs. However, renegotiation of the existing contract within the project's statutory constraints is necessary to more competitively address cost, control, yield and the timing of the water delivery. This project is further described in the section entitled "Lower Colorado River Authority Project."
- (g) Simsboro: Withdraw SAWS' participation in the Simsboro project. Terminate the existing contract with Alcoa in accordance with its terms and use. With respect to the SAWS-owned water rights, the staff should explore the possible use or disposition of these rights, as opportunity allows.
- (h) Lower Guadalupe Water Supply Project: End SAWS' participation in the Lower Guadalupe Water Supply Project due to the continued uncertainty with the surface water and groundwater regulatory environment of the project area.

- (i) Recycle Water: Develop a recycle water business plan. The business plan will address how to increase our contractual usage, obtain additional contracts, and evaluate the implication of an ordinance that would require mandatory connections for certain customer classes. This project is further described in the section entitled “Water Reuse Program.”
- (j) Aquifer Storage & Recovery: Maximize SAWS’ Edwards storage and the allowable acreage of SAWS’ local Carrizo production. This project is further described in the section entitled “Bexar County Aquifer Storage and Recovery.”
- (k) Other Potential Projects: Continue evaluations of other potential water supply projects, including but not limited to: Coastal Desalination, Recharge and Recirculation, Mesa Water Supply Project, Trinity Aquifer and the Western Edwards Water projects.

Combined, these actions enable SAWS to provide affordable, diversified and sufficient water supplies to meet demand in Planning Scenario 2.

Edwards Aquifer

Historically, the City obtained nearly all of its water from the Edwards Aquifer. The Edwards Aquifer lies beneath an area approximately 3,600 square miles in size. Including its recharge zone, it underlies all or part of 13 counties, varying from five to 30 miles in width, and stretching over 175 miles in length, beginning in Bracketville, Kinney County, Texas, in the west and stretching to Kyle, Hays County, Texas, in the east. The Edwards Aquifer receives most of its water from rainfall runoff, rivers, and streams flowing across the 4,400 square miles of drainage basins located above it.

Much of the Edwards Aquifer region consists of agricultural land, but it also includes areas of population ranging from communities with only a few hundred residents to the City, which serves as a home for well over one million residents. In 2006, the Edwards Aquifer will supply 89% of the water for municipal, domestic, industrial, commercial, and agricultural needs in the greater San Antonio area. Naturally occurring artesian springs, such as the Comal Springs and the San Marcos Springs, are fed by Edwards Aquifer water and are utilized for commercial, municipal, agricultural, and recreational purposes, while at the same time supporting ecological systems containing rare and unique aquatic life.

The Edwards Aquifer is recharged by seepage from streams and by precipitation infiltrating directly into the cavernous, honeycombed, limestone outcroppings in its north and northwestern area. Practically continuous recharge is furnished by spring-fed streams, with storm water runoff adding additional recharge, as well. The historical annual recharge to the reservoir is approximately 684,700 acre-feet. The average annual recharge over the last four decades is approximately 797,900 acre-feet. The lowest recorded recharge was 43,000 acre-feet in 1956, while the highest was 2,485,000 acre-feet in 1992. Recharge has been increased by the construction of recharge dams over an area of the Edwards Aquifer exposed to the surface known as the recharge zone. The recharge dams, or flood-retarding structures, slows floodwaters and allows much of the water that would have otherwise bypassed the recharge zone to infiltrate the Edwards Aquifer.

Edwards Aquifer Recharge Initiatives

Recharge Dams are structures that retain rainfall runoff water for short periods of time over the Edwards Aquifer Recharge Zone. Recharge dams retain storm runoff and retain it long enough to allow for a larger volume of water to enter into the Edwards Aquifer. During storm events storm runoff flows at a faster rate than what can be taken by the recharge features located in the stream channels. The recharge dam allows for a longer retention for more water to filter into the Edwards Aquifer thus increasing recharge amounts.

The Nueces, San Antonio, and Guadalupe River Basins are favorable for development of recharge projects. Of the three basins, the Nueces Basin is the most prolific in terms of recharge effectiveness. With assistance from the U.S. Army Corps of Engineers, studies are currently under way within the Cibolo Creek Watershed

and the Nueces River Basin. The results of these studies will identify which sites will have the most potential for recharge enhancement. With the recharge structures tentatively identified, the System is planning on a sustained yield of 13,400 acre-feet per year.

Oliver Ranch and BSR Projects

The System reached a milestone in February 2002 with the introduction of the first non-Edwards drinking water supply from the Lower Glen Rose/Cow Creek formation of the Trinity Aquifer in northern Bexar County. The System has contracted for delivery of approximately 5,000 acre feet per year of non-Edwards groundwater from the Trinity Aquifer from two properties located in northern Bexar County. Initial delivery of water from the Oliver Ranch project began in February 25, 2002 with BSR production in July 2003. The project was fully operational in June 2004 with the connection of BSR wells 3 and 4 to the System's distribution system.

Western Canyon Project

The System, the San Antonio River Authority ("SARA"), Guadalupe-Blanco River Authority ("GBRA"), and Bexar Metropolitan Water District (Bexar Met) are working together on the Western Canyon Project for the delivery of water from Canyon Lake. The System will initially receive approximately 8,500 acre-feet per year for service to northern Bexar County. The long-term minimum yield will be 3,950 acre-feet per year. GBRA is required under the contract to divert, treat and deliver the water to a certain point within the System's delivery system. Construction of this project is nearing completion, and it is expected that the System will begin receiving water in early 2006.

Brackish Groundwater Desalination Project

The 2005 Update of the System's fifty-year Water Resource Plan includes a recommendation that the System develop a brackish groundwater desalination project. This project involves the development of a moderately sized (up to 22,000 acre-feet) water supply facility with the potential to offset summer "peaks". Hydrologic research on the feasibility of locating this facility in southern Bexar County began in December 2005. This analysis will be accompanied by an evaluation of the potential benefit and feasibility of applying innovative procurement methods, such as Design Build Operate (DBO) and Build Own Operate Transfer (BOOT) strategies to bring this project on line by 2010.

Regional Carrizo Aquifer Project

The System is refining plans for delivery and treatment of approximately 20,000 – 56,200 acre-feet of ground water from the Carrizo Aquifer in Gonzales County and Wilson Counties. The System is currently undertaking a review process to determine the preferred routing of the pipeline associated with the delivery and integration of the Carrizo water into the existing distribution system. Upon completion of this evaluation, which is expected in early 2006, additional construction on this project is scheduled to commence. The project will be developed in phases. The delivery of water from the first phase (22,600 AF) is anticipated in early 2009. Phase II and Phase III are scheduled to be delivered in 2012 and 2016, respectively.

Lower Colorado River Authority Project

The Lower Colorado River Authority-San Antonio Water System (LCRA-SAWS) Water Project would conserve and develop up to 330,000 acre-feet of water per year. Of that, approximately 180,000 acre-feet per year of agricultural and other rural water needs would be met in the Colorado basin through conservation of agricultural irrigation water, storage of river water, and supplemental groundwater for agricultural use. Up to 150,000 acre-feet per year of river water would be transferred to the San Antonio area for an eighty year period.

In February 2001, a Memorandum of Agreement with LCRA outlining the terms for a future binding contract for up to 150,000 acre feet of surface water per year from the Lower Colorado River Basin was signed. That same year, legislation was passed to authorize LCRA to sell water outside its statutory boundary to the System. The System and LCRA have now executed a definitive agreement outlining LCRA's and the System's obligations consistent with the memorandum of Agreement. The System and LCRA are now entering the third year of an estimated seven-year study period to assess the environmental, engineering, and cost impacts.

Bexar County Aquifer Storage and Recovery

An Aquifer Storage and Recovery ("ASR") project involves injecting ground water into an aquifer, storing it and later retrieving it for use. Essentially this is storage that is traditionally provided through surface water reservoirs. The System began study of an ASR project in 1996, acquired approximately 3,200 acres in southern Bexar County and has essentially completed construction of Phase I of the ASR Project. This phase of the project, with a total cost of approximately \$125 million, gives the System the capability of injecting and recovering 30 million gallons per day of Edwards Aquifer water and integrating it into SAW'S existing distribution system. Phase II of the ASR Project is designed to increase the injection, storage, and recovery capacity of the project to 60 million gallons per day and extend the integration into SAW'S existing distribution system. This phase of the project is currently underway and is anticipated to be complete by the end of 2007.

This project is designed to optimize use of water from the Edwards Aquifer and reduce frequency and duration of critical periods. Additionally, the ASR project may produce "native" groundwater from the project area for use throughout the service areas. In December 2002, the Evergreen Underground Water Conservation District (EUWCD) and the System approved an Aquifer Protection and Management Agreement. This agreement ensures operation of the ASR site if the property is annexed in to the district, manages groundwater production, and commits the System to monitoring water levels and mitigation of potential negative impacts. As of December 2005, approximately 17,000 acre-feet of water has been stored in the ASR facility.

Water Reuse Program

The System has developed a water reuse program utilizing high quality effluent from the wastewater treatment process. The System owns the effluent and has the authority to contract and sell non-potable water inside and outside the System's water and wastewater service area. The water reuse system can provide up to 35,000 acre feet per year for non-potable uses including large scale irrigation and industrial purposes. Once developed to its maximum planned capacity, the System could convert approximately 20% of SAWS current demand for Edwards aquifer water to non-potable uses, thereby making more Edwards water available for potable use. Currently, approximately 19,000 acre feet of water are under commitment.

In addition to the 35,000 acre feet per year for irrigation and industrial non-potable uses, the System currently has a contract through 2030 to provide 45,000 acre feet per year of reuse water to CPS Energy for cooling of electrical generation systems at Braunig and Calaveras lakes. The combined availability of 80,000 acre feet per year makes this the largest water reuse system in the country. Under the terms of the contract, CPS Energy holds contingent option rights on an additional 10,000 acre feet of reuse water. These option rights are broken down into two 5,000 acre feet increments, with the first such option to be exercised no later than June 30, 2007 and the second such option to be exercised no later than June 30, 2011. The revenues derived from the CPS Energy contract have been excluded from the calculation of Gross Revenues, and are not included in any transfers to the City.

Conservation

Beginning in 1994, the System progressively implemented aggressive water conservation programs, which have reduced total water production and use by 43.2%, going from 213 gallons per person per day (gpcd) in 1994 to approximately 130 gpcd in 2004. Given these accomplishments, the 2005 Update to the System's fifty-year Water Resource Plan set a new goal for conservation that includes the provision that we reduce per capita consumption to 116 gpcd during normal-year conditions and 122 gpcd during dry-year conditions by 2016. This will be accomplished through a variety of means including implementation of the City of San Antonio's water conservation ordinance (Ordinance 100322, passed January 20, 2005), pricing, education, and rebates for water efficient technologies; and system improvements to prevent water loss and other measures.

Indoor Residential Conservation

Indoor residential conservation programs encourage customers to save water inside their homes. A variety of education and rebate incentive programs assist ratepayers in achieving conservation. One example is the Season to Save Community Challenge, which started as an experimental program to test the idea that non-profit organizations would be effective at motivating ratepayers to participate in toilet distribution programs. An incentive is paid to non-profit organizations for finding qualified customers who pick up the free toilets during a distribution event. Non-profit groups also receive a bonus for the conservation achieved by customers they helped qualify for the program. The bonus provides incentives for non-profit representatives to ask their participants to install the new toilets quickly.

Another example of the System's conservation programs is Plumbers to People, which provides leak repairs and retrofits to qualified low-income homeowner customers. The System, in cooperation with the City of San Antonio's Community Action Division (CAD), qualifies applicants based on the current Federal Assistance Guidelines. Only leaks that result in a loss of potable water are eligible for repair under the program. Water Conservation is achieved by quickly repairing leaks that would otherwise continue due to the cost of repairs. Analysis of program costs and water savings indicate that this affordability program is also one of our most effective at conserving water at a reasonable cost per unit.

Customers learn about these unique programs and others through the System's website, public events, direct mail inserts in bills, paid advertisements and educational materials in popular local periodicals.

Outdoor Residential Conservation

The System's residential outdoor programs focus on the landscape and irrigation practices of homeowners. Outdoor use can account for up to 50% of total residential water use in the summers and average 20% of the water used annually. Education programs help ratepayers understand how following best practices can save water and money.

Irrigation Check-Ups provide the System's ratepayers with a free analysis of their in-ground irrigation system. Trained Conservation Technicians visit homes to review each component of irrigation systems to determine maintenance needs to make suggestions for improving efficiency.

Seasonal Irrigation Program (SIP) is a free information service provided to customers who want expert advice on how to water their lawns. The irrigation advice is based on evapotranspiration (ET) data calculated from a local weather station. Horticulture experts from the Texas Cooperative Extension use the ET data to make weekly irrigation recommendations for recommended grass varieties. Customers receive the advice through e-mail, recorded phone message, the local newspaper, a SIP hotline, or the System's web site.

Watersaver Landscape Rebate guidelines were changed during 2003 to address concerns that the old program was not maximizing water conservation opportunities. Program changes included the requirement that the entire landscape be drought tolerant, a maximum 50% of landscape in grass, and a mandatory irrigation system check if an irrigation system was present. Higher rebates were given to customers who preserved native landscape during home construction or who did not install a permanent irrigation system. An incentive to

meet water conservation expectations was included in the program as well. Customers using a reasonable amount of water during the first year after getting their rebate will receive a small nursery gift certificate. This program is marketed through neighborhood associations, local nurseries, the Garden Volunteers of South Texas and through the Greater San Antonio Builder's Association.

Commercial and Industrial Programs

The System has been working closely with commercial customers to help them conserve water for several years. In 1998, the commercial and industrial programs were expanded to include the toilet retrofit rebates previously offered only to residential customers. Water audits and case-by-case rebates for large-scale retrofits and toilet retrofits are also available. Since 1996, car wash businesses that meet certain conservation criteria are certified and provided a sign to be posted on their place of business. Every year the System presents the WaterSaver Awards to recognize businesses, organizations and/or individuals that voluntarily initiated water conservation practices.

Agricultural Conservation and Irrigation Efficiency

The System has been successful in developing partners throughout the region as well as with federal agencies through cost-share programs. The System has partnered with the USDA and farmers to acquire efficient irrigation systems in exchange for Edwards Aquifer water rights. The System is also currently working with the Army Corps of Engineers, the Natural Resource Conservation Service and other local sponsors on programs designed to enhance recharge of the Edwards Aquifer through impoundment structures and brush management.

Water Quality

The System's Resource Protection and Compliance Department is responsible for protecting the quality of the Edwards Aquifer and conducting technical evaluations of how to increase its yield. The Texas Commission on Environmental Quality (TCEQ) has adopted rules relating to the activities of landowners in the recharge and drainage zones of the Edwards Aquifer. The City has adopted ordinances applicable within its city limits that limit or regulate activities, which could be harmful to water quality and has, through its Unified Development Code, regulated certain development within the City's extraterritorial jurisdictional (five miles from city limits).

Research on the Edwards Aquifer is conducted as part of the Edwards Aquifer Optimization program. This is a comprehensive program that identifies and evaluates technical options to increase available yield from the Edwards Aquifer and to attempt to use the aquifer's storage capacity more efficiently. The Program will evaluate a number of studies that have been proposed to maintain or increase available water in the aquifer.

MAJOR ACTIVITIES

Corporate Reorganization

In April 2005, incoming President/CEO David E. Chardavoyne effectuated a corporate restructuring that organized the System using a more traditional business model. The reorganization was designed to more closely align similar functional areas to achieve efficiencies, accountability and better communication throughout the organization. One of the goals was to create a more flexible organization that changes to meet shifts in workloads and strategic priorities, rather than one that is slowed by hierarchical structures.

The reorganization resulted in a structuring of eleven major responsibility areas, each headed by either a vice president or assistant vice president.

The restructuring also resulted in a decrease of 114 previously authorized full time positions that were vacant. No regular full time employee lost a job, although certain employees were reassigned to different areas of the

organization. Throughout the process, the organization strived to ensure that reassigned employees were matched with jobs that best utilized their talent and skills.

Water Resources Plan 2005 Update

David E. Chardavoine, President/CEO, appointed an *ad hoc* Water Supply Task Force (Task Force) to conduct a comprehensive update and review of the organization's water supply plan.

To guide the evaluation process, the Task Force reaffirmed SAWS commitment to the principles governing the development of the 1998 Plan. In addition, the Task Force made more explicit SAWS commitment to identify a portfolio of water supply projects that will enable SAWS to provide an affordable, diversified, and sustainable supply of water resources now and in the future. The Task Force reevaluated the entire water resource plan, including population projections, per capita consumption estimates, aggregate demand forecasts, and supply development options to ensure that SAWS approach:

- Provides adequate water supplies, even during critical drought periods
- Postpones dependence on more costly resource supplies, if possible
- Promotes greater use of non-Edwards Aquifer supplies in the long-term
- Fulfills the needs of San Antonio customers, while providing the region with the option to utilize SAWS as the regional wholesale provider
- Recognizes the reality that future water supplies must be affordable.

The recommendations of the Task Force are detailed in the Water Supply section of this letter.

New Headquarters

In January 2004, the San Antonio Water System Board of Trustees authorized the purchase of Valero Energy Corporation's corporate headquarters buildings and property located just north of the downtown business district. SAWS had originally purchased the former Butterkrust and Playland properties to renovate for its new headquarters. However, when the Valero campus became available, it presented a timely opportunity to acquire a world-class facility at a cost less than the purchase and renovation costs of the Butterkrust and Playland properties.

Following architectural programming and design, the addition of two levels to the parking garage, and construction to retrofit the office space for SAWS' use, in August 2005, SAWS began a phased three-month relocation to the new headquarters. This undertaking merged departments and employees from six different locations into one central location. The two buildings at the new location feature centralized access for customer and commercial services.

The 2006 budget reflects savings realized from the elimination of several rental contracts, as well as savings due to efficiencies resulting from reduced travel time between multiple office locations.

Software System Implementation

While the mission and overall objectives of SAWS have remained unchanged, the methods by which SAWS fulfills this mission are in a constant state of evolution.

As part of improving and streamlining SAWS business practices, as well as to significantly enhance the organization's customer service capabilities, a comprehensive project has been undertaken to implement an integrated software system. The new system will integrate data processing for customer service, financial, human resources, payroll, and work order applications. This will provide a single, advanced system to replace

the company's independent legacy systems. This system will enable SAWS to more fully serve its customers and support agency-wide excellence.

During 2005, the project team, working with various groups of employees, identified SAWS needs and requirements for the affected applications. The implementation package will be chosen during the first half of 2006 with completion of the project scheduled for early 2008.

Economic Development

Toyota

On February 5, 2003, Toyota, the Japanese auto manufacturer, announced that San Antonio will be the site of its newest assembly plant with an expected investment of \$850 million and employment of more than 2,000 people. The anticipated opening of the plant is late 2006. The plant greatly assists in the diversification of the San Antonio economy and provides significant economic stimulus to the area.

SAWS, along with CPS Energy, the City of San Antonio and other governmental agencies, offered Toyota special development incentives including waiver of impact fees, utility line extensions and reduced water rates. Additionally, SAWS supported Toyota's environmental sensitivity with the extension of recycled water pipelines for their manufacturing process.

The total estimated water demand by the Toyota plant is 1 million gallons per day. SAWS has sufficient water resources to meet this demand.

PGA Tour

The PGA Tour development is very ecologically sensitive because of its location over the Edwards Aquifer Recharge Zone. SAWS worked very closely with City of San Antonio officials to create a stringent environmental management plan for this development. This included installation of clay barriers under the golf course for capturing and reusing irrigation water.

Also, the original development plan called for an impervious cover restriction of 25%. The PGA Tour later agreed to reduce that to 15%, saving 285 acres or the equivalent of a 2,500 single-family home subdivision. Additionally, the PGA Tour agreed to pay SAWS \$100,000 a year for 29 years to monitor and sample water quality at the site.

These efforts gave local policy makers and citizens, in general, the comfort in knowing that the Edwards Aquifer Recharge Zone and local water quality would be protected.

Rate Adjustments

The reality of capital needs, combined with declining water consumption patterns, created the need for rate adjustments in 2006. The Proposed Budget incorporates a 4.7% rate increase to offset the impact of the forecasted \$8.2 million decline in revenue due to decreased consumption per customer, and a \$5.5 million increase in existing debt service.

On November 17, 2005, rate adjustments were approved by City Council to fund continuing costs for water supply and infrastructure replacement. Adjustments were made to Water, Wastewater, and Water Supply fee rates. The rate adjustments along with other revenues are expected to increase 2006 operating revenues by \$7.8M from the 2005 budget. The average customer bill is expected to increase approximately 4.7%. This increase represents a significant reduction from the late 2004 projected required rate increase of more than 17%. The significant reduction in the required rate adjustment was the result of efficiencies realized within the System's operations and capital improvement processes.

SAWS remains sensitive to the economic impact of increasing rates on our ratepayers. The 2006 Proposed Budget includes provisions for a broad scope of programs designed to alleviate rising costs. These programs include payment extensions, payment plans, and discounts. Additionally, programs are offered to reimburse customers for plumbing repairs.

FINANCIAL INFORMATION

Internal Control: Management of the System is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the System are protected from loss, theft, or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that the objectives are met. The concept of reasonable assurance recognizes that (1) the cost of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a part of the System's audit, tests are made to determine the adequacy of the internal control structure, as well as to determine that the System has complied with applicable laws, regulations, and ordinances. The results of the audit of the System for the year ended December 31, 2005, provided no instances of material weaknesses in the internal control structure.

Annual Budget: The Annual Budget is prepared on a comprehensive basis and as such includes an Operating Budget that includes all water, wastewater, chilled water and steam, and reuse operations as well as a budget for routine construction. The Annual Budget is prepared in such a manner that expenses may be controlled on a line-item basis. Encumbrances are not formally recorded in the accounting system, however, SAWS monitors and controls spending by utilizing variance reports for each of its cost centers. Variance justifications are prepared monthly by executive management and formally reviewed by the President/CEO. Outstanding encumbrances lapse at year end and must be re-appropriated in the following year. The System's Board of Trustees approved the Annual Budget for FY 2006 in November 2005.

Financial Planning: Planning is critical for the System to accomplish its mission. In order to adequately plan for water sources and appropriate infrastructure, models have been developed to analyze the impacts of various growth and replacement scenarios on the company's financial position. Some of these models have a short-term focus, some are mid-range models, and some are long-term.

Short term planning is mainly focused in two areas, cash management and expense tracking. The Treasury function at the System balances the need for adequate cash resources and the need for maximum returns on assets. The Budgeting function at the System analyzes the monthly spending requirements in view of the other corporate obligations, such as ordinance requirements and obligations to bond holders and to the City of San Antonio.

Mid-range planning mainly focuses on the next year's activities. A comprehensive financial plan is developed using updated revenue forecasts, operating and maintenance estimates, capital requirements, and interest rate forecasts.

Long-range planning is the heart of the System's planning activities. Statistical models are used to estimate customer growth and water usage patterns. These are fed into a revenue model that incorporates the various rate class prices to produce detailed revenue forecasts. Simultaneously, the company produces capital and operating and maintenance budgets, from which twenty-year estimates are developed. Upon receiving these inputs, the financial planning model uses a debt optimization process to determine the correct balance and timing of funding sources.

Debt Administration: The System utilizes both long-term and short-term debt to finance the Capital Improvements Program (CIP). The System's long-term debt consists of fixed-rate debt and variable-rate debt swapped to a fixed rate to provide predictable debt service requirements. The System's short-term debt consists of a tax-exempt commercial paper program (TECP). TECP provides the System flexibility and efficiency in the timing and amount of debt issued. Additional information on the System's debt program can be found in Note H of the notes to the financial statements.

Cash Management Policies and Practices: Of the total investments of the System for the year ended December 31, 2005, approximately 66% are invested in U.S. Agency Securities. The remaining funds are invested in Money Market Funds and U.S. Treasury Securities. Approximately 73% of the portfolio has an initial maturity range of three to six months, and the average day's initial maturity of the portfolio is 204 days. The weighted average yield on investments for the portfolio at December 31, 2005 was 4.03%. The investment portfolio is in compliance with the System's investment policy, and all transactions are in accordance with the System's investment strategy. Additional information on the System's investment activity can be found in Note C of the notes to the financial statements.

Risk Management: The System continues to manage its risk by self administering and self insuring claims with respect to commercial general liability, automobile liability, public official's liability, environmental pollution remediation and legal liability and worker's compensation. Claims that exceed their respective coverage self-insured retention limit are covered through the System's comprehensive commercial insurance program. Commercial general liability, automobile liability, and worker's compensation each have a \$500,000 per occurrence, self-insured retention. Public official's liability has a \$500,000 per covered claim, self-insured retention and environmental pollution remediation and legal liability have a \$250,000 per covered claim, self-insured retention. The System did not experience any claims whose cost exceeded the respective self-insured retention level during 2005. Additional information on the System's Risk Management program can be found in Note G.

Pension and Other Postemployment Benefits: The System's pension plan is a single-employer defined benefit pension plan which serves as a supplement to the Texas Municipal Retirement System, a deferred compensation plan, and Social Security benefits. The System has delegated authority to manage certain plan assets to Principal Mutual Life Insurance Company. The System provides certain health care and life insurance benefits for retired employees, which are financed on a pay-as-you-go basis. Additional information on the System's pension and other post employment benefits can be found in Notes L and M of the notes to the financial statements.

Independent Audit: During 2005, the audit firm of Padgett, Stratemann & Co., L.L.P was selected through the System's Contracting Selection Process for independent audit services for a three (3) year term commencing with Fiscal Year 2005 through Fiscal Year 2007. Padgett, Stratemann & Co., L.L.P.'s report is included in the Financial Section of this report.

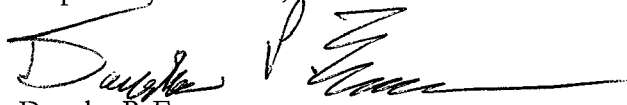
AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its Comprehensive Annual Financial Report for the year ended December 31, 2004. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. The system has received this recognition for its comprehensive annual financial report for twelve consecutive years. We believe our current report continues to conform to the Certificate of Achievement Program requirements and we are submitting it to GFOA.

The System also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year beginning January 1, 2005. In order to receive this award, the System must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan and as a communications device. The award is valid for one year only.

The timely preparation of the CAFR for the year ended December 31, 2005 could not have been accomplished without the cooperation and dedicated services of the Accounting Division under the direction of Mrs. Juanita Carabajal. We also wish to express sincere appreciation to each member of the Board of Trustees for the interest and support provided in conducting the financial affairs of the System in a sound and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Douglas P. Evanson', with a long horizontal flourish extending to the right.

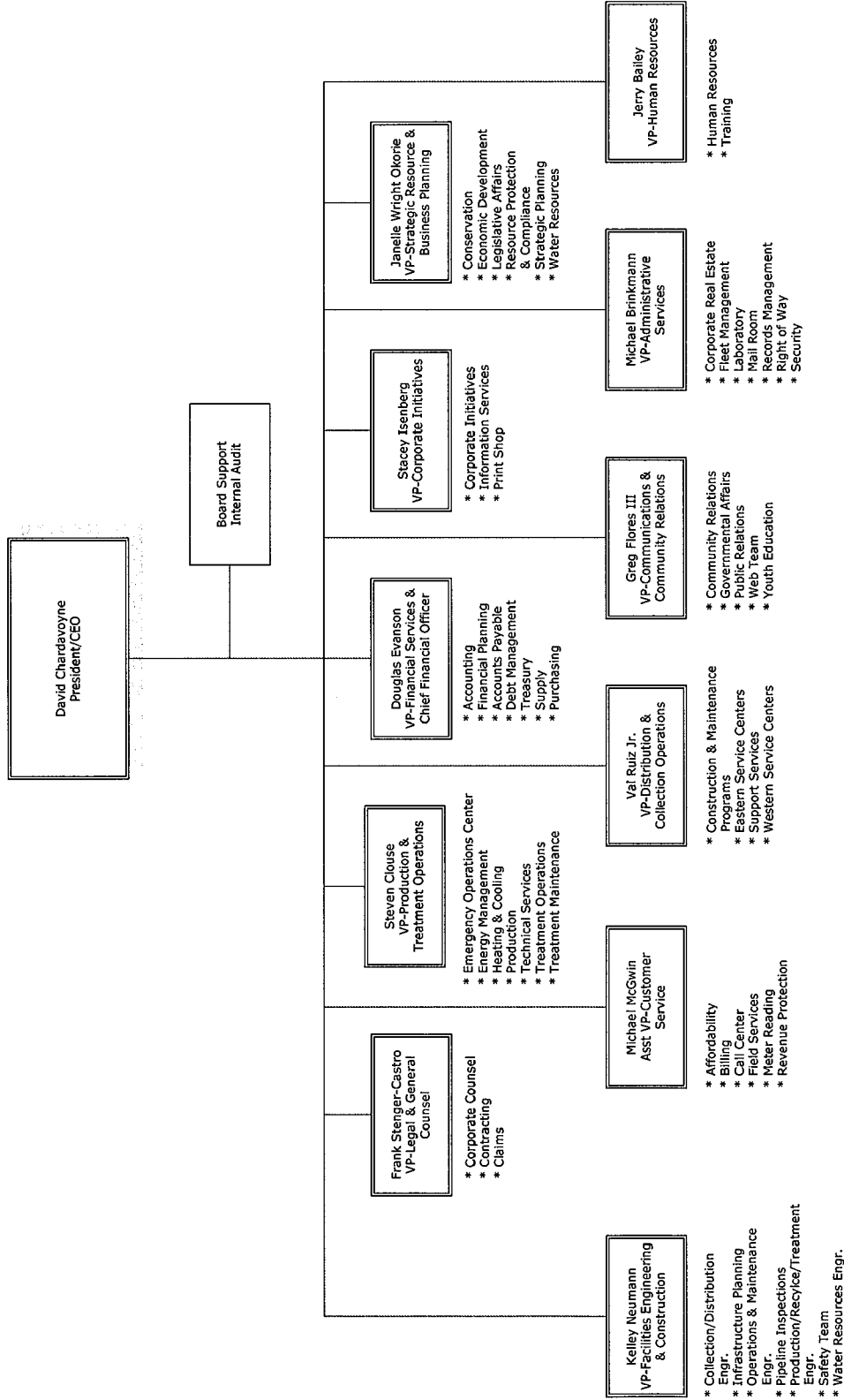
Douglas P. Evanson
VP/Chief Financial Officer

**MEMBERS OF THE
SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES**

	<i>Term Expires</i> <u>May 31</u>
<i>James M. Mayor – Chairman</i>	2006
<i>R. Douglas Leonhard – Vice-Chairman</i>	2009
<i>Sal Hernández – Secretary</i>	2009
<i>Michael W. Lackey, P. E. – Trustee</i>	2009
<i>Roberto Anguiano – Trustee</i>	2008
<i>Willie A. Mitchell – Trustee</i>	2006
<i>Phil Hardberger, Mayor – Ex Officio</i>	



2005 Organizational Structure December 31, 2005



Certificate of Achievement for Excellence in Financial Reporting

Presented to

The San Antonio
Water System,
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2004

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Carla E. Judge

President

Jeffrey R. Enow

Executive Director

FINANCIAL SECTION



PADGETT, STRATEMANN & CO., L.L.P.

Certified Public Accountants and Business Advisors

Independent Auditors' Report

To the Members of the Board
San Antonio Water System
San Antonio, Texas

We have audited the accompanying balance sheet of the San Antonio Water System (the "System"), a component unit of the City of San Antonio, Texas, as of and for the year ended December 31, 2005, and the related statements of revenues, expenses, and changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of the System as of December 31, 2004, were audited by other auditors whose report dated May 6, 2005, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 2005 financial statements referred to above present fairly, in all material respects, the financial position of the System as of December 31, 2005, and the results of its operations and its cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated March 15, 2006 on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulation, contracts, and grant

agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of the audit.

The Management's Discussion and Analysis and the Pension and Retirement Plans – Schedules of Funding Progress are not a required part of the financial statements but are supplementary information required by Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's financial statements. The Description of Funds and Combining Statements, Supplemental Schedules, and the Bonded Debt Schedules and Analyses are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is also not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The Introductory Section, the Statistical Section, and the Continuing Disclosure for Debt Section have not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.



Certified Public Accountants
March 15, 2006

Management's Discussion and Analysis

This Management Discussion and Analysis (MD&A) serves as an introduction to the basic financial statements and provides a narrative overview and analysis of financial activities and performance as detailed in the Comprehensive Annual Financial Report (CAFR) for the fiscal year ending December 31, 2005. Please read it in conjunction with the transmittal letter at the front of this report and the System's financial statements including the notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The System's total equity increased by \$117.0 million over the course of the year ended December 31, 2005 compared to a \$64.6 million increase in 2004
- Revenues from all sources including capital recovery fees, totaled \$372.5 million; an increase of \$78.5 million or 26.7% from fiscal year 2004. This increase reflects increased water usage due to consistently below normal rainfall throughout the year coupled with the rate increase implemented during early 2005. In 2004, revenues from all sources totaled \$294 million, which represents a \$31.4 million increase over 2003 levels.
- Total Operating Revenues for 2005 were \$328.2 million compared to \$262.7 million in 2004. The 2005 totals include \$108.1 million from Water Supply Services, \$93.4 million from Water Delivery Services, \$113.3 million from Wastewater Services, and \$13.4 million from Chilled Water and Steam Services.
- Operating income increased 80% over 2004 levels to a record amount of \$86.7 million.
- Capital contributions were \$81.4 million compared to \$69.5 million last year, an increase of 17.1%.
- Expenditures on construction in progress for 2005 totaled \$157.2 million compared to \$168.8 million for 2004. This brings total cumulative expenditures on construction in progress to \$1.01 billion on budgets totaling \$1.25 billion.
- An additional \$298.2 million of revenue bonds were sold on December 15, 2005. Proceeds from these bonds were used to reduce commercial paper outstanding and retire a series of previously issued bonds containing above market interest rates.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial statements presented in this annual report consist of two parts:

- Basic Financial Statements – provide both long-term and short-term information about the System's overall financial status and the results of operations of the utility.
- Notes to the financial statements – provide key information to certain detailed data found in the financial statements. The notes to the financial statements can be found on pages 22-49.

This report also includes:

- Required supplementary information and other financial information – *the required supplementary information* concerning the System's progress in funding its obligations to provide pension benefits to its employees can be found on page 50 of this report. Other schedules that provide information on the individual parts of the utility, reporting the System's operation in more detail than the basic financial statements are also presented.
- Budgetary information presented on page 64.
- Statistical Section – includes tables of various financial and statistical information, presented on page 138.

- Federal Award Section – information related to the single audit act in conformity with the provisions of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget Circular A-133 “Audits of States, Local Governments, and Non-Profit Organizations”, presented on page 164.

Basic Financial Statements: The basic financial statements report information about the System, as a whole, using accounting methods similar to those used by private-sector companies. As a proprietary fund, the System has prepared traditional income statements and balance sheets using private-sector accounting practices under a combination of Financial Accounting Standards Board (FASB) and GASB rules as prescribed in GASB Statement No. 20 for proprietary funds. Additionally, the System maintains detailed asset records that provide information on the individual additions to capital assets.

The reports that the System has prepared are in accordance with the requirements of GASB Statement No. 34 as “business-type activities.” Activities such as the System’s utility services are considered “business-type” not solely because they resemble those performed by the private sector but because there is an exchange involved between the receiver and provider of the service. For business-type activities, there is frequently a direct relationship between the charge for the service and the service itself. This exchange relationship causes users of financial information to focus on the costs of providing the service, the revenues obtained from the service, and the difference between the two.

The balance sheet includes all of the System’s assets and liabilities. All of the current year’s revenues and expenses are accounted for in the statement of revenues, expenses, and changes in equity on an accrual basis. The statement of cash flows reflects cash flows for operating, financial, capital and related financing, and investing activities. Contributions in aid of construction are reported as increases in the statement of revenues, expenses, and changes in equity. The basic financial statements report the System’s equity and how it has changed. Equity is the difference between the System’s assets and liabilities and is one way to measure the System’s financial position. The basic financial statements can be found on pages 17-21.

Combining Statements: The System has established certain self-balancing funds to comply with state law and bond covenants for purposes of internal control and reporting. The “fund” financial statements keep track of specific sources of funding and spending for particular purposes and provide more detailed information about the System’s most significant funds, and not the System as a whole. These combining statements are included as supplementary information in the “Other Financial Information” section of the CAFR.

The System is a Proprietary Fund as it is a self-supporting revenue based utility system.

- *Proprietary funds* – Services for which the System charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long- and short-term financial information. Proprietary funds use the accrual basis of accounting and the flow of economic resources measurement focus.
 - The System’s enterprise funds (one type of proprietary fund) are the same as its business-type activities, but provide more detail and additional information such as cash flows.
 - The System uses internal service funds (the other kind of proprietary fund) to report activities that provide supplies and services for the System’s other programs.

FINANCIAL ANALYSIS AS A WHOLE

The equity of the System results from recording total liabilities against total assets. This amount has been broken down into component categories in accordance with the GASB Statement No. 34 requirements.

	31-Dec-05	31-Dec-04	31-Dec-03 (Restated)
Total Assets	\$ 2,740,430,296	\$ 2,547,480,868	\$ 2,393,692,904
Total Liabilities	<u>1,505,328,364</u>	<u>1,429,413,858</u>	<u>1,340,216,984</u>
Total Equity	<u>1,235,101,932</u>	<u>1,118,067,010</u>	<u>1,053,475,920</u>
Invested in Capital Assets net of related debt	1,057,177,560	973,541,023	897,339,142
Restricted for:			
Debt Service	15,977,687	11,705,961	5,156,111
Conservation	2,409,363	2,503,665	5,823,169
Unrestricted	<u>159,537,322</u>	<u>130,316,361</u>	<u>145,157,498</u>
Equity	<u>\$ 1,235,101,932</u>	<u>\$ 1,118,067,010</u>	<u>\$ 1,053,475,920</u>

Over time, increases or decreases in equity may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. As can be seen, the System's equity increased \$117.0 million or 10.5% from 2004 to 2005 and increased \$64.6 million or 6.1% from 2003 to 2004.

The largest portion of the System's equity reflects its investment in capital assets, less the related net debt to acquire those assets. The capital assets reflected on this line represent the utility plant assets that the System utilizes to generate revenues to service the debt obligations and pay the operating costs of the System. Any cash and investment amounts restricted for construction purposes are also reflected in these totals. The \$83.6 million increase from 2004 to 2005 reflects \$48.2 million of plant contributions from developers and \$35.4 million of 2005 capital expenditures that were funded with renewal and replacement funds or impact fees. The \$76.2 million increase in the System's equity invested in capital assets that took place between 2003 and 2004, related to \$45.3 million of plant contributions from developers occurring in the period and \$30.9 million capital expenditures that were funded with non debt resources.

As of December 31, 2005, the System maintains \$16.0 million of cash and investments net of restricted liabilities that is restricted for debt service purposes and \$2.4 million of investments that must be utilized in connection with the System's conservation program. The cash and investments, net of restricted liabilities that is restricted for debt purposes has increased over the 2004 and 2003 levels of \$11.7 million and \$5.2 million, respectively, as a result of increases in the annual debt service requirements occurring during the years 2004-2006. While fairly constant with the 2004 level of \$2.5 million, the amount restricted for use in connection with the System's conservation program has declined significantly from the 2003 level of \$5.8 million. The decline in this balance during 2004 was the result of residential conservation expenditures exceeding the related revenues by approximately \$2.7 million.

The remaining balance of the System's equity represents unrestricted equity and may be used for any allowable purpose as outlined in City Ordinance No. 75686. The \$29.2 million increase in unrestricted equity reflects the strong financial performance of the System during 2005 partially offset by the funding of capital additions with renewal and replacement funds. The \$14.8 million reduction in unrestricted equity during 2004 results from the net loss before capital contributions of \$4.9 million and the funding of 2004 capital additions with renewal and replacement funds.

STATEMENT OF ASSETS

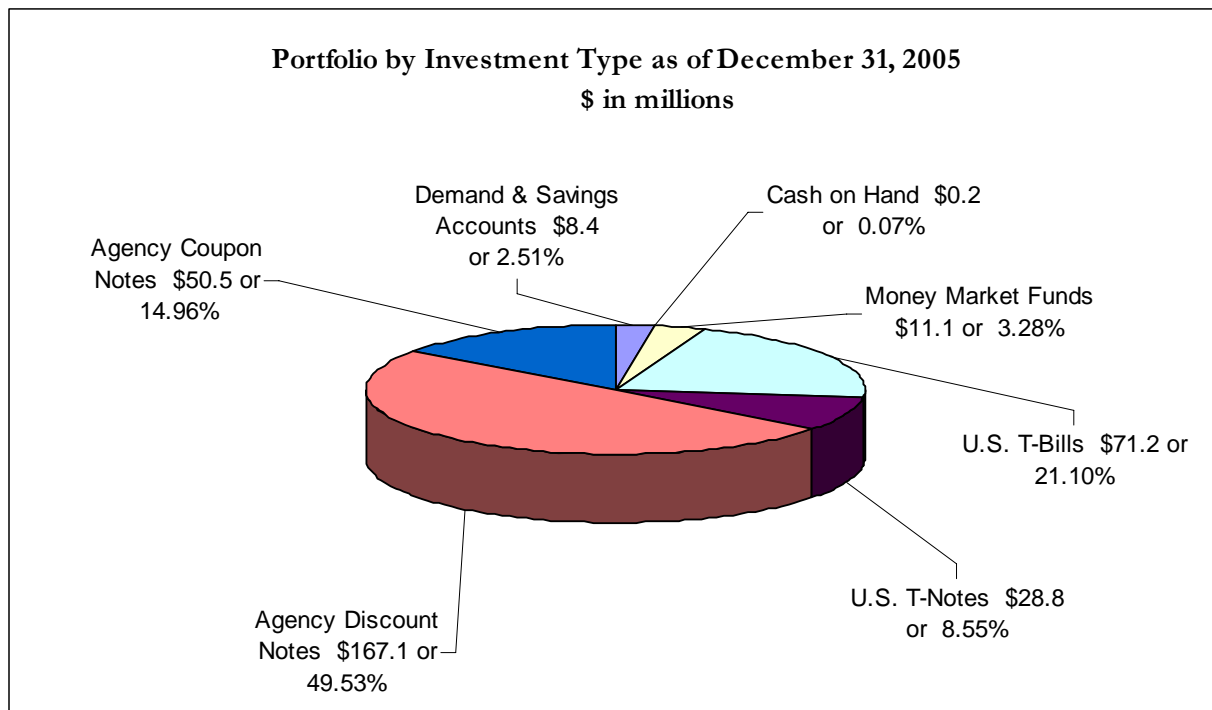
Assets: The System's total assets at December 31, 2005 were \$2.7 billion, of which 85.3% or \$2.3 billion were capital assets. Gross capital assets increased \$221.0 million during the year ended December 31, 2005, with a change in accumulated depreciation of \$62.7 million resulting in a net increase of \$158.3 million in total capital assets. In 2004, gross capital assets increased \$218.6 million with accumulated depreciation increasing \$54.7 million for a net increase in capital assets of \$163.9 million.

	31-Dec-05	31-Dec-04	31-Dec-03 (Restated)
CURRENT ASSETS			
Unrestricted Current Assets			
Cash and cash equivalents	\$ 11,890,888	\$ 2,847,132	\$ 29,738,354
Investments	109,949,199	88,664,975	73,628,067
Accrued interest receivable	879,877	1,211,378	1,911,099
Accounts receivable, net of allowances for uncollectable accounts of \$734,769,\$568,848, and \$484,256 respectively	40,530,254	32,197,921	28,115,867
Inventory - materials and supplies	4,786,265	4,537,892	4,858,272
Prepaid expenses and other assets	2,111,117	3,034,787	3,291,681
Total unrestricted current assets	170,147,600	132,494,085	141,543,340
Restricted Current Assets:			
Debt Service Fund:			
Cash and cash equivalents	38,620	72,704	-
Investments	24,219,332	18,784,661	11,467,153
Construction Funds:			
Cash and cash equivalents	5,327,803	12,890,834	38,737,654
Investments	171,508,841	154,067,731	119,016,531
Conservation:			
Investments	2,409,363	2,503,665	5,823,169
Other:			
Common stock	-	5,819,192	4,707,723
Customers' deposits:			
Investments	6,211,381	5,952,486	5,627,401
Total restricted current assets	209,715,340	200,091,273	185,379,631
Total current assets	379,862,940	332,585,358	326,922,971
NONCURRENT ASSETS			
Unrestricted Assets:			
Investments	5,766,822	16,004,413	25,078,059
Restricted Assets:			
Investments			
Construction Fund	-	-	17,833,245
Total	5,766,822	16,004,413	42,911,304
Assets Held for Resale - Note N	2,760,000	8,210,012	8,147,167
Unamortized Refunding Bond Expenses	13,760,572	10,659,959	9,349,728
Capital Assets:			
Utility plant in service	2,607,372,575	2,396,554,144	2,244,550,778
Less allowance for depreciation	861,162,744	798,456,941	743,691,802
	1,746,209,831	1,598,097,203	1,500,858,976
Land and water rights	108,869,520	82,338,637	87,053,949
Construction in progress	483,200,611	499,585,286	418,448,809
Total capital assets (net of accumulated depreciation)	2,338,279,962	2,180,021,126	2,006,361,734
Total noncurrent assets	2,360,567,356	2,214,895,510	2,066,769,933
TOTAL ASSETS	\$ 2,740,430,296	\$ 2,547,480,868	\$ 2,393,692,904

Cash & Investments: The System's cash and investments totaled \$337.3 million at December 31, 2005, an increase of \$29.7 million. The components of the balance are shown in the pie chart below. The unrestricted cash consists of amounts maintained to meet the requirements of Ordinance 75686 that calls for an operating reserve of two months of the annual maintenance and operations budget, as well as unrestricted balances residing within the System's Renewal and Replacement Fund. The increase in this balance of \$20.1 million in 2005 reflects the increase in equity before capital contributions experienced during 2005. The reduction in unrestricted cash and investments in 2004 reflects the decrease in equity before capital contributions that took place during that period as well as the funding of capital expenditures with unrestricted cash. The balance of the Debt Service Fund is impacted by the timing of the payments for debt service that are paid on May 15 (principal and interest) and November 15 (interest only). Construction Fund balances increased \$9.9 million as a result the increased level of capital recovery fees collected in 2005. The decrease in the balance of Other Restricted funds reflects primarily the sale of a stock investment during 2005. For further information regarding this transaction, see Note C in the accompanying financial statements.

	31-Dec-05	31-Dec-04	31-Dec-03
<i>Unrestricted</i>	\$ 127,606,909	\$ 107,516,520	\$ 128,444,480
<i>Restricted for Debt Service</i>	24,257,952	18,857,365	11,467,153
<i>Restricted for Construction</i>	176,836,644	166,958,565	175,587,430
<i>Restricted for Other</i>	8,620,744	14,275,343	16,158,293
	<u>\$ 337,322,249</u>	<u>\$ 307,607,793</u>	<u>\$ 331,657,356</u>

Investments are classified as follows:



Capital Assets: During 2005, the System's total capital assets net of accumulated depreciation grew from \$2.2 billion to \$2.3 billion, while during 2004, net capital assets increased from \$2.0 billion to \$2.2 billion. Capital asset additions broken down by type for 2005 and 2004 were as follows:

(Amounts in millions)	<u>Year Ended</u>	
	<u>December 31,</u>	
	<u>2005</u>	<u>2004</u>
Distribution System	\$ 10.6	\$ 9.2
Governmental Program	31.3	22.3
Main Replacements	31.7	23.9
Production System	3.0	11.8
Corporate & Miscellaneous	8.1	8.7
Facilities	4.4	29.1
Collection System	9.2	2.2
Treatment	6.5	18.0
Chilled Water and Steam	0.9	1.7
Recycle	17.5	7.7
Water Resources	45.6	44.5
Capitalized interest and overhead	14.8	12.6
Trilaterals	48.2	45.3
Total	<u>\$ 231.8</u>	<u>\$ 237.0</u>

For further detail information on capital assets, refer to Note E of the Notes to the Financial Statements.

Other Assets: In addition to the System's cash and investments and its capital assets, the System maintains other assets including customer accounts receivable, inventory, prepaid expenses and assets held for resale. During 2005, the System experienced an \$8.3 million increase in its accounts receivable balance and a \$5.5 million reduction in its assets held for resale. The 25.9% increase in accounts receivable is a direct result of the 24.9% increase in operating revenues experienced by the System during 2005. As the latter half of the year, in particular, was drier and warmer than normal, the level of the System's accounts receivable did increase as compared to the prior year. The reduction in assets held for resale is a direct result of the sale of the Buttercrust property and a reappraisal of the carrying amount of the Playland property. For further discussion of this transaction, please see Note N on page 47. During 2004, the System experienced a \$4.1 million, or 14.5%, increase in accounts receivable as compared to 2003. Similar to the increase from 2005, this increase is a direct result of the rate increases implemented during 2004 which served to contribute to a 9% increase in operating revenues for the year.

Liabilities: The System's total liabilities as of December 31, 2005 were \$1.5 billion, of which \$1.45 billion or 96.1% are related to the System's revenue bonds and commercial paper obligations. The \$75.9 million increase in total liabilities during 2005 relates almost entirely to increases in the System's debt obligations relating to its construction initiatives. The System's total liabilities increased by \$89.2 million from 2003 to 2004 with this increase almost entirely attributable to increases in the System's debt obligations.

	31-Dec-05	31-Dec-04	31-Dec-03 (Restated)
Current Liabilities to be paid from Unrestricted Funds			
Accounts payable and other	\$ 5,925,941	\$ 12,830,587	\$ 12,521,834
Sewer service collections payable	276,325	256,013	209,660
Capital leases	35,616	311,215	311,216
Notes payable	389,668	315,885	335,547
Accrued vacation payable	2,943,341	2,816,887	2,936,451
Accrued payroll and benefits	2,345,906	2,539,894	2,151,220
Accrued claims payable	2,552,429	2,477,402	2,317,236
Accrued stormwater services	2,041,051	1,669,929	32,409
Sundry payables and accruals	17,731,181	6,049,273	5,270,704
Total	<u>34,241,458</u>	<u>29,267,085</u>	<u>26,086,277</u>
Current Liabilities to be paid from Restricted Funds			
Debt Service Fund:			
Accrued interest payable	8,280,265	7,151,404	6,311,042
Construction funds:			
Contract retainage payable	5,763,840	9,446,172	10,213,434
Advances for construction	1,736,285	1,550,392	933,834
Customers' Deposits	6,211,381	5,952,486	5,627,401
Revenue bonds payable in one year	22,415,000	16,505,000	7,735,000
Total restricted current liabilities	<u>44,406,771</u>	<u>40,605,454</u>	<u>30,820,711</u>
Total Current Liabilities	<u>78,648,229</u>	<u>69,872,539</u>	<u>56,906,988</u>
Noncurrent Liabilities			
Capital leases	35,615	7,553	269,996
Notes payable	990,952	1,380,619	1,742,215
Accrued vacation payable	2,014,743	1,879,465	1,389,582
Commercial paper notes	98,000,000	238,400,000	269,000,000
Revenue bonds payable after one year	1,351,510,000	1,145,905,000	1,040,710,000
Unamortized Premium	14,139,190	9,078,394	7,954,777
Less unamortized loss	(26,242,755)	(22,727,392)	(24,003,866)
Less unamortized discount	(13,767,610)	(14,382,320)	(13,752,708)
Total Noncurrent Liabilities	<u>1,426,680,135</u>	<u>1,359,541,319</u>	<u>1,283,309,996</u>
Total Liabilities	<u>\$ 1,505,328,364</u>	<u>\$ 1,429,413,858</u>	<u>\$ 1,340,216,984</u>

Current Liabilities: During 2005, the System experienced an \$8.8 million increase in its current liabilities as compared to 2004. One of the primary drivers behind this increase is the increase in the current maturities of the System's revenue bond obligations of \$5.9 million. The other significant variations in the System's current liabilities relate to a reduction in the balance of accounts payable of \$6.9 million and an increase in sundry payables and accruals of \$11.7 million. In an effort to close its books at year end 2005 in a more timely fashion, accounts payable was closed earlier than in the prior year. As a result, several charges that in 2004 would have been classified as accounts payable, are residing in sundry payables and accruals at December 31, 2005. The net increase in these two balances, \$4.8 million, pertains primarily to the accrual of a contingent obligation at year end 2005. For further discussion of this item, see Note I on page 39.

During 2004, the System's current liabilities increased \$13.0 million over year-end 2003 levels. Of this increase, \$9.6 million relates to the increase in the current maturities of the System's revenue bond obligations and the increase in accrued interest payable associated with increased debt levels. The majority of the remainder of the increase relates to increased amounts due to the City of San Antonio for stormwater services and transfers to the City's general fund under City Ordinance 75686. These increases result from the increased revenues of the System and the timing of these payments.

Long Term Debt: Consistent with its debt maturity schedule, in May, 2005, the System repaid \$16.5 million of outstanding revenue bond principal obligations. During the first nine months of 2005, the System issued \$86.6 million of commercial paper to fund its ongoing construction initiatives. In December 2005, the System issued \$298.2 million worth of senior lien bonds. The proceeds from the sale of the bonds were used to advance refund \$70.2 million worth of higher coupon senior lien bonds, refund \$227 million of outstanding commercial paper notes, and pay the costs of issuance. These bonds, which bear interest at rates ranging from 4.25% - 5.00% were issued at a premium to yield an overall weighted average interest rate of 4.86%. At the same time that it issued the bonds, the System expanded its commercial paper program from \$350 to \$500 million. At December 31, 2005, the System had a total of \$98 million issued under this program.

During the year ended December 31, 2004, the System's total long-term debt obligations including current maturities, increased by \$84.5 million. This increase relates primarily to the issuance of \$121.7 million of revenue bond obligations during 2004 offset by scheduled retirements of revenue bond obligations of \$7.7 million and repayment of commercial paper obligations of \$30.6.

In December 2005, the three major rating agencies, Fitch Ratings, Moody's Investor Services, Inc. and Standard & Poor's Ratings Services (S&P) reaffirmed the System's excellent debt ratings. The high quality ratings are based on the System's large, diverse, and growing service area, sound financial performance, positive actions towards developing long-term water supplies, sound system operations with a manageable capital improvements program, and competitive water and sewer rates.

	Bond and Commercial Paper Ratings			
			Subordinate Lien Debt	
	Senior	Junior	Variable Rate	Tax-Exempt
	Lien Debt	Lien Debt	Demand Obligations	Commercial Paper
Fitch Ratings	AA-	A+	A	F1+
Moody's Investors Service, Inc	Aa3	A1	A1	P-1
Standard & Poor's Ratings Service	AA-	A+	A+	A1+

The System's bond ordinance requires the System to maintain a debt coverage ratio of at least 1.25x the annual debt service on outstanding senior lien debt. The System's debt coverage ratio for the senior lien bonds was 2.03x for 2005, 1.64x for 2004 and 1.46x for 2003. The coverage ratios for the annual debt service on all outstanding bonded debt was 1.68x, 1.30x and 1.18x in 2005, 2004 and 2003 respectively. The System's equity to total debt and equity ratio was 45.07% at December 31, 2005, as compared to 43.89% at December 31, 2004 and 44.24% at December 31, 2003. As of December 31, 2004 and 2005, the System was in compliance with the terms and provisions of the ordinances and documents related to its outstanding bonds and tax-exempt commercial paper.

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN EQUITY

During 2005, the System experienced an increase in equity of \$117.0 million as compared to the increase in 2004 of \$64.6 million. The 2005 increase consisted of income before capital contributions of \$35.6 million and capital contributions of \$81.4 million while the 2004 increase resulted from a loss before capital contributions of \$4.9 million and \$69.5 million of capital contributions.

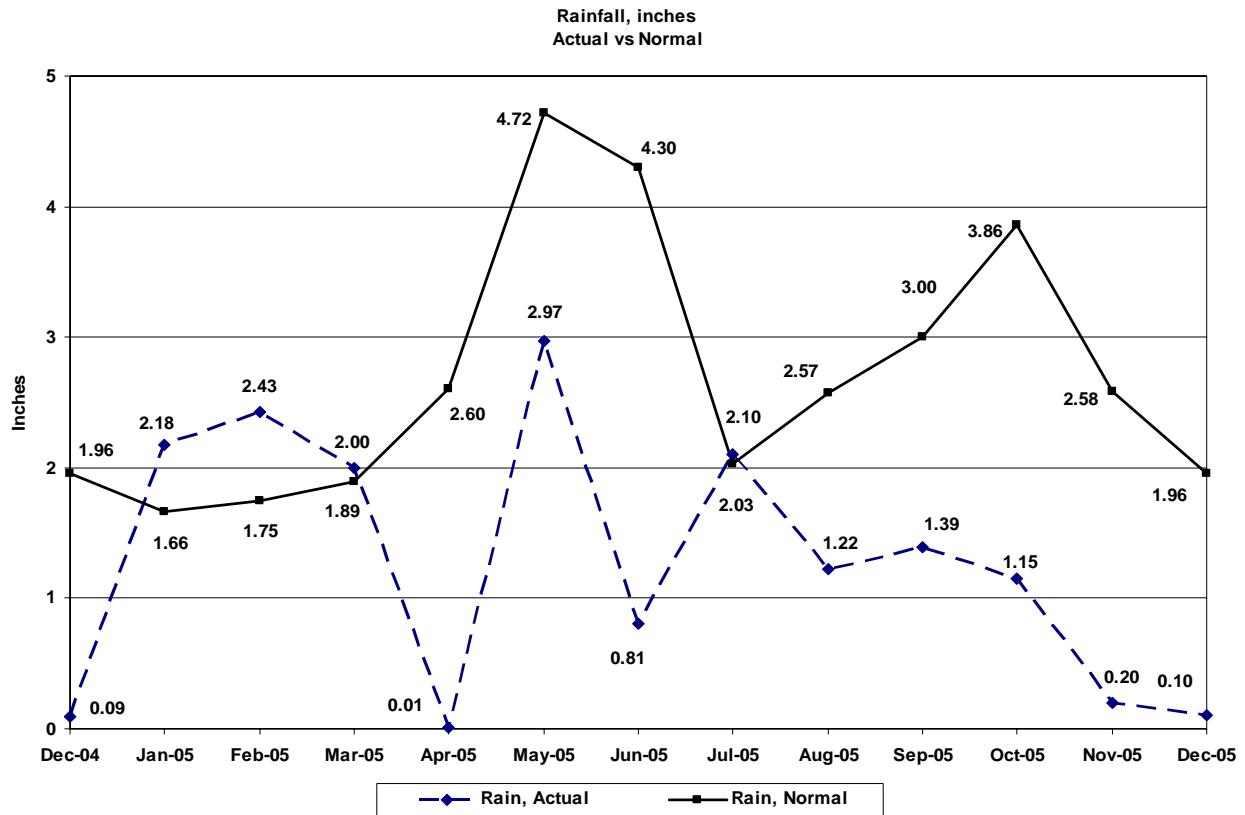
	31-Dec-05	31-Dec-04	31-Dec-03 Restated
Operating Revenues:			
Water delivery system	\$ 93,419,939	\$ 72,888,054	\$ 65,163,910
Water supply system	108,045,245	78,546,461	76,044,416
Wastewater system	113,333,959	99,224,713	87,683,794
Chilled water and steam system	13,370,759	12,027,528	12,193,646
Total operating revenues	<u>328,169,902</u>	<u>262,686,756</u>	<u>241,085,766</u>
Operating Expenses:			
Personal services	77,440,762	74,416,616	70,792,292
Contractual services	87,272,198	69,126,680	71,084,521
Material and supplies	15,035,269	14,144,227	13,752,939
Other charges	15,752,184	15,474,823	14,869,519
Less: Costs capitalized to Construction in Progress	(22,714,359)	(19,052,929)	(19,311,806)
Internal service fund - net loss/(gain)	703,836	(249,453)	1,555,089
Total operating expenses before depreciation	<u>173,489,890</u>	<u>153,859,964</u>	<u>152,742,554</u>
Depreciation expense	67,957,900	60,645,869	57,005,400
Total operating expenses	<u>241,447,790</u>	<u>214,505,833</u>	<u>209,747,954</u>
Operating income	86,722,112	48,180,923	31,337,812
Non-operating Revenues			
Interest earned and miscellaneous	11,280,590	6,703,218	7,187,584
Net increase (decrease) in the fair value of investments	(112,729)	357,459	121,395
Total nonoperating revenues	<u>11,167,861</u>	<u>7,060,677</u>	<u>7,308,979</u>
Non-operating Expenses			
Amortization of refunding bond expense	537,339	499,745	430,295
Other finance charges	931,097	1,144,437	1,487,573
Interest expense:			
Revenue bonds and commercial paper	45,178,837	39,933,414	39,219,456
Amortized discount/premium/loss/expense	1,480,454	1,485,132	1,030,751
Capital leases	129,234	174,478	187,896
Loss /(gain) on sale of capital assets	1,226,777	(131,277)	198,976
Payments to other entities	213,362	184,100	-
Payments to the City of San Antonio	8,982,657	7,101,972	6,607,897
Total nonoperating expenses	<u>58,679,757</u>	<u>50,392,001</u>	<u>49,162,844</u>
Special Items	<u>(3,584,164)</u>	<u>(9,786,120)</u>	<u>-</u>
Increase/(Decrease) in equity, before capital contributions	35,626,052	(4,936,521)	(10,516,053)
Capital contributions			
Plant Contributions	48,237,842	45,302,059	52,055,111
Capital Recovery Fees	33,171,028	24,225,552	14,236,467
Total Capital contributions	<u>81,408,870</u>	<u>69,527,611</u>	<u>66,291,578</u>
Change in Equity	117,034,922	64,591,090	55,775,525
Equity, beginning of year	<u>1,118,067,010</u>	<u>1,053,475,920</u>	<u>997,700,395</u>
Equity, end of year	<u>\$ 1,235,101,932</u>	<u>\$ 1,118,067,010</u>	<u>\$ 1,053,475,920</u>

Operating Revenues: Operating revenues of \$328.2 million for 2005 rose \$65.5 million, or 24.9%. This dramatic increase in revenues resulted primarily from the very dry weather experienced in San Antonio during 2005 as well as rate increases that were effective on February 1, 2005. The System's operating revenues are provided by its four core businesses; Water Delivery, Water Supply, Wastewater, and Chilled Water and Steam. As would be expected, the two businesses whose revenues are most directly correlated to the amount of rainfall received in a given year, Water Delivery and Water Supply, showed the largest increases in revenues, with the Wastewater and Chilled Water and Steam businesses showing smaller increases. Operating revenues for 2004 increased by \$21.6 million compared to 2003 levels as a result of rate increases implemented on March 1, 2004, partially offset by a 5.5% reduction in the average gallons of water used per customer.

The Water Delivery core business is responsible for the actual distribution of water from its source to the customer's premise. Revenues for this business are derived through a combination of a monthly service charge that is dependent upon the size of the customer's water meter and a volume charge that relates to the customer's actual water usage. In 2005, Water Delivery revenues increased \$20.5 million to \$93.4 million. This increase over the prior year is the result of a combination of three factors; an increase in the average gallons of water used per customer per day of more than 8%, a growth in the number of water customers of more than 3%, and the 8.8% rate increase that took effect on February 1, 2005.

In 2004, Water Delivery revenues were \$72.9 million. This represents an increase of 11.9% over 2003 levels. Historically, Water Delivery has transferred a portion of its revenues to the Water Supply core business to augment the costs of water supply initiatives. Such transfers are reflected as a reduction in the operating revenues of Water Delivery and an increase in the operating revenues of Water Supply. The \$7.7 million increase in Water Delivery revenues during 2004 relates entirely to a reduction from 2003 in the level of the operating transfer from Water Delivery to Water Supply of \$8.0 million. Without consideration of the operating transfer reduction, total revenues for Water Delivery declined by \$0.3 million. This reduction results from reduced water consumption, resulting from higher than normal rainfall levels experienced during 2004, partially offset by a 4% increase in Water Delivery rates that was effective for usage beginning March 1, 2004. Prior to this rate increase, the rates for Water Delivery had not increased since October 1999.

The 2005 increase in the average gallons of water used per customer per day is the first such increase in the last five years and results entirely from the lack of rainfall experienced within the San Antonio region during 2005. As can be seen per review of the following chart, San Antonio has experienced consistently below normal rainfall for the last nine months of 2005, with total rainfall for 2005 of 16.6 inches falling well short of both the normal annual rainfall total of 32.9 inches and the 2004 level of 45.3 inches.



The Water Supply core business is responsible for all functions related to the development and provision of additional water resources. In order to support the costs associated with these initiatives, in October 2000, the System implemented a separate funding mechanism, known as the Water Supply Fee, for water supply development and water quality protection. In 2005, Water Supply revenues were \$108.1 million, or 37.6% higher than the prior year. This increase was largely driven by the implementation of the fifth increment of the Water Supply Fee that resulted in a 25.3% increase in this rate and the increased customer usage and customer number levels discussed previously. As the System includes the pass through of Edwards Aquifer Authority fees in its Water Supply revenues, the increase in these fees also served to increase the reported Water Supply revenue amounts.

In 2004, Water Supply revenues were \$78.5 million or 3.2% over 2003 levels. The fourth increment of the Water Supply Fee was implemented for 2004, which resulted in increased Water Supply revenues of approximately \$10.5 million over the prior year. This increase was partially offset by the \$8.0 million reduction in the operating transfer from Water Delivery.

The collection and treatment of wastewater is the primary function of the Wastewater core business. In 2005, Wastewater revenues increased by \$14.1 million or 14.2% over the prior year. The majority of this increase relates to the 11.0% rate increase that was implemented effective February 1, 2005. Wastewater revenues were also impacted by the 3.5% growth in the number of wastewater customers that took place during 2005. Finally, while the residential portion of wastewater revenues are based upon the winter average water usage, and are therefore not as directly impacted by the low rainfall totals experienced during 2005, the commercial portion of these revenues are computed based upon the amount of water used. The increase in water usage experienced during 2005 has also served to increase this portion of wastewater revenues.

During 2004, Wastewater revenues increased by \$11.5 million or 13.1% as compared to 2003. This increase in revenues resulted from a 15% rate increase that was effective for usage beginning March 1, 2004 and the 2.9% growth in the number of wastewater customers. Mitigating this increase to some degree is the decreased water usage experienced during 2004 and its impact on wastewater revenues. Prior to this rate increase, the rates had not increased for Wastewater since June 1994.

The Chilled Water and Steam core business is responsible for providing heating and cooling to customers of the System, including various downtown hotels, City of San Antonio facilities, the Alamodome, Port Authority of San Antonio, a.k.a (Kelly USA) tenants and Hemsifair Plaza tenants. Revenues for this segment increased by \$1.3 million or 11.2% as compared to the prior year. This increase reflects almost entirely an increase in the cost of the utilities associated with generating the chilled water and steam that is a pass-through component of the rate charged for these services. Revenues for 2004 from this business unit declined by approximately \$0.2 million from 2003 as a result of lower revenues from chilled water sales, which were directly impacted by mild weather in 2004.

Operating Expenses: Total 2005 operating expenses of \$241.4 million in 2005 increased by \$26.9 million or 12.6% over 2004 levels. This increase reflects primarily a significant increase in contractual services combined with smaller increases in personal services and depreciation expense. These increases have been partially mitigated by an increase in the total dollar amount of costs capitalized in connection with the System's construction initiatives.

The increase in contractual services as compared to the prior year of \$18.1 million or 26.2% was driven primarily by increased costs associated with the procurement of water supplies. Contractual payments associated with the procurement of existing water supplies or the development of future water supplies increased by almost \$11 million during 2005 with an additional \$4.8 million of expense being recognized as a result of a legal settlement relating to a water supply project and a contingent accrual established with respect to another water supply initiative. Another driver behind the increase in contractual services was a \$4.6 million increase in utilities costs as compared to 2004. This increase was primarily driven by the increased energy consumption associated with a 4.1% increase in the amount of water pumped from the Edwards Aquifer in 2005 as compared to 2004, as well as the increase associated with generating the chilled water and steam discussed above.

Personal services costs increased by approximately \$3.0 million during 2005 while depreciation and amortization expense increased approximately \$7.3 million during the year. The increase in personal services reflects the 3.5% cost of living increase that was effective in January 2005 as well as some cost increases associated with employee insurance and retirement. The increase also reflects the costs associated with providing all employees other than the executive management team a one time productivity bonus of \$500. The increase in depreciation and amortization expense reflects the 8.8% increase in utility plant in service that has taken place over the course of 2005.

Total operating expenses of \$214.5 million in 2004 increased by 2.3% as compared to 2003. This increase was driven primarily by an increase in depreciation expense of approximately \$3.6 million over 2003 levels, and reflects the new plant additions placed into service during 2004. Also contributing to the higher level of operating expenses was an increase in salary costs during the year. This increase was due to several factors including a 1.8% cost of living adjustment and other compensation adjustments related to a job market study performed during 2004, as well as a slight increase in the number of employees. Offsetting these increases was a \$2.3 million reduction in utilities expense during 2004. This reduction is directly attributable to improved operational efficiencies and increased levels of rainfall that served to reduce the amount of water pumped during 2004 as compared to 2003.

Non-operating revenues: Non-operating revenues, which primarily represent interest income earned on investments, increased by approximately \$4.1 million during 2005 primarily as a result of the impact of rising interest rates on the average yield earned on the System's investment portfolio. During 2005, the average yield on the System's portfolio was approximately 2.98% as compared to 1.67% for 2004. This increase in average yield of approximately 131 basis points combined with the System's average investment balance of \$314.4 million

generated approximately \$4.1 million in increased interest earnings for the System. During 2004, non-operating revenues declined by approximately \$0.2 million as a result of lower investable balances offset by slightly increased rate levels.

Non-operating Expenses: Non-operating expenses of the System increased approximately \$8.3 million during 2005. The primary component of non-operating expenses, interest expense, increased by approximately \$5.2 million over 2004 levels. This increase in interest expense results from the increased interest rates paid on the System's commercial paper balances during 2005 as a result of the rising short term interest rates experienced during 2005 as well as a slight increase in average debt outstanding during the course of the year. Also contributing to the increased level of non-operating expenses was the increased payment made to the City of San Antonio as a result of the increased revenue levels. The final contributing factor to the increase was a loss on the sale of capital assets of approximately \$1.2 million that was recognized during 2005, primarily as a result of the sale of a packaging plant that was no longer useful to the System's operations. Non-operating expenses increased approximately \$1.2 million during 2004. The primary component of this increase was in interest expense resulting from additional debt issuances in 2004. Also contributing to the increase was the increased payment made to the City during 2004 resulting from the increased revenue levels.

Capital Contributions: During the year ended December 31, 2005, the System recorded plant contributions from developers in the amount of \$48.2 million as capital contributions. Additionally, the System assessed capital recovery fees of \$33.2 million that were also recorded as capital contributions. In 2004 and 2003, plant contributions totaled \$45.3 million and \$52.1 million, respectively, while impact fee assessments totaled \$24.2 million and \$14.2 million, respectively. The amount of these capital contributions can vary from year to year depending on the level of development in the System's service territory. The amount of capital contributions received by the System in all periods reflects the continued strong growth in development being experienced within the San Antonio region. The amount of impact fees collected in 2005 was also favorably impacted by an increase in the assessment level of one of these fees.

STATEMENTS OF CASH FLOWS

During 2005, the System generated strong operating cash flows of \$152.6 million. This amount, supported by the strong growth in operating revenues, represents a 40.4% increase over 2004 levels. The strong operating cash flows for 2005 combined with \$33.2 million of impact fee collections and \$10.9 million in proceeds from the sale of fixed assets, allowed the System to fund capital spending of \$177.7 million while only incurring net additional indebtedness of approximately \$73 million. Total capital spending declined by approximately \$6.9 million over 2004 levels as the System continued its initiatives to expand and improve its distribution and collection systems while continuing to develop new water supply projects as well however, 2004 spending included the purchase of the new headquarters. A rise in short term interest rates coupled with slightly increased debt levels over the prior year resulted in increased interest payments of approximately \$5.3 million in 2005.

For the year ended December 31, 2004, the System utilized the cash that was generated from the year's operations and the proceeds from its Revenue and Refunding Bonds, Series 2004, to fund its capital expenditure program. Total capital spending for the year of \$184.6 million was \$55.3 million lower than the previous year due to reduced 2004 spending requirements in connection with the Aquifer Storage and Recovery Project. Total cash generated from operations increased by \$22.3 million during 2004 reflecting the increased revenues generated by the System during 2004 as compared to 2003.

ECONOMIC OUTLOOK FOR THE FUTURE

A 2% growth in the customer base has been consistent for several years with slightly higher growth experienced more recently. It is expected that this growth will continue in the foreseeable future. However, due to the continuing effect of conservation programs on operating revenues as well as the ongoing capital requirements to replace and maintain its existing infrastructure, the water delivery and wastewater businesses are expected to require future rate adjustments.

The System's multi-year financial plan includes the development of long-term water supplies to diversify the region's existing water supplies as well as to accommodate continued growth. To accomplish these goals, the System will require additional revenue through rate increases in the future that will be addressed as required each year.

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This Comprehensive Annual Financial Report is provided to our citizens, taxpayers, customers, investors and creditors as a general overview of the System's financial condition and results of operation with a general explanation of the factors affecting the finances of the System. It is provided to demonstrate the System's accountability for the revenues it collects and the expenditures it makes for the services provided. If you have questions about this report or need additional financial information, contact:

Douglas P. Evanson,
VP/Chief Financial Officer
San Antonio Water System
PO Box 2449
San Antonio, Texas 78298

Information about the San Antonio Water System can also be obtained through the Internet at www.saws.org.

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BASIC FINANCIAL STATEMENTS

**San Antonio Water System
BALANCE SHEETS**

	December 31,	
	2005	2004
CURRENT ASSETS		
Unrestricted Current Assets		
Cash and cash equivalents - Note C	\$ 11,890,888	\$ 2,847,132
Investments - Note C	109,949,199	88,664,975
Accrued interest receivable	879,877	1,211,378
Accounts receivable, net of allowances - Note D for uncollectable accounts of \$734,769 and \$568,848, respectively	40,530,254	32,197,921
Inventory - materials and supplies	4,786,265	4,537,892
Prepaid expenses and other assets	2,111,117	3,034,787
Total unrestricted current assets	<u>170,147,600</u>	<u>132,494,085</u>
Restricted Current Assets:		
Debt Service Fund:		
Cash and cash equivalents - Note C	38,620	72,704
Investments - Note C	24,219,332	18,784,661
Construction Funds:		
Cash and cash equivalents - Note C	5,327,803	12,890,834
Investments - Note C	171,508,841	154,067,731
Conservation:		
Investments - Note C	2,409,363	2,503,665
Other:		
Common stock - Note C	-	5,819,192
Customers' deposits:		
Investments - Note C	6,211,381	5,952,486
Total restricted current assets	<u>209,715,340</u>	<u>200,091,273</u>
Total current assets	<u>379,862,940</u>	<u>332,585,358</u>
NONCURRENT ASSETS		
Unrestricted Assets:		
Investments - Note C	5,766,822	16,004,413
Total unrestricted noncurrent assets	<u>5,766,822</u>	<u>16,004,413</u>
Assets Held for Resale - Note N	2,760,000	8,210,012
Unamortized Refunding Bond Expenses	13,760,572	10,659,959
Capital Assets:		
Utility plant in service - Note E	2,607,372,575	2,396,554,144
Less allowance for depreciation	861,162,744	798,456,941
	<u>1,746,209,831</u>	<u>1,598,097,203</u>
Land and water rights - Note E	108,869,520	82,338,637
Construction in progress	483,200,611	499,585,286
Total capital assets (net of accumulated depreciation)	<u>2,338,279,962</u>	<u>2,180,021,126</u>
Total Noncurrent Assets	<u>2,360,567,356</u>	<u>2,214,895,510</u>
TOTAL ASSETS	<u>\$ 2,740,430,296</u>	<u>\$ 2,547,480,868</u>

The accompanying notes to financial statements form an integral part of this statement.

**San Antonio Water System
BALANCE SHEETS**

	December 31,	
	2005	2004
LIABILITIES		
Current Liabilities to be paid from Unrestricted Assets		
Accounts payable	\$ 5,925,941	\$ 12,830,587
Sewer service collections payable	276,325	256,013
Capital leases payable	35,616	311,215
Notes payable - Note F	389,668	315,885
Accrued vacation payable - Note G	2,943,341	2,816,887
Accrued payroll and benefits	2,345,906	2,539,894
Accrued claims payable - Note G	2,552,429	2,477,402
Accrued stormwater services	2,041,051	1,669,929
Sundry payables and accruals - Note G	17,731,181	6,049,273
Total	34,241,458	29,267,085
Current Liabilities to be paid from Restricted Assets		
Debt Service Fund:		
Accrued interest payable	8,280,265	7,151,404
Construction Funds:		
Contract retainage payable	5,763,840	9,446,172
Advances for construction	1,736,285	1,550,392
Customers' deposits	6,211,381	5,952,486
Revenue bonds payable within one year - Note H	22,415,000	16,505,000
Total Restricted Current Liabilities	44,406,771	40,605,454
Total Current Liabilities	78,648,229	69,872,539
Noncurrent Liabilities		
Capital leases payable	35,615	7,553
Notes payable - Note F	990,952	1,380,619
Accrued vacation payable - Note G	2,014,743	1,879,465
Commercial paper notes - Note H	98,000,000	238,400,000
Revenue bonds payable after one year - Note H	1,351,510,000	1,145,905,000
Unamortized premium	14,139,190	9,078,394
Less unamortized loss	(26,242,755)	(22,727,392)
Less unamortized discount	(13,767,610)	(14,382,320)
Total Noncurrent liabilities	1,426,680,135	1,359,541,319
TOTAL LIABILITIES	1,505,328,364	1,429,413,858
EQUITY		
Restricted:		
Restricted for debt service fund	15,977,687	11,705,961
Restricted for conservation	2,409,363	2,503,665
Total Restricted	18,387,050	14,209,626
Invested in capital assets, net of related debt	1,057,177,560	973,541,023
Unrestricted	159,537,322	130,316,361
TOTAL EQUITY	1,235,101,932	1,118,067,010
TOTAL LIABILITIES AND EQUITY	\$ 2,740,430,296	\$ 2,547,480,868

The accompanying notes to financial statements form an integral part of this statement.

San Antonio Water System
STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN EQUITY
For the Years Ended December 31,

OPERATING REVENUES	2005	2004
Water delivery system	\$ 93,419,939	\$ 72,888,054
Water supply system	108,045,245	78,546,461
Wastewater system	113,333,959	99,224,713
Chilled water and steam system	13,370,759	12,027,528
Total operating revenues	<u>328,169,902</u>	<u>262,686,756</u>
 OPERATING EXPENSES		
Personal services	77,440,762	74,416,616
Contractual services	87,272,198	69,126,680
Material and supplies	15,035,269	14,144,227
Other charges	15,752,184	15,474,823
Less: Costs capitalized to Construction in Progress	(22,714,359)	(19,052,929)
Internal service fund - net (gain)/loss	703,836	(249,453)
Total operating expenses before depreciation	<u>173,489,890</u>	<u>153,859,964</u>
Depreciation expense	<u>67,957,900</u>	<u>60,645,869</u>
Total operating expenses	<u>241,447,790</u>	<u>214,505,833</u>
Operating income	86,722,112	48,180,923
 NONOPERATING REVENUES		
Interest earned and miscellaneous	11,280,590	6,703,218
Net increase (decrease) in the fair value of investments	<u>(112,729)</u>	<u>357,459</u>
Total nonoperating revenues	11,167,861	7,060,677
 NONOPERATING EXPENSES		
Amortization of refunding bond expense	537,339	499,745
Other finance charges	931,097	1,144,437
Interest expense:		
Revenue bonds and commercial paper	45,178,837	39,933,414
Amortized discount/premium/loss/expense	1,480,454	1,485,132
Capital leases	129,234	174,478
(Gain)/Loss on sale of capital assets	1,226,777	(131,277)
Payments to the City of San Antonio	8,982,657	7,101,972
Payments to other entities	<u>213,362</u>	<u>184,100</u>
Total nonoperating expenses	<u>58,679,757</u>	<u>50,392,001</u>
Special items - Note N	<u>(3,584,164)</u>	<u>(9,786,120)</u>
Increase/(Decrease) in equity, before capital contributions	35,626,052	(4,936,521)
Capital contributions	<u>81,408,870</u>	<u>69,527,611</u>
CHANGE IN EQUITY	117,034,922	64,591,090
EQUITY, BEGINNING OF YEAR (as restated - Note O)	<u>1,118,067,010</u>	<u>1,053,475,920</u>
EQUITY, END OF YEAR	<u>\$ 1,235,101,932</u>	<u>\$ 1,118,067,010</u>

The accompanying notes to financial statements form an integral part of this statement.

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San Antonio Water System
STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 320,096,463	\$ 259,090,890
Cash paid to vendors for operations	(103,260,052)	(85,583,074)
Cash paid to employees for services	(64,243,072)	(64,820,555)
Net cash provided by operating activities	152,593,339	108,687,261
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Payments to the City of San Antonio	(5,798,739)	(4,417,485)
Payments to other entities	(155,598)	(139,163)
Net cash used for noncapital financing activities	(5,954,337)	(4,556,648)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	10,911,373	289,065
Proceeds from developers for plant construction	33,171,028	24,842,110
Proceeds from commercial paper	86,600,000	-
Proceeds from Revenue bonds	298,220,000	121,700,000
Proceeds from grants	273,016	829,187
Payment to employees for construction of plant	(13,129,945)	(8,837,070)
Payment to vendors for construction of plant	(9,584,414)	(10,427,963)
Payments for acquisition of equipment and furniture	(7,425,726)	(8,079,640)
Payments for acquisition of property and plant	(147,546,373)	(157,288,601)
Payment for retirement of commercial paper	(227,000,000)	(30,600,000)
Payment on Defeasement on Revenue bonds	(70,200,000)	-
Payment for retirement of Revenue Bonds	(16,505,000)	(7,735,000)
Payment for bond related expenses	(2,958,262)	(2,669,066)
Payment of interest on tax exempt commercial paper	(5,362,882)	(2,805,893)
Payment of interest on revenue bonds	(54,986,959)	(52,204,800)
Payment for bank charges	(931,097)	(1,144,437)
Payment on capital leases	(328,234)	(338,179)
Payment on note payable	(480,000)	(480,000)
Net cash used for capital and related financing activities	(127,263,475)	(134,950,287)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(691,852,553)	(503,966,635)
Maturity of investments	657,863,251	505,626,029
Proceeds from sale of stock	5,608,754	-
Interest income and other	10,451,662	6,573,753
Net cash provided by/(used for) investing activities	(17,928,886)	8,233,147
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	1,446,641	(22,586,527)
CASH AND CASH EQUIVALENTS, AT BEGINNING OF YEAR	15,810,670	38,397,197
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 17,257,311	\$ 15,810,670

The accompanying notes to financial statements form an integral part of this statement.

San Antonio Water System
STATEMENTS OF CASH FLOWS
For the years ended December 31,

	2005	2004
RECONCILIATION OF CASH AND CASH EQUIVALENTS PER STATEMENTS OF CASH FLOWS TO THE BALANCE SHEETS		
Cash and Cash Equivalents		
Unrestricted		
System Fund	\$ 3,544,244	\$ 2,152,932
Construction Fund	8,346,644	694,200
Restricted		
Debt Service Fund	38,620	72,704
Construction Fund	5,327,803	12,890,834
	\$ 17,257,311	\$ 15,810,670

RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES

Operating Income	\$ 86,722,112	\$ 48,180,923
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	67,957,900	60,645,869
Change in assets and liabilities:		
(Increase) in accounts receivable	(8,332,333)	(3,920,951)
(Increase) in inventory	(248,373)	(490,909)
Decrease in prepaid expenses	923,670	256,893
(Decrease)/Increase in accounts payable	(6,904,645)	308,751
Increase in amount due for sewer collections	20,312	46,353
(Decrease)/Increase in accrued payroll and benefits	(193,988)	388,673
Increase in accrued vacation payable	261,732	370,319
Increase in sundry payables and accruals	11,681,908	778,569
Increase in accrued stormwater services	371,122	1,637,520
Increase in claims payables	75,027	160,166
Increase in customers' deposits	258,895	325,085
Total Adjustments	65,871,227	60,506,338
Net cash provided by operating activities	\$ 152,593,339	\$ 108,687,261

NONCASH CAPITAL AND FINANCING ACTIVITIES

The System recorded a non cash payment of \$3,183,918 for the water, reuse, supply and sewer billings to the City of San Antonio.

The system received contributions in the amount of \$48,237,842 from various developers in aid of construction. This amount is recorded as capital contributions.

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NOTES TO FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: On April 30, 1992, the City Council approved Ordinance No. 75686 which effectuated the consolidation of all city owned utilities related to water including the water, wastewater, and water reuse systems as the San Antonio Water System (the System).

The System has been defined in City Ordinance No. 75686 as all properties, facilities, and plants currently owned, operated and maintained by the City and/or the Board of Trustees, for the supply, treatment, transmission and distribution of treated potable water, chilled water and steam, for the collection and treatment of wastewater and for water reuse, together with all future extensions, improvements, purchases, repairs, replacements and additions thereto, and any other projects and programs of the System provided, however, that the City retains the right to incorporate a stormwater system as provided by the Texas Local Government Code.

The pension and retirement plans described in Note L are administered by third parties and are not a part of the reporting entity.

This Comprehensive Annual Financial Report of the System includes no component units. However, the operations of the System as reported herewith are included as a component unit of the City of San Antonio.

Annual Budget: Sixty days prior to the beginning of each fiscal year, the System presents an annual budget prepared on an accrual basis to serve as a tool in controlling and administering the management and operation of the System. The annual budget reflects an estimate of Gross Revenues and disposition of these revenues in accordance with the flow of funds required by Ordinance No. 75686 (See Note B). The annual Budget is submitted to City Council for review and consultation.

Accounting Standards: The System applies all applicable Governmental Accounting Standards Board (GASB) pronouncements as well as any Financial Accounting Standards Board (FASB) statements and interpretations, Accounting Principles Board (APB) opinions and Accounting Research Bulletin's (ARB) issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Fund Accounting: Within the System's enterprise fund accounts, separate self-balancing funds are maintained to account for resources for various purposes, thereby distinguishing balances restricted by management or outside sources from unrestricted resources. Interfund receivable and payable accounts have been eliminated in the financial statements.

Business Segments: System Fund operations are segregated into four core businesses as follows:

- Water Supply – the functions related to the development and provision of additional water resources
- Water Delivery – the function of distributing water to the customer
- Wastewater – the functions of collecting and treating wastewater from the user customer

NOTES TO FINANCIAL STATEMENTS

- Chilled Water and Steam – the function related to providing chilled water and steam to specific customers of the System

Basis of Accounting: The financial statements are prepared using the accrual basis of accounting and the flow of economic resources measurement focus. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the System are charges to customers for water, wastewater, water supply and chilled water and steam services. Operating expenses include the cost of service, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Investments: City Ordinance No. 75686, the System's Investment Policy, and Texas State law allow the System to invest in direct obligations of the United States or its agencies and instrumentalities. Other allowable investments include direct obligations of the State of Texas or its agencies and instrumentalities; secured certificates of deposit issued by state and national banks domiciled in the State of Texas; defined bankers acceptances and commercial paper; collateralized direct repurchase agreements, reverse repurchase agreements; no-load money market mutual funds; investment pools; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk which may affect the value at which these investments are recorded. Investments other than money market investments are reported at fair value.

Money Market Investments: Under the provisions of GASB Statement No. 31, money market investments with a remaining maturity at time of purchase of one year or less are reported at cost.

Inventory: Inventories are valued at the lower of average cost or market.

Unamortized Refunding Bond Expense: Expenses relating to the sale of revenue refunding bonds are amortized on a straight-line basis over the life of the issue.

Compensated Absences: It is the policy of the System to accrue employee vacation pay as earned and to accrue an additional amount for its portion of Social Security taxes. Sick leave is not accrued as a terminating employee is not paid for accumulated sick leave.

Self-Insurance: The System is self-insured for a portion of workers' compensation, employee's health, employer's liability, public officials' liability, property damage, and certain elements of general liability. A liability has been recorded for the estimated amount of eventual loss which will be incurred on claims arising prior to the end of the period.

NOTES TO FINANCIAL STATEMENTS

Cash Flows Statement: For purposes of the statement of cash flows, the System considers all investments and time deposits with an original maturity of 90 days or less to be cash equivalents.

Capital Assets: Capital assets in service are recorded on the unit cost equal to or greater than \$1,000. Assets acquired through capital leases are recorded on the cost basis and included in utility plant in service. Assets acquired through contributions, such as those from land developers, are capitalized and recorded in the plant accounts at estimated fair market value at date of donation. It is the policy of the System to capitalize certain interest costs on revenue bonds and commercial paper associated with newly constructed utility plant additions. Maintenance, repairs, and minor renewals are charged to operating expense; major plant replacements are capitalized. Capital assets are depreciated and property under capital lease is amortized on the straight-line method. This method is applied to all individual assets except distribution mains. Groups of mains are depreciated on the straight-line method using rates estimated to fully depreciate the costs of the asset group over their estimated average useful lives. The table below shows an estimated average of useful lives used in providing for depreciation of capital assets:

Structures and improvements	50 years
Pumping and purification equipment	10 - 50 years
Distribution and transmission system	25 - 50 years
Collection system	50 years
Treatment facilities	25 years
Equipment and machinery	5 - 20 years
Furniture and fixtures	10 years
Computer equipment	5 years
Software	3 years

Capital Contributions: The State of Texas allows the assessment of system development fees or capital recovery fees that may be used only for additional infrastructure capacity. In accordance with GASB No.33 these fees are recorded as revenues.

Estimates: The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTES TO FINANCIAL STATEMENTS

Reclassifications: Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year's presentation.

NOTE B - CITY ORDINANCE NO. 75686

Funds Flow: City Ordinance No. 75686 requires that Gross Revenues of the System be applied in sequence to: (1) System Fund for payment of current maintenance and operating expenses including a two-month reserve amount based upon the budgeted amount of maintenance and operating expenses for the current Fiscal year; (2) Debt Service Fund requirements of Senior Lien Obligations; (3) Reserve Fund requirements of Senior Lien Obligations; (4) Interest and Sinking Fund and Reserve Fund requirements of Junior Lien Obligations; (5) Interest and Sinking Fund and Reserve Fund requirements of Subordinate Lien Obligations; (6) Payment of amounts required on Inferior Lien Obligations, and (7) Transfers to the City's General Fund and to the Renewal and Replacement Fund.

Reuse Contract: The System has a contract with CPS Energy, the city owned electricity and gas utility, for the provision of reuse water. According to City Ordinance No. 75686, the revenues derived from the contract have been restricted in use to only reuse activities and are excluded from the calculation of Gross Revenue, and are not included in any transfers to the City's General Fund.

No Free Service: City Ordinance No. 75686 also provides for no free services except for municipal fire-fighting purposes.

NOTE C - DEPOSITS AND INVESTMENTS

Deposits: All funds of the System are deposited at JP Morgan Chase Bank N.A., the System's general depository bank. The System's general depository agreement does not require the system to maintain an average monthly balance. As required by state law, all System deposits are fully collateralized and/or are covered by federal depository insurance. At December 31, 2005, the collateral pledged is being held by the Federal Reserve Bank of New York under the System's name so the System incurs no custodial credit risk. As of December 31, 2005, the bank balance of the System's demand and savings account was \$12,870,613 and the reported amount was \$8,711,355 which includes \$238,814 of cash on hand. As of December 31, 2004, the bank balance of the System's demand and savings account was \$9,582,614 and the reported amount was \$7,243,108 which included \$191,353 of cash on hand.

Investments: As of December 31, 2005, all investments of the System, with the exception of those held in escrow, are in securities of the U.S. Treasury or Agencies of the United States and are held in safekeeping by the System's general depository bank, JP Morgan Chase Bank N.A., registered as accounts of the System. Funds held in escrow, are Money Market Funds managed by Wachovia Bank and JP Morgan Chase Bank N.A. and are

NOTES TO FINANCIAL STATEMENTS

invested in U.S. Treasury Obligations. Investments are classified as current and non-current based on the maturity dates as of the end of the fiscal year.

The System had the following investments and maturities at December 31, 2005 and 2004:

December 31, 2005						
Investment Type	Investment Maturities (in Days)				Fair Value	Reported Amount
	90 days or less	91 to 180	181 to 365	Greater Than 365		
U.S. Treasury Bills	\$ 37,817,203	\$ 33,309,694	\$ -	\$ -	\$ 71,126,897	\$ 71,157,626
U.S. Treasury Notes	19,878,538	8,955,180	-	-	28,833,718	28,846,685
U.S. Agency Discount Notes	101,000,040	65,942,671	-	-	166,942,711	167,078,657
U.S. Agency Coupon Notes	24,048,328	10,786,242	9,858,146	5,734,320	50,427,036	50,453,526
Money Market Funds held in Escrow:						
Wachovia Bank	8,080,228	-	-	-	8,080,228	8,080,228
JP Morgan Chase Bank N.A.	2,994,172	-	-	-	2,994,172	2,994,172
	<u>\$193,818,509</u>	<u>\$118,993,787</u>	<u>\$ 9,858,146</u>	<u>\$ 5,734,320</u>	<u>\$ 328,404,762</u>	<u>\$ 328,610,894</u>

December 31, 2004						
Investment Type	Investment Maturities (in Days)				Fair Value	Reported Amount
	Less Than 90	91 to 180	181 to 365	Greater Than 365		
U.S. Treasury Bills	\$ 14,181,074	\$ 13,695,009	\$ -	\$ -	\$ 27,876,083	\$ 27,892,405
U.S. Treasury Notes	-	13,939,432	54,912,338	882,938	69,734,758	69,852,710
U.S. Agency Discount Notes	50,757,518	36,970,336	4,266,338	-	91,994,191	92,125,632
U.S. Agency Coupon Notes	27,270,378	15,836,412	32,542,433	15,147,150	93,796,372	93,871,887
Money Market Funds held in Escrow:						
Wachovia Bank	7,876,911	-	-	-	7,876,911	7,876,911
JP Morgan Chase/Bank One	2,925,948	-	-	-	2,925,948	2,925,948
	<u>\$103,011,829</u>	<u>\$ 80,441,189</u>	<u>\$91,721,109</u>	<u>\$ 16,030,088</u>	<u>\$ 294,204,263</u>	<u>\$ 294,545,493</u>

Interest Rate Risk: As a means of limiting its exposure to fair value losses due to rising interest rates, the System's investment policy limits its investments maturities to no more than five years. As of December 31, 2005 more than 98% of the System's investment portfolio is invested in maturities less than one year. Investment maturities are as follows:

<u>Maturity</u>	<u>Percent of Portfolio</u>
Zero to 90 days	59%
91 to 180 days	36%
181 to 365 days	3%
More than one year	2%

NOTES TO FINANCIAL STATEMENTS

Credit Risk. The System's investments in government-sponsored entities such as Federal Home Loan Bank Federal National Mortgage Association, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank were rated Aaa by Moody's Investors Service and AAA by Standard & Poor's and Fitch Ratings. The investments in money market funds were rated Aaa by Moody's Investor Service and AAA by Standard & Poor's.

Concentration of Credit Risk: The investment policy of the System does not limit the amount it may invest in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities. However, in order to manage its exposure to credit risk, the System's investment policy does limit the amount it can invest in any one government-sponsored issuer to no more than 50% of the total investment portfolio, and no more than 5% of the total investment portfolio on any non-government issuer unless it is fully collateralized. As of December 31, 2005, the System has invested more than five percent of its investments in the following government-sponsored entities, in the form of discount or coupon notes:

Federal Home Loan Bank	11.19%
Federal National Mortgage Association	27.46%
Federal Home Loan Mortgage Corporation	27.21%

Stock Investment: The demutualization of Metropolitan Life Insurance on April 7, 2000, made the System, a policyholder, eligible to receive compensation for the membership interest for the dental plan provided as a benefit for employees. The demutualization compensation consisted of a distribution of 7,567 shares of MetLife, Inc. Common Stock. On the date of issue, the stock was priced at \$14.25 per share for a total value to the System of \$107,830.

On October 26, 2001, with the demutualization of Principal Financial Group, Inc. the System received compensation for the membership interest for the life insurance provided as a benefit for employees and retirees. The demutualization compensation consisted of a distribution of 134,652 shares of Principal Financial Group, Inc. Common Stock. On the date of issuance, the stock was priced at \$23.35 per share for a total value to the System of \$3,144,124. Upon the identification of these securities, these two stock transactions were recorded on the System's financial records as of December 31, 2004. Given the appreciation in these securities subsequent to the demutualization, in accordance with GASB 31, an unrealized gain was recorded in the amount of \$2,368,529 for Principal Financial Group, Inc. and \$198,709 for Metlife, Inc. In 2005, the System sold its stock for \$5,608,754 and realized a gain on the sale of \$2,356,801.

NOTES TO FINANCIAL STATEMENTS

The following is a reconciliation of deposits and investments from the note to the balance sheets for 2005 and 2004:

	2005	2004
Reported Amounts from Notes as presented above:		
Deposits	\$ 8,711,355	\$ 7,243,108
Investments	328,610,894	294,545,493
Common Stock:		
PFG	-	5,512,653
MET	-	306,539
	<u>\$337,322,249</u>	<u>\$307,607,793</u>
Totals from Balance Sheets:		
Cash and Cash Equivalents:		
Unrestricted Cash and Cash Equivalents	\$ 11,890,888	\$ 2,847,132
Restricted - Cash and Cash Equivalents:		
Construction Funds	5,327,803	12,890,834
Debt Service Fund	38,620	72,704
Total Cash and Cash Equivalents	<u>17,257,311</u>	<u>15,810,670</u>
Investments:		
Unrestricted current investments	109,949,199	88,664,975
Restricted current investments:		
Debt Service Fund	24,219,332	18,784,661
Construction Funds	171,508,841	154,067,731
Common Stock	-	5,819,192
Customer Deposits	6,211,381	5,952,486
Conservation	2,409,363	2,503,665
Total current restricted investments	<u>204,348,917</u>	<u>187,127,735</u>
Total current investments	<u>314,298,116</u>	<u>275,792,710</u>
Unrestricted noncurrent investments	5,766,822	16,004,413
Total Cash, Cash Equivalents and Investments	<u>\$337,322,249</u>	<u>\$307,607,793</u>

NOTE D – ACCOUNTS RECEIVABLE

Accounts receivable, net of allowance for uncollectible accounts, totaling \$40.5 million and \$32.2 million as of December 31, 2005 and 2004 are broken down by core business as follows: Water Delivery \$11.8 million, Wastewater \$14.2 million, Water Supply \$13.0 million and Chilled Water & Steam \$1.6 million. The corresponding amounts as of December 31, 2004 are as follows: Water Delivery \$10.5 million, Wastewater \$12.1 million, Water Supply \$8.3 million and Chilled Water & Steam \$1.3 million. Accounts receivable are comprised of water, sewer, water supply fee and EAA (Edwards Aquifer Authority) receivables as well as sundry charges receivables.

NOTES TO FINANCIAL STATEMENTS

NOTE E – CAPITAL ASSETS

A summary of capital asset activity for the years ended December 31, 2005 is as follows:

	December 31, 2004	Increases	Transfers	Decreases	December 31, 2005
Capital Assets, not being depreciated:					
Land	\$ 63,536,938	\$ 9,968,334	\$ -	\$ 682,698	\$ 72,822,574
Acquisition of Water Rights	18,801,699	17,245,247	-	-	36,046,946
Construction in Progress	499,585,286	219,821,215	-	236,205,890	483,200,611
Total capital assets, not being depreciated	<u>581,923,923</u>	<u>247,034,796</u>	<u>-</u>	<u>236,888,588</u>	<u>592,070,131</u>
Capital assets, being depreciated					
Structures and improvements	291,262,309	24,807,183	-	4,092,504	311,976,988
Pumping and purification equipment	58,181,543	21,342,860	-	-	79,524,403
Distribution and transmission system	916,771,326	105,907,863	70,200	1,804,824	1,020,944,565
Treatment facilities	1,027,287,298	60,382,430	(70,200)	2,436,830	1,085,162,698
Equipment and machinery	79,107,044	4,709,050	-	1,067,745	82,748,349
Furniture and fixtures	3,468,609	1,383,560	(8,981)	20,297	4,822,891
Computer equipment	14,018,476	927,707	8,981	517,349	14,437,815
Software	6,457,539	1,515,758	-	218,431	7,754,866
Total capital assets being depreciated/amortized	<u>2,396,554,144</u>	<u>220,976,411</u>	<u>-</u>	<u>10,157,980</u>	<u>2,607,372,575</u>
Less accumulated depreciation					
Structures and improvements	(63,402,359)	(6,264,419)	-	(1,363,141)	(68,303,637)
Pumping and purification equipment	(13,808,308)	(2,208,547)	-	-	(16,016,855)
Distribution and transmission system	(276,510,664)	(24,023,267)	(602)	(1,767,606)	(298,766,927)
Treatment facilities	(381,833,226)	(26,969,190)	602	(440,551)	(408,361,263)
Equipment and machinery	(46,116,535)	(5,201,266)	-	(959,741)	(50,358,060)
Furniture and fixtures	(2,405,279)	(337,063)	2,607	(19,075)	(2,720,660)
Computer equipment	(8,967,154)	(1,871,766)	(2,607)	(483,240)	(10,358,287)
Software	(5,413,416)	(1,082,381)	-	(218,742)	(6,277,055)
Total accumulated depreciation	<u>(798,456,941)</u>	<u>(67,957,899)</u>	<u>-</u>	<u>(5,252,096)</u>	<u>(861,162,744)</u>
Total capital assets, being depreciated	<u>\$ 1,598,097,203</u>	<u>\$ 153,018,512</u>	<u>\$ -</u>	<u>\$ 4,905,884</u>	<u>\$ 1,746,209,831</u>
Capital assets, net	<u>\$ 2,180,021,126</u>	<u>\$ 400,053,308</u>	<u>\$ -</u>	<u>\$ 241,794,472</u>	<u>\$ 2,338,279,962</u>

NOTES TO FINANCIAL STATEMENTS

A summary of capital asset activity for the years ended December 31, 2004 is as follows:

	December 31, 2003	Increases	Transfers	Decreases	December 31, 2004
Capital Assets, not being depreciated:					
Land	\$ 68,976,930	\$ 8,814,849	\$ (9,788)	\$ 14,245,051	\$ 63,536,938
Acquisition of Water Rights	18,077,019	724,680	-	-	18,801,699
Construction in Progress	418,448,809	224,216,061	-	143,079,587	499,585,286
Total capital assets, not being depreciated	505,502,758	233,755,590	(9,788)	157,324,638	581,923,923
Capital assets, being depreciated					
Structures and improvements	251,595,913	39,666,396	-	-	291,262,309
Pumping and purification equipment	46,936,042	12,130,200	(765,475)	119,223	58,181,543
Distribution and transmission system	873,001,075	44,937,004	(42,449)	1,124,305	916,771,326
Treatment facilities	973,782,115	52,830,146	691,585	16,548	1,027,287,298
Equipment and machinery	76,504,366	5,345,701	150,526	2,893,550	79,107,044
Furniture and fixtures	3,432,803	48,327	-	12,521	3,468,609
Computer equipment	13,486,014	2,273,878	(24,399)	1,717,017	14,018,476
Software	5,812,451	1,028,779	-	383,691	6,457,539
Total capital assets being depreciated/amortized	2,244,550,779	158,260,433	9,788	6,266,855	2,396,554,144
Less accumulated depreciation for:					
Structures and improvements	(58,053,687)	(5,348,672)	-	-	(63,402,358)
Pumping and purification equipment	(12,866,561)	(941,747)	-	-	(13,808,308)
Distribution and transmission system	(256,396,877)	(21,238,141)	51	(1,124,303)	(276,510,665)
Treatment facilities	(356,276,285)	(25,563,400)	(51)	(6,509)	(381,833,225)
Equipment and machinery	(43,945,815)	(4,886,927)	-	(2,716,206)	(46,116,536)
Furniture and fixtures	(2,057,314)	(359,366)	-	(11,401)	(2,405,279)
Computer equipment	(8,692,837)	(1,912,932)	-	(1,638,596)	(8,967,154)
Software	(5,402,426)	(394,682)	-	(383,691)	(5,413,416)
Total accumulated depreciation	(743,691,802)	(60,645,867)	-	(5,880,706)	(798,456,941)
Total capital assets, being depreciated	1,500,858,977	97,614,566	9,788	386,149	1,598,097,203
Capital assets, net	\$ 2,006,361,734	\$ 331,370,154	\$ -	\$ 157,710,787	\$ 2,180,021,126

NOTES TO FINANCIAL STATEMENTS

NOTE F - NOTE PAYABLE

During fiscal year 2000, a contract was entered into between the System and CPS Energy whereby the System acquired water rights valued at \$3,592,678 from certain CPS Energy owned properties. In exchange for these water rights, a note was signed for 116 payments of \$40,000 at an interest rate of 7.5%. The liability as of December 31, 2005, is reflected on the balance sheet for both the current portion of \$389,668 and long-term amount of \$990,952. The following is a summary of future obligations under this note payable:

CPS Energy Note Payable			
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Requirements</u>
<u>December 31,</u>			
2006	\$ 389,668	\$ 90,332	\$ 480,000
2007	419,918	60,082	480,000
2008	452,518	27,482	480,000
2009	118,516	1,484	120,000
Total	<u>\$ 1,380,620</u>	<u>\$ 179,380</u>	<u>\$ 1,560,000</u>

NOTE G – OTHER LIABILITIES

Accrued Vacation Payable: The System records an accrual for vacation payable for all full time employees and pays unused vacation hours available at the end of employment with the final paycheck.

	<u>Liability</u>		<u>Liability</u>		
	<u>Balance at</u>		<u>Balance at</u>	<u>Estimated</u>	
	<u>Beginning of</u>	<u>Current-Year</u>	<u>End of</u>	<u>Due Within</u>	
	<u>Fiscal Year</u>	<u>Accruals</u>	<u>Fiscal Year</u>	<u>One Year</u>	
		<u>Payments</u>			
Year Ended					
December 31, 2004	\$ 4,326,032	\$ 3,187,207	\$ (2,816,887)	\$ 4,696,352	\$ 2,816,887
Year Ended					
December 31, 2005	\$ 4,696,352	\$ 3,205,073	\$ (2,943,341)	\$ 4,958,084	\$ 2,943,341

NOTES TO FINANCIAL STATEMENTS

Sundry Payable and Accruals: The System had sundry payables and accruals totaling \$17,731,181 and \$6,049,273 as of December 31, 2005 and 2004, respectively. A detailed breakdown of amounts included in these totals is provided in the table below:

<u>Sundry payables and accruals</u>		
<u>Account Description</u>	<u>2005</u>	<u>2004</u>
Accrued Ordinance Payments to City	\$ 651,030	\$ 448,044
Payroll Liabilities	3,086,392	2,254,390
Miscellaneous accruals	8,167,589	2,958,920
Contingency accrual	3,896,594	-
Utility accrual	1,364,279	-
Undainged Property	140,319	91,490
Unearned Accruals	424,978	296,429
	<u>\$17,731,181</u>	<u>\$ 6,049,273</u>

Risk Management: The System is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The System is self administered and self-insured for the first \$500,000 of each worker's compensation and general liability, automobile liability and public official's liability claim and \$250,000 for each pollution legal liability claim. Claims that exceed the self-insured retention limit are covered through the System's comprehensive commercial insurance program. For the year ended December 31, 2005, there were no reductions in insurance coverage from the previous year and there were no claims that exceeded the self-insured retention limit. Settled claims have never exceeded the insurance coverage in any year for the System. The System has recorded accrued claims liability in the amount of \$2,552,429 as of December 31, 2005, which is reported as a current liability of the System. The claims liability, including incurred but not reported claims, is based on the estimated ultimate cost of settling the claims. The claims liability includes medical and rehabilitation costs, which are considered incremental claim adjustment expenses. Changes in the liability amount for the last two fiscal years were as follows:

	Balance at Beginning of Fiscal-Year	Current-Year Accruals	Payments	Balance at Fiscal Year-End	Estimated Due Within One Year
Year Ended	<u>Liability</u>	<u>Accruals</u>	<u>Payments</u>	<u>Liability</u>	<u>One Year</u>
December 31, 2004	\$2,317,236	\$ 1,674,745	\$(1,514,579)	\$ 2,477,402	\$2,477,402
Year Ended December 31, 2005	\$2,477,402	\$ 1,541,697	\$(1,466,670)	\$ 2,552,429	\$2,552,429

NOTES TO FINANCIAL STATEMENTS

NOTE H – LONG TERM DEBT

REVENUE BONDS: On December 15, 2005, the System issued \$298,220,000 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2005. The proceeds from the sale of the Bonds were used to (i) advance refund the \$70,200,000 City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 1999, (ii) refund \$227,000,000 in outstanding commercial paper notes, and (iii) pay the cost of issuing the bonds. The bonds are secured together with other outstanding Senior Lien Obligations solely by a lien on and pledge of net revenues. The advance refunding reduced the System’s total debt service payments over the next 20 years by approximately \$7.9 million and the System obtained an economic gain (difference between the present values of the old and new debt service payments) of approximately \$5.9 million.

Senior Lien Water System Revenue Bonds, comprised of Series 1996, Series 1997, Series 2001, Series 2002, Series 2002-A, Series 2004 and Series 2005, outstanding in the amounts of \$1,041,400,000 at December 31, 2005, are collateralized by a senior lien and pledge of the Gross Revenues of the System after deducting and paying the current expenses of operation and maintenance of the System and maintaining an operating reserve for operating and maintenance expenses.

Junior Lien Water System Revenue Bonds, comprised of Series 1999, Series 1999-A, Series 2001, Series 2001-A, Series 2002, Series 2002-A, Series 2003, Series 2004, and Series 2004-A outstanding in the amount of \$214,090,000 at December 31, 2005, are collateralized by a junior lien and pledge of the Gross Revenues of the System after deducting and paying the current expenses of operation and maintenance of the System, maintaining an operating reserve for operating and maintenance expenses, and debt service on senior lien debt.

Subordinate Lien Water System Revenue Bonds, comprised of Series 2003-A and 2003-B, outstanding in the amount of \$118,435,000 at December 31, 2005, are collateralized by a subordinate lien and pledge of the Gross Revenues of the System after deducting and paying the current expenses of operation and maintenance of the System maintaining an operating reserve for operating and maintenance expenses, and debt service on senior lien and junior lien debt.

Revenue bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
Build, improve, extend enlarge, and repair the System	0.10-6.25%	\$1,373,925,000

NOTES TO FINANCIAL STATEMENTS

The following summarizes transactions of the revenue bonds for the years ended December 31, 2005 and 2004:

	Balance Jan. 1, 2005	Additions	Reductions	Balance Dec. 31, 2005	Due Within One Year
Bonds Payable	\$ 1,162,410,000	\$ 298,220,000	\$ 86,705,000	\$ 1,373,925,000	\$ 22,415,000
Less Deferred Amounts: For issuance discounts/ premiums/losses	\$ (28,031,318)	\$ 3,141,614	\$ 5,301,758	\$ (25,871,175)	\$ -
Total Bonds Payable, Net	\$ 1,134,378,682	\$ 295,078,386	\$ 81,403,242	\$ 1,348,053,825	\$ 22,415,000

	Balance Jan. 1, 2004	Additions	Reductions	Balance Dec. 31, 2004	Due Within One Year
Bonds Payable	\$ 1,048,445,000	\$ 121,700,000	\$ 7,735,000	\$ 1,162,410,000	\$ 16,505,000
Less Deferred Amounts: For issuance discounts/ premiums/losses	\$ (29,801,798)	\$ 285,347	\$ 2,055,827	\$ (28,031,318)	\$ -
Total Bonds Payable, Net	\$ 1,018,643,202	\$ 121,414,653	\$ 5,679,173	\$ 1,134,378,682	\$ 16,505,000

The following table shows the annual debt service requirements on the System's debt obligations for each of the next five years and then in five year increments after that.

<u>Year Ended</u> <u>December 31,</u>	<u>Annual Debt Service Requirements</u>					
	<u>Revenue Bonds</u>					
	<u>Subordinate Lien</u> <u>Revenue and</u> <u>Refunding Bonds</u>		<u>Junior Lien</u> <u>Revenue and</u> <u>Refunding Bonds</u>		<u>Senior Lien</u> <u>Revenue and</u> <u>Refunding Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2006	\$ 2,170,000	\$ 4,950,583	\$ 5,100,000	\$ 7,246,806	\$ 15,145,000	\$ 52,748,229
2007	2,275,000	4,859,877	7,850,000	7,044,521	14,755,000	51,931,242
2008	2,375,000	4,764,782	8,085,000	6,796,530	18,705,000	51,044,716
2009	2,485,000	4,665,507	10,285,000	6,519,580	19,585,000	50,046,683
2010	2,600,000	4,561,634	12,555,000	6,186,217	20,065,000	49,024,502
2011 - 2015	14,880,000	21,075,769	69,455,000	24,549,866	110,435,000	229,077,572
2016 - 2020	18,590,000	17,669,696	74,690,000	11,185,581	144,450,000	195,778,191
2021 - 2025	23,235,000	13,413,829	26,070,000	1,504,213	233,570,000	147,103,298
2026 - 2030	29,035,000	8,093,943	-	-	200,335,000	83,997,747
2031 - 2035	20,790,000	1,763,751	-	-	71,145,000	58,069,321
2036 - 2040	-	-	-	-	193,210,000	24,801,818
	\$ 118,435,000	\$ 85,819,371	\$ 214,090,000	\$ 71,033,314	\$ 1,041,400,000	\$ 993,623,319

NOTES TO FINANCIAL STATEMENTS

Pay-Fixed, Receive-Variable Interest Rate Swap

Objective of the Interest Rate Swap: On March 27, 2003, the System entered into an interest rate swap agreement in connection with its City of San Antonio, Texas, Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B (the Series 2003 Bonds) issued in a variable interest rate mode. The Series 2003 Bonds were issued to provide funds for the System's Capital Improvements Program and to refund certain outstanding commercial paper notes. The swap was used to hedge interest rates on the Series 2003 Bonds to a synthetic fixed rate that produced a lower than expected interest rate cost to the System than traditional long term fixed rate bonds.

Terms: The terms, including the counterparty credit ratings of the outstanding swap, as of December 31, 2005, are included in the table below. The System's swap agreement contains scheduled reductions to the outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds. The Series 2003 Bonds were issued on March 27, 2003, with a principal amount of \$122,500,000. The swap was structured to match the principal amortization structure and dates of the Series 2003 Bonds. The counterparty to the swap is Bear Stearns Financial Products, Inc. (Bear Stearns FPI), with the index for the variable rate leg of the SWAP being the Bond Market Association (BMA) Municipal Swap Index.

Related Bonds	Maturity	Counterparty	CP Moody's/S&P/Fitch	Rating by	Variable Rate Received	Fixed Rate Paid	Market Value at December 31, 2005
Series 2003 Bonds	May 1, 2033	Bear Stearns FPI	Aaa/AAA/AAA		BMA	4.18%	\$(2,614,855)

The combination of variable rate bonds and a floating-to-fixed swap creates a synthetic fixed-rate issue for the System. The synthetic fixed-rate protects against the potential of rising interest rates in conjunction with the System's Series 2003 Bonds issued in a weekly mode and achieved a lower fixed rate than in the traditional fixed rate bond market at the time of issuance.

Fair Value: The swap had a negative fair value as of December 31, 2005, of \$2,614,855. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipated future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Credit Risk: As of December 31, 2005, the System was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, the System would be exposed to credit risk in the amount of the swap's fair value. The swap

NOTES TO FINANCIAL STATEMENTS

counterparty, Bear Stearns FPI, was rated AAA by Fitch Ratings and Standard & Poor's and Aaa by Moody's Investors Services as of December 31, 2005. The swap agreement contains a collateral agreement with the counterparty. Collateralization of the fair value of the swap is required should Bear Stearns FPI credit rating fall below the applicable thresholds in the agreement.

Basis Risk: The System is exposed to basis risk to the extent that the interest payments on its variable-rate bonds do not match the variable-rate payments received on the associated swap. The System mitigates this risk by (a) matching the notional amount and amortization schedule of the swap to the principal amount and amortization schedule of the Series 2003 Bonds, and (b) selecting an index for the variable-rate leg of the swap that is reasonably expected to closely match the interest rate resets on the Series 2003 Bonds over the life of the issue.

Termination Risk: The System may terminate for any reason. Bear Stearns FPI may terminate the swap if the System fails to perform under the terms of the agreement. The System's ongoing payment obligations under the swap are insured, and Bear Stearns FPI cannot terminate as long as the insurer does not fail to perform. If the swap should be terminated, the Series 2003 Bonds would no longer carry synthetic fixed interest rates. Also, if at the time of the termination the swap has a negative fair value, the System would be liable to the counterparty for a payment equal to the swap's fair value.

Swap Payments and Associated Debt: As of December 31, 2005, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, are as detailed below. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Pay-Fixed, Receive-Variable Interest Rate Swap
Estimated Debt Service Requirements of Variable-Rate
Debt Outstanding and Net Swap Payments

Year	Variable-Rate Bonds		Interest Rate	Total
	Principal	Interest	Swap, Net	
2006	\$ 2,170,000	\$ 4,141,387	\$ 783,822	\$ 7,095,209
2007	2,275,000	4,062,091	768,814	7,105,905
2008	2,375,000	3,979,196	753,125	7,107,321
2009	2,485,000	3,892,525	736,721	7,114,246
2010	2,600,000	3,801,842	719,558	7,121,400
2011 - 2015	14,880,000	17,497,689	3,311,709	35,689,398
2016 - 2020	18,590,000	14,525,564	2,749,189	35,864,753
2021 - 2025	23,235,000	10,811,691	2,046,281	36,092,972
2026 - 2030	29,035,000	6,169,453	1,167,665	36,372,118
2031 - 2033	20,790,000	1,003,059	189,845	21,982,904
Total	<u>\$118,435,000</u>	<u>\$69,884,497</u>	<u>\$13,226,729</u>	<u>\$201,546,226</u>

NOTES TO FINANCIAL STATEMENTS

OTHER DEBT MATTERS

Debt Covenants: The System is required to comply with various provisions included in the ordinances, which authorized the bond issuances. The System is in compliance with all significant provisions of the ordinances.

Prior Year Defeasance of Debt: In 2005 and prior years, the System defeased certain revenue bonds by placing revenues or proceeds of new bond issues in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and liability for the defeased bonds are not included in the System's financial statements. At December 31, 2005, \$112,040,000 of bonds outstanding are considered defeased.

COMMERCIAL PAPER PROGRAM

The System maintains a Tax Exempt Commercial Paper (TECP) Program that is used to provide funds for the interim financing of a portion of the capital improvements to the System.

On November 17, 2005, the City Council of the City of San Antonio approved the expansion of the TECP Program from \$350 million to \$500 million. The increase in the program provides additional interim financing capacity for the increased level of future expenditures on water resource projects. Notes payable under the program cannot exceed maturities of 270 days and scheduled maturities of the short-term borrowing under the Commercial Paper Program may not extend past June 28, 2041.

The City has covenanted in the Ordinance authorizing the Commercial Paper Program (the Note Ordinance) to maintain at all times credit facilities with banks or other financial institutions which would provide available borrowing sufficient to pay the principal of the Commercial Paper Program. The credit facility is maintained under the terms of a revolving credit agreement.

The issuance of the Notes is further supported by the following agreements and related participants:

- Dealer Agreements with Goldman, Sachs & Co., J.P. Morgan Securities Inc., and Ramirez & Co., Inc.
- Revolving Credit Agreement with Bank of America, N.A.
- Issuing and Paying Agency Agreement with JPMorgan Trust Company, National Association.

The borrowings under the Commercial Paper Program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the Commercial Paper Program and (ii) borrowing under and pursuant to the revolving credit agreement.

Commercial paper notes of \$98,000,000 are outstanding as of December 31, 2005. The proceeds of the notes have been used solely for financing of capital improvements of the System. The tax exempt commercial paper notes have been classified as long-term in accordance with the refinancing terms of the Credit Agreement and because management intends to continue the remarketing of the tax exempt commercial paper notes to maintain a

NOTES TO FINANCIAL STATEMENTS

portion of its debt in variable rates. Interest rates on the notes outstanding at year end range from 2.72% to 3.17% and maturities range from 65 to 155 days. The outstanding notes at December 31, 2005, had an average rate of 3.02% and averaged 81 days to maturity.

The following summarizes transactions of the commercial paper program for the year ended December 31, 2005 and 2004:

	Balance <u>Jan. 1, 2005</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>Dec. 31, 2005</u>
Commercial Paper Notes	<u>\$ 238,400,000</u>	<u>\$ 86,600,000</u>	<u>\$ 227,000,000</u>	<u>\$ 98,000,000</u>

	Balance <u>Jan. 1, 2004</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>Dec. 31, 2004</u>
Commercial Paper Notes	<u>\$ 269,000,000</u>	<u>\$ -</u>	<u>\$ 30,600,000</u>	<u>\$ 238,400,000</u>

NOTE I - CONTINGENCIES AND COMMITMENTS

The System is the subject of various claims and litigation, which have risen in the ordinary course of its operations. Management, in consultation with legal counsel, is of the opinion that the System's liabilities in these cases, if decided adversely to the System, will not be material.

The System is committed under various contracts for completion of construction or acquisition of utility plant totaling approximately \$158.94 million as of December 31, 2005. Funding of this amount will come from excess revenues of the System, contributions from developers, and restricted assets.

As of December 31, 2005, the System has recorded a contingent liability of approximately \$3.9 million related to contractual and/or legal expenditures that are expected to be incurred in the future as a result of actions taken by the System during 2005. While the exact amount of any potential liability that may arise from these actions is indeterminable, management believes that the amount recorded is a reasonable estimate.

In January, 2006, the System settled a legal claim regarding the amount of water pumped under one of its existing water rights agreements. As part of this settlement, the System agreed to pay \$924,140 related to past damages claimed and further modified the existing agreement to require the System to make minimum annual ground water payments of \$337,500 on a take or pay basis. Under the terms of this agreement, the System is required to make

NOTES TO FINANCIAL STATEMENTS

total payments under this contract of \$4.7 million between 2006 and 2020. Additionally, the System has agreed to make payments quarterly in arrears for any residential customers within a defined geographical area that begin taking water service from the System. While it is impossible to estimate the exact amount of any potential future payments associated with this provision of the agreement, management estimates of this potential contingent liability are less than \$5 million.

NOTE J - CAPITALIZED INTEREST COSTS

Interest costs incurred on revenue bonds and commercial paper totaled \$61,478,704 during the year ended December 31, 2005, of which \$16,299,867 was capitalized as part of the cost of the System's utility plant additions.

NOTE K - STORMWATER PROGRAM

The Stormwater Program is a federally mandated program, under the Environmental Protection Agency, for the monitoring of the quality and quantity of pollution found in rain runoff.

The City of San Antonio and the System have administrative responsibility for the Stormwater Program and have entered into an interlocal agreement, which establishes the entities' respective responsibilities. The System's responsibility is in various aspects of data collection and analysis related to the water quality of stormwater and responsibility for customer billings and collection. Costs incurred by the System related to the Stormwater Program are reflected as expenses and are reimbursed by the City.

The following information provides a summary of the operations of the Stormwater Program for the years ended December 31, 2005 and 2004:

	<u>December 31, 2005</u>	<u>December 31, 2004</u>
Operating Revenue	\$ 2,938,366	2,746,327
Operating Expenses	<u>2,730,033</u>	<u>3,097,367</u>
Revenues over (under) Expenses	<u>\$ 208,333</u>	<u>\$ (351,040)</u>

As defined in City Ordinance No. 75686, the Stormwater Program is not considered a part of the System and as such, revenues generated by the Stormwater Program are used to pay expenses of the Stormwater Program but are not available for debt service of the System or for transfer to the City of San Antonio.

NOTES TO FINANCIAL STATEMENTS

NOTE L - PENSION AND RETIREMENT PLANS

The System's retirement program includes benefits provided by the Texas Municipal Retirement System, the San Antonio Water System Retirement Plan, the San Antonio Water System Deferred Compensation Plan, and Social Security.

Covered employees are eligible to retire upon attaining the normal retirement age of 65. An employee may elect early retirement, with reduced benefits, upon attainment of,

1. 20 Years of credited service regardless of age, or
2. 5 years of credited service and at least age 60.

The normal retirement benefit is based upon two factors, average compensation and years of credited service. Average Compensation is defined as the monthly average of total compensation received for the three consecutive years ending December 31, out of the last ten compensation years prior to normal retirement date which gives the highest average. The normal retirement benefit under the Principal contract is equal to the following:

1. 1.2% of the Average Compensation, times years of credited service not in excess of 25 years, plus
2. 0.75% of the Average Compensation, times years of credited service in excess of 25 years but not in excess of 35 years, plus
3. 0.375% of the Average Compensation, times years of credited service in excess of 35 years.

Upon retirement, an employee must select from one of seven alternative payment plans. Each payment plan provides for monthly payments as long as the retired employee lives. The options available address how plan benefits are to be distributed to the designated beneficiary of the retired employee. The program also provides death and disability benefits. The following information related to the Texas Municipal Retirement System was prepared as of December 31, 2004, while the information related to the San Antonio Water Systems Retirement Plan has been prepared as of January 1, 2005.

Texas Municipal Retirement System

The Texas Municipal Retirement System (TMRS) was established in 1948 as a retirement and disability pension system for municipal employees in the State of Texas. It is administered in accordance with the Texas Municipal Retirement System Act (the Act), Subtitle G of Title 110B, Revised Civil Statutes of Texas, 1925 as amended, and is governed by a Board of Directors appointed by the Governor of Texas in accordance with the Act. TMRS issues a publicly available financial report that includes financial information related to participating municipalities. The report may be obtained by writing to:

TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or calling (512) 476-7577.

NOTES TO FINANCIAL STATEMENTS

Plan Description: The System provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan in the state-wide Texas Municipal Retirement System (TMRS), one of 794 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and the System financed monetary credits, with interest. At the date the plan began, the System granted monetary credits for service rendered before the plan began of a theoretical amount equal to two times what would have been contributed by the employee, with interest, prior to the establishment of the plan. Monetary credits for service since the plan began are a percentage (100%, 150%, 200%) of the employee's accumulated contributions. In addition, the System can grant as often as annually another type of monetary credit referred to as an updated service credit which is a theoretical amount that when added to the employee's accumulated contributions and the monetary credits for service since the plan began, would be the total monetary credits and employee contributions accumulated with interest if the current employee contribution rate and System matching percent had always been in existence and if the employee's salary had always been the average of his salary in the last three years that are one year before the effective date. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity.

Members can retire at ages 60 and above with 5 or more years of service or with 20 years of service regardless of age. A member is vested after 5 years. The plan provisions are adopted by the System within the options available in the state statutes governing TMRS and within the actuarial constraints also in the statutes.

Contributions: The contribution rate for the employees is 3% of salary. The System's matching percent ratio is currently 1 to 1, as adopted by the System. Under the state law governing TMRS, the actuary annually determines the System contribution rate. This rate consists of the normal cost contribution rate and the prior service cost contribution rate, both of which are calculated to be a level percent of payroll from year to year.

The normal cost contribution rate finances the currently accruing monetary credits due to the System matching percent, which are the obligation of the System as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the System to each employee at the time his/her retirement becomes effective. The prior service contribution rate amortizes the unfunded (overfunded) actuarial liability (asset) over the remainder of the plan's 25-year amortization period.

The unit credit actuarial cost method is used for determining the System contribution rate. Both the employees and the System make contributions monthly. Since the System needs to know its contribution rate in advance for

NOTES TO FINANCIAL STATEMENTS

budgetary purposes, there is a one-year delay between the actuarial valuation that is the basis of the rate and the calendar year when the rate goes into effect (i.e. December 31, 2004, valuation is effective for rates beginning January 2005).

Texas Municipal Retirement System Calculation of Net Pension Obligation (NPO)				
Year	Annual Required Contribution (ARC)	Annual Pension Cost (APC)	Percentage of APC Contributed	NPO Balance
2003	\$ 1,904,671	\$ 1,904,671	100%	\$ -
2004	\$ 2,012,732	\$ 2,012,732	100%	\$ -
2005	\$ 2,100,567	\$ 2,100,567	100%	\$ -

Texas Municipal Retirement System Schedule of Contributions			
	<u>2005</u>	<u>2004</u>	<u>2003</u>
Employer Contribution	\$ 2,100,567	\$ 2,012,732	\$ 1,904,671
Employee Contribution	\$ 1,916,701	\$ 1,829,799	\$ 1,736,196
Employer Contribution Rate	3.31%	3.30%	3.29%

Required Three - Year Trend Information:

The Schedules of Funding Progress for the last three fiscal years as required under GASB Statement No. 27 are located in the “Required Supplementary Information” section of this report. The Schedules are designed to provide information about the System’s progress in accumulating sufficient assets to pay benefits due. A summary of the actuarial assumptions utilized in preparing these schedules is as follows:

Texas Municipal Retirement System	
<u>Actuarial Assumptions</u>	
Actuarial Cost Method	Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization	25 Years - Open Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	7%
Projected Salary Increases	None
Includes Inflation At	None
Cost of Living Adjustments	None

San Antonio Water System Retirement Plan

Plan Description: The San Antonio Water System Retirement Plan is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 75686, which serves as a supplement to the TMRS and Social Security benefits. The plan is governed by the System which may amend plan provisions and which is responsible for the management of plan assets. The System has delegated the authority to manage certain plan assets to Principal Life Insurance Company. The System's covered payroll for employees at January 1, 2005, under this contract was \$59,475,734 .

The System provides supplemental pension benefits for all persons customarily employed at least 20 hours per week and five months per year through this defined benefit pension plan. Employees are eligible to participate in the plan on January 1 of the calendar year following date of hire. The plan allows an employee to accrue vesting benefits as follows:

Principal Life Insurance	
<u>Years of Service</u>	<u>Vested Percentage</u>
Less than 5	0%
5 or More	100%

An employee is automatically 100% vested upon attainment of age 65 or upon becoming totally and permanently disabled. Benefits for retired employees are fully guaranteed at retirement. The pension plan's unallocated insurance contracts are valued at contract value. Contract value represents contributions made under the contract,

NOTES TO FINANCIAL STATEMENTS

plus interest at the contract rate, less funds used to purchase annuities or pay administrative expenses charged by Principal Life Insurance Company. Funds under the contract that have been allocated and applied to purchase annuities are excluded from the pension plan’s assets. The pension plan’s unallocated separate accounts are valued at fair value.

Actuarially Determined Contribution Requirements and Contributions Made: The plan's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. The actuarial cost method is known as the Entry Age Normal-Frozen Initial Liability Method. This method estimates the total cost of the projected pension benefits for each employee evenly from the date the employee is first eligible for the plan to the employee's assumed retirement age. As plan benefits are related to compensation, the cost is spread as a level percentage of compensation. The total of annual amounts for all employees combined is called the Normal Cost. The employee’s Entry Age is determined as if the plan had always been in existence. As of the plan effective date, there are some accumulated Normal Costs for past years that have not been paid. The value of these costs is called the Frozen Initial Liability.

In subsequent years the Frozen Initial Liability is reduced by employer deposits to the plan in excess of employer Normal Cost and interest requirements. This reduced amount is known as the Unfunded Frozen Initial Liability. Contribution requirements are established and may be amended by the System. Active members are not required to contribute to the plan. Any obligation with respect to the pension plan shall be paid by the System. The actuarial valuation which was performed for the plan year ended December 31, 2004, reflects an unfunded frozen initial liability of \$10,592,377.

San Antonio Water System Retirement Plan Calculation of Net Pension Obligation (NPO)				
Plan Year	Annual Required Contribution (ARC)	Annual Pension Cost (APC)	Percentage of APC Contributed	NPO Balance
2003	\$ 3,323,862	\$ 3,323,862	100%	\$ -
2004	\$ 3,485,618	\$ 3,485,618	100%	\$ -
2005	\$ 3,689,167	\$ 3,689,167	100%	\$ -

If the Normal Cost or Unfunded Frozen Initial Liability becomes negative through the normal operation of the plan, the Unfunded Frozen Initial Liability will be reestablished using the Entry Age Normal method. If the reestablishment would result in a negative Normal Cost or Unfunded Frozen Initial Liability, the method will be changed to the aggregate method. If the actuarial value of assets exceeds the total present value of benefits, the

NOTES TO FINANCIAL STATEMENTS

Aggregate Normal Cost will be zero. Then the Frozen Initial Liability will be reestablished when a positive Entry Age Normal un-funded liability results from a change in assumptions or a plan amendment. A summary of the actuarial assumptions utilized in determining the System’s contribution requirements is as follows:

San Antonio Water System Retirement Plan	
<u>Actuarial Assumptions</u>	
Actuarial Cost Method	Entry Age Normal - Frozen Initial Liability Period
Amortization Method	Level Dollar
Remaining Amortization Period	35 Years - Closed Period
Asset Valuation Method	Amortized Cost
Investment Rate of Return	8.25%
Inflation Rate	None
Salary Scale	Table S-5 from the Actuary's Pension Handbook plus 3.4%
Cost of Living Adjustments	None
Wage base increase	4% each year until retirement
Post Employment Benefits	None

Required Three -Year Trend Information: The Schedule of Funding Progress for the last three fiscal years are required under GASB Statement No. 27 and are located in the “Required Supplementary Information” section of this report. The Schedules are designed to provide information about the System’s progress in accumulating sufficient assets to pay benefits due.

The Pension Fund issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to: Principal Life Insurance Company, Pension Diversified Retirement Services, Des Moines, Iowa 50392-0001 or by calling (515) 247-5111.

San Antonio Water System Deferred Compensation Plan: The System has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary until future years. The compensation deferred under this plan is not available to employees until termination, retirement, death, or qualifying unforeseeable emergency. Participation in the plan is voluntary, and the System does not make any contributions. The System has no liability for losses under the plan but does have the usual fiduciary responsibilities of a plan sponsor.

NOTES TO FINANCIAL STATEMENTS

NOTE M - OTHER POST EMPLOYMENT BENEFITS

In addition to providing retirement benefits described in Note L, the System provides certain health care and life insurance benefits for retired employees. Substantially all full-time employees who retire from the System may become eligible for those benefits. On December 31, 2005, there were 488 retirees with life insurance and 465 retirees with medical coverage.

The System provides medical and life insurance for retirees and recognizes the cost of providing these benefits on a pay-as-you-go basis by expensing the annual insurance. Premiums for medical and life insurance for retirees amounted to \$4,735,407 and \$92,072 respectively for January 1, 2005, through December 31, 2005. Medical benefits are provided to retiree and active employees through a self-insured health plan administered by Blue Cross Blue Shield of Texas. Other similar benefits for active employees are provided through insurance companies.

NOTE N – SPECIAL ITEMS

During 2005 and 2004, the System recorded special items as shown in the table below.

	2005	2004
ERP Project Writeoff	(7,858,742)	\$ -
Main Office Sale	6,263,175	-
Buttercrust/Playland	(1,988,597)	-
Inventory write-off	-	(811,289)
Applewhite sale	-	(12,195,231)
La Semana sale	-	3,220,400
	<u>\$ (3,584,164)</u>	<u>\$ (9,786,120)</u>

During 2005, the System wrote off \$7.8 million of previously incurred capital costs related to an Enterprise Resource Planning (ERP) system. The System discontinued the ERP Project which consisted of implementing an enterprise wide software system, during fiscal year 2004. A new project was started during 2005 for the selection of an integrated software system. The new system will integrate data processing for customer service, financial, human resources, payroll, and work order applications. During 2005, it was determined that the amounts previously expended would not be able to be utilized in connection with the current project to implement an integrated software system and were written off.

The System purchased property known as Buttercrust/Playland for the construction of a corporate headquarter facility during 2003. The opportunity to purchase another building which resulted in a cost savings to the System and its ratepayers presented itself during 2005. As such, the System discontinued plans to renovate the

NOTES TO FINANCIAL STATEMENTS

Buttercrust/Playland property. The appraisal of the property and the subsequent sale of the Buttercrust property resulted in a loss of \$1.9 million in 2005. The Playland property remains on the System’s records at its adjusted value as land held for resale.

The move to the new corporate headquarters in late 2005 resulted in the sale of the previous “main office” to the City of San Antonio. This transaction resulted in a gain in the amount of \$6.3 million.

In 2004 during the annual inventory count, \$881,289 of inventory was written off. This included \$466,950 of obsolete inventory and \$344,339 due to inventory shrinkage. In 2004 the System reached an agreement with the City of San Antonio for property exchanges. Land known as the Applewhite property that had a historical cost of \$14,244,842 was exchanged for easements and other consideration in the amount of \$2,049,611. The exchange resulted in a loss to the System in the amount of \$12,195,231. Also in 2004, land known as the La Semana property was exchanged for water rights and other consideration and resulted in a gain of \$3,220,400. The net effect to gain and loss for the inventory write-off and the property exchange resulted in a loss to the System of \$9,786,120.

NOTE O – RESTATED EQUITY

Capitalized interest is calculated and recorded into a “pool” account by Bond Issue and Commercial Paper Outstanding. The calculation is based on the net difference between interest expense and interest income and is applied to a CIP job as it is closed to capital assets. In prior years, the calculation was based on the original bond issue amount and not the remaining funds available for CIP expenditures. This caused a larger “pool” balance that needed to be applied to remaining construction. During 2005, an analysis was performed to bring the capitalized interest balance to a reasonable level based on remaining construction. This analysis indicates that a significant portion of the over capitalization of interest relates to periods prior to 2004. An entry was recorded in the amount of \$9,776,829 to reverse prior period capitalized interest expense based on the analysis.

Balance, December 31, 2003 as previously reported	\$ 1,063,252,749
Reversal of capitalized interest	<u>(9,776,829)</u>
Balance, December 31, 2003 as restated	<u><u>\$ 1,053,475,920</u></u>

NOTES TO FINANCIAL STATEMENTS

NOTE P– NEW ACCOUNTING PRONOUNCEMENTS

In May 2004, GASB issued Statement No. 44, “*Economic Condition Reporting: The Statistical Section – an Amendment of NCGA Statement 1*”. This Statement is effective for the System beginning in the year ending December 31, 2006.

In June 2004, GASB issued Statement No. 45, “*Accounting and Financial Reporting by Employers for Post Employment Benefits Other Than Pension*”. This Statement is effective for the System beginning in the year ending December 31, 2007.

In December 2004, GASB issued Statement No. 46, *Net Assets Restricted by Enabling Legislation – an Amendment of GASB Statement No. 34*. This Statement is effective for the System beginning in the year ending December 31, 2006.

In June 2005, GASB issued Statement No. 47, *Accounting for Terminated Benefits*. This Statement is effective for the System beginning in the year ending December 31, 2006 or 2007, depending on the nature of the benefits (if any) that will be subject to this pronouncement.

Management has not yet determined the impact of these statements on the basic financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

San Antonio Water System
REQUIRED SUPPLEMENTARY INFORMATION – (Unaudited)
Pension and Retirement Plans
Schedules of Funding Progress - Last Three Fiscal Years

Historical trend information about the plans is presented herewith as required supplementary information. It is intended to help users assess the plans' funding status on an on-going basis, assess progress made in accumulating assets to pay benefits when due, and make comparisons with other utility retirement systems.

San Antonio Water System Texas Municipal Retirement System Schedule of Actuarial Liabilities and Funding Progress			
Actuarial Valuation Date	12/31/2004	12/31/2003	12/31/2002
Actuarial Value of Assets	\$ 52,985,324	\$ 48,964,377	\$ 46,492,000
Actuarial Accrued Liability	\$ 66,465,564	\$ 61,425,263	\$ 57,634,557
Percentage Funded	79.7%	79.7%	80.7%
Unfunded (Overfunded) Accrued Liability (UAAL)	\$ 13,480,240	\$ 12,460,886	\$ 11,142,557
Annual Covered Payroll	\$ 60,588,012	\$ 57,596,176	\$ 51,888,680
UAAL as a Percentage of covered Payroll	22.2%	21.6%	21.5%

San Antonio Water System Pension Plan Administered by Principal Life Insurance Schedule of Actuarial Liabilities and Funding Progress			
Actuarial Valuation Date	1/1/2005	1/1/2004	1/1/2003
Actuarial Value of Assets	\$ 52,411,873	\$ 47,249,214	\$ 42,827,430
Actuarial Accrued Liability	\$ 63,064,456	\$ 57,241,389	\$ 52,602,146
Percentage Funded	83.0%	83.0%	81.0%
Unfunded (Overfunded) Accrued Liability (UAAL)	\$ 10,652,583	\$ 9,992,175	\$ 9,774,716
Annual Covered Payroll	\$ 59,475,734	\$ 56,931,548	\$ 55,364,166
UAAL as a Percentage of covered Payroll	18.0%	18.0%	18.0%

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DESCRIPTION OF FUNDS AND COMBINING STATEMENTS

**San Antonio Water System
DESCRIPTION OF FUNDS
For the Year Ended December 31, 2005**

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 and Commercial Paper Notes
- (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, 2005**

- (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 utilized this fund for internal management and control of a central stores and a central fleet operation during 2005.

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 BALANCE SHEET
December 31, 2005**

	System Fund	Internal Service Fund
CURRENT ASSETS		
Unrestricted current assets		
Cash and cash equivalents	\$ 3,544,244	\$ -
Investments	33,418,865	-
Accrued interest receivable	879,877	-
Accounts receivable	40,377,610	-
Allowance for uncollectable accounts (deduction)	(734,769)	-
Inventory - materials and supplies	-	4,786,265
Prepaid expenses and other assets	2,111,117	-
Interfund receivables	74,780,331	5,220,885
Total current assets	154,377,275	10,007,150
 RESTRICTED CURRENT ASSETS		
Debt Service Fund:		
Cash and cash equivalents	-	-
Investments	-	-
Construction Funds:		
Cash and cash equivalents	-	-
Investments	-	-
Conservation:		
Investments	2,409,363	-
Customers' deposits:		
Investments	6,211,381	-
Total Restricted Current Assets	8,620,744	-
Total Current Assets	162,998,019	10,007,150
 NONCURRENT ASSETS		
Unrestricted Assets:		
Investments	-	-
Total unrestricted noncurrent assets	-	-
Asset Held for Resale	2,760,000	-
Unamortized Refunding Bond Expenses	13,760,572	-
 CAPITAL ASSETS		
Utility plant in service	2,603,512,079	3,860,496
Less allowance for depreciation/amortization	858,124,602	3,038,142
	1,745,387,477	822,354
Land and water rights	108,869,520	-
Construction in progress	483,200,611	-
Total capital assets (net of accumulated depreciation)	2,337,457,608	822,354
Total Noncurrent Assets	2,353,978,180	822,354
 TOTAL ASSETS	\$ 2,516,976,199	\$ 10,829,504

<u>Debt Service Fund</u>	<u>Renewal and Replacement Fund</u>	<u>Project Fund</u>	<u>Eliminations</u>	<u>Combined Total</u>
\$ -	\$ 8,346,644	\$ -	\$ -	\$ 11,890,888
-	80,529,007	-	(3,998,673)	109,949,199
-	-	-	-	879,877
-	-	887,413	-	41,265,023
-	-	-	-	(734,769)
-	-	-	-	4,786,265
-	-	-	-	2,111,117
-	-	-	(80,001,216)	-
-	88,875,651	887,413	(83,999,889)	170,147,600
38,620	-	-	-	38,620
24,219,332	-	-	-	24,219,332
-	-	5,327,803	-	5,327,803
-	77,149,887	100,017,718	(5,658,764)	171,508,841
-	-	-	-	2,409,363
-	-	-	-	6,211,381
<u>24,257,952</u>	<u>77,149,887</u>	<u>105,345,521</u>	<u>(5,658,764)</u>	<u>209,715,340</u>
24,257,952	166,025,538	106,232,934	(89,658,653)	379,862,940
-	5,766,822	-	-	5,766,822
-	5,766,822	-	-	5,766,822
-	-	-	-	2,760,000
-	-	-	-	13,760,572
-	-	-	-	2,607,372,575
-	-	-	-	861,162,744
-	-	-	-	1,746,209,831
-	-	-	-	108,869,520
-	-	-	-	483,200,611
-	-	-	-	2,338,279,962
-	5,766,822	-	-	2,360,567,356
<u>\$ 24,257,952</u>	<u>\$ 171,792,360</u>	<u>\$ 106,232,934</u>	<u>\$ (89,658,653)</u>	<u>\$ 2,740,430,296</u>

**San Antonio Water System
COMBINING BALANCE SHEET
December 31, 2005**

	System Fund	Internal Service Fund
CURRENT LIABILITIES TO BE PAID FROM UNRESTRICTED ASSETS		
Accounts payable	\$ 3,962,049	\$ 333,093
Sewer service collections payable	276,325	-
Capital leases payable	35,616	-
Note payable - CPS	389,668	-
Accrued vacation payable	2,767,454	175,887
Accrued payroll and benefits	2,259,292	86,614
Accrued claims payable	2,548,576	3,853
Accrued stormwater services	2,041,051	-
Sundry payables and accruals	12,478,722	(67,401)
Interfund payables	83,999,889	-
Total current liabilities	110,758,642	532,046
CURRENT LIABILITIES TO BE PAID FROM RESTRICTED ASSETS		
Debt Service Fund:		
Accrued interest payable	-	-
Construction Funds:		
Contract retainage payable	-	-
Advances for construction	-	-
Interfund payable	-	-
Customers' deposits	6,211,381	-
Revenue bonds payable within one year	22,415,000	-
Total Restricted Current Liabilities	28,626,381	-
Total Current Liabilities	139,385,023	532,046
NONCURRENT LIABILITIES		
Capital leases	35,615	-
CPS Note Payable	990,952	-
Accrued vacation payable	2,014,743	-
Commercial paper notes	98,000,000	-
Revenue bonds payable after one year	1,351,510,000	-
Unamortized premium	14,139,190	-
Less unamortized loss	(26,242,755)	-
Less unamortized discount	(13,767,610)	-
Total noncurrent liabilities	1,426,680,135	-
Total Liabilities	1,566,065,158	532,046
EQUITY		
Restricted:		
Restricted for debt service	-	-
Restricted for conservation	2,409,363	-
Total Restricted	2,409,363	-
Invested in capital assets, net of related debt	903,712,503	822,354
Unrestricted	44,789,175	9,475,104
Total Equity	950,911,041	10,297,458
TOTAL LIABILITIES AND EQUITY	\$ 2,516,976,199	\$ 10,829,504

Debt Service Fund	Renewal and Replacement Fund	Project Fund	Eliminations	Combined Total
\$ -	\$ 455,554	\$ 1,175,245	\$ -	\$ 5,925,941
-	-	-	-	276,325
-	-	-	-	35,616
-	-	-	-	389,668
-	-	-	-	2,943,341
-	-	-	-	2,345,906
-	-	-	-	2,552,429
-	-	-	-	2,041,051
-	24,504	5,295,356	-	17,731,181
-	-	-	(83,999,889)	-
-	480,058	6,470,601	(83,999,889)	34,241,458
8,280,265	-	-	-	8,280,265
-	1,200,654	4,563,186	-	5,763,840
-	1,736,285	-	-	1,736,285
-	(10,630,570)	16,289,334	(5,658,764)	-
-	-	-	-	6,211,381
-	-	-	-	22,415,000
8,280,265	(7,693,631)	20,852,520	(5,658,764)	44,406,771
8,280,265	(7,213,573)	27,323,121	(89,658,653)	78,648,229
-	-	-	-	35,615
-	-	-	-	990,952
-	-	-	-	2,014,743
-	-	-	-	98,000,000
-	-	-	-	1,351,510,000
-	-	-	-	14,139,190
-	-	-	-	(26,242,755)
-	-	-	-	(13,767,610)
-	-	-	-	1,426,680,135
8,280,265	(7,213,573)	27,323,121	(89,658,653)	1,505,328,364
15,977,687	-	-	-	15,977,687
-	-	-	-	2,409,363
15,977,687	-	-	-	18,387,050
-	73,732,890	78,909,813	-	1,057,177,560
-	105,273,043	-	-	159,537,322
15,977,687	179,005,933	78,909,813	-	1,235,101,932
\$ 24,257,952	\$ 171,792,360	\$ 106,232,934	\$ (89,658,653)	\$ 2,740,430,296

San Antonio Water System
COMBINING STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN EQUITY
For the Year Ended December 31, 2005

	<u>System Fund</u>	<u>Internal Service Fund</u>
OPERATING REVENUES		
Water delivery system	\$ 93,419,939	\$ -
Water supply system	108,045,245	-
Wastewater system	113,333,959	-
Chilled water and steam system	13,370,759	-
Total operating revenues	<u>328,169,902</u>	<u>-</u>
OPERATING EXPENSE		
Personal services	77,440,762	-
Contractual services	87,272,198	-
Materials & supplies	15,035,269	-
Other charges	15,752,184	-
Less: costs capitalized to CIP	(22,714,359)	-
Internal service fund - net loss	-	703,836
Total operating expenses before depreciation	<u>172,786,054</u>	<u>703,836</u>
Depreciation expense	67,673,062	284,838
Total operating expenses	<u>240,459,116</u>	<u>988,674</u>
Operating income/(loss)	87,710,786	(988,674)
NONOPERATING REVENUES:		
Interest earned and miscellaneous	4,803,201	-
Net decrease in the fair value of investments	(112,729)	-
Total nonoperating revenues	<u>4,690,472</u>	<u>-</u>
NONOPERATING EXPENSES:		
Amortization of refunding bond expense	537,339	-
Other finance charges	931,097	-
Interest expense:		
Revenue bonds and commercial paper	(16,299,867)	-
Capital leases	127,747	1,487
Amortized discount/premium/loss expense	1,480,454	-
(Gain)/Loss on sale of capital assets	1,239,722	(12,945)
Payment to other entities	213,362	-
Payment to the City of San Antonio	8,982,657	-
Total nonoperating expenses	<u>(2,787,489)</u>	<u>(11,458)</u>
Special items	(3,584,164)	-
Increase/(Decrease) in equity, before capital contributions	91,604,583	(977,216)
Capital contributions	81,408,870	-
Increase/(Decrease) in equity before transfers	<u>173,013,453</u>	<u>(977,216)</u>
Transfers in (out)	<u>(59,992,020)</u>	<u>-</u>
CHANGE IN EQUITY -carried forward	<u>\$ 113,021,433</u>	<u>\$ (977,216)</u>

Debt Service Fund	Renewal and Replacement Fund	Project Fund	Combined Total
\$ -	\$ -	\$ -	\$ 93,419,939
-	-	-	108,045,245
-	-	-	113,333,959
-	-	-	13,370,759
-	-	-	328,169,902
-	-	-	77,440,762
-	-	-	87,272,198
-	-	-	15,035,269
-	-	-	15,752,184
-	-	-	(22,714,359)
-	-	-	703,836
-	-	-	173,489,890
-	-	-	67,957,900
-	-	-	241,447,790
-	-	-	86,722,112
1,486,684	503,864	4,486,841	11,280,590
-	-	-	(112,729)
1,486,684	503,864	4,486,841	11,167,861
-	-	-	537,339
-	-	-	931,097
61,478,704	-	-	45,178,837
-	-	-	129,234
-	-	-	1,480,454
-	-	-	1,226,777
-	-	-	213,362
-	-	-	8,982,657
61,478,704	-	-	58,679,757
-	-	-	(3,584,164)
(59,992,020)	503,864	4,486,841	35,626,052
-	-	-	81,408,870
(59,992,020)	503,864	4,486,841	117,034,922
59,992,020	-	-	-
\$ -	\$ 503,864	\$ 4,486,841	\$ 117,034,922

**San Antonio Water System
 COMBINING STATEMENT OF REVENUES, EXPENSES
 AND CHANGES IN EQUITY
 For the Year Ended December 31, 2005**

	System Fund	Internal Service Fund
CHANGE IN EQUITY- brought forward	\$ 113,021,433	\$ (977,216)
Equity, December 31, 2004	892,628,658	11,274,674
Residual Equity Transfers in (out)	(114,995,278)	-
Contributions in aid of construction	(81,408,870)	-
Commercial paper issued	(86,600,000)	-
Retirement of Bonds	16,505,000	-
Expenditures for plant additions	211,760,100	-
Equity, December 31, 2005	\$ 950,911,043	\$ 10,297,458

Debt Service Fund	Renewal and Replacement Fund	Project Fund	Combined Total
\$ -	\$ 503,864	\$ 4,486,841	\$ 117,034,922
11,705,961	111,027,626	91,430,091	1,118,067,010
20,776,726	94,218,552	-	-
-	81,408,870	-	-
-	-	86,600,000	-
(16,505,000)	-	-	-
-	(108,152,980)	(103,607,120)	-
<u>\$ 15,977,687</u>	<u>\$ 179,005,932</u>	<u>\$ 78,909,812</u>	<u>\$ 1,235,101,932</u>

San Antonio Water System
COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

	System Fund	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash received from customers	\$ 320,096,463	\$ -
Cash paid to vendors for operations	(103,260,052)	-
Cash paid to employees for services	(64,243,072)	-
Net cash provided by operating activities	152,593,339	-
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers to the City of San Antonio	(5,798,739)	-
Transfers to Other Entites	(155,598)	-
Transfers in	(59,992,020)	-
Equity transfers	(114,995,277)	-
Net cash provided by/(used for) noncapital financing activities	(180,941,634)	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from sale of capital assets	10,911,373	-
Proceeds from developers for plant construction	-	-
Proceeds from Commercial Paper	-	-
Proceeds from Revenue Bonds	-	-
Proceeds from Grants	-	-
Payments for acquisition of equipment and furniture	-	-
Payment on the retirement of commercial paper	-	-
Payment on Defeasement on Revenue bonds	-	-
Payment for retirement of Revenue bonds	-	-
Payment for bond related expenses	-	-
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	(328,234)	-
Payment for bank charges	(931,097)	-
Payment on note	(480,000)	-
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	9,172,042	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of investments	(111,637,943)	-
Maturity of investments	123,946,485	-
Proceeds from sale of stock	5,608,754	-
Interest income	4,803,201	-
Net cash provided by/(used for) from investing activities	22,720,497	-
NET CASH INCREASE (DECREASE)	3,544,244	-
CASH AND CASH EQUIVALENTS, AT BEGINNING OF PERIOD	-	-
CASH AND CASH EQUIVALENTS, AT END OF PERIOD	\$ 3,544,244	\$ -

Debt Service Fund	Renewal and Replacement Fund	Project Fund	Combined Total
\$ -	\$ -	\$ -	\$ 320,096,463
-	-	-	(103,260,052)
-	-	-	(64,243,072)
-	-	-	152,593,339
-	-	-	(5,798,739)
-	-	-	(155,598)
59,992,020	-	-	-
20,776,726	94,218,551	-	-
80,768,746	94,218,551	-	(5,954,337)
-	-	-	10,911,373
-	33,171,028	-	33,171,028
-	-	86,600,000	86,600,000
-	-	298,220,000	298,220,000
-	-	273,016	273,016
-	(7,425,726)	-	(7,425,726)
(227,000,000)	-	-	(227,000,000)
(70,200,000)	-	-	(70,200,000)
(16,505,000)	-	-	(16,505,000)
(2,958,262)	-	-	(2,958,262)
-	(79,999,643)	(67,546,730)	(147,546,373)
(5,362,882)	-	-	(5,362,882)
(54,986,959)	-	-	(54,986,959)
-	-	-	(328,234)
-	-	-	(931,097)
-	-	-	(480,000)
-	(7,119,056)	(6,010,889)	(13,129,945)
-	(9,584,414)	-	(9,584,414)
(377,013,103)	(70,957,811)	311,535,397	(127,263,475)
(86,928,304)	(307,534,677)	(185,751,629)	(691,852,553)
381,651,893	289,707,023	(137,442,150)	657,863,251
			5,608,754
1,486,684	503,864	3,657,913	10,451,662
296,210,273	(17,323,790)	(319,535,866)	(17,928,886)
(34,084)	5,936,950	(8,000,469)	1,446,641
72,704	2,409,694	13,328,272	15,810,670
\$ 38,620	\$ 8,346,644	\$ 5,327,803	\$ 17,257,311

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SUPPLEMENTAL SCHEDULES

San Antonio Water System
SCHEDULE OF REVENUES AND OTHER
FINANCIAL SOURCES AND THEIR DISPOSITION
IN ACCORDANCE WITH CITY ORDINANCE NO. 75686

SOURCES OF FUNDS	December 31		Increase (Decrease)
	2005	2004	
OPERATING REVENUES			
Water supply system	\$ 108,045,245	\$ 72,888,054	\$ 35,157,191
Water delivery system	93,419,939	78,546,461	14,873,478
Wastewater System	113,333,959	99,224,713	14,109,246
Chilled water and steam system	13,370,759	12,027,528	1,343,231
Total operating revenues	<u>328,169,902</u>	<u>262,686,756</u>	<u>65,483,146</u>
NON-OPERATING REVENUES			
Interest earned and miscellaneous	11,280,590	6,703,218	4,577,372
Other financing sources (draw on equity)	17,526,322	3,410,552	14,115,770
Total non-operating revenues	<u>28,806,912</u>	<u>10,113,770</u>	<u>18,693,142</u>
CAPITAL CONTRIBUTIONS			
Capital Recovery Fees	33,171,028	24,225,552	8,945,476
Total capital contributions	<u>33,171,028</u>	<u>24,225,552</u>	<u>8,945,476</u>
TOTAL SOURCES OF FUNDS	<u>\$ 390,147,842</u>	<u>\$ 297,026,078</u>	<u>\$ 93,121,764</u>
USES OF FUNDS			
MAINTENANCE AND OPERATION			
Personal services	\$ 77,440,762	\$ 74,416,616	\$ 3,024,146
Contractual services	87,272,198	69,126,680	18,145,518
Materials and supplies	15,035,269	14,144,227	891,042
Other charges	15,752,184	15,474,823	277,361
Capitalized Cost	(22,714,359)	(19,052,929)	(3,661,430)
Internal service fund (gain)/loss	703,836	(249,453)	953,289
Total maintenance and operation	<u>173,489,890</u>	<u>153,859,964</u>	<u>19,629,926</u>
OPERATING RESERVE REQUIREMENT	1,781,521	2,653,966	(872,445)
DEBT REQUIREMENTS			
Revenue Bonds:			
Interest costs	50,581,798	47,798,182	2,783,616
Retirement of bonds	18,305,667	11,545,267	6,760,400
Subordinate lien debt:			
Interest costs	4,966,484	5,065,185	(98,701)
Retirement of bonds	1,791,582	2,048,333	(256,751)
Commercial Paper Notes	5,901,384	2,988,750	2,912,634
Other Debt Expense	931,097	1,143,376	(212,279)
Other Debt	620,987	1,228,742	(607,755)
Total debt requirements	<u>83,098,999</u>	<u>71,817,835</u>	<u>11,281,164</u>
TRANSFER TO THE CITY'S GENERAL FUND	8,982,657	7,101,972	1,880,685
AMOUNT AVAILABLE FOR TRANSFER TO THE RENEWAL AND REPLACEMENT FUND:			
CAPITAL RECOVERY FEES	33,171,028	24,225,552	8,945,476
GENERAL	89,623,747	37,366,789	52,256,958
Total amount available for Renewal and Replacement Funds:	<u>122,794,775</u>	<u>61,592,341</u>	<u>61,202,434</u>
TOTAL USES OF FUNDS	<u>\$ 390,147,842</u>	<u>\$ 297,026,078</u>	<u>\$ 93,121,764</u>

San Antonio Water System
SCHEDULE OF REVENUES AND THEIR DISPOSITION
IN ACCORDANCE WITH CITY ORDINANCE NO. 75686
COMPARED TO ANNUAL BUDGET
For the Year ended December 31, 2005

SOURCES OF FUNDS	<u>Actual</u>	<u>Annual Budget</u>	<u>Variance</u>
OPERATING REVENUES			
Water supply system	\$ 108,045,245	\$ 96,600,017	\$ 11,445,228
Water delivery system	93,419,939	81,386,311	12,033,628
Wastewater System	113,333,959	108,998,868	4,335,091
Chilled water and steam system	13,370,759	12,915,133	455,626
Total operating revenues	<u>328,169,902</u>	<u>299,900,329</u>	<u>28,269,573</u>
NON-OPERATING REVENUES			
Interest earned and miscellaneous	11,280,590	6,700,000	4,580,590
Other financing sources (draw on equity)	17,526,322	18,724,630	(1,198,308)
Total non-operating revenues	<u>28,806,912</u>	<u>25,424,630</u>	<u>3,382,282</u>
CAPITAL CONTRIBUTIONS			
Capital Recovery Fees	33,171,028	12,194,113	20,976,915
Total capital contributions	<u>33,171,028</u>	<u>12,194,113</u>	<u>20,976,915</u>
TOTAL SOURCES OF FUNDS	<u>\$ 390,147,842</u>	<u>\$ 337,519,072</u>	<u>\$ 52,628,770</u>
USES OF FUNDS			
MAINTENANCE AND OPERATION			
Personal services	\$ 77,440,762	\$ 81,592,781	\$ (4,152,019)
Contractual services	87,272,198	93,696,481	(6,424,283)
Materials and supplies	15,035,269	14,738,875	296,394
Other charges	15,752,184	17,808,040	(2,055,856)
Capitalized Cost	(22,714,359)	(26,944,205)	4,229,846
Internal service fund (gain)/loss	703,836	703,836	-
Total maintenance and operation	<u>173,489,890</u>	<u>181,595,808</u>	<u>(8,105,918)</u>
OPERATING RESERVE REQUIREMENT	1,781,521	1,781,521	-
DEBT REQUIREMENTS			
Revenue Bonds:			
Interest costs	50,581,798	60,211,985	(9,630,187)
Retirement of bonds	18,305,667	20,740,668	(2,435,001)
Subordinate lien debt			
Interest costs	4,966,484	7,609,661	(2,643,177)
Retirement of bonds	1,791,582	2,140,000	(348,418)
Commercial Paper Notes	5,901,384	7,092,038	(1,190,654)
Other Debt Expense	931,097	979,371	(48,274)
Other Debt	620,987	529,983	91,004
Total debt requirements	<u>83,098,999</u>	<u>99,303,706</u>	<u>(16,204,707)</u>
TRANSFER TO THE CITY'S GENERAL FUND	8,982,657	7,934,384	1,048,273
AMOUNT AVAILABLE FOR TRANSFER TO THE RENEWAL AND REPLACEMENT FUND:			
CAPITAL RECOVERY FEES	33,171,028	12,194,113	20,976,915
GENERAL	89,623,747	34,709,540	54,914,207
Total amount available for Renewal and Replacement Funds:	<u>122,794,775</u>	<u>46,903,653</u>	<u>75,891,122</u>
TOTAL USES OF FUNDS	<u>\$ 390,147,842</u>	<u>\$ 337,519,072</u>	<u>\$ 52,628,770</u>

San Antonio Water System
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT (SYSTEM FUND)
For the Year Ended December 31, 2005

Account Code	Classification	Year to Date			
		Actual	Budget	Variance Over/(Under)	%
PERSONAL SERVICES					
511100	Salaries	\$ 57,089,836	\$ 61,751,331	\$ 4,661,495	7.55%
511140	Overtime Pay	2,347,221	2,316,097	(31,124)	-1.34%
511150	On-Call Pay	411,768	391,060	(20,708)	-5.30%
511160	Employee Insurance	5,290,310	5,076,989	(213,321)	-4.20%
511162	Employee Retirement	10,182,978	10,500,486	317,508	3.02%
511164	Compensation for Unused Sick Leave	31,351	75,000	43,649	58.20%
511166	Personal Leave Bonus	622,203	599,708	(22,495)	-3.75%
511168	Vacation Pay	670,500	610,370	(60,130)	-9.85%
511169	Longevity Pay	-	100,000	100,000	100.00%
511170	Incentive Pay	794,595	171,740	(622,855)	-362.67%
	Total Personal Services	77,440,762	81,592,781	4,152,019	
CONTRACTUAL SERVICES					
511210	Operating Expense	2,166,246	2,734,116	567,870	20.77%
511211	Rental of Facilities	1,679,396	726,270	(953,126)	-131.24%
511212	Alarm and Security	924,984	1,140,332	215,348	18.88%
511213	Collection Expense	707,415	350,000	(357,415)	-102.12%
511214	Shoe Reimbursement	67,448	90,325	22,877	25.33%
511216	Catering Services	59,970	87,301	27,331	31.31%
511219	Program Rebates	1,156,908	846,990	(309,918)	-36.59%
511220	Maintenance Expense	8,220,036	9,360,781	1,140,745	12.19%
511221	Street Cut Permit	748,314	529,370	(218,944)	-41.36%
511222	Street Pavement Repair Fees	316,214	304,000	(12,214)	-4.02%
511223	Preventative Maintenance	441,275	577,485	136,210	23.59%
511224	Corrective Maintenance	2,156,548	1,888,114	(268,434)	-14.22%
511225	Damage Repair	64,040	395,915	331,875	83.82%
511230	Outside Equipment Rental	488,932	692,141	203,209	29.36%
511235	Working Capital Equipment Rental	595,005	615,238	20,233	3.29%
511240	Travel	197,405	267,656	70,251	26.25%
511245	Training	414,032	621,209	207,177	33.35%
511247	Conferences	61,260	151,928	90,668	59.68%
511250	Memberships and Subscriptions	290,206	536,109	245,903	45.87%
511260	Utilities	21,421,567	20,333,280	(1,088,287)	-5.35%
511261	Water Options & Payments	13,432,793	12,210,896	(1,221,897)	-10.01%
511262	Wholesale Water Purchases	21,830	-	(21,830)	100.00%
511265	Groundwater District Payments	7,581,000	7,581,000	-	0.00%
511270	Postage	1,314,584	1,175,043	(139,541)	-11.88%
511280	Telemetry Charges	20,019	15,290	(4,729)	-30.93%
511309	Educational Assistance - Books	18,839	14,400	(4,439)	-30.83%
511310	Educational Assistance - Tuition	109,182	87,600	(21,582)	-24.64%
511311	Sludge Removal and Haulage	42,262	58,000	15,738	27.13%
511312	Contractual Professional Services	19,687,616	27,014,718	7,327,102	27.12%
511313	Inspection and Assessment Fees	372,987	540,163	167,176	30.95%
511315	Temporary Employees	162,195	353,505	191,310	54.12%
511320	Legal Services	1,491,509	1,623,940	132,431	8.15%
511330	Revenue Recovery	81,269	-	(81,269)	100.00%
511370	Communications	756,297	773,366	17,069	2.21%
511380	Data Processing Charges	2,615	-	(2,615)	100.00%
	Total Contractual Services	87,272,198	93,696,481	6,424,283	

San Antonio Water System
OPERATION AND MAINTENANCE EXPENSE BY ACCOUNT (SYSTEM FUND)
For the Year Ended December 31, 2005

Account Code	Classification	Year to Date			
		Actual	Budget	Variance Over/(Under)	%
MATERIALS AND SUPPLIES					
511410	Small Tools	321,629	419,482	97,853	23.33%
511415	Expensed Assets	98,221	305,097	206,876	67.81%
511420	Operating Materials and Supplies	2,254,472	2,313,767	59,295	2.56%
511421	Heating Fuel	75,673	42,000	(33,673)	-80.17%
511422	Chemicals	3,564,014	3,563,345	(669)	-0.02%
511425	Education of School Children	19,301	25,000	5,699	22.80%
511426	Public Awareness	-	7,500	7,500	100.00%
511427	Enforcement	-	15,000	15,000	100.00%
511428	Program Materials	933,656	942,499	8,843	0.94%
511430	Maintenance Materials and Supplies	5,338,576	5,291,088	(47,488)	-0.90%
511440	Safety Materials and Supplies	493,576	424,664	(68,912)	-16.23%
511441	SRT Inventory Variances	(49,502)	3,341	52,843	1581.65%
511450	Tires and Tubes	213,608	240,204	26,596	11.07%
511451	Motor Fuel and Lubricants	1,723,806	1,144,088	(579,718)	-50.67%
511460	Cafeteria Food Supplies	48,239	1,800	(46,439)	-2579.94%
	Total Materials and Supplies	15,035,269	14,738,875	(296,394)	
OTHER CHARGES					
511510	Judgment and Claim Settlements	1,449,681	500,000	(949,681)	-189.94%
511511	AL/GL Claims - Contingent Liability	42,910	-	(42,910)	100.00%
511520	Bank Charges	344,144	389,358	45,214	11.61%
511530	Employee Relations	155,951	389,770	233,819	59.99%
511540	Dependent & Retiree Med Coverage	9,138,283	12,153,074	3,014,791	24.81%
511560	Uncollectible Accounts	1,636,528	1,036,000	(600,528)	-57.97%
511570	General Liability & Fire Insurance	1,419,362	1,569,838	150,476	9.59%
511580	Unemployment Compensation	44,054	40,000	(4,054)	-10.14%
511590	Workers' Compensation - Medical Payments	665,608	1,000,000	334,392	33.44%
511600	Workers' Compensation - Contingent Liability	29,320	-	(29,320)	100.00%
511610	Workers' Compensation - Benefits and Payments	286,122	400,000	113,878	28.47%
511620	Workers' Compensation - Misc. Claims Expenditures	34,767	30,000	(4,767)	-15.89%
511650	Expensed CIP Projects	505,454	300,000	(205,454)	-68.48%
	Total Other Charges	15,752,184	17,808,040	2,055,856	
	Subtotal before Transfers	195,500,413	207,836,177	12,335,764	5.94%
511710	Reimbursement of Services	(118,026)	-	118,026	100.00%
511720	Interfund Transfers	(22,605,359)	(26,944,205)	(4,338,846)	16.10%
511740	Intercenter Transfers	9,026	-	(9,026)	100.00%
	Total Interfund Transfers	(22,714,359)	(26,944,205)	(4,229,846)	
	Internal Service Fund (gain)/loss	703,836	-	(703,836)	100.00%
	Total Operation and Maintenance	\$ 173,489,890	\$ 180,891,972	\$ 7,402,082	

San Antonio Water System
Schedule of Capital Assets and Allowances for Depreciation
For the Year Ended December 31, 2005

CAPITAL ASSETS					
	Dec. 31, 2004				Dec. 31, 2005
	Balances	Additions	Transfers	Deductions	Balances
SYSTEM FUND					
WATER					
Land and Land Rights	\$ 19,632,895	\$ 861,187	\$ -	\$ 195,278	\$ 20,298,804
Water Permits	-	-	-	-	-
Acquisition of Water Rights	9,669,656	371,250	-	-	10,040,906
Leased Water Rights	-	-	-	-	-
Structures and Improvements	98,883,011	5,439	-	3,427,210	95,461,240
Misc Equipment	69,518	-	-	-	69,518
Electric Pumping Equipment	41,100,141	2,004,407	137,362	-	43,241,910
Other Power Pumping Equipment	137,362	-	(137,362)	-	-
Purification Equipment	311,207	-	-	-	311,207
Distribution Mains and Accessories	582,989,918	23,241,282	-	1,401,486	604,829,714
Services	156,511,104	8,134,438	50,143	74,865	164,620,820
Hydrants	45,996,815	2,411,522	20,057	-	48,428,394
Meters	42,209,901	2,016,341	-	328,474	43,897,768
Furniture and Fixtures	2,525,837	1,326,089	-	19,228	3,832,698
Equipment, Tools and Records	4,656,521	152,596	(2,476)	61,306	4,745,335
Maps	283,826	-	-	-	283,826
Special Office Equipment	13,397,034	697,288	2,647	517,349	13,579,620
Software Systems	6,167,695	312,706	-	218,431	6,261,970
Automobiles and Trucks	10,643,030	253,784	(80,480)	187,452	10,628,882
Heavy Equipment	5,569,442	-	-	-	5,569,442
Light Equipment	859,017	-	-	-	859,017
Shop Equipment	8,146	-	-	-	8,146
Communications Equipment	720,335	150,660	-	-	870,995
	<u>1,042,342,411</u>	<u>41,938,989</u>	<u>(10,109)</u>	<u>6,431,079</u>	<u>1,077,840,212</u>
WASTEWATER					
Land and Land Rights	16,230,473	2,065,753	-	116,170	18,180,055
Structures and Improvements	142,558,332	13,784,846	-	665,295	155,677,883
Electric Pumping Equipment	713,351	-	-	-	713,351
Sewer Mains/Drainage	999,274,610	55,136,217	-	2,436,830	1,051,973,997
Treatment Facilities	28,012,688	5,228,375	(70,200)	-	33,170,863
Machinery and Lab Equipment	16,386,985	518,382	2,476	9,189	16,898,655
Office Furniture and Equipment	675,320	-	(8,981)	-	666,339
Special Office Equipment	236,774	95,486	8,981	-	341,241
Software Systems	130,479	40,690	-	-	171,169
Automobiles and Trucks	5,525,331	206,715	25,576	95,476	5,662,146
Heavy Equipment	8,751,479	998,266	44,929	656,419	9,138,255
Light Equipment	528,257	-	-	3,000	525,257
Shop Equipment	5,947	-	-	-	5,947
Communications Equipment	55,925	12,840	-	-	68,765
	<u>1,219,085,951</u>	<u>78,087,570</u>	<u>2,781</u>	<u>3,982,379</u>	<u>1,293,193,923</u>
RECYCLED WATER SYSTEM					
Land and Land Rights	2,198,337	270,092	-	-	2,468,429
Structures and Improvements	23,677,510	426,447	-	-	24,103,957
Electric Pumping Equipment	15,919,483	1,873,608	-	-	17,793,091
Distribution Main	77,816,319	3,968,075	-	-	81,784,394
Other Improvements	379,180	243,903	-	-	623,083
Machinery and Lab Equipment	6,144	8,428	-	-	14,572
Automobiles and Trucks	115,456	-	-	-	115,456
Office Furniture and Equipment	-	-	-	-	-
Special Office Equipment	1,602	-	-	-	1,602
	<u>120,114,031</u>	<u>6,790,553</u>	<u>-</u>	<u>-</u>	<u>126,904,584</u>
CHILLED WATER & STEAM					
Land	235,541	-	-	-	235,541
Structures and Improvements	17,077,572	-	-	-	17,077,572
Heating and Cooling Equipment	19,693,682	634,043	-	-	20,327,725
Mains	8,666,751	-	-	-	8,666,751
Services	359,608	-	-	-	359,608
Meters	364,297	9,700	-	-	373,997
Office Furniture and Fixtures	11,951	-	-	-	11,951
Special Office Equipment	228,932	-	-	-	228,932
Misc Equipment	149,130	36,357	-	-	185,487
Computer System	152,570	-	-	-	152,570
Automobiles and Trucks	175,572	48,027	-	-	223,599
Heavy Equipment	17,721	-	-	-	17,721
Light Equipment	3,736	-	-	-	3,736
	<u>47,137,063</u>	<u>728,127</u>	<u>-</u>	<u>-</u>	<u>47,865,190</u>
SUBTOTAL SYSTEM FUND	\$ 2,428,679,456	\$ 127,545,239	\$ (7,328)	\$ 10,413,458	\$ 2,545,803,909

**San Antonio Water System
Schedule of Capital Assets and Allowance for Depreciation
For the Year Ended December 31, 2005**

DEPRECIATION						
Dec. 31, 2004				Dec. 31, 2005		Years
Balances	Additions	Transfers	Deductions	Balances	Book Value	of Life
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 20,298,804	-
-	-	-	-	-	-	-
-	-	-	-	-	10,040,906	-
-	-	-	-	-	-	3
31,729,210	1,932,102	-	1,363,141	32,298,171	63,163,069	50
28,558	23,173	-	-	51,731	17,787	3
13,045,854	852,749	126,712	-	14,025,315	29,216,595	50
122,616	4,096	(126,712)	-	-	-	10-50
311,200	7	-	-	311,207	-	10-50
153,717,936	11,823,112	-	1,401,486	164,139,562	440,690,152	50
85,232,432	5,851,579	501	37,647	91,046,865	73,573,955	25
11,596,004	943,831	101	-	12,539,936	35,888,458	50
19,649,326	1,610,538	-	328,474	20,931,390	22,966,378	25-50
1,629,681	290,812	-	18,211	1,902,282	1,930,416	10
1,604,944	233,011	(867)	11,414	1,825,674	2,919,661	5-20
283,506	256	-	-	283,762	64	5-50
8,541,890	1,789,471	828	483,240	9,848,949	3,730,671	5
5,273,810	457,346	-	218,742	5,512,414	749,556	3
7,193,351	986,761	(80,480)	187,452	7,912,180	2,716,702	7
3,597,835	423,388	-	-	4,021,223	1,548,219	10
550,139	56,101	-	-	606,240	252,777	10
5,807	555	-	-	6,362	1,784	10
35,293	73,289	-	-	108,582	762,413	10
<u>344,149,392</u>	<u>27,352,177</u>	<u>(79,917)</u>	<u>4,049,807</u>	<u>367,371,845</u>	<u>710,468,367</u>	
-	-	-	-	-	18,180,055	-
27,927,305	3,100,183	-	-	31,027,488	124,650,395	50
17,049	14,391	-	-	31,440	681,911	50
381,067,044	25,678,453	-	440,551	406,304,946	645,669,051	50
766,182	1,290,203	(602)	-	2,055,783	31,115,080	25
12,619,878	662,677	867	4,016	13,279,406	3,619,249	5-10
628,667	10,803	(2,607)	-	636,863	29,476	10
140,651	35,281	2,607	-	178,539	162,702	5
122,466	12,401	-	-	134,867	36,302	3
3,788,706	457,980	25,577	95,476	4,176,787	1,485,359	7
5,296,725	761,742	34,164	603,480	5,489,151	3,649,104	10
444,733	25,854	-	3,000	467,587	57,670	10
970	595	-	-	1,565	4,382	10
5,155	5,699	-	-	10,854	57,911	10
<u>432,825,531</u>	<u>32,056,262</u>	<u>60,006</u>	<u>1,146,523</u>	<u>463,795,276</u>	<u>829,398,647</u>	
-	-	-	-	-	2,468,429	-
1,494,379	475,680	-	-	1,970,059	22,133,898	50
311,588	338,759	-	-	650,347	17,142,744	50
4,032,100	1,579,735	-	-	5,611,835	76,172,559	50
59,519	17,750	-	-	77,269	545,814	25
1,894	861	-	-	2,755	11,817	5-10
70,548	16,492	-	-	87,040	28,416	7
-	-	-	-	-	-	10
1,602	-	-	-	1,602	-	5
<u>5,971,630</u>	<u>2,429,277</u>	<u>-</u>	<u>-</u>	<u>8,400,907</u>	<u>118,503,677</u>	
-	-	-	-	-	235,541	-
2,139,181	340,887	-	-	2,480,068	14,597,504	50
7,049,940	714,479	-	-	7,764,419	12,563,306	25
2,119,372	173,337	-	-	2,292,709	6,374,042	50
17,209	8,992	-	-	26,201	333,407	25
118,436	13,231	-	-	131,667	242,330	25-50
2,898	1,162	-	-	4,060	7,891	10
228,932	-	-	-	228,932	-	5
52,294	7,427	-	-	59,721	125,766	5-20
12,714	30,514	-	-	43,228	109,342	3
148,859	14,143	-	-	163,002	60,597	7
6,158	1,772	-	-	7,930	9,791	10
3,736	-	-	-	3,736	-	10
<u>11,899,729</u>	<u>1,305,944</u>	<u>-</u>	<u>-</u>	<u>13,205,673</u>	<u>34,659,517</u>	
\$ 794,846,282	\$ 63,143,660	\$ (19,911)	\$ 5,196,330	\$ 852,773,701	\$ 1,693,030,208	

San Antonio Water System
Schedule of Capital Assets and Allowances for Depreciation
For the Year Ended December 31, 2005

	CAPITAL ASSETS				
	Dec. 31, 2004				Dec. 31, 2005
	Balances	Additions	Transfers	Deductions	Balances
BALANCES CARRIED FORWARD	\$ 2,428,679,456	\$ 127,545,239	\$ (7,328)	\$ 10,413,458	\$ 2,545,803,909
WATER RESOURCES					
Land and Land Rights	25,239,694	5,613,970	-	371,250	30,482,414
Land Improvements	-	1,157,329	-	-	1,157,329
Structures and Improvements	8,686,705	10,346,549	-	-	19,033,254
Misc Equipment-Surveillance Equipment	-	479,525	-	-	479,525
Water Rights	9,132,042	16,873,998	-	-	26,006,040
Electric Pumping Equipment	-	11,887,998	-	-	11,887,998
Distribution Mains and Accessories	1,856,614	66,115,224	-	-	67,971,838
Purification Equipment	-	5,576,846	-	-	5,576,846
Hydrants	-	17,838	-	-	17,838
Services	-	11,281	-	-	11,281
Office Furniture and Fixtures	100,606	57,458	-	-	158,064
Special Office Equipment	154,134	47,592	(2,647)	-	199,079
Software Systems	5,725	1,162,363	-	-	1,168,088
Misc Equipment	245,700	493,250	-	-	738,950
Maps	-	26,337	-	-	26,337
Automobiles and Trucks	610,885	-	-	-	610,885
Heavy Equipment	2,865	156,444	-	-	159,309
Communications Equipment	12,624	470,440	-	-	483,064
	<u>46,047,594</u>	<u>120,494,442</u>	<u>(2,647)</u>	<u>371,250</u>	<u>166,168,139</u>
WATER CONSERVATION					
Office Furniture and Fixtures	85,419	-	-	-	85,419
Special Office Equipment	-	3,218	-	-	3,218
Software Systems	1,070	-	-	-	1,070
Misc Equipment	-	-	-	-	-
Automobiles and Trucks	134,668	-	-	-	134,668
Heavy Equipment	38,098	-	-	-	38,098
	<u>259,255</u>	<u>3,218</u>	<u>-</u>	<u>-</u>	<u>262,473</u>
TOTAL SYSTEM FUND	2,474,986,305	248,042,899	(9,975)	10,784,708	2,712,234,521
WORKING CAPITAL FUND					
Light Equipment	207,388	-	-	-	207,388
Office Furniture and Equipment	69,475	13	-	1,069	68,419
Automobiles and Trucks	468,999	(0)	54,904	54,904	468,999
Shop Equipment	437,232	-	-	-	437,232
Heavy Equipment	1,696,157	-	(44,929)	-	1,651,228
Communications Equipment	1,027,231	-	-	-	1,027,231
TOTAL	<u>3,906,482</u>	<u>13</u>	<u>9,975</u>	<u>55,973</u>	<u>3,860,497</u>
STORMWATER					
Special Office Equipment	-	84,122	-	-	84,122
Automobiles and Trucks	-	62,955	-	-	62,955
	<u>-</u>	<u>147,077</u>	<u>-</u>	<u>-</u>	<u>147,077</u>
SUBTOTAL CAPITAL ASSETS	\$ 2,478,892,787	\$ 248,189,989	\$ -	\$ 10,840,681	\$ 2,716,242,095

San Antonio Water System
Schedule of Capital Assets and Allowances for Depreciation
For the Year Ended December 31, 2005

DEPRECIATION						
Dec. 31, 2004				Dec. 31, 2005		Years
Balances	Additions	Transfers	Deductions	Balances	Book Value	of Life
\$ 794,846,282	\$ 63,143,660	\$ (19,911)	\$ 5,196,330	\$ 852,773,701	\$ 1,693,030,208	
-	-	-	-	-	30,482,414	-
-	-	-	-	-	1,157,329	-
52,765	397,817	-	-	450,582	18,582,672	50
-	239,762	-	-	239,762	239,763	3
-	-	-	-	-	26,006,040	-
-	162,020	-	-	162,020	11,725,978	50
27,849	2,018,234	-	-	2,046,083	65,925,755	50
-	836,527	-	-	836,527	4,740,319	10
-	535	-	-	535	17,303	50
-	677	-	-	677	10,604	25
70,389	18,010	-	-	88,399	69,665	10
54,077	27,857	(828)	-	81,106	117,973	5
3,891	581,764	-	-	585,655	582,433	3
107,355	48,513	-	-	155,868	583,082	5-20
-	1,975	-	-	1,975	24,362	20
336,667	59,603	-	-	396,270	214,615	7
1,170	8,001	-	-	9,171	150,138	10
1,052	71,828	-	-	72,880	410,184	10
655,215	4,473,123	(828)	-	5,127,510	161,040,629	92
40,738	10,200	-	-	50,938	34,481	10
-	429	-	-	429	2,789	5
535	357	-	-	892	178	3
-	-	-	-	-	-	20
108,494	12,474	-	-	120,968	13,700	7
17,344	3,880	-	-	21,224	16,874	10
167,111	27,340	-	-	194,451	68,022	
795,668,608	67,644,123	(20,739)	5,196,330	858,095,662	1,854,138,859	
205,530	429	-	-	205,959	1,429	10
32,908	6,075	-	864	38,119	30,300	10
252,649	50,746	54,903	54,903	303,395	165,604	7
299,615	27,487	-	-	327,102	110,130	10
1,162,955	143,178	(34,164)	-	1,271,969	379,259	10
834,676	56,923	-	-	891,599	135,632	10
2,788,333	284,838	20,739	55,767	3,038,143	822,354	
-	18,730	-	-	18,730	65,392	
-	10,209	-	-	10,209	52,746	
-	28,939	-	-	28,939	118,138	
\$ 798,456,941	\$ 67,957,900	\$ -	\$ 5,252,097	\$ 861,162,744	\$ 1,855,079,351	

**San Antonio Water System
Schedule of Capital Assets and Allowances for Depreciation
For the Year Ended December 31, 2005**

CAPITAL ASSETS					
	Dec. 31, 2004				Dec. 31, 2005
	Balances	Additions	Transfers	Deductions	Balances
CONSTRUCTION IN PROGRESS					
WATER					
Renewal and Replacement Fund	\$ 12,514,579	\$ 33,033,120	\$ -	\$ 19,508,542	\$ 26,039,157
Project Fund	116,183,486	26,717,460	-	13,836,508	129,064,438
Service Recovery Account	7,428,918	4,818,794	-	156,943	12,090,769
	<u>136,126,983</u>	<u>64,569,374</u>	<u>-</u>	<u>33,501,993</u>	<u>167,194,364</u>
CHILLED WATER & STEAM SYSTEM					
Renewal and Replacement Fund	1,879,070	710,406	-	440,552	2,148,924
Project Fund	15,618	416,941	-	182,489	250,070
	<u>1,894,688</u>	<u>1,127,347</u>	<u>-</u>	<u>623,041</u>	<u>2,398,994</u>
WASTEWATER					
Renewal and Replacement Fund	14,047,214	36,674,648	-	29,226,722	21,495,140
Project Fund	127,542,083	42,306,985	-	45,403,484	124,445,584
Developer Customer	817,113	4,213,773	-	391,404	4,639,482
	<u>142,406,410</u>	<u>83,195,406</u>	<u>-</u>	<u>75,021,610</u>	<u>150,580,206</u>
RECYCLED WATER SYSTEM					
Renewal and Replacement Fund	(603,476)	5,431,976	-	-	4,828,500
Project Fund	20,533,459	12,010,970	-	6,782,125	25,762,304
	<u>19,929,983</u>	<u>17,442,946</u>	<u>-</u>	<u>6,782,125</u>	<u>30,590,804</u>
WATER RESOURCES					
Renewal and Replacement Fund	3,773,210	5,712,057	-	2,260,624	7,224,643
Project Fund	195,454,012	41,955,228	-	115,137,252	122,271,988
Service Recovery/Dev Customer	-	5,818,856	-	2,879,244	2,939,612
	<u>199,227,222</u>	<u>53,486,141</u>	<u>-</u>	<u>120,277,120</u>	<u>132,436,243</u>
Total Construction in Progress	<u>\$ 499,585,286</u>	<u>\$ 219,821,214</u>	<u>\$ -</u>	<u>\$ 236,205,889</u>	<u>\$ 483,200,611</u>
TOTAL	<u><u>\$ 2,978,478,073</u></u>	<u><u>\$ 468,011,203</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 247,046,570</u></u>	<u><u>\$ 3,199,442,706</u></u>

**San Antonio Water System
Schedule of Capital Assets and Allowances for Depreciation
For the Year Ended December 31, 2005**

DEPRECIATION					
Dec. 31, 2004 Balances	Additions	Transfers	Deductions	Dec. 31, 2005 Balances	Book Value
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,039,157
-	-	-	-	-	129,064,438
-	-	-	-	-	12,090,769
-	-	-	-	-	167,194,364
-	-	-	-	-	2,148,924
-	-	-	-	-	250,070
-	-	-	-	-	2,398,994
-	-	-	-	-	21,495,140
-	-	-	-	-	124,445,584
-	-	-	-	-	4,639,482
-	-	-	-	-	150,580,206
-	-	-	-	-	4,828,500
-	-	-	-	-	25,762,304
-	-	-	-	-	30,590,804
-	-	-	-	-	7,224,643
-	-	-	-	-	122,271,988
-	-	-	-	-	2,939,612
-	-	-	-	-	132,436,243
-	-	-	-	-	-
<u>\$ 798,456,941</u>	<u>\$ 67,957,900</u>	<u>\$ -</u>	<u>\$ 5,252,097</u>	<u>\$ 861,162,744</u>	<u>\$ 2,338,279,962</u>

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BONDED DEBT SCHEDULES AND ANALYSES

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

WATER SYSTEM REVENUE BONDS	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type
Water System Revenue	JPMogan	10-15-96	\$ -	NONE		
Improvement and	Chase Bank		-	NONE		
Refunding Bonds - Series 1996			-	NONE		
			-	NONE		
			-	NONE		
			-	NONE		
			-	NONE		
			-	NONE		
			-	NONE		
			-	NONE		
			-	NONE		
			-	NONE		
			-	NONE		
			-	NONE		
			-	NONE		
			3,310,000	(1)	1	662
			3,500,000	(1)	663	1362
			3,700,000	(1)	1363	2102
			3,910,000	(1)	2103	2884
			4,135,000	(1)(19)	2885	3711
			4,370,000	(1)(19)	3712	4585
			4,615,000	(1)(19)	4586	5508
			4,875,000	(1)(19)	5509	6483
			5,150,000	(1)(19)	6484	7513
			5,440,000	(1)(19)	7514	8601
			5,745,000	(1)(19)	8602	9750
			6,070,000	(1)(19)	9751	10964
			6,410,000	(1)(19)	10965	12246
			6,770,000	(1)(19)	12447	13600
			\$ 68,000,000			

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
- %	15-May	1997	\$ -	\$ -	\$ -	-
-		1998	-	-	-	-
-		1999	-	-	-	-
-		2000	-	-	-	-
-		2001	-	-	-	-
-		2002	-	-	-	-
-		2003	-	-	-	-
-		2004	-	-	-	-
-		2005	-	-	-	-
-		2006	-	-	-	-
-		2007	-	-	-	-
-		2008	-	-	-	-
-		2009	-	-	-	-
-		2010	-	-	-	-
-		2011	-	-	-	-
-		2012	-	-	-	-
5.600		2013	3,310,000	-	-	3,310,000
5.650		2014	3,500,000	-	-	3,500,000
5.700		2015	3,700,000	-	-	3,700,000
5.700		2016	3,910,000	-	-	3,910,000
5.600		2017	4,135,000	-	-	4,135,000
5.600		2018	4,370,000	-	-	4,370,000
5.600		2019	4,615,000	-	-	4,615,000
5.600		2020	4,875,000	-	-	4,875,000
5.600		2021	5,150,000	-	-	5,150,000
5.600		2022	5,440,000	-	-	5,440,000
5.600		2023	5,745,000	-	-	5,745,000
5.600		2024	6,070,000	-	-	6,070,000
5.600		2025	6,410,000	-	-	6,410,000
5.600		2026	6,770,000	-	-	6,770,000
			<u>\$ 68,000,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 68,000,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers		Bond Type
Water System Revenue and Refunding Bonds Series 1997	JPMogan	10-1-97	\$ -	NONE			
	Chase Bank		-	NONE			
			465,000	NONE	1	93	Serial
			485,000	NONE	94	190	Serial
			505,000	NONE	191	291	Serial
			530,000	NONE	292	397	Serial
			550,000	NONE	398	507	Serial
			580,000	NONE	508	623	Serial
			9,090,000	NONE	624	2441	Serial
			9,505,000	NONE	2442	4342	Serial
			10,075,000	NONE	4343	6357	Serial
			10,680,000	(2)	6358	8493	Serial
			11,270,000	(2)	8494	10747	Serial
			11,885,000	(2)	10748	13124	Serial
			12,475,000	(2)	13125	15619	Serial
			13,110,000	(2)	15620	18241	Serial
			3,595,000	(2)	18242	18960	Serial
			3,780,000	(2)	18961	19716	Serial
			3,975,000	(2)	19717	20511	Serial
			4,180,000	(2)	20512	21347	Serial
			\$ 106,735,000				

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding	Transactions		Balances Outstanding
			January 1, 2005	Issued	Retired	December 31, 2005
- %	15-May	1997	\$ -	\$ -	\$ -	\$ -
-		1998	-	-	-	-
4.250		1999	-	-	-	-
4.250		2000	-	-	-	-
4.250		2001	-	-	-	-
4.300		2002	-	-	-	-
4.400		2003	-	-	-	-
4.500		2004	-	-	-	-
4.500		2005	9,090,000	-	9,090,000	-
6.000		2006	9,505,000	-	-	9,505,000
6.000		2007	10,075,000	-	-	10,075,000
5.500		2008	10,680,000	-	-	10,680,000
5.500		2009	11,270,000	-	-	11,270,000
5.000		2010	11,885,000	-	-	11,885,000
5.000		2011	12,475,000	-	-	12,475,000
5.000		2012	13,110,000	-	-	13,110,000
5.125		2013	3,595,000	-	-	3,595,000
5.125		2014	3,780,000	-	-	3,780,000
5.125		2015	3,975,000	-	-	3,975,000
5.125		2016	4,180,000	-	-	4,180,000
			<u>\$ 103,620,000</u>	<u>\$ -</u>	<u>\$ 9,090,000</u>	<u>\$ 94,530,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type	
Water System Revenue and Refunding Bonds Series 1999	JPMogan	11-01-99	\$ -	NONE			
	Chase Bank		-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			2,190,000	(3)	1	438	Serial
			2,315,000	(3)	439	901	Serial
			2,445,000	(3)	902	1390	Serial
			2,590,000	(3)	1391	1908	Serial
			2,430,000	(3)	1909	2394	Serial
			2,580,000	(3)	2395	2910	Serial
			5,740,000	(3)	2911	4058	Serial
			5,900,000	(3)(20)	4059	5238	Term
			6,270,000	(3)(20)	5239	6492	Term
			6,660,000	(3)(20)	6493	7824	Term
			7,080,000	(3)(20)	7825	9240	Term
			7,520,000	(3)(20)	9241	10744	Term
			7,990,000	(3)(20)	10745	12342	Term
			8,490,000	(3)(20)	12343	14040	Term
			\$ <u>70,200,000</u>				

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
- %	15-May	2000	\$ -	\$ -	\$ -	\$ -
-		2001	-	-	-	-
-		2002	-	-	-	-
-		2003	-	-	-	-
-		2004	-	-	-	-
-		2005	-	-	-	-
-		2006	-	-	-	-
-		2007	-	-	-	-
-		2008	-	-	-	-
-		2009	-	-	-	-
-		2010	-	-	-	-
-		2011	-	-	-	-
-		2012	-	-	-	-
5.750		2013	2,190,000	-	2,190,000	-
5.750		2014	2,315,000	-	2,315,000	-
5.875		2015	2,445,000	-	2,445,000	-
5.875		2016	2,590,000	-	2,590,000	-
5.875		2017	2,430,000	-	2,430,000	-
5.875		2018	2,580,000	-	2,580,000	-
5.875		2019	5,740,000	-	5,740,000	-
6.000		2020	5,900,000	-	5,900,000	-
6.000		2021	6,270,000	-	6,270,000	-
6.000		2022	6,660,000	-	6,660,000	-
6.000		2023	7,080,000	-	7,080,000	-
6.000		2024	7,520,000	-	7,520,000	-
6.000		2025	7,990,000	-	7,990,000	-
6.000		2026	8,490,000	-	8,490,000	-
			<u>\$ 70,200,000</u>	<u>\$ -</u>	<u>\$ 70,200,000</u>	<u>\$ -</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type
Water System Revenue and Refunding Bonds - Series 2001	Wachovia Bank	3-01-01	\$ -			
			315,000	NONE	1	63
			375,000	NONE	64	138
			390,000	NONE	139	216
			490,000	NONE	217	314
			1,140,000	NONE	315	542
			1,260,000	NONE	543	794
			1,390,000	NONE	795	1072
			1,505,000	NONE	1073	1373
			1,600,000	NONE	1374	1693
			1,745,000	(6)	1694	2042
			2,075,000	(6)	2043	2457
			2,215,000	(6)	2458	2900
			2,375,000	(6)	2901	3375
			2,535,000	(6)	3376	3882
			2,890,000	(6)	3883	4460
			3,080,000	(6)	4461	5076
			3,185,000	(6)	5077	5713
			3,575,000	(6)	5714	6428
			3,795,000	(6)	6429	7187
			4,030,000	(6)	7188	7993
			4,275,000	(6)	7994	8848
			4,535,000	(6)(21)	8849	9755
			4,815,000	(6)(21)	9756	10718
			5,110,000	(6)(21)	10719	11740
			\$ 58,700,000			

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances	Transactions		Balances
			Outstanding	Issued	Retired	Outstanding
			January 1, 2005			December 31, 2005
- %	15-May	2002	\$ -	\$ -	\$ -	\$ -
4.750		2003	-	-	-	-
4.750		2004	-	-	-	-
4.750		2005	390,000	-	390,000	-
4.750		2006	490,000	-	-	490,000
6.250		2007	1,140,000	-	-	1,140,000
6.250		2008	1,260,000	-	-	1,260,000
6.250		2009	1,390,000	-	-	1,390,000
6.250		2010	1,505,000	-	-	1,505,000
6.250		2011	1,600,000	-	-	1,600,000
5.000		2012	1,745,000	-	-	1,745,000
5.000		2013	2,075,000	-	-	2,075,000
5.000		2014	2,215,000	-	-	2,215,000
5.000		2015	2,375,000	-	-	2,375,000
5.000		2016	2,535,000	-	-	2,535,000
5.000		2017	2,890,000	-	-	2,890,000
5.000		2018	3,080,000	-	-	3,080,000
5.000		2019	3,185,000	-	-	3,185,000
5.000		2020	3,575,000	-	-	3,575,000
5.000		2021	3,795,000	-	-	3,795,000
5.000		2022	4,030,000	-	-	4,030,000
5.000		2023	4,275,000	-	-	4,275,000
5.000		2024	4,535,000	-	-	4,535,000
5.000		2025	4,815,000	-	-	4,815,000
5.000		2026	5,110,000	-	-	5,110,000
			<u>\$ 58,010,000</u>	<u>\$ -</u>	<u>\$ 390,000</u>	<u>\$ 57,620,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE REFUNDING BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type		
Water System Revenue and Refunding Bonds - Series 2002	JPMogan	02-01-02	\$ -	NONE				
	Chase Bank		-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
			-	NONE				
				4,445,000	(9)	1	889	Serial
				4,670,000	(9)	890	1823	Serial
			4,905,000	(9)	1824	2804	Serial	
			5,145,000	(9)	2805	3833	Serial	
			10,145,000	(9)	3834	5862	Serial	
			10,665,000	(9)	5863	7995	Serial	
			7,490,000	(9)	7996	9493	Serial	
			17,390,000	(9)	9494	12971	Serial	
			18,260,000	(9)	12972	16623	Serial	
			21,280,000	(9)	16624	20879	Serial	
			22,350,000	(9)	20880	25349	Serial	
			23,475,000	(9)(22)	25350	30044	Term	
			24,635,000	(9)(22)	30045	34971	Term	
			25,850,000	(9)(22)	34972	40141	Term	
			48,655,000	(9)(22)	40142	49872	Term	
			51,150,000	(9)(22)	49873	60102	Term	
			<u>\$ 300,510,000</u>					

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
- %	15-May	2002	\$ -	\$ -	\$ -	\$ -
-		2003	-	-	-	-
-		2004	-	-	-	-
-		2005	-	-	-	-
-		2006	-	-	-	-
-		2007	-	-	-	-
-		2008	-	-	-	-
-		2009	-	-	-	-
-		2010	-	-	-	-
-		2011	-	-	-	-
-		2012	-	-	-	-
5.500		2013	4,445,000	-	-	4,445,000
5.500		2014	4,670,000	-	-	4,670,000
5.500		2015	4,905,000	-	-	4,905,000
5.500		2016	5,145,000	-	-	5,145,000
5.500		2017	10,145,000	-	-	10,145,000
5.500		2018	10,665,000	-	-	10,665,000
5.500		2019	7,490,000	-	-	7,490,000
5.500		2020	17,390,000	-	-	17,390,000
5.000		2021	18,260,000	-	-	18,260,000
5.000		2022	21,280,000	-	-	21,280,000
5.125		2023	22,350,000	-	-	22,350,000
5.000		2024	23,475,000	-	-	23,475,000
5.000		2025	24,635,000	-	-	24,635,000
5.000		2026	25,850,000	-	-	25,850,000
5.000		2027	48,655,000	-	-	48,655,000
5.000		2028	51,150,000	-	-	51,150,000
			\$ <u>300,510,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>300,510,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

WATER SYSTEM
REVENUE BONDS

Water System Revenue Bonds
Series 2002-A

Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers		Bond Type
JPMogan	02-15-02	\$ -	NONE			
Chase Bank		-	NONE			
		-	NONE			
		-	NONE			
		2,000,000	NONE	1	400	Serial
		3,150,000	NONE	401	1030	Serial
		2,095,000	NONE	1031	1449	Serial
		2,000,000	NONE	1450	1849	Serial
		3,270,000	NONE	1850	2503	Serial
		2,000,000	NONE	2504	2903	Serial
		3,375,000	NONE	2904	3578	Serial
		1,300,000	NONE	3579	3838	Serial
		3,755,000	NONE	3839	4589	Serial
		4,365,000	NONE	4590	5462	Serial
		2,000,000	NONE	5463	5862	Serial
		2,280,000	NONE	5863	6318	Serial
		4,000,000	(10)	6319	7118	Serial
		4,000,000	(10)	7119	7918	Serial
		6,575,000	(10)	7919	9233	Serial
		5,640,000	(10)	9234	10361	Serial
		5,140,000	(10)	10362	11389	Serial
		4,420,000	(10)	11390	12273	Serial
		2,185,000	(10)	12274	12710	Serial
		2,460,000	(10)	12711	13202	Serial
		3,515,000	(10)	13203	13905	Serial
		3,285,000	(10)	13906	14562	Serial
		4,275,000	(10)(23)	14563	15417	Term
		4,695,000	(10)(23)	15418	16356	Term
		4,940,000	(10)(23)	16357	17344	Term
		5,190,000	(10)(23)	17345	18382	Term
		5,730,000	(10)(23)	18383	19528	Term
		7,255,000	(10)(23)	19529	20979	Term
		7,625,000	(10)(23)	20980	22504	Term
		8,015,000	(10)(23)	22505	24107	Term
		8,425,000	(10)(23)	24108	25792	Term
		8,860,000	(10)(23)	25793	27564	Term
		<u>\$ 137,820,000</u>				

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
- %	15-May	2002	\$ -	\$ -	\$ -	-
-		2003	-	-	-	-
-		2004	-	-	-	-
-		2005	-	-	-	-
4.000		2006	2,000,000	-	-	2,000,000
5.000		2006	3,150,000	-	-	3,150,000
4.000		2007	2,095,000	-	-	2,095,000
4.000		2008	2,000,000	-	-	2,000,000
5.250		2008	3,270,000	-	-	3,270,000
4.000		2009	2,000,000	-	-	2,000,000
5.250		2009	3,375,000	-	-	3,375,000
4.000		2010	1,300,000	-	-	1,300,000
5.250		2010	3,755,000	-	-	3,755,000
4.125		2011	4,365,000	-	-	4,365,000
4.250		2012	2,000,000	-	-	2,000,000
5.500		2012	2,280,000	-	-	2,280,000
5.500		2013	4,000,000	-	-	4,000,000
5.500		2014	4,000,000	-	-	4,000,000
5.500		2015	6,575,000	-	-	6,575,000
5.500		2016	5,640,000	-	-	5,640,000
5.500		2017	5,140,000	-	-	5,140,000
5.500		2018	4,420,000	-	-	4,420,000
5.000		2019	2,185,000	-	-	2,185,000
5.000		2020	2,460,000	-	-	2,460,000
5.000		2021	3,515,000	-	-	3,515,000
5.000		2022	3,285,000	-	-	3,285,000
5.000		2023	4,275,000	-	-	4,275,000
5.000		2024	4,695,000	-	-	4,695,000
5.000		2025	4,940,000	-	-	4,940,000
5.000		2026	5,190,000	-	-	5,190,000
5.000		2027	5,730,000	-	-	5,730,000
5.000		2028	7,255,000	-	-	7,255,000
5.000		2029	7,625,000	-	-	7,625,000
5.000		2030	8,015,000	-	-	8,015,000
5.000		2031	8,425,000	-	-	8,425,000
5.000		2032	8,860,000	-	-	8,860,000
			\$ 137,820,000	\$ -	\$ -	\$ 137,820,000

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers		Bond Type
Water System Revenue and Refunding Bonds - Series 2004	Wachovia Bank	05-15-04	\$ -	NONE			
			-	NONE			
			-	NONE			
			1,445,000	NONE	1	289	Serial
			1,495,000	NONE	290	588	Serial
			1,550,000	NONE	589	898	Serial
			1,620,000	NONE	899	1222	Serial
			1,705,000	NONE	1223	1563	Serial
			1,790,000	NONE	1564	1921	Serial
			1,885,000	NONE	1922	2298	Serial
			1,980,000	NONE	2299	2694	Serial
			2,085,000	(14)	2695	3111	Serial
			2,195,000	(14)	3112	3550	Serial
			2,315,000	(14)	3551	4013	Serial
			2,440,000	(14)	4014	4501	Serial
			2,570,000	(14)	4502	5015	Serial
			2,710,000	(14)	5016	5557	Serial
			2,855,000	(14)	5558	6128	Serial
			3,010,000	(14)	6129	6730	Serial
			3,170,000	(14)	6731	7364	Serial
			3,330,000	(14)	7365	8030	Serial
			3,500,000	(14)	8031	8730	Serial
			3,685,000	(14)	8731	9467	Serial
			3,875,000	(14)(24)	9468	10242	Term
			4,080,000	(14)(24)	10243	11058	Term
			4,295,000	(14)(24)	11059	11917	Term
			4,520,000	(14)(24)	11918	12821	Term
			4,760,000	(14)(24)	12822	13773	Term
			5,010,000	(14)(24)	13774	14775	Term
			5,275,000	(14)(24)	14776	15830	Term
			5,550,000	(14)(24)	15831	16940	Term
			\$ 84,700,000				

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
- %	15-May	2004	\$ -	\$ -	\$ -	-
-		2005	-	-	-	-
-		2006	-	-	-	-
3.000		2007	1,445,000	-	-	1,445,000
3.500		2008	1,495,000	-	-	1,495,000
4.000		2009	1,550,000	-	-	1,550,000
5.000		2010	1,620,000	-	-	1,620,000
5.000		2011	1,705,000	-	-	1,705,000
5.000		2012	1,790,000	-	-	1,790,000
5.000		2013	1,885,000	-	-	1,885,000
5.000		2014	1,980,000	-	-	1,980,000
5.250		2015	2,085,000	-	-	2,085,000
5.250		2016	2,195,000	-	-	2,195,000
5.250		2017	2,315,000	-	-	2,315,000
5.250		2018	2,440,000	-	-	2,440,000
5.250		2019	2,570,000	-	-	2,570,000
5.250		2020	2,710,000	-	-	2,710,000
5.250		2021	2,855,000	-	-	2,855,000
5.250		2022	3,010,000	-	-	3,010,000
5.000		2023	3,170,000	-	-	3,170,000
5.000		2024	3,330,000	-	-	3,330,000
5.000		2025	3,500,000	-	-	3,500,000
5.125		2026	3,685,000	-	-	3,685,000
5.125		2027	3,875,000	-	-	3,875,000
5.125		2028	4,080,000	-	-	4,080,000
5.125		2029	4,295,000	-	-	4,295,000
5.125		2030	4,520,000	-	-	4,520,000
5.125		2031	4,760,000	-	-	4,760,000
5.125		2032	5,010,000	-	-	5,010,000
5.125		2033	5,275,000	-	-	5,275,000
5.125		2034	5,550,000	-	-	5,550,000
			<u>\$ 84,700,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 84,700,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

WATER SYSTEM REVENUE BONDS	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers		Bond Type
Water System Revenue	JPMogan	11-15-05	\$ -	NONE			
Refunding Bonds - Series 2005	Chase Bank			NONE			
				NONE			
				NONE			
				NONE			
				NONE			
				NONE			
			2,635,000	(17)	1	527	Serial
			2,925,000	(17)	528	1112	Serial
			735,000	(17)	1113	1259	Serial
			2,055,000	(17)	1260	1670	Serial
			2,650,000	(17)	1671	2200	Serial
			3,020,000	(17)	2201	2804	Serial
			6,170,000	(17)	2805	4038	Serial
			6,295,000	(17)	4039	5297	Serial
			6,625,000	(17)	5298	6622	Serial
			6,965,000	(17)	6623	8015	Serial
			7,330,000	(17)	8016	9481	Serial
			7,705,000	(17)	9482	11022	Serial
			8,105,000	(17)	11023	12643	Serial
			8,530,000	(17)	12644	14349	Serial
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			-	NONE			
			33,265,000	(17)(25)	14350	21002	Term
			34,970,000	(17)(25)	21003	27996	Term
			36,715,000	(17)	27997	35339	Serial
			25,000,000	(17)	35340	40339	Serial
			13,520,000	(17)(25)	40340	43043	Term
			40,465,000	(17)(25)	43044	51136	Term
			42,540,000	(17)(25)	51137	59644	Term
			\$ 298,220,000				

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
- %	15-May	2005	\$ -	\$ -	\$ -	\$ -
-		2006	-	-	-	-
-		2007	-	-	-	-
-		2008	-	-	-	-
-		2009	-	-	-	-
-		2010	-	-	-	-
-		2011	-	-	-	-
-		2012	-	-	-	-
5.000		2013	-	2,635,000	-	2,635,000
5.000		2014	-	2,925,000	-	2,925,000
4.250		2015	-	735,000	-	735,000
5.000		2016	-	2,055,000	-	2,055,000
5.000		2017	-	2,650,000	-	2,650,000
5.000		2018	-	3,020,000	-	3,020,000
5.000		2019	-	6,170,000	-	6,170,000
5.000		2020	-	6,295,000	-	6,295,000
5.000		2021	-	6,625,000	-	6,625,000
5.000		2022	-	6,965,000	-	6,965,000
5.000		2023	-	7,330,000	-	7,330,000
5.000		2024	-	7,705,000	-	7,705,000
5.000		2025	-	8,105,000	-	8,105,000
5.000		2026	-	8,530,000	-	8,530,000
-		2027	-	-	-	-
-		2028	-	-	-	-
-		2029	-	-	-	-
-		2030	-	-	-	-
-		2031	-	-	-	-
-		2032	-	-	-	-
-		2033	-	-	-	-
-		2034	-	-	-	-
5.000		2035	-	33,265,000	-	33,265,000
5.000		2036	-	34,970,000	-	34,970,000
4.750		2037	-	36,715,000	-	36,715,000
4.750		2038	-	25,000,000	-	25,000,000
5.000		2038	-	13,520,000	-	13,520,000
5.000		2039	-	40,465,000	-	40,465,000
5.000		2040	-	42,540,000	-	42,540,000
			\$ -	\$ 298,220,000	\$ -	\$ 298,220,000

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type	
Water System Junior Lien	JPMogan	6-3-99	\$ 2,740,000	NONE	1	548	Serial
Revenue and Refunding Bonds-Series 1999	Chase Bank		2,680,000	NONE	549	1084	Serial
			2,745,000	NONE	1085	1633	Serial
			2,820,000	NONE	1634	2197	Serial
			2,900,000	NONE	2198	2777	Serial
			2,985,000	NONE	2778	3374	Serial
			3,075,000	NONE	3375	3989	Serial
			3,175,000	NONE	3990	4624	Serial
			3,275,000	NONE	4625	5279	Serial
			3,385,000	NONE	5280	5956	Serial
			3,500,000	(4)	5957	6656	Serial
			3,625,000	(4)	6657	7381	Serial
			3,760,000	(4)	7382	8133	Serial
			3,900,000	(4)	8134	8913	Serial
			4,050,000	(4)	8914	9723	Serial
			4,210,000	(4)	9724	10565	Serial
			4,375,000	(4)	10566	11440	Serial
			4,550,000	(4)	11441	12350	Serial
			4,735,000	(4)	12351	13297	Serial
			4,925,000	(4)	13298	14282	Serial
			\$ 71,410,000				

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding	Transactions		Balances Outstanding
			January 1, 2005	Issued	Retired	December 31, 2005
2.250 %	15-May	2000	\$ -	\$ -	\$ -	\$ -
2.600		2001	-	-	-	-
2.700		2002	-	-	-	-
2.800		2003	-	-	-	-
2.950		2004	-	-	-	-
3.050		2005	2,985,000	-	2,985,000	-
3.150		2006	3,075,000	-	-	3,075,000
3.250		2007	3,175,000	-	-	3,175,000
3.350		2008	3,275,000	-	-	3,275,000
3.400		2009	3,385,000	-	-	3,385,000
3.550		2010	3,500,000	-	-	3,500,000
3.650		2011	3,625,000	-	-	3,625,000
3.750		2012	3,760,000	-	-	3,760,000
3.850		2013	3,900,000	-	-	3,900,000
3.900		2014	4,050,000	-	-	4,050,000
3.950		2015	4,210,000	-	-	4,210,000
4.000		2016	4,375,000	-	-	4,375,000
4.050		2017	4,550,000	-	-	4,550,000
4.100		2018	4,735,000	-	-	4,735,000
4.100		2019	4,925,000	-	-	4,925,000
			\$ <u>57,525,000</u>	\$ <u>-</u>	\$ <u>2,985,000</u>	\$ <u>54,540,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers		Bond Type
Water System Junior Lien	JPMogan	11-01-99	\$ 2,675,000	NONE	1	535	Serial
Revenue and Refunding	Chase Bank		1,710,000	NONE	536	877	Serial
Bonds-Series 1999-A			1,760,000	NONE	878	1229	Serial
			1,810,000	NONE	1230	1591	Serial
			1,870,000	NONE	1592	1965	Serial
			1,925,000	NONE	1966	2350	Serial
			1,990,000	NONE	2351	2748	Serial
			2,060,000	NONE	2749	3160	Serial
			2,130,000	NONE	3161	3586	Serial
			2,210,000	NONE	3587	4028	Serial
			2,290,000	(5)	4029	4486	Serial
			2,375,000	(5)	4487	4961	Serial
			2,460,000	(5)	4962	5453	Serial
			2,555,000	(5)	5454	5964	Serial
			2,655,000	(5)	5965	6495	Serial
			2,765,000	(5)	6496	7048	Serial
			2,875,000	(5)	7049	7623	Serial
			3,000,000	(5)	7624	8223	Serial
			3,125,000	(5)	8224	8848	Serial
			3,260,000	(5)	8849	9500	Serial
			\$ 47,500,000				

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
2.450 %	15-May	2000	\$ -	\$ -	\$ -	\$ -
2.750		2001	-	-	-	-
2.950		2002	-	-	-	-
3.100		2003	-	-	-	-
3.200		2004	-	-	-	-
3.300		2005	1,925,000	-	1,925,000	-
3.400		2006	1,990,000	-	-	1,990,000
3.500		2007	2,060,000	-	-	2,060,000
3.600		2008	2,130,000	-	-	2,130,000
3.650		2009	2,210,000	-	-	2,210,000
3.700		2010	2,290,000	-	-	2,290,000
3.730		2011	2,375,000	-	-	2,375,000
3.830		2012	2,460,000	-	-	2,460,000
3.930		2013	2,555,000	-	-	2,555,000
4.030		2014	2,655,000	-	-	2,655,000
4.130		2015	2,765,000	-	-	2,765,000
4.200		2016	2,875,000	-	-	2,875,000
4.250		2017	3,000,000	-	-	3,000,000
4.300		2018	3,125,000	-	-	3,125,000
4.350		2019	3,260,000	-	-	3,260,000
			<u>\$ 37,675,000</u>	<u>\$ -</u>	<u>\$ 1,925,000</u>	<u>\$ 35,750,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type
Water System Junior Lien	Wachovia Bank	03-01-01	\$ 5,000	NONE	1	Serial
Revenue and Refunding			5,000	NONE	2	Serial
Bonds-Series 2001			5,000	NONE	3	Serial
			5,000	NONE	4	Serial
			5,000	NONE	5	Serial
			470,000	NONE	6	Serial
			470,000	NONE	100	Serial
			495,000	NONE	194	Serial
			515,000	NONE	293	Serial
			535,000	NONE	396	Serial
			555,000	(7)	503	Serial
			650,000	(7)	614	Serial
			670,000	(7)	744	Serial
			700,000	(7)	878	Serial
			730,000	(7)	1018	Serial
			555,000	(7)	1164	Serial
			585,000	(7)	1275	Serial
			1,400,000	(7)	1392	Serial
			670,000	(7)	1672	Serial
			690,000	(7)	1806	Serial
			\$ 9,715,000			

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
1.850 %	15-May	2002	\$ -	\$ -	\$ -	\$ -
2.050		2003	-	-	-	-
2.150		2004	-	-	-	-
2.250		2005	5,000	-	5,000	-
2.400		2006	5,000	-	-	5,000
2.550		2007	470,000	-	-	470,000
2.650		2008	470,000	-	-	470,000
2.750		2009	495,000	-	-	495,000
2.800		2010	515,000	-	-	515,000
2.900		2011	535,000	-	-	535,000
3.000		2012	555,000	-	-	555,000
3.150		2013	650,000	-	-	650,000
3.250		2014	670,000	-	-	670,000
3.350		2015	700,000	-	-	700,000
3.450		2016	730,000	-	-	730,000
3.500		2017	555,000	-	-	555,000
3.550		2018	585,000	-	-	585,000
3.600		2019	1,400,000	-	-	1,400,000
3.650		2020	670,000	-	-	670,000
3.700		2021	690,000	-	-	690,000
			<u>\$ 9,700,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 9,695,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type
Water System Junior Lien	Wachovia Bank	03-01-01	\$ 5,000	NONE	1	Serial
Revenue and Refunding			5,000	NONE	2	Serial
Bonds-Series 2001-A			5,000	NONE	3	Serial
			5,000	NONE	4	Serial
			5,000	NONE	5	Serial
			750,000	NONE	6	155 Serial
			785,000	NONE	156	312 Serial
			815,000	NONE	313	475 Serial
			845,000	NONE	476	644 Serial
			880,000	NONE	645	820 Serial
			920,000	(8)	821	1004 Serial
			965,000	(8)	1005	1197 Serial
			1,015,000	(8)	1198	1400 Serial
			1,050,000	(8)	1401	1610 Serial
			1,115,000	(8)	1611	1833 Serial
			1,155,000	(8)	1834	2064 Serial
			1,215,000	(8)	2065	2307 Serial
			1,315,000	(8)	2308	2570 Serial
			1,250,000	(8)	2571	2820 Serial
			1,335,000	(8)	2821	3087 Serial
			\$ 15,435,000			

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
2.350 %	15-May	2002	\$ -	\$ -	\$ -	\$ -
2.550		2003	-	-	-	-
2.650		2004	-	-	-	-
2.750		2005	5,000	-	5,000	-
2.900		2006	5,000	-	-	5,000
3.050		2007	750,000	-	-	750,000
3.150		2008	785,000	-	-	785,000
3.250		2009	815,000	-	-	815,000
3.300		2010	845,000	-	-	845,000
3.400		2011	880,000	-	-	880,000
3.500		2012	920,000	-	-	920,000
3.650		2013	965,000	-	-	965,000
3.750		2014	1,015,000	-	-	1,015,000
3.850		2015	1,050,000	-	-	1,050,000
3.950		2016	1,115,000	-	-	1,115,000
4.000		2017	1,155,000	-	-	1,155,000
4.050		2018	1,215,000	-	-	1,215,000
4.100		2019	1,315,000	-	-	1,315,000
4.150		2020	1,250,000	-	-	1,250,000
4.200		2021	1,335,000	-	-	1,335,000
			\$ <u>15,420,000</u>	\$ <u>-</u>	\$ <u>5,000</u>	\$ <u>15,415,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

WATER SYSTEM REVENUE BONDS	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type
Water System Junior Lien	JPMogan	03-28-02	\$ -	NONE		
Revenue Bonds - Series 2002	Chase Bank		5,000	NONE	1	Serial
			5,000	NONE	2	Serial
			5,000	NONE	3	Serial
			5,000	NONE	4	Serial
			805,000	NONE	5	165
			820,000	NONE	6	329
			835,000	NONE	330	496
			855,000	NONE	497	667
			875,000	NONE	668	842
			895,000	NONE	843	1021
			920,000	(11)	1022	1205
			945,000	(11)	1206	1394
			970,000	(11)	1395	1588
			1,000,000	(11)	1589	1788
			1,030,000	(11)	1789	1994
			1,065,000	(11)	1995	2207
			1,100,000	(11)	2208	2427
			1,135,000	(11)	2428	2654
			1,170,000	(11)	2655	2888
			1,210,000	(11)	2889	3130
			\$ <u>15,650,000</u>			

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
- %	15-May	2002	\$ -	\$ -	\$ -	\$ -
0.000		2003	-	-	-	-
0.550		2004	-	-	-	-
1.000		2005	5,000	-	5,000	-
1.350		2006	5,000	-	-	5,000
1.700		2007	805,000	-	-	805,000
1.900		2008	820,000	-	-	820,000
2.100		2009	835,000	-	-	835,000
2.250		2010	855,000	-	-	855,000
2.350		2011	875,000	-	-	875,000
2.450		2012	895,000	-	-	895,000
2.600		2013	920,000	-	-	920,000
2.750		2014	945,000	-	-	945,000
2.850		2015	970,000	-	-	970,000
2.950		2016	1,000,000	-	-	1,000,000
3.050		2017	1,030,000	-	-	1,030,000
3.150		2018	1,065,000	-	-	1,065,000
3.200		2019	1,100,000	-	-	1,100,000
3.250		2020	1,135,000	-	-	1,135,000
3.300		2021	1,170,000	-	-	1,170,000
3.300		2022	1,210,000	-	-	1,210,000
			<u>\$ 15,640,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 15,635,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

WATER SYSTEM REVENUE BONDS	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type
Water System Junior Lien	JPMogan	03-28-02	\$ -	NONE		
Revenue Bonds - Series 2002-A	Chase Bank		5,000	NONE	1	Serial
			5,000	NONE	2	Serial
			5,000	NONE	3	Serial
			5,000	NONE	4	Serial
			575,000	NONE	5	119
			590,000	NONE	6	237
			605,000	NONE	238	358
			625,000	NONE	359	483
			650,000	NONE	484	613
			670,000	NONE	614	747
			695,000	(12)	748	886
			720,000	(12)	887	1030
			750,000	(12)	1031	1180
			780,000	(12)	1181	1336
			810,000	(12)	1337	1498
			845,000	(12)	1499	1667
			880,000	(12)	1668	1843
			915,000	(12)	1844	2026
			960,000	(12)	2027	2218
			<u>1,000,000</u>	(12)	2219	2418
			\$ <u><u>12,090,000</u></u>			

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding	Transactions		Balances Outstanding
			January 1, 2005	Issued	Retired	December 31, 2005
- %	15-May	2002	\$ -	\$ -	\$ -	\$ -
0.850		2003	-	-	-	-
1.550		2004	-	-	-	-
2.000		2005	5,000	-	5,000	-
2.235		2006	5,000	-	-	5,000
2.700		2007	575,000	-	-	575,000
2.900		2008	590,000	-	-	590,000
3.100		2009	605,000	-	-	605,000
3.250		2010	625,000	-	-	625,000
3.350		2011	650,000	-	-	650,000
3.450		2012	670,000	-	-	670,000
3.600		2013	695,000	-	-	695,000
3.750		2014	720,000	-	-	720,000
3.850		2015	750,000	-	-	750,000
3.950		2016	780,000	-	-	780,000
4.050		2017	810,000	-	-	810,000
4.150		2018	845,000	-	-	845,000
4.200		2019	880,000	-	-	880,000
4.250		2020	915,000	-	-	915,000
4.300		2021	960,000	-	-	960,000
4.300		2022	1,000,000	-	-	1,000,000
			<u>\$ 12,080,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 12,075,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type
Water System Junior Lien	Wachovia Bank	08-26-03	\$ -	NONE		
Revenue Bonds - Series 2003			5,000	NONE	1	Serial
			5,000	NONE	2	Serial
			5,000	NONE	3	Serial
			5,000	NONE	4	Serial
			5,000	NONE	5	Serial
			1,930,000	NONE	6	391 Serial
			1,960,000	NONE	392	783 Serial
			1,995,000	NONE	784	1182 Serial
			2,035,000	NONE	1183	1589 Serial
			2,075,000	NONE	1590	2004 Serial
			2,125,000	(13)	2005	2429 Serial
			2,175,000	(13)	2430	2864 Serial
			2,230,000	(13)	2865	3310 Serial
			2,285,000	(13)	3311	3767 Serial
			2,350,000	(13)	3768	4237 Serial
			2,415,000	(13)	4238	4720 Serial
			2,485,000	(13)	4721	5217 Serial
			2,560,000	(13)	5218	5729 Serial
			2,635,000	(13)	5730	6256 Serial
			2,720,000	(13)	6257	6800 Serial
			\$ 34,000,000			

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
- %	15-May	2003	\$ -	\$ -	\$ -	-
0.000		2004		-	-	-
0.000		2005	5,000	-	5,000	-
0.100		2006	5,000	-	-	5,000
0.600		2007	5,000	-	-	5,000
0.900		2008	5,000	-	-	5,000
1.300		2009	1,930,000	-	-	1,930,000
1.650		2010	1,960,000	-	-	1,960,000
1.900		2011	1,995,000	-	-	1,995,000
2.050		2012	2,035,000	-	-	2,035,000
2.200		2013	2,075,000	-	-	2,075,000
2.300		2014	2,125,000	-	-	2,125,000
2.400		2015	2,175,000	-	-	2,175,000
2.500		2016	2,230,000	-	-	2,230,000
2.650		2017	2,285,000	-	-	2,285,000
2.750		2018	2,350,000	-	-	2,350,000
2.800		2019	2,415,000	-	-	2,415,000
2.900		2020	2,485,000	-	-	2,485,000
2.950		2021	2,560,000	-	-	2,560,000
3.050		2022	2,635,000	-	-	2,635,000
3.100		2023	2,720,000	-	-	2,720,000
			<u>\$ 33,995,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 33,990,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

<i>WATER SYSTEM REVENUE BONDS</i>	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type
Water System Junior Lien	Wachovia Bank	07-07-04	\$ -	NONE		
Revenue and Refunding			5,000	NONE	1	Serial
Bonds - Series 2004			5,000	NONE	2	Serial
			5,000	NONE	3	Serial
			5,000	NONE	4	Serial
			5,000	NONE	5	Serial
			595,000	NONE	6	124 Serial
			605,000	NONE	125	245 Serial
			620,000	NONE	246	369 Serial
			630,000	NONE	370	495 Serial
			645,000	NONE	496	624 Serial
			660,000	(15)	625	756 Serial
			680,000	(15)	757	892 Serial
			695,000	(15)	893	1031 Serial
			715,000	(15)	1032	1174 Serial
			735,000	(15)	1175	1321 Serial
			760,000	(15)	1322	1473 Serial
			780,000	(15)	1474	1629 Serial
			805,000	(15)	1630	1790 Serial
			830,000	(15)	1791	1956 Serial
			855,000	(15)	1957	2127 Serial
			\$ 10,635,000			

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding		Transactions		Balances Outstanding
			January 1, 2005	December 31, 2005	Issued	Retired	
- %	15-May	2004	\$ -	\$ -	\$ -	\$ -	-
0.000		2005	5,000	-	5,000	-	-
0.300		2006	5,000	-	-	-	5,000
0.750		2007	5,000	-	-	-	5,000
1.100		2008	5,000	-	-	-	5,000
1.450		2009	5,000	-	-	-	5,000
1.650		2010	595,000	-	-	-	595,000
1.900		2011	605,000	-	-	-	605,000
2.100		2012	620,000	-	-	-	620,000
2.250		2013	630,000	-	-	-	630,000
2.350		2014	645,000	-	-	-	645,000
2.450		2015	660,000	-	-	-	660,000
2.550		2016	680,000	-	-	-	680,000
2.650		2017	695,000	-	-	-	695,000
2.750		2018	715,000	-	-	-	715,000
2.800		2019	735,000	-	-	-	735,000
2.900		2020	760,000	-	-	-	760,000
2.950		2021	780,000	-	-	-	780,000
3.050		2022	805,000	-	-	-	805,000
3.100		2023	830,000	-	-	-	830,000
3.200		2024	855,000	-	-	-	855,000
			<u>\$ 10,635,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ -</u>	<u>\$ 10,630,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

WATER SYSTEM REVENUE BONDS	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers	Bond Type
Water System Junior Lien	Wachovia Bank	07-07-04	\$ -	NONE		
Revenue and Refunding			5,000	NONE	1	Serial
Bonds - Series 2004-A			5,000	NONE	2	Serial
			5,000	NONE	3	Serial
			5,000	NONE	4	Serial
			5,000	NONE	5	Serial
			1,370,000	NONE	6	279
			1,410,000	NONE	280	561
			1,450,000	NONE	562	851
			1,495,000	NONE	852	1150
			1,550,000	NONE	1151	1460
			1,600,000	(16)	1461	1780
			1,660,000	(16)	1781	2112
			1,720,000	(16)	2113	2456
			1,785,000	(16)	2457	2813
			1,855,000	(16)	2814	3184
			1,925,000	(16)	3185	3569
			2,000,000	(16)	3570	3969
			2,085,000	(16)	3970	4386
			2,170,000	(16)	4387	4820
			2,265,000	(16)	4821	5273
			<u>\$ 26,365,000</u>			

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

Interest Rates	Maturity Dates		Balances Outstanding January 1, 2005	Transactions		Balances Outstanding December 31, 2005
				Issued	Retired	
- %	15-May	2004	\$ -	\$ -	\$ -	-
0.750		2005	5,000	-	5,000	-
1.300		2006	5,000	-	-	5,000
1.750		2007	5,000	-	-	5,000
2.100		2008	5,000	-	-	5,000
2.450		2009	5,000	-	-	5,000
2.650		2010	1,370,000	-	-	1,370,000
2.900		2011	1,410,000	-	-	1,410,000
3.100		2012	1,450,000	-	-	1,450,000
3.250		2013	1,495,000	-	-	1,495,000
3.350		2014	1,550,000	-	-	1,550,000
3.450		2015	1,600,000	-	-	1,600,000
3.550		2016	1,660,000	-	-	1,660,000
3.650		2017	1,720,000	-	-	1,720,000
3.750		2018	1,785,000	-	-	1,785,000
3.800		2019	1,855,000	-	-	1,855,000
3.900		2020	1,925,000	-	-	1,925,000
3.950		2021	2,000,000	-	-	2,000,000
4.050		2022	2,085,000	-	-	2,085,000
4.100		2023	2,170,000	-	-	2,170,000
4.200		2024	2,265,000	-	-	2,265,000
			<u>\$ 26,365,000</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 26,360,000</u>

San Antonio Water System
ANALYSIS OF CHANGES IN BONDED DEBT
For the Year Ended December 31, 2005

WATER SYSTEM REVENUE BONDS	Paying Agent	Bonds Dated	Original Issue	Call Options	Bond Numbers		Bond Type
Water System Revenue and Refunding Subordinate Lien Bonds - Series 2003 A & B	Wachovia Bank	03-27-03	\$ -				
			1,985,000	(18)(26)	1	397	Variable
			2,080,000	(18)(26)	398	813	Variable
			2,170,000	(18)(26)	814	1247	Variable
			2,275,000	(18)(26)	1248	1702	Variable
			2,375,000	(18)(26)	1703	2177	Variable
			2,485,000	(18)(26)	2178	2674	Variable
			2,600,000	(18)(26)	2675	3194	Variable
			2,720,000	(18)(26)	3195	3738	Variable
			2,840,000	(18)(26)	3739	4306	Variable
			2,970,000	(18)(26)	4307	4900	Variable
			3,105,000	(18)(26)	4901	5521	Variable
			3,245,000	(18)(26)	5522	6170	Variable
			3,395,000	(18)(26)	6171	6849	Variable
			3,550,000	(18)(26)	6850	7559	Variable
			3,710,000	(18)(26)	7560	8301	Variable
			3,880,000	(18)(26)	8302	9077	Variable
			4,055,000	(18)(26)	9078	9888	Variable
			4,240,000	(18)(26)	9889	10736	Variable
			4,435,000	(18)(26)	10737	11623	Variable
			4,640,000	(18)(26)	11624	12551	Variable
			4,850,000	(18)(26)	12552	13521	Variable
			5,070,000	(18)(26)	13522	14535	Variable
			5,305,000	(18)(26)	14536	15596	Variable
			5,540,000	(18)(26)	15597	16704	Variable
			5,795,000	(18)(26)	16705	17863	Variable
			6,060,000	(18)(26)	17864	19075	Variable
			6,335,000	(18)(26)	19076	20342	Variable
			6,625,000	(18)(26)	20343	21667	Variable
			6,925,000	(18)(26)	21668	23052	Variable
			7,240,000	(18)(26)	23053	24500	Variable
			\$ 122,500,000				

Note: See Analysis of Changes in Bonded Debt for further explanation of call options.

* The Water System Revenue and Refunding Subordinate Lien Bonds Series 2003 A & B was issued in the variable rate bond market and the System entered into an interest rate hedge agreement, which fixed the interest rate to the rate above and realized savings as compared to a traditional fixed rate financing.

Interest Rates*	Maturity Dates			Balances	Transactions		Balances
				Outstanding	Issued	Retired	Outstanding
				January 1, 2005			December 31, 2005
- %	1-May	2003	\$	- \$	- \$	- \$	-
4.180		2004		0	-	-	-
4.180		2005		2,080,000	-	2,080,000	-
4.180		2006		2,170,000	-	-	2,170,000
4.180		2007		2,275,000	-	-	2,275,000
4.180		2008		2,375,000	-	-	2,375,000
4.180		2009		2,485,000	-	-	2,485,000
4.180		2010		2,600,000	-	-	2,600,000
4.180		2011		2,720,000	-	-	2,720,000
4.180		2012		2,840,000	-	-	2,840,000
4.180		2013		2,970,000	-	-	2,970,000
4.180		2014		3,105,000	-	-	3,105,000
4.180		2015		3,245,000	-	-	3,245,000
4.180		2016		3,395,000	-	-	3,395,000
4.180		2017		3,550,000	-	-	3,550,000
4.180		2018		3,710,000	-	-	3,710,000
4.180		2019		3,880,000	-	-	3,880,000
4.180		2020		4,055,000	-	-	4,055,000
4.180		2021		4,240,000	-	-	4,240,000
4.180		2022		4,435,000	-	-	4,435,000
4.180		2023		4,640,000	-	-	4,640,000
4.180		2024		4,850,000	-	-	4,850,000
4.180		2025		5,070,000	-	-	5,070,000
4.180		2026		5,305,000	-	-	5,305,000
4.180		2027		5,540,000	-	-	5,540,000
4.180		2028		5,795,000	-	-	5,795,000
4.180		2029		6,060,000	-	-	6,060,000
4.180		2030		6,335,000	-	-	6,335,000
4.180		2031		6,625,000	-	-	6,625,000
4.180		2032		6,925,000	-	-	6,925,000
4.180		2033		7,240,000	-	-	7,240,000
			\$	<u>120,515,000</u>	\$	<u>2,080,000</u>	\$ <u>118,435,000</u>

**San Antonio Water System
Analysis of Changes in Bonded Debt**

CALL OPTIONS:

Optional redemption:

- (1) Series 1996, Serial Bonds stated to mature on and after May 15, 2013, and the Term Bonds stated to mature on May 15, 2021 and May 15, 2026, are subject to early redemption, at the option of the City, on May 15, 2006, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price (expressed as a percentage of the principal amount) set forth immediately below, plus accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.

<u>Redemption Dates</u>	<u>Redemption Prices</u>
May 15, 2006 through May 14, 2007	102%
May 15, 2007 through May 14, 2008	101%
May 15, 2008 and thereafter	100%

Bonds called for optional redemption will be due and payable on the specified redemption dates only if money sufficient to pay the applicable redemption price, plus accrued interest, is on deposit with the Paying Agent/ Registrar.

- (2) Series 1997, Serial Bonds stated to mature on and after May 15, 2008, are subject to early redemption, at the option of the City, on May 15, 2007, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (3) Series 1999, Serial Bonds stated to mature on and after May 15, 2013, and the Term Bonds stated to mature on May 15, 2023 and May 15, 2026, are subject to early redemption, at the option of the City, on November 15, 2009, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. If less than all the Bonds of any maturity are to be redeemed, the Paying Agent/Registrar shall determine by lot the Bonds, or portions thereof, within such maturity to be redeemed.
- (4) Series 1999 Junior Lien, Serial Bonds stated to mature on and after May 15, 2010, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2009, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (5) Series 1999-A Junior Lien, Serial Bonds stated to mature on and after May 15, 2010, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on November 15, 2009, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (6) Series 2001 Senior Lien, Serial Bonds stated to mature on and after May 15, 2012 and the Term Bonds stated to mature on May 15, 2026, are subject to early redemption, at the option of the City, on May 15, 2011, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.

**San Antonio Water System
Analysis of Changes in Bonded Debt**

- (7) Series 2001 Junior Lien, Serial Bonds stated to mature on and after May 15, 2012, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2011, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (8) Series 2001-A Junior Lien, Serial Bonds stated to mature on and after May 15, 2012, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2011, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (9) Series 2002 Senior Lien, Serial Bonds stated to mature on and after May 15, 2013 and the Term Bonds stated to mature on May 15, 2025 and May 15, 2028, are subject to early redemption, at the option of the City, on May 15, 2012, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (10) Series 2002-A Senior Lien, Serial Bonds stated to mature on and after May 15, 2013 and the Term Bonds stated to mature on May 15, 2025 and May 15, 2032, are subject to early redemption, at the option of the City, on May 15, 2012, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (11) Series 2002 Junior Lien, Serial Bonds stated to mature on and after May 15, 2013, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2012, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (12) Series 2002-A Junior Lien, Serial Bonds stated to mature on and after May 15, 2013, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2012, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (13) Series 2003 Junior Lien, Serial Bonds stated to mature on and after May 15, 2014 may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on May 15, 2013, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (14) Series 2004 Senior Lien, Serial Bonds stated to mature on and after May 15, 2015 and the Term Bonds stated to mature on May 15, 2029 and May 15, 2034, are subject to early redemption, at the option of the City, on May 15, 2014, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.

**San Antonio Water System
Analysis of Changes in Bonded Debt**

- (15) Series 2004 Junior Lien, Serial Bonds stated to mature on and after May 15, 2015, may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on November 15, 2014, or on any Interest Payment Date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (16) Series 2004-A Junior Lien, Serial Bonds stated to mature on and after May 15, 2015 may be redeemed prior to their Stated Maturities, in inverse order of Stated Maturity, at the option of the City, on November 15, 2014, or on any date thereafter, in whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the redemption price of par, together with accrued interest to the date of redemption. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.
- (17) Series 2005 Senior Lien, Serial Bonds stated to mature on and after May 15, 2016 and the Term Bonds stated to mature on May 15, 2036 and May 15, 2040, are subject to early redemption, at the option of the City, on May 15, 2015, or on any date thereafter, as a whole or in part, in principal amounts of \$5,000 or any integral multiple thereof at the par value thereof plus accrued interest to the redemption date. Bonds having the same maturity will be selected at random and by lot by the Paying Agent/ Registrar.

Optional Tender:

- (18) Series 2003 Subordinate Lien, Serial Bonds are subject to redemption prior to their stated maturity at the option of the City in whole or in part, at a redemption price equal to 100% of principal amount plus accrued interest, if any, on (i) any Business Day, if the Bonds to be redeemed bear interest at a Daily Rate or Weekly Rate, (ii) any rate adjustment date for the Bonds to be redeemed, if such Bonds are in a Commercial Paper Mode, Auction Mode, or Term Mode, (iii) the first day of the Fixed Mode for the Bonds to be redeemed, and (iv) any date, in the case of Bank Bonds.

While in a Term Mode or Fixed Mode, Bonds are also subject to redemption prior to their stated maturity at the option of the City in whole or in part on any date after the no-call period shown below following the first day of the applicable interest rate period, at a price equal to 100% of principal amount plus accrued interest:

<u>Interest Rate Period in Term Mode or Fixed Mode</u>		
<u>Equal to or Greater Than</u>	<u>But Less Than</u>	<u>No-Call Period</u>
12 Years	N/A	10 Years
9 Years	12 Years	8 Years
7 Years	9 Years	6 Years
5 Years	7 Years	4 Years
2 Years	5 Years	Prior to the penultimate 12-month period
0 Years	2 Years	1 Year

The City may change the dates and prices for any such redemption prior to the rate determination date for such interest rate period, if the City receives an opinion of nationally recognized bond counsel to the effect that such change will not adversely affect any exclusion of interest on any Bond from gross income for federal income tax purposes.

**San Antonio Water System
Analysis of Changes in Bonded Debt**

Mandatory redemption:

- (19) The Series 1996, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

<u>Term Bonds Stated to Mature On May 15, 2021</u>		<u>Term Bonds Stated to Mature On May 15, 2026</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2017	\$ 4,135,000	2022	\$ 5,440,000
2018	4,370,000	2023	5,745,000
2019	4,615,000	2024	6,070,000
2020	4,875,000	2025	6,410,000
2021	5,150,000 (1)	2026	6,770,000 (1)

- (20) The Series 1999, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

<u>Term Bonds Stated to Mature On May 15, 2023</u>		<u>Term Bonds Stated to Mature On May 15, 2026</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2020	\$ 5,900,000	2024	\$ 7,520,000
2021	6,270,000	2025	7,990,000
2022	6,660,000	2026	8,490,000 (1)
2023	7,080,000 (1)		

- (21) Series 2001, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purposes and shall be redeemed in part, by lot or other customary method, at the principal amounts on May 15 in each of the years as follows:

<u>Term Bonds Stated to Mature On May 15, 2026</u>	
<u>Year</u>	<u>Principal Amount</u>
2024	\$ 4,535,000
2025	4,815,000
2026	5,110,000 (1)

**San Antonio Water System
Analysis of Changes in Bonded Debt**

- (22) The Series 2002, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

<u>Term Bonds Stated to Mature On May 15, 2025</u>		<u>Term Bonds Stated to Mature On May 15, 2028</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2024	\$ 23,475,000	2026	\$ 25,850,000
2025	24,635,000 (1)	2027	48,655,000
		2028	51,150,000 (1)

- (23) The Series 2002-A, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

<u>Term Bonds Stated to Mature On May 15, 2025</u>		<u>Term Bonds Stated to Mature On May 15, 2032</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2023	\$ 4,275,000	2026	\$ 5,190,000
2024	4,695,000	2027	5,730,000
2025	4,940,000 (1)	2028	7,255,000
		2029	7,625,000
		2030	8,015,000
		2031	8,425,000
		2032	8,860,000 (1)

**San Antonio Water System
Analysis of Changes in Bonded Debt**

- (24) The Series 2004, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

<u>Term Bonds Stated to Mature On May 15, 2029</u>		<u>Term Bonds Stated to Mature On May 15, 2034</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2027	\$ 3,875,000	2030	\$ 4,520,000
2028	4,080,000	2031	4,760,000
2029	4,295,000 (1)	2032	5,010,000
		2033	5,275,000
		2034	5,550,000 (1)

- (25) The Series 2005, Term Bonds are subject to mandatory sinking fund redemption prior to their stated maturities from money required to be deposited in the Debt Service Fund for such purpose and shall be redeemed in part, by lot or other customary method, at the principal amount thereof plus accrued interest to the date of redemption in the following principal amounts on May 15 in each of the years as follows:

<u>Term Bonds Stated to Mature On May 15, 2036</u>		<u>Term Bonds Stated to Mature On May 15, 2040</u>	
<u>Year</u>	<u>Principal Amount</u>	<u>Year</u>	<u>Principal Amount</u>
2035	\$ 33,265,000	2038	\$13,520,000
2036	34,970,000 (1)	2039	40,465,000
		2040	42,540,000 (1)

Mandatory Tender:

- (26) For the Series 2003 Subordinate Lien Bonds, each owner of Bonds will be required to tender, and in any event will be deemed to have tendered, such Bonds (or the applicable portion thereof described below) to the Paying Agent/Registrar for purchase price equal to 100% of the principal amount plus accrued interest (payable from the limited sources of funds described below), on

1. **Substitution of Liquidity Facility or Credit Facility:** the last Business Day on or before any proposed release of the Liquidity Facility (unless such Bonds or portions thereof are in an Auction Mode or the Fixed Mode) or Credit Facility upon replacement with an alternate Liquidity Facility or Credit Facility at the option of the City, as described under the "STANDBY BOND PURCHASE AGREEMENT - RELEASE AND SUBSTITUTION" as found in the Official Statement of the CITY OF SAN ANTONIO, TEXAS WATER SYSTEM SUBORDINATE LIEN REVENUE AND REFUNDING BONDS SERIES 2003-A AND SERIES 2003-B.
2. **Mode Changes:** the first Business Day of each new mode for such Bonds or portions thereof designated by the City, whether or not such new mode is reflected,

**San Antonio Water System
Analysis of Changes in Bonded Debt**

3. **Rate Adjustment Dates:** the first Business Day of each interest rate period for such Bonds or portions thereof while they are in a Commercial Paper Mode or a Term Mode, and
4. **Termination of Liquidity Facility or Credit Facility:** the third Business Day prior to the expiration of the Liquidity Facility (unless such Bonds are in an Auction Mode or the Fixed Mode) or Credit Facility or prior to the date of termination of the obligation of the Liquidity Bank under the Liquidity Facility (unless such Bonds are in the Auction Mode or the Fixed Mode) or the Credit Enhancer under the Credit Facility on advance notice to the Paying Agent/Registrar, as described under the "STANDBY BOND PURCHASE AGREEMENT – RELEASE AND SUBSTITUTION", as found in the Official Statement of the CITY OF SAN ANTONIO, TEXAS WATER SYSTEM SUBORIDNATE LIEN REVENUE AND REFUNDING BONDS SERIES 2003-A AND SERIES 2003-B.

The Paying Agent/Registrar is required to give notice of mandatory tender (other than mandatory tender described in clause (3) above for Bonds or portions thereof in a Commercial Paper Mode) to each registered owner of the Bonds effected thereby by mail, first class postage prepaid, not more than 60 nor less than 20 days, if such Bonds are in a Daily Mode, Weekly Mode, or Auction Mode, and not more than 60 nor less than 30 days, if such Bond is in any other mode, prior to each mandatory tender date. While the Bonds are registered in the name of Cede & Co., only Cede & Co. will receive such notice from the Paying Agent/Registrar. See "BOOK-ENTRY-ONLY SYSTEM", as found in the Official Statement of the CITY OF SAN ANTONIO, TEXAS WATER SYSTEM SUBORIDNATE LIEN REVENUE AND REFUNDING BONDS SERIES 2003-A AND SERIES 2003-B.

(1) Payable at stated maturity

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**San Antonio Water System
WATER SYSTEM REVENUE BONDS
TOTAL DEBT SERVICE TO MATURITY**

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>	<u>Total Annual Payment</u>	<u>Total Debt Outstanding</u>
01-May-2006 \$	2,170,000 \$	4,950,583 \$	7,120,583 \$		
15-May-2006	20,245,000	30,246,551	50,491,551		
15-Nov-2006		29,748,484	29,748,484	87,360,618	1,351,510,000
01-May-2007	2,275,000	4,859,877	7,134,877		
15-May-2007	22,605,000	29,748,484	52,353,484		
15-Nov-2007		29,227,279	29,227,279	88,715,640	1,326,630,000
01-May-2008	2,375,000	4,764,782	7,139,782		
15-May-2008	26,790,000	29,227,279	56,017,279		
15-Nov-2008		28,613,967	28,613,967	91,771,027	1,297,465,000
01-May-2009	2,485,000	4,665,507	7,150,507		
15-May-2009	29,870,000	28,613,967	58,483,967		
15-Nov-2009		27,952,296	27,952,296	93,586,770	1,265,110,000
01-May-2010	2,600,000	4,561,634	7,161,634		
15-May-2010	32,620,000	27,952,296	60,572,296		
15-Nov-2010		27,258,423	27,258,423	94,992,353	1,229,890,000
01-May-2011	2,720,000	4,452,954	7,172,954		
15-May-2011	33,095,000	27,258,423	60,353,423		
15-Nov-2011		26,564,413	26,564,413	94,090,790	1,194,075,000
01-May-2012	2,840,000	4,339,258	7,179,258		
15-May-2012	34,290,000	26,564,413	60,854,413		
15-Nov-2012		25,828,690	25,828,690	93,862,362	1,156,945,000
01-May-2013	2,970,000	4,220,546	7,190,546		
15-May-2013	35,830,000	25,828,690	61,658,690		
15-Nov-2013		25,014,970	25,014,970	93,864,206	1,118,145,000
01-May-2014	3,105,000	4,096,400	7,201,400		
15-May-2014	37,445,000	25,014,970	62,459,970		
15-Nov-2014		24,155,944	24,155,944	93,817,314	1,077,595,000
01-May-2015	3,245,000	3,966,611	7,211,611		
15-May-2015	39,230,000	24,155,944	63,385,944		
15-Nov-2015		23,240,981	23,240,981	93,838,536	1,035,120,000
01-May-2016	3,395,000	3,830,970	7,225,970		
15-May-2016	41,105,000	23,240,981	64,345,981		
15-Nov-2016		22,274,824	22,274,824	93,846,775	990,620,000
01-May-2017	3,550,000	3,689,059	7,239,059		
15-May-2017	43,075,000	22,274,824	65,349,824		
15-Nov-2017		21,247,754	21,247,754	93,836,637	943,995,000
01-May-2018	3,710,000	3,540,669	7,250,669		
15-May-2018	44,415,000	21,247,754	65,662,754		
15-Nov-2018		20,184,843	20,184,843	93,098,267	895,870,000
01-May-2019	3,880,000	3,385,591	7,265,591		
15-May-2019	44,100,000	20,184,843	64,284,843		
15-Nov-2019		19,154,235	19,154,235	90,704,669	847,890,000
01-May-2020	4,055,000	3,223,407	7,278,407		
15-May-2020	46,445,000	19,154,235	65,599,235		
15-Nov-2020		17,999,479	17,999,479	90,877,121	797,390,000
01-May-2021	4,240,000	3,053,908	7,293,908		
15-May-2021	49,695,000	17,999,479	67,694,479		
15-Nov-2021		16,805,950	16,805,950	91,794,337	743,455,000
01-May-2022	4,435,000	2,876,676	7,311,676		
15-May-2022	51,745,000	16,805,950	68,550,950		
15-Nov-2022		15,549,471	15,549,471	91,412,096	687,275,000

**San Antonio Water System
WATER SYSTEM REVENUE BONDS
TOTAL DEBT SERVICE TO MATURITY**

	<u>Principal</u>	<u>Interest</u>	<u>Total Payment</u>	<u>Total Annual Payment</u>	<u>Total Debt Outstanding</u>
01-May-2023	\$ 4,640,000	\$ 2,691,293	\$ 7,331,293		\$
15-May-2023	52,865,000	15,549,471	68,414,471		
15-Nov-2023		14,240,132	14,240,132	89,985,896	629,770,000
01-May-2024	4,850,000	2,497,341	7,347,341		
15-May-2024	52,930,000	14,240,132	67,170,132		
15-Nov-2024		12,915,427	12,915,427	87,432,900	571,990,000
01-May-2025	5,070,000	2,294,611	7,364,611		
15-May-2025	52,405,000	12,915,427	65,320,427		
15-Nov-2025		11,586,072	11,586,072	84,271,110	514,515,000
01-May-2026	5,305,000	2,082,685	7,387,685		
15-May-2026	55,135,000	11,586,072	66,721,072		
15-Nov-2026		10,185,084	10,185,084	84,293,841	454,075,000
01-May-2027	5,540,000	1,860,936	7,400,936		
15-May-2027	58,260,000	10,185,084	68,445,084		
15-Nov-2027		8,726,162	8,726,162	84,572,182	390,275,000
01-May-2028	5,795,000	1,629,364	7,424,364		
15-May-2028	62,485,000	8,726,162	71,211,162		
15-Nov-2028		7,161,487	7,161,487	85,797,013	321,995,000
01-May-2029	6,060,000	1,387,133	7,447,133		
15-May-2029	11,920,000	7,161,487	19,081,487		
15-Nov-2029		6,860,803	6,860,803	33,389,423	304,015,000
01-May-2030	6,335,000	1,133,825	7,468,825		
15-May-2030	12,535,000	6,860,803	19,395,803		
15-Nov-2030		6,544,603	6,544,603	33,409,231	285,145,000
01-May-2031	6,625,000	869,022	7,494,022		
15-May-2031	13,185,000	6,544,603	19,729,603		
15-Nov-2031		6,212,003	6,212,003	33,435,628	265,335,000
01-May-2032	6,925,000	592,097	7,517,097		
15-May-2032	13,870,000	6,212,003	20,082,003		
15-Nov-2032		5,862,122	5,862,122	33,461,222	244,540,000
01-May-2033	7,240,000	302,632	7,542,632		
15-May-2033	5,275,000	5,862,122	11,137,122		
15-Nov-2033		5,726,950	5,726,950	24,406,704	232,025,000
15-May-2034	5,550,000	5,726,950	11,276,950		
15-Nov-2034		5,584,731	5,584,731	16,861,681	226,475,000
15-May-2035	33,265,000	5,584,731	38,849,731		
15-Nov-2035		4,753,106	4,753,106	43,602,837	193,210,000
15-May-2036	34,970,000	4,753,106	39,723,106		
15-Nov-2036		3,878,856	3,878,856	43,601,962	158,240,000
15-May-2037	36,715,000	3,878,856	40,593,856		
15-Nov-2037		3,006,875	3,006,875	43,600,731	121,525,000
15-May-2038	38,520,000	3,006,875	41,526,875		
15-Nov-2038		2,075,125	2,075,125	43,602,000	83,005,000
15-May-2039	40,465,000	2,075,125	42,540,125		
15-Nov-2039		1,063,500	1,063,500	43,603,625	42,540,000
15-May-2040	42,540,000	1,063,500	43,603,500		
				43,603,500	-
	\$ 1,373,925,000	\$ 1,150,476,004	\$ 2,524,401,004	\$ 2,524,401,004	

San Antonio Water System
WATER SYSTEM SENIOR LIEN REVENUE BONDS
TOTAL DEBT SERVICE TO MATURITY

	<i>Principal</i>	<i>Interest</i>	<i>Total Semi-Annual Payment</i>	<i>Total Annual Payment</i>	<i>Total Debt Outstanding</i>
15-May-2006	\$ 15,145,000	\$ 26,581,883	\$ 41,726,883	\$ 67,893,229	\$ 1,026,255,000
15-Nov-2006		26,166,346	26,166,346		
15-May-2007	14,755,000	26,166,346	40,921,346		1,011,500,000
15-Nov-2007		25,764,896	25,764,896	66,686,242	
15-May-2008	18,705,000	25,764,896	44,469,896		992,795,000
15-Nov-2008		25,279,820	25,279,820	69,749,716	
15-May-2009	19,585,000	25,279,820	44,864,820		973,210,000
15-Nov-2009		24,766,863	24,766,863	69,631,683	
15-May-2010	20,065,000	24,766,863	44,831,863		953,145,000
15-Nov-2010		24,257,639	24,257,639	69,089,502	
15-May-2011	20,145,000	24,257,639	44,402,639		933,000,000
15-Nov-2011		23,763,111	23,763,111	68,165,750	
15-May-2012	20,925,000	23,763,111	44,688,111		912,075,000
15-Nov-2012		23,241,786	23,241,786	67,929,897	
15-May-2013	21,945,000	23,241,786	45,186,786		890,130,000
15-Nov-2013		22,659,872	22,659,872	67,846,658	
15-May-2014	23,070,000	22,659,872	45,729,872		867,060,000
15-Nov-2014		22,047,710	22,047,710	67,777,582	
15-May-2015	24,350,000	22,047,710	46,397,710		842,710,000
15-Nov-2015		21,394,975	21,394,975	67,792,685	
15-May-2016	25,660,000	21,394,975	47,054,975		817,050,000
15-Nov-2016		20,707,471	20,707,471	67,762,446	
15-May-2017	27,275,000	20,707,471	47,982,471		789,775,000
15-Nov-2017		19,972,085	19,972,085	67,954,556	
15-May-2018	27,995,000	19,972,085	47,967,085		761,780,000
15-Nov-2018		19,218,338	19,218,338	67,185,423	
15-May-2019	26,215,000	19,218,338	45,433,338		735,565,000
15-Nov-2019		18,527,180	18,527,180	63,960,518	
15-May-2020	37,305,000	18,527,180	55,832,180		698,260,000
15-Nov-2020		17,533,068	17,533,068	73,365,248	
15-May-2021	40,200,000	17,533,068	57,733,068		658,060,000
15-Nov-2021		16,509,049	16,509,049	74,242,117	
15-May-2022	44,010,000	16,509,049	60,519,049		614,050,000
15-Nov-2022		15,388,716	15,388,716	75,907,765	
15-May-2023	47,145,000	15,388,716	62,533,716		566,905,000
15-Nov-2023		14,178,887	14,178,887	76,712,603	
15-May-2024	49,810,000	14,178,887	63,988,887		517,095,000
15-Nov-2024		12,915,427	12,915,427	76,904,314	
15-May-2025	52,405,000	12,915,427	65,320,427		464,690,000
15-Nov-2025		11,586,072	11,586,072	76,906,499	
15-May-2026	55,135,000	11,586,072	66,721,072		409,555,000
15-Nov-2026		10,185,084	10,185,084	76,906,156	
15-May-2027	58,260,000	10,185,084	68,445,084		351,295,000
15-Nov-2027		8,726,162	8,726,162	77,171,246	
15-May-2028	62,485,000	8,726,162	71,211,162		288,810,000
15-Nov-2028		7,161,487	7,161,487	78,372,649	
15-May-2029	11,920,000	7,161,487	19,081,487		276,890,000
15-Nov-2029		6,860,803	6,860,803	25,942,290	
15-May-2030	12,535,000	6,860,803	19,395,803		264,355,000
15-Nov-2030		6,544,603	6,544,603	25,940,406	
15-May-2031	13,185,000	6,544,603	19,729,603		251,170,000
15-Nov-2031		6,212,003	6,212,003	25,941,606	
15-May-2032	13,870,000	6,212,003	20,082,003		237,300,000
15-Nov-2032		5,862,122	5,862,122	25,944,125	
15-May-2033	5,275,000	5,862,122	11,137,122		232,025,000
15-Nov-2033		5,726,950	5,726,950	16,864,072	
15-May-2034	5,550,000	5,726,950	11,276,950		226,475,000
15-Nov-2034		5,584,731	5,584,731	16,861,681	
15-May-2035	33,265,000	5,584,731	38,849,731		193,210,000
15-Nov-2035		4,753,106	4,753,106	43,602,837	
15-May-2036	34,970,000	4,753,106	39,723,106		158,240,000
15-Nov-2036		3,878,856	3,878,856	43,601,962	
15-May-2037	36,715,000	3,878,856	40,593,856		121,525,000
15-Nov-2037		3,006,875	3,006,875	43,600,731	
15-May-2038	38,520,000	3,006,875	41,526,875		83,005,000
15-Nov-2038		2,075,125	2,075,125	43,602,000	
15-May-2039	40,465,000	2,075,125	42,540,125		42,540,000
15-Nov-2039		1,063,500	1,063,500	43,603,625	
15-May-2040	42,540,000	1,063,500	43,603,500		-
				43,603,500	
	<u>\$ 1,041,400,000</u>	<u>\$ 993,623,319</u>	<u>\$ 2,035,023,319</u>	<u>\$ 2,035,023,319</u>	

San Antonio Water System
WATER SYSTEM REVENUE IMPROVEMENT AND REFUNDING BONDS
SERIES 1996

	<u>Principal</u>	<u>Interest</u>	<u>Total Semi-Annual Payment</u>	<u>Total Annual Payment</u>
15-May-2006	\$	1,908,680	\$ 1,908,680	\$
15-Nov-2006		1,908,680	1,908,680	3,817,360
15-May-2007		1,908,680	1,908,680	
15-Nov-2007		1,908,680	1,908,680	3,817,360
15-May-2008		1,908,680	1,908,680	
15-Nov-2008		1,908,680	1,908,680	3,817,360
15-May-2009		1,908,680	1,908,680	
15-Nov-2009		1,908,680	1,908,680	3,817,360
15-May-2010		1,908,680	1,908,680	
15-Nov-2010		1,908,680	1,908,680	3,817,360
15-May-2011		1,908,680	1,908,680	
15-Nov-2011		1,908,680	1,908,680	3,817,360
15-May-2012		1,908,680	1,908,680	
15-Nov-2012		1,908,680	1,908,680	3,817,360
15-May-2013	3,310,000	1,908,680	5,218,680	
15-Nov-2013		1,816,000	1,816,000	7,034,680
15-May-2014	3,500,000	1,816,000	5,316,000	
15-Nov-2014		1,717,125	1,717,125	7,033,125
15-May-2015	3,700,000	1,717,125	5,417,125	
15-Nov-2015		1,611,675	1,611,675	7,028,800
15-May-2016	3,910,000	1,611,675	5,521,675	
15-Nov-2016		1,500,240	1,500,240	7,021,915
15-May-2017	4,135,000	1,500,240	5,635,240	
15-Nov-2017		1,384,460	1,384,460	7,019,700
15-May-2018	4,370,000	1,384,460	5,754,460	
15-Nov-2018		1,262,100	1,262,100	7,016,560
15-May-2019	4,615,000	1,262,100	5,877,100	
15-Nov-2019		1,132,880	1,132,880	7,009,980
15-May-2020	4,875,000	1,132,880	6,007,880	
15-Nov-2020		996,380	996,380	7,004,260
15-May-2021	5,150,000	996,380	6,146,380	
15-Nov-2021		852,180	852,180	6,998,560
15-May-2022	5,440,000	852,180	6,292,180	
15-Nov-2022		699,860	699,860	6,992,040
15-May-2023	5,745,000	699,860	6,444,860	
15-Nov-2023		539,000	539,000	6,983,860
15-May-2024	6,070,000	539,000	6,609,000	
15-Nov-2024		369,040	369,040	6,978,040
15-May-2025	6,410,000	369,040	6,779,040	
15-Nov-2025		189,560	189,560	6,968,600
15-May-2026	6,770,000	189,560	6,959,560	
				6,959,560
\$	68,000,000	\$ 56,771,200	\$ 124,771,200	\$ 124,771,200

**San Antonio Water System
WATER SYSTEM REFUNDING BONDS
SERIES 1997**

	<i><u>Principal</u></i>		<i><u>Interest</u></i>		<i><u>Total Semi- Annual Payment</u></i>		<i><u>Total Annual Payment</u></i>
15-May-2006	\$ 9,505,000	\$	2,525,731	\$	12,030,731	\$	
15-Nov-2006			2,240,581		2,240,581		14,271,312
15-May-2007	10,075,000		2,240,581		12,315,581		
15-Nov-2007			1,938,331		1,938,331		14,253,912
15-May-2008	10,680,000		1,938,331		12,618,331		
15-Nov-2008			1,644,631		1,644,631		14,262,962
15-May-2009	11,270,000		1,644,631		12,914,631		
15-Nov-2009			1,334,706		1,334,706		14,249,337
15-May-2010	11,885,000		1,334,706		13,219,706		
15-Nov-2010			1,037,581		1,037,581		14,257,287
15-May-2011	12,475,000		1,037,581		13,512,581		
15-Nov-2011			725,706		725,706		14,238,287
15-May-2012	13,110,000		725,706		13,835,706		
15-Nov-2012			397,956		397,956		14,233,662
15-May-2013	3,595,000		397,956		3,992,956		
15-Nov-2013			305,834		305,834		4,298,790
15-May-2014	3,780,000		305,834		4,085,834		
15-Nov-2014			208,972		208,972		4,294,806
15-May-2015	3,975,000		208,972		4,183,972		
15-Nov-2015			107,113		107,113		4,291,085
15-May-2016	4,180,000		107,113		4,287,113		
							4,287,113
	\$ 94,530,000	\$	22,408,553	\$	116,938,553	\$	116,938,553

San Antonio Water System
WATER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2001

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2006	\$ 490,000	\$	1,482,981	\$	1,972,981	\$	
15-Nov-2006			1,471,344		1,471,344		3,444,325
15-May-2007	1,140,000		1,471,344		2,611,344		
15-Nov-2007			1,435,719		1,435,719		4,047,063
15-May-2008	1,260,000		1,435,719		2,695,719		
15-Nov-2008			1,396,344		1,396,344		4,092,063
15-May-2009	1,390,000		1,396,344		2,786,344		
15-Nov-2009			1,352,906		1,352,906		4,139,250
15-May-2010	1,505,000		1,352,906		2,857,906		
15-Nov-2010			1,305,875		1,305,875		4,163,781
15-May-2011	1,600,000		1,305,875		2,905,875		
15-Nov-2011			1,255,875		1,255,875		4,161,750
15-May-2012	1,745,000		1,255,875		3,000,875		
15-Nov-2012			1,212,250		1,212,250		4,213,125
15-May-2013	2,075,000		1,212,250		3,287,250		
15-Nov-2013			1,160,375		1,160,375		4,447,625
15-May-2014	2,215,000		1,160,375		3,375,375		
15-Nov-2014			1,105,000		1,105,000		4,480,375
15-May-2015	2,375,000		1,105,000		3,480,000		
15-Nov-2015			1,045,625		1,045,625		4,525,625
15-May-2016	2,535,000		1,045,625		3,580,625		
15-Nov-2016			982,250		982,250		4,562,875
15-May-2017	2,890,000		982,250		3,872,250		
15-Nov-2017			910,000		910,000		4,782,250
15-May-2018	3,080,000		910,000		3,990,000		
15-Nov-2018			833,000		833,000		4,823,000
15-May-2019	3,185,000		833,000		4,018,000		
15-Nov-2019			753,375		753,375		4,771,375
15-May-2020	3,575,000		753,375		4,328,375		
15-Nov-2020			664,000		664,000		4,992,375
15-May-2021	3,795,000		664,000		4,459,000		
15-Nov-2021			569,125		569,125		5,028,125
15-May-2022	4,030,000		569,125		4,599,125		
15-Nov-2022			468,375		468,375		5,067,500
15-May-2023	4,275,000		468,375		4,743,375		
15-Nov-2023			361,500		361,500		5,104,875
15-May-2024	4,535,000		361,500		4,896,500		
15-Nov-2024			248,125		248,125		5,144,625
15-May-2025	4,815,000		248,125		5,063,125		
15-Nov-2025			127,750		127,750		5,190,875
15-May-2026	5,110,000		127,750		5,237,750		
							5,237,750
	\$ 57,620,000	\$	38,800,607	\$	96,420,607	\$	96,420,607

San Antonio Water System
WATER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2002

	<u>Principal</u>	<u>Interest</u>	<u>Total Semi-Annual Payment</u>	<u>Total Annual Payment</u>
15-May-2006	\$	\$ 7,688,856	\$ 7,688,856	\$
15-Nov-2006		7,688,856	7,688,856	15,377,712
15-May-2007		7,688,856	7,688,856	
15-Nov-2007		7,688,856	7,688,856	15,377,712
15-May-2008		7,688,856	7,688,856	
15-Nov-2008		7,688,856	7,688,856	15,377,712
15-May-2009		7,688,856	7,688,856	
15-Nov-2009		7,688,856	7,688,856	15,377,712
15-May-2010		7,688,856	7,688,856	
15-Nov-2010		7,688,856	7,688,856	15,377,712
15-May-2011		7,688,856	7,688,856	
15-Nov-2011		7,688,856	7,688,856	15,377,712
15-May-2012		7,688,856	7,688,856	
15-Nov-2012		7,688,856	7,688,856	15,377,712
15-May-2013	4,445,000	7,688,856	12,133,856	
15-Nov-2013		7,566,619	7,566,619	19,700,475
15-May-2014	4,670,000	7,566,619	12,236,619	
15-Nov-2014		7,438,194	7,438,194	19,674,813
15-May-2015	4,905,000	7,438,194	12,343,194	
15-Nov-2015		7,303,306	7,303,306	19,646,500
15-May-2016	5,145,000	7,303,306	12,448,306	
15-Nov-2016		7,161,819	7,161,819	19,610,125
15-May-2017	10,145,000	7,161,819	17,306,819	
15-Nov-2017		6,882,831	6,882,831	24,189,650
15-May-2018	10,665,000	6,882,831	17,547,831	
15-Nov-2018		6,589,544	6,589,544	24,137,375
15-May-2019	7,490,000	6,589,544	14,079,544	
15-Nov-2019		6,383,569	6,383,569	20,463,113
15-May-2020	17,390,000	6,383,569	23,773,569	
15-Nov-2020		5,905,344	5,905,344	29,678,913
15-May-2021	18,260,000	5,905,344	24,165,344	
15-Nov-2021		5,448,844	5,448,844	29,614,188
15-May-2022	21,280,000	5,448,844	26,728,844	
15-Nov-2022		4,916,844	4,916,844	31,645,688
15-May-2023	22,350,000	4,916,844	27,266,844	
15-Nov-2023		4,344,125	4,344,125	31,610,969
15-May-2024	23,475,000	4,344,125	27,819,125	
15-Nov-2024		3,757,250	3,757,250	31,576,375
15-May-2025	24,635,000	3,757,250	28,392,250	
15-Nov-2025		3,141,375	3,141,375	31,533,625
15-May-2026	25,850,000	3,141,375	28,991,375	
15-Nov-2026		2,495,125	2,495,125	31,486,500
15-May-2027	48,655,000	2,495,125	51,150,125	
15-Nov-2027		1,278,750	1,278,750	52,428,875
15-May-2028	51,150,000	1,278,750	52,428,750	
15-Nov-2028				52,428,750
	\$ 300,510,000	\$ 276,559,918	\$ 577,069,918	\$ 577,069,918

**San Antonio Water System
WATER SYSTEM REVENUE BONDS
SERIES 2002-A**

	<i><u>Principal</u></i>	<i><u>Interest</u></i>	<i><u>Total Semi- Annual Payment</u></i>	<i><u>Total Annual Payment</u></i>
15-May-2006	\$ 5,150,000	\$ 3,465,066	\$ 8,615,066	\$
15-Nov-2006		3,346,316	3,346,316	11,961,382
15-May-2007	2,095,000	3,346,316	5,441,316	
15-Nov-2007		3,304,416	3,304,416	8,745,732
15-May-2008	5,270,000	3,304,416	8,574,416	
15-Nov-2008		3,178,578	3,178,578	11,752,994
15-May-2009	5,375,000	3,178,578	8,553,578	
15-Nov-2009		3,049,984	3,049,984	11,603,562
15-May-2010	5,055,000	3,049,984	8,104,984	
15-Nov-2010		2,925,416	2,925,416	11,030,400
15-May-2011	4,365,000	2,925,416	7,290,416	
15-Nov-2011		2,835,388	2,835,388	10,125,804
15-May-2012	4,280,000	2,835,388	7,115,388	
15-Nov-2012		2,730,188	2,730,188	9,845,576
15-May-2013	4,000,000	2,730,188	6,730,188	
15-Nov-2013		2,620,188	2,620,188	9,350,376
15-May-2014	4,000,000	2,620,188	6,620,188	
15-Nov-2014		2,510,188	2,510,188	9,130,376
15-May-2015	6,575,000	2,510,188	9,085,188	
15-Nov-2015		2,329,375	2,329,375	11,414,563
15-May-2016	5,640,000	2,329,375	7,969,375	
15-Nov-2016		2,174,275	2,174,275	10,143,650
15-May-2017	5,140,000	2,174,275	7,314,275	
15-Nov-2017		2,032,925	2,032,925	9,347,200
15-May-2018	4,420,000	2,032,925	6,452,925	
15-Nov-2018		1,911,375	1,911,375	8,364,300
15-May-2019	2,185,000	1,911,375	4,096,375	
15-Nov-2019		1,856,750	1,856,750	5,953,125
15-May-2020	2,460,000	1,856,750	4,316,750	
15-Nov-2020		1,795,250	1,795,250	6,112,000
15-May-2021	3,515,000	1,795,250	5,310,250	
15-Nov-2021		1,707,375	1,707,375	7,017,625
15-May-2022	3,285,000	1,707,375	4,992,375	
15-Nov-2022		1,625,250	1,625,250	6,617,625
15-May-2023	4,275,000	1,625,250	5,900,250	
15-Nov-2023		1,518,375	1,518,375	7,418,625
15-May-2024	4,695,000	1,518,375	6,213,375	
15-Nov-2024		1,401,000	1,401,000	7,614,375
15-May-2025	4,940,000	1,401,000	6,341,000	
15-Nov-2025		1,277,500	1,277,500	7,618,500
15-May-2026	5,190,000	1,277,500	6,467,500	
15-Nov-2026		1,147,750	1,147,750	7,615,250
15-May-2027	5,730,000	1,147,750	6,877,750	
15-Nov-2027		1,004,500	1,004,500	7,882,250
15-May-2028	7,255,000	1,004,500	8,259,500	
15-Nov-2028		823,125	823,125	9,082,625
15-May-2029	7,625,000	823,125	8,448,125	
15-Nov-2029		632,500	632,500	9,080,625
15-May-2030	8,015,000	632,500	8,647,500	
15-Nov-2030		432,125	432,125	9,079,625
15-May-2031	8,425,000	432,125	8,857,125	
15-Nov-2031		221,500	221,500	9,078,625
15-May-2032	8,860,000	221,500	9,081,500	
				9,081,500
	<u>\$ 137,820,000</u>	<u>\$ 104,248,290</u>	<u>\$ 242,068,290</u>	<u>\$ 242,068,290</u>

San Antonio Water System
WATER SYSTEM REVENUE AND REFUNDING BONDS
SERIES 2004

	<u>Principal</u>	<u>Interest</u>	<u>Total Semi- Annual Payment</u>	<u>Total Annual Payment</u>
15-May-2006	\$	\$	2,134,969	\$ 2,134,969
15-Nov-2006			2,134,969	4,269,938
15-May-2007	1,445,000	2,134,969	3,579,969	
15-Nov-2007		2,113,294	2,113,294	5,693,263
15-May-2008	1,495,000	2,113,294	3,608,294	
15-Nov-2008		2,087,131	2,087,131	5,695,425
15-May-2009	1,550,000	2,087,131	3,637,131	
15-Nov-2009		2,056,131	2,056,131	5,693,262
15-May-2010	1,620,000	2,056,131	3,676,131	
15-Nov-2010		2,015,631	2,015,631	5,691,762
15-May-2011	1,705,000	2,015,631	3,720,631	
15-Nov-2011		1,973,006	1,973,006	5,693,637
15-May-2012	1,790,000	1,973,006	3,763,006	
15-Nov-2012		1,928,256	1,928,256	5,691,262
15-May-2013	1,885,000	1,928,256	3,813,256	
15-Nov-2013		1,881,131	1,881,131	5,694,387
15-May-2014	1,980,000	1,881,131	3,861,131	
15-Nov-2014		1,831,631	1,831,631	5,692,762
15-May-2015	2,085,000	1,831,631	3,916,631	
15-Nov-2015		1,776,900	1,776,900	5,693,531
15-May-2016	2,195,000	1,776,900	3,971,900	
15-Nov-2016		1,719,281	1,719,281	5,691,181
15-May-2017	2,315,000	1,719,281	4,034,281	
15-Nov-2017		1,658,513	1,658,513	5,692,794
15-May-2018	2,440,000	1,658,513	4,098,513	
15-Nov-2018		1,594,463	1,594,463	5,692,976
15-May-2019	2,570,000	1,594,463	4,164,463	
15-Nov-2019		1,527,000	1,527,000	5,691,463
15-May-2020	2,710,000	1,527,000	4,237,000	
15-Nov-2020		1,455,863	1,455,863	5,692,863
15-May-2021	2,855,000	1,455,863	4,310,863	
15-Nov-2021		1,380,919	1,380,919	5,691,782
15-May-2022	3,010,000	1,380,919	4,390,919	
15-Nov-2022		1,301,906	1,301,906	5,692,825
15-May-2023	3,170,000	1,301,906	4,471,906	
15-Nov-2023		1,222,656	1,222,656	5,694,562
15-May-2024	3,330,000	1,222,656	4,552,656	
15-Nov-2024		1,139,406	1,139,406	5,692,062
15-May-2025	3,500,000	1,139,406	4,639,406	
15-Nov-2025		1,051,906	1,051,906	5,691,312
15-May-2026	3,685,000	1,051,906	4,736,906	
15-Nov-2026		957,478	957,478	5,694,384
15-May-2027	3,875,000	957,478	4,832,478	
15-Nov-2027		858,181	858,181	5,690,659
15-May-2028	4,080,000	858,181	4,938,181	
15-Nov-2028		753,631	753,631	5,691,812
15-May-2029	4,295,000	753,631	5,048,631	
15-Nov-2029		643,572	643,572	5,692,203
15-May-2030	4,520,000	643,572	5,163,572	
15-Nov-2030		527,747	527,747	5,691,319
15-May-2031	4,760,000	527,747	5,287,747	
15-Nov-2031		405,772	405,772	5,693,519
15-May-2032	5,010,000	405,772	5,415,772	
15-Nov-2032		277,391	277,391	5,693,163
15-May-2033	5,275,000	277,391	5,552,391	
15-Nov-2033		142,219	142,219	5,694,610
15-May-2034	5,550,000	142,219	5,692,219	
				5,692,219
	\$ 84,700,000	\$ 78,966,937	\$ 163,666,937	\$ 163,666,937

**San Antonio Water System
WATER SYSTEM REVENUE REFUNDING BONDS
SERIES 2005**

	<i>Principal</i>	<i>Interest</i>	<i>Total Semi- Annual Payment</i>	<i>Total Annual Payment</i>
15-May-2006	\$	7,375,600	\$	7,375,600
15-Nov-2006		7,375,600		14,751,200
15-May-2007		7,375,600		7,375,600
15-Nov-2007		7,375,600		14,751,200
15-May-2008		7,375,600		7,375,600
15-Nov-2008		7,375,600		14,751,200
15-May-2009		7,375,600		7,375,600
15-Nov-2009		7,375,600		14,751,200
15-May-2010		7,375,600		7,375,600
15-Nov-2010		7,375,600		14,751,200
15-May-2011		7,375,600		7,375,600
15-Nov-2011		7,375,600		14,751,200
15-May-2012		7,375,600		7,375,600
15-Nov-2012		7,375,600		14,751,200
15-May-2013	2,635,000	7,375,600	10,010,600	
15-Nov-2013		7,309,725	7,309,725	17,320,325
15-May-2014	2,925,000	7,309,725	10,234,725	
15-Nov-2014		7,236,600	7,236,600	17,471,325
15-May-2015	735,000	7,236,600	7,971,600	
15-Nov-2015		7,220,981	7,220,981	15,192,581
15-May-2016	2,055,000	7,220,981	9,275,981	
15-Nov-2016		7,169,606	7,169,606	16,445,587
15-May-2017	2,650,000	7,169,606	9,819,606	
15-Nov-2017		7,103,356	7,103,356	16,922,962
15-May-2018	3,020,000	7,103,356	10,123,356	
15-Nov-2018		7,027,856	7,027,856	17,151,212
15-May-2019	6,170,000	7,027,856	13,197,856	
15-Nov-2019		6,873,606	6,873,606	20,071,462
15-May-2020	6,295,000	6,873,606	13,168,606	
15-Nov-2020		6,716,231	6,716,231	19,884,837
15-May-2021	6,625,000	6,716,231	13,341,231	
15-Nov-2021		6,550,606	6,550,606	19,891,837
15-May-2022	6,965,000	6,550,606	13,515,606	
15-Nov-2022		6,376,481	6,376,481	19,892,087
15-May-2023	7,330,000	6,376,481	13,706,481	
15-Nov-2023		6,193,231	6,193,231	19,899,712
15-May-2024	7,705,000	6,193,231	13,898,231	
15-Nov-2024		6,000,606	6,000,606	19,898,837
15-May-2025	8,105,000	6,000,606	14,105,606	
15-Nov-2025		5,797,981	5,797,981	19,903,587
15-May-2026	8,530,000	5,797,981	14,327,981	
15-Nov-2026		5,584,731	5,584,731	19,912,712
15-May-2027		5,584,731	5,584,731	
15-Nov-2027		5,584,731	5,584,731	11,169,462
15-May-2028		5,584,731	5,584,731	
15-Nov-2028		5,584,731	5,584,731	11,169,462
15-May-2029		5,584,731	5,584,731	
15-Nov-2029		5,584,731	5,584,731	11,169,462
15-May-2030		5,584,731	5,584,731	
15-Nov-2030		5,584,731	5,584,731	11,169,462
15-May-2031		5,584,731	5,584,731	
15-Nov-2031		5,584,731	5,584,731	11,169,462
15-May-2032		5,584,731	5,584,731	
15-Nov-2032		5,584,731	5,584,731	11,169,462
15-May-2033		5,584,731	5,584,731	
15-Nov-2033		5,584,731	5,584,731	11,169,462
15-May-2034		5,584,731	5,584,731	
15-Nov-2034		5,584,731	5,584,731	11,169,462
15-May-2035	33,265,000	5,584,731	38,849,731	
15-Nov-2035		4,753,106	4,753,106	43,602,837
15-May-2036	34,970,000	4,753,106	39,723,106	
15-Nov-2036		3,878,856	3,878,856	43,601,962
15-May-2037	36,715,000	3,878,856	40,593,856	
15-Nov-2037		3,006,875	3,006,875	43,600,731
15-May-2038	38,520,000	3,006,875	41,526,875	
15-Nov-2038		2,075,125	2,075,125	43,602,000
15-May-2039	40,465,000	2,075,125	42,540,125	
15-Nov-2039		1,063,500	1,063,500	43,603,625
14-May-2040	42,540,000	1,063,500	43,603,500	
				43,603,500
	\$	298,220,000	\$	415,867,814
			\$	714,087,814
			\$	714,087,814

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
TOTAL DEBT SERVICE TO MATURITY

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi-Annual Payment</u>		<u>Total Annual Payment</u>		<u>Total Debt Outstanding</u>
15-May-2006	\$ 5,100,000	\$	3,664,668	\$	8,764,668	\$		\$	208,990,000
15-Nov-2006			3,582,138		3,582,138		12,346,806		
15-May-2007	7,850,000		3,582,138		11,432,138				201,140,000
15-Nov-2007			3,462,383		3,462,383		14,894,521		
15-May-2008	8,085,000		3,462,383		11,547,383				193,055,000
15-Nov-2008			3,334,147		3,334,147		14,881,531		
15-May-2009	10,285,000		3,334,147		13,619,147				182,770,000
15-Nov-2009			3,185,433		3,185,433		16,804,580		
15-May-2010	12,555,000		3,185,433		15,740,433				170,215,000
15-Nov-2010			3,000,784		3,000,784		18,741,217		
15-May-2011	12,950,000		3,000,784		15,950,784				157,265,000
15-Nov-2011			2,801,302		2,801,302		18,752,086		
15-May-2012	13,365,000		2,801,302		16,166,302				143,900,000
15-Nov-2012			2,586,904		2,586,904		18,753,205		
15-May-2013	13,885,000		2,586,904		16,471,904				130,015,000
15-Nov-2013			2,355,098		2,355,098		18,827,002		
15-May-2014	14,375,000		2,355,098		16,730,098				115,640,000
15-Nov-2014			2,108,234		2,108,234		18,838,332		
15-May-2015	14,880,000		2,108,234		16,988,234				100,760,000
15-Nov-2015			1,846,006		1,846,006		18,834,240		
15-May-2016	15,445,000		1,846,006		17,291,006				85,315,000
15-Nov-2016			1,567,353		1,567,353		18,858,359		
15-May-2017	15,800,000		1,567,353		17,367,353				69,515,000
15-Nov-2017			1,275,669		1,275,669		18,643,022		
15-May-2018	16,420,000		1,275,669		17,695,669				53,095,000
15-Nov-2018			966,505		966,505		18,662,174		
15-May-2019	17,885,000		966,505		18,851,505				35,210,000
15-Nov-2019			627,055		627,055		19,478,560		
15-May-2020	9,140,000		627,055		9,767,055				26,070,000
15-Nov-2020			466,411		466,411		10,233,466		
15-May-2021	9,495,000		466,411		9,961,411				16,575,000
15-Nov-2021			296,901		296,901		10,258,312		
15-May-2022	7,735,000		296,901		8,031,901				8,840,000
15-Nov-2022			160,755		160,755		8,192,656		
15-May-2023	5,720,000		160,755		5,880,755				3,120,000
15-Nov-2023			61,245		61,245		5,942,000		
15-May-2024	3,120,000		61,245		3,181,245				-
							3,181,245		
	\$ 214,090,000	\$	71,033,314	\$	285,123,314	\$	285,123,314		

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 1999

	<i><u>Principal</u></i>		<i><u>Interest</u></i>		<i><u>Total Semi- Annual Payment</u></i>		<i><u>Total Annual Payment</u></i>
15-May-2006	\$ 3,075,000	\$	1,026,073	\$	4,101,073	\$	
15-Nov-2006			977,641		977,641		5,078,714
15-May-2007	3,175,000		977,641		4,152,641		
15-Nov-2007			926,048		926,048		5,078,689
15-May-2008	3,275,000		926,048		4,201,048		
15-Nov-2008			871,191		871,191		5,072,239
15-May-2009	3,385,000		871,191		4,256,191		
15-Nov-2009			813,646		813,646		5,069,837
15-May-2010	3,500,000		813,646		4,313,646		
15-Nov-2010			751,521		751,521		5,065,167
15-May-2011	3,625,000		751,521		4,376,521		
15-Nov-2011			685,365		685,365		5,061,886
15-May-2012	3,760,000		685,365		4,445,365		
15-Nov-2012			614,865		614,865		5,060,230
15-May-2013	3,900,000		614,865		4,514,865		
15-Nov-2013			539,790		539,790		5,054,655
15-May-2014	4,050,000		539,790		4,589,790		
15-Nov-2014			460,815		460,815		5,050,605
15-May-2015	4,210,000		460,815		4,670,815		
15-Nov-2015			377,668		377,668		5,048,483
15-May-2016	4,375,000		377,668		4,752,668		
15-Nov-2016			290,168		290,168		5,042,836
15-May-2017	4,550,000		290,168		4,840,168		
15-Nov-2017			198,030		198,030		5,038,198
15-May-2018	4,735,000		198,030		4,933,030		
15-Nov-2018			100,963		100,963		5,033,993
15-May-2019	4,925,000		100,963		5,025,963		
							5,025,963
	<u>\$ 54,540,000</u>	<u>\$</u>	<u>16,241,495</u>	<u>\$</u>	<u>70,781,495</u>	<u>\$</u>	<u>70,781,495</u>

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 1999-A

	<i><u>Principal</u></i>		<i><u>Interest</u></i>		<i><u>Total Semi- Annual Payment</u></i>		<i><u>Total Annual Payment</u></i>
15-May-2006	\$ 1,990,000	\$	705,339	\$	2,695,339	\$	
15-Nov-2006			671,509		671,509		3,366,848
15-May-2007	2,060,000		671,509		2,731,509		
15-Nov-2007			635,459		635,459		3,366,968
15-May-2008	2,130,000		635,459		2,765,459		
15-Nov-2008			597,119		597,119		3,362,578
15-May-2009	2,210,000		597,119		2,807,119		
15-Nov-2009			556,787		556,787		3,363,906
15-May-2010	2,290,000		556,787		2,846,787		
15-Nov-2010			514,422		514,422		3,361,209
15-May-2011	2,375,000		514,422		2,889,422		
15-Nov-2011			470,128		470,128		3,359,550
15-May-2012	2,460,000		470,128		2,930,128		
15-Nov-2012			423,019		423,019		3,353,147
15-May-2013	2,555,000		423,019		2,978,019		
15-Nov-2013			372,813		372,813		3,350,832
15-May-2014	2,655,000		372,813		3,027,813		
15-Nov-2014			319,315		319,315		3,347,128
15-May-2015	2,765,000		319,315		3,084,315		
15-Nov-2015			262,218		262,218		3,346,533
15-May-2016	2,875,000		262,218		3,137,218		
15-Nov-2016			201,843		201,843		3,339,061
15-May-2017	3,000,000		201,843		3,201,843		
15-Nov-2017			138,093		138,093		3,339,936
15-May-2018	3,125,000		138,093		3,263,093		
15-Nov-2018			70,905		70,905		3,333,998
15-May-2019	3,260,000		70,905		3,330,905		
							3,330,905
	\$ 35,750,000	\$	11,172,599	\$	46,922,599	\$	46,922,599

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2001

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2006	\$ 5,000	\$	158,110	\$	163,110	\$	
15-Nov-2006			158,050		158,050		321,160
15-May-2007	470,000		158,050		628,050		
15-Nov-2007			152,058		152,058		780,108
15-May-2008	470,000		152,058		622,058		
15-Nov-2008			145,830		145,830		767,888
15-May-2009	495,000		145,830		640,830		
15-Nov-2009			139,024		139,024		779,854
15-May-2010	515,000		139,024		654,024		
15-Nov-2010			131,814		131,814		785,838
15-May-2011	535,000		131,814		666,814		
15-Nov-2011			124,056		124,056		790,870
15-May-2012	555,000		124,056		679,056		
15-Nov-2012			115,731		115,731		794,787
15-May-2013	650,000		115,731		765,731		
15-Nov-2013			105,494		105,494		871,225
15-May-2014	670,000		105,494		775,494		
15-Nov-2014			94,606		94,606		870,100
15-May-2015	700,000		94,606		794,606		
15-Nov-2015			82,881		82,881		877,487
15-May-2016	730,000		82,881		812,881		
15-Nov-2016			70,289		70,289		883,170
15-May-2017	555,000		70,289		625,289		
15-Nov-2017			60,576		60,576		685,865
15-May-2018	585,000		60,576		645,576		
15-Nov-2018			50,193		50,193		695,769
15-May-2019	1,400,000		50,193		1,450,193		
15-Nov-2019			24,993		24,993		1,475,186
15-May-2020	670,000		24,993		694,993		
15-Nov-2020			12,765		12,765		707,758
15-May-2021	690,000		12,765		702,765		
							702,765
	\$ 9,695,000	\$	3,094,830	\$	12,789,830	\$	12,789,830

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2001-A

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2006	\$ 5,000	\$	289,630	\$	294,630	\$	
15-Nov-2006			289,558		289,558		584,188
15-May-2007	750,000		289,558		1,039,558		
15-Nov-2007			278,120		278,120		1,317,678
15-May-2008	785,000		278,120		1,063,120		
15-Nov-2008			265,756		265,756		1,328,876
15-May-2009	815,000		265,756		1,080,756		
15-Nov-2009			252,513		252,513		1,333,269
15-May-2010	845,000		252,513		1,097,513		
15-Nov-2010			238,570		238,570		1,336,083
15-May-2011	880,000		238,570		1,118,570		
15-Nov-2011			223,610		223,610		1,342,180
15-May-2012	920,000		223,610		1,143,610		
15-Nov-2012			207,510		207,510		1,351,120
15-May-2013	965,000		207,510		1,172,510		
15-Nov-2013			189,899		189,899		1,362,409
15-May-2014	1,015,000		189,899		1,204,899		
15-Nov-2014			170,868		170,868		1,375,767
15-May-2015	1,050,000		170,868		1,220,868		
15-Nov-2015			150,655		150,655		1,371,523
15-May-2016	1,115,000		150,655		1,265,655		
15-Nov-2016			128,634		128,634		1,394,289
15-May-2017	1,155,000		128,634		1,283,634		
15-Nov-2017			105,534		105,534		1,389,168
15-May-2018	1,215,000		105,534		1,320,534		
15-Nov-2018			80,930		80,930		1,401,464
15-May-2019	1,315,000		80,930		1,395,930		
15-Nov-2019			53,973		53,973		1,449,903
15-May-2020	1,250,000		53,973		1,303,973		
15-Nov-2020			28,035		28,035		1,332,008
15-May-2021	1,335,000		28,035		1,363,035		
15-Nov-2021							1,363,035
	\$ 15,415,000	\$	5,617,960	\$	21,032,960	\$	21,032,960

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
SERIES 2002

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2006	\$ 5,000	\$	215,619	\$	220,619	\$	
15-Nov-2006			215,585		215,585		436,204
15-May-2007	805,000		215,585		1,020,585		
15-Nov-2007			208,743		208,743		1,229,328
15-May-2008	820,000		208,743		1,028,743		
15-Nov-2008			200,953		200,953		1,229,696
15-May-2009	835,000		200,953		1,035,953		
15-Nov-2009			192,185		192,185		1,228,138
15-May-2010	855,000		192,185		1,047,185		
15-Nov-2010			182,566		182,566		1,229,751
15-May-2011	875,000		182,566		1,057,566		
15-Nov-2011			172,285		172,285		1,229,851
15-May-2012	895,000		172,285		1,067,285		
15-Nov-2012			161,321		161,321		1,228,606
15-May-2013	920,000		161,321		1,081,321		
15-Nov-2013			149,361		149,361		1,230,682
15-May-2014	945,000		149,361		1,094,361		
15-Nov-2014			136,368		136,368		1,230,729
15-May-2015	970,000		136,368		1,106,368		
15-Nov-2015			122,545		122,545		1,228,913
15-May-2016	1,000,000		122,545		1,122,545		
15-Nov-2016			107,795		107,795		1,230,340
15-May-2017	1,030,000		107,795		1,137,795		
15-Nov-2017			92,088		92,088		1,229,883
15-May-2018	1,065,000		92,088		1,157,088		
15-Nov-2018			75,314		75,314		1,232,402
15-May-2019	1,100,000		75,314		1,175,314		
15-Nov-2019			57,714		57,714		1,233,028
15-May-2020	1,135,000		57,714		1,192,714		
15-Nov-2020			39,270		39,270		1,231,984
15-May-2021	1,170,000		39,270		1,209,270		
15-Nov-2021			19,965		19,965		1,229,235
15-May-2022	1,210,000		19,965		1,229,965		
			-		-		1,229,965
	\$ 15,635,000	\$	4,483,735	\$	20,118,735	\$	20,118,735

**San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
SERIES 2002-A**

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2006	\$ 5,000	\$	228,208	\$	233,208	\$	
15-Nov-2006			228,149		228,149		461,357
15-May-2007	575,000		228,149		803,149		
15-Nov-2007			220,386		220,386		1,023,535
15-May-2008	590,000		220,386		810,386		
15-Nov-2008			211,831		211,831		1,022,217
15-May-2009	605,000		211,831		816,831		
15-Nov-2009			202,454		202,454		1,019,285
15-May-2010	625,000		202,454		827,454		
15-Nov-2010			192,298		192,298		1,019,752
15-May-2011	650,000		192,298		842,298		
15-Nov-2011			181,410		181,410		1,023,708
15-May-2012	670,000		181,410		851,410		
15-Nov-2012			169,853		169,853		1,021,263
15-May-2013	695,000		169,853		864,853		
15-Nov-2013			157,343		157,343		1,022,196
15-May-2014	720,000		157,343		877,343		
15-Nov-2014			143,843		143,843		1,021,186
15-May-2015	750,000		143,843		893,843		
15-Nov-2015			129,405		129,405		1,023,248
15-May-2016	780,000		129,405		909,405		
15-Nov-2016			114,000		114,000		1,023,405
15-May-2017	810,000		114,000		924,000		
15-Nov-2017			97,598		97,598		1,021,598
15-May-2018	845,000		97,598		942,598		
15-Nov-2018			80,064		80,064		1,022,662
15-May-2019	880,000		80,064		960,064		
15-Nov-2019			61,584		61,584		1,021,648
15-May-2020	915,000		61,584		976,584		
15-Nov-2020			42,140		42,140		1,018,724
15-May-2021	960,000		42,140		1,002,140		
15-Nov-2021			21,500		21,500		1,023,640
15-May-2022	1,000,000		21,500		1,021,500		
							1,021,500
	\$ 12,075,000	\$	4,735,924	\$	16,810,924	\$	16,810,924

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE BONDS
SERIES 2003

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2006	\$ 5,000	\$	422,339	\$	427,339	\$	
15-Nov-2006			422,336		422,336		849,675
15-May-2007	5,000		422,336		427,336		
15-Nov-2007			422,321		422,321		849,657
15-May-2008	5,000		422,321		427,321		
15-Nov-2008			422,299		422,299		849,620
15-May-2009	1,930,000		422,299		2,352,299		
15-Nov-2009			409,754		409,754		2,762,053
15-May-2010	1,960,000		409,754		2,369,754		
15-Nov-2010			393,584		393,584		2,763,338
15-May-2011	1,995,000		393,584		2,388,584		
15-Nov-2011			374,631		374,631		2,763,215
15-May-2012	2,035,000		374,631		2,409,631		
15-Nov-2012			353,773		353,773		2,763,404
15-May-2013	2,075,000		353,773		2,428,773		
15-Nov-2013			330,948		330,948		2,759,721
15-May-2014	2,125,000		330,948		2,455,948		
15-Nov-2014			306,510		306,510		2,762,458
15-May-2015	2,175,000		306,510		2,481,510		
15-Nov-2015			280,410		280,410		2,761,920
15-May-2016	2,230,000		280,410		2,510,410		
15-Nov-2016			252,535		252,535		2,762,945
15-May-2017	2,285,000		252,535		2,537,535		
15-Nov-2017			222,259		222,259		2,759,794
15-May-2018	2,350,000		222,259		2,572,259		
15-Nov-2018			189,946		189,946		2,762,205
15-May-2019	2,415,000		189,946		2,604,946		
15-Nov-2019			156,136		156,136		2,761,082
15-May-2020	2,485,000		156,136		2,641,136		
15-Nov-2020			120,104		120,104		2,761,240
15-May-2021	2,560,000		120,104		2,680,104		
15-Nov-2021			82,344		82,344		2,762,448
15-May-2022	2,635,000		82,344		2,717,344		
15-Nov-2022			42,160		42,160		2,759,504
15-May-2023	2,720,000		42,160		2,762,160		
							2,762,160
	33,990,000	\$	9,986,439	\$	43,976,439	\$	43,976,439

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2004

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2006	\$ 5,000	\$	139,354	\$	144,354	\$	
15-Nov-2006			139,346		139,346		283,700
15-May-2007	5,000		139,346		144,346		
15-Nov-2007			139,328		139,328		283,674
15-May-2008	5,000		139,328		144,328		
15-Nov-2008			139,300		139,300		283,628
15-May-2009	5,000		139,300		144,300		
15-Nov-2009			139,264		139,264		283,564
15-May-2010	595,000		139,264		734,264		
15-Nov-2010			134,355		134,355		868,619
15-May-2011	605,000		134,355		739,355		
15-Nov-2011			128,608		128,608		867,963
15-May-2012	620,000		128,608		748,608		
15-Nov-2012			122,098		122,098		870,706
15-May-2013	630,000		122,098		752,098		
15-Nov-2013			115,010		115,010		867,108
15-May-2014	645,000		115,010		760,010		
15-Nov-2014			107,431		107,431		867,441
15-May-2015	660,000		107,431		767,431		
15-Nov-2015			99,346		99,346		866,777
15-May-2016	680,000		99,346		779,346		
15-Nov-2016			90,676		90,676		870,022
15-May-2017	695,000		90,676		785,676		
15-Nov-2017			81,468		81,468		867,144
15-May-2018	715,000		81,468		796,468		
15-Nov-2018			71,636		71,636		868,104
15-May-2019	735,000		71,636		806,636		
15-Nov-2019			61,346		61,346		867,982
15-May-2020	760,000		61,346		821,346		
15-Nov-2020			50,326		50,326		871,672
15-May-2021	780,000		50,326		830,326		
15-Nov-2021			38,821		38,821		869,147
15-May-2022	805,000		38,821		843,821		
15-Nov-2022			26,545		26,545		870,366
15-May-2023	830,000		26,545		856,545		
15-Nov-2023			13,680		13,680		870,225
15-May-2024	855,000		13,680		868,680		
							868,680
	10,630,000	\$	3,536,522	\$	14,166,522	\$	14,166,522
	10,630,000	\$	3,536,522	\$	14,166,522	\$	14,166,522

San Antonio Water System
WATER SYSTEM JUNIOR LIEN REVENUE AND REFUNDING BONDS
SERIES 2004-A

	<u>Principal</u>		<u>Interest</u>		<u>Total Semi- Annual Payment</u>		<u>Total Annual Payment</u>
15-May-2006	\$ 5,000	\$	479,996	\$	484,996	\$	
15-Nov-2006			479,964		479,964		964,960
15-May-2007	5,000		479,964		484,964		
15-Nov-2007			479,920		479,920		964,884
15-May-2008	5,000		479,920		484,920		
15-Nov-2008			479,868		479,868		964,788
15-May-2009	5,000		479,868		484,868		
15-Nov-2009			479,806		479,806		964,674
15-May-2010	1,370,000		479,806		1,849,806		
15-Nov-2010			461,654		461,654		2,311,460
15-May-2011	1,410,000		461,654		1,871,654		
15-Nov-2011			441,209		441,209		2,312,863
15-May-2012	1,450,000		441,209		1,891,209		
15-Nov-2012			418,734		418,734		2,309,943
15-May-2013	1,495,000		418,734		1,913,734		
15-Nov-2013			394,440		394,440		2,308,174
15-May-2014	1,550,000		394,440		1,944,440		
15-Nov-2014			368,478		368,478		2,312,918
15-May-2015	1,600,000		368,478		1,968,478		
15-Nov-2015			340,878		340,878		2,309,356
15-May-2016	1,660,000		340,878		2,000,878		
15-Nov-2016			311,413		311,413		2,312,291
15-May-2017	1,720,000		311,413		2,031,413		
15-Nov-2017			280,023		280,023		2,311,436
15-May-2018	1,785,000		280,023		2,065,023		
15-Nov-2018			246,554		246,554		2,311,577
15-May-2019	1,855,000		246,554		2,101,554		
15-Nov-2019			211,309		211,309		2,312,863
15-May-2020	1,925,000		211,309		2,136,309		
15-Nov-2020			173,771		173,771		2,310,080
15-May-2021	2,000,000		173,771		2,173,771		
15-Nov-2021			134,271		134,271		2,308,042
15-May-2022	2,085,000		134,271		2,219,271		
15-Nov-2022			92,050		92,050		2,311,321
15-May-2023	2,170,000		92,050		2,262,050		
12-Nov-2023			47,565		47,565		2,309,615
12-May-2024	2,265,000		47,565		2,312,565		
							2,312,565
	26,360,000	\$	12,163,810	\$	38,523,810	\$	38,523,810

San Antonio Water System
WATER SYSTEM SUBORDINATE LIEN REVENUE AND REFUNDING BONDS
SERIES 2003 A & B

	<u>Principal</u>		<u>Interest*</u>		<u>Total Annual Payment</u>		<u>Total Debt Outstanding</u>
01-May-2006	\$ 2,170,000	\$	4,950,583	\$	7,120,583	\$	116,265,000
01-May-2007	2,275,000		4,859,877		7,134,877		113,990,000
01-May-2008	2,375,000		4,764,782		7,139,782		111,615,000
01-May-2009	2,485,000		4,665,507		7,150,507		109,130,000
01-May-2010	2,600,000		4,561,634		7,161,634		106,530,000
01-May-2011	2,720,000		4,452,954		7,172,954		103,810,000
01-May-2012	2,840,000		4,339,258		7,179,258		100,970,000
01-May-2013	2,970,000		4,220,546		7,190,546		98,000,000
01-May-2014	3,105,000		4,096,400		7,201,400		94,895,000
01-May-2015	3,245,000		3,966,611		7,211,611		91,650,000
01-May-2016	3,395,000		3,830,970		7,225,970		88,255,000
01-May-2017	3,550,000		3,689,059		7,239,059		84,705,000
01-May-2018	3,710,000		3,540,669		7,250,669		80,995,000
01-May-2019	3,880,000		3,385,591		7,265,591		77,115,000
01-May-2020	4,055,000		3,223,407		7,278,407		73,060,000
01-May-2021	4,240,000		3,053,908		7,293,908		68,820,000
01-May-2022	4,435,000		2,876,676		7,311,676		64,385,000
01-May-2023	4,640,000		2,691,293		7,331,293		59,745,000
01-May-2024	4,850,000		2,497,341		7,347,341		54,895,000
01-May-2025	5,070,000		2,294,611		7,364,611		49,825,000
01-May-2026	5,305,000		2,082,685		7,387,685		44,520,000
01-May-2027	5,540,000		1,860,936		7,400,936		38,980,000
01-May-2028	5,795,000		1,629,364		7,424,364		33,185,000
01-May-2029	6,060,000		1,387,133		7,447,133		27,125,000
01-May-2030	6,335,000		1,133,825		7,468,825		20,790,000
01-May-2031	6,625,000		869,022		7,494,022		14,165,000
01-May-2032	6,925,000		592,097		7,517,097		7,240,000
01-May-2033	7,240,000		302,632		7,542,632		-
	<u>\$ 118,435,000</u>	\$	<u>85,819,371</u>	\$	<u>204,254,371</u>		

* The Water System Revenue and Refunding Subordinate Lien Bonds Series 2003 A & B were issued in the variable rate bond market and the System entered into an interest rate hedge agreement with Bear Stearns, which fixed the interest rate to the rate shown above. Variances may occur between the interest rate stated above and the actual interest rate paid due to fluctuations in the BMA Index and the actual variable rate received. Interest on the variable rate bonds is paid monthly. The interest amount shown above is on an annual basis.

San Antonio Water System
REVENUE BOND DEBT COVERAGE RATIO
For the Year Ended December 31, 2005

Operating Revenues	\$	328,169,902
Less Revenues from City Public Service Contract		<u>2,182,150</u>
		325,987,752
 Nonoperating Revenues		 11,167,861
Less Interest on Project Funds		<u>4,486,841</u>
		6,681,020
 Gross Revenues		 332,668,772
Maintenance & Operation Expense before Depreciation		<u>173,489,890</u>
Pledged Revenues	\$	<u><u>159,178,882</u></u>
 Maximum Annual Bond Debt service requirement for all Outstanding Bonds	 \$	 94,992,353
 Maximum Annual Combined Debt Coverage Ratio		 1.68

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STATISTICAL SECTION – (UNAUDITED)

San Antonio Water System
TABLE OF VARIOUS FINANCIAL AND STATISTICAL INFORMATION
For the Year Ended December 31, 2005
(UNAUDITED)

	FY 2005	FY 2004	FY 2003
Financial Data			
Total Operating Revenue	328,169,902	262,686,756	241,085,766
Total Operating Expense Before Depreciation	173,489,890	153,859,964	152,742,554
Depreciation Expense	67,957,900	60,645,869	57,005,400
Debt Service Funds Requirements	83,098,999	71,817,835	59,290,639
Total Utility Plant	3,199,442,706	2,988,254,895	2,759,534,841
Accumulated Allowance for Depreciation	861,162,744	798,456,941	743,691,802
Net Additions to Utility Plant in Service	158,258,837	173,659,392	244,286,667
Inventory	4,786,265	4,537,892	4,858,272
Bonded Debt	1,373,925,000	1,162,410,000	1,048,445,000
Tax Exempt Commercial Paper Notes	98,000,000	238,400,000	269,000,000
Municipal Equity (including Reserves)	1,235,101,932	1,118,067,010	1,063,252,749
Debt Service Fund	15,977,687	11,705,961	5,156,112
Renewal and Replacement Fund	179,005,933	111,027,626	118,539,067
Pledged Revenue	159,178,882	110,092,453	101,961,766
Maximum Annual Debt Service Requirements	94,992,353	84,941,122	76,075,114
Times Debt Coverage Ratio	1.68	1.30	1.34
Other Statistics			
Water			
Water Pumped - Million Gallons	62,856	52,588	54,540
Number of Wells in Service	102	94	95
Average Daily Pumpage - Million Gallons	172.21	143.7	149.4
Maximum Daily Pumpage - Million Gallons	278.1	196.5	303.2
Maximum Hour Pumpage (Daily Rate) Million Gallons	395.5	295.2	390.9
System Pumping Capacity - Million Gallons Day	1,797.3	1,086.9	983.5
Overhead Storage Capacity - Million Gallons	60.0	64.8	53.5
Total Storage Capacity - Million Gallons	142.0	161.5	145.0
Metered Usage - Million Gallons	54,681	49,182	50,576
Rainfall - Inches	16.45	45.34	28.45
Water Customers at End of Year	325,944	315,000	306,363
Average Water Use Per Customer - Thousand Gallons	168	156	165
Miles of Water Main Installed	103	90	109
Miles of Water Main Replaced and Abandoned	23	17	20
Miles of Water Main in Place	4,404	4,324	4,251
Wastewater			
Miles of Sewer Main Installed	74	76	122
Miles of Sewer Main in Place (Estimate)	5,237	5,164	5,088
Wastewater Customers at End of Year	354,878	339,727	330,072
General Data			
New Services Installed	12,730	10,759	10,626
Fire Hydrants Installed (Net of Hydrants Removed)	521	574	654
Fire Hydrants in Place	23,212	22,691	22,117
Number of Lift Stations	150	150	150
Number of Employees	1,592	1,650	1,610
Number of Manholes installed in period	1,538	1,504	1,686
Number of Manholes in place	70,319	68,781	67,277

FY 2002	Seven Months Ended 12/31/2001	FY 2001	FY 2000	FY 1999	FY 1998	FY 1997
235,210,136	134,704,649	199,883,596	195,727,439	180,041,124	172,292,834	170,889,630
134,976,594	78,448,318	121,350,696	115,016,342	100,429,763	93,883,767	94,583,873
55,466,554	29,454,496	49,604,578	46,607,685	44,557,473	43,074,877	42,583,194
65,053,672	40,529,369	66,618,275	64,668,311	52,229,892	59,494,022	59,524,867
2,463,653,092	2,292,864,108	2,239,474,312	2,096,317,017	1,957,510,040	1,822,591,582	1,726,472,346
690,569,348	643,936,011	617,818,902	568,705,024	524,080,129	483,241,645	443,103,126
127,762,832	25,589,298	95,726,808	94,182,082	94,079,974	55,980,717	35,918,455
4,522,952	4,028,953	4,326,002	5,400,421	5,056,874	4,781,006	3,706,948
897,460,000	728,455,000	728,455,000	6,800,935,000	516,230,000	534,190,000	580,737,902
255,000,000	185,000,000	165,000,000	60,300,000	145,000,000	70,000,000	50,000,000
1,007,798,978	921,428,464	908,748,699	889,857,422	861,582,571	831,600,583	803,311,480
3,676,637	17,265,440	2,195,864	1,106,228	791,250	846,875	767,709
120,904,988	42,414,240	47,217,984	68,323,103	52,239,772	33,493,378	62,041,284
121,130,211	64,735,649	81,540,145	82,478,203	81,371,618	80,087,042	80,162,069
66,267,591	65,767,934	66,994,372	49,385,146	49,385,448	49,385,448	56,267,370
1.82	1.43	1.45	1.67	1.65	1.62	1.42
52,698	36,883	57,243	60,021	57,913	61,190	53,842
83	90	90	86	82	85	85
144.3	172.2	148.5	161.6	158.7	167.6	147.5
229.5	274.0	270.4	268.8	307.9	271.4	312.8
369	423.1	423.7	405.5	496.2	413.5	657.9
963.5	984.0	915.2	909.5	804.1	813.2	807.1
53.5	53.5	53.5	53.5	53.5	50.6	44.5
121.2	149.7	144.7	144.7	144.0	142.7	129.3
51,850	34,716	53,047	57,144	53,520	53,592	49,644
46.27	25.3	37	18	39	29	29
306,958	297,661	294,286	289,293	282,359	276,897	272,531
169	194	181	198	190	194	182
104	63	65	98	98	81	75
17	20	26	35	18	20	22
4,162	4076	4,032	3,994	3,930	3,852	3,791
75	47	104	106	68	55	85
4,967	4,892	4,845	4,741	4,635	3,774	3,741
334,434	351,250	345,614	329835	317664	308622	299113
7,933	3,978	6,560	6,173	6,074	5,012	4,597
648	375	401	539	517	435	303
21,463	20,815	20,440	20,046	19,514	18,997	18,522
150	150	147	114	111	109	108
1,582	1,662	1,679	1,582	1,597	1,596	1,593
1,625	996	2,091	1,984	1,824	1,563	1,856
65,591	63,966	62,970	60,879	58,895	57,071	55,508

SAN ANTONIO WATER SYSTEM
TABLE OF WATER DELIVERY SYSTEM SERVICE BY CUSTOMER CLASS
For the Year Ended December 31, 2005
(Unaudited)

	<u>WATER DOMESTIC</u>		<u>WATER IRRIGATION</u>		<u>DELIVERY TOTALS</u>
WATER SALES					
Residential	\$ 58,350,694	\$	558,782	\$	58,909,476
Commercial	15,899,815		8,414,506		24,314,321
Apartment	9,076,723		2,366,039		11,442,761
Industrial	2,412,003		346,234		2,758,237
Municipal	1,224,325		37,881		1,262,205
Wholesale	182,037		-		182,037
TOTAL	<u>\$ 87,145,595</u>	\$	<u>11,723,441</u>	\$	<u>98,869,037</u>

AVERAGE MONTHLY USAGE (Gals)

Residential	2,576,479,023		16,360,338		2,592,839,361
Commercial	832,843,379		249,701,800		1,082,545,179
Apartment	594,894,525		72,066,775		666,961,300
Industrial	166,392,096		10,478,638		176,870,734
Municipal	53,313,366		1,060,736		54,374,101
Wholesale	10,118,863		-		10,118,863
TOTAL	<u>4,234,041,252</u>		<u>349,668,287</u>		<u>4,583,709,538</u>

AVERAGE MONTHLY NUMBER OF CUSTOMERS

Residential	298,271		588		298,858
Commercial	18,027		5,685		23,712
Apartment	3,399		556		3,955
Industrial	156		40		197
Municipal	802		14		816
Wholesale	6		-		6
Average Total	<u>320,661</u>		<u>6,883</u>		<u>327,544</u>

AVERAGE MONTHLY USAGE PER CUSTOMER (Gals)

Residential	8,638		27,839		8,676
Commercial	46,199		43,925		45,654
Apartment	175,025		129,675		168,652
Industrial	1,064,909		259,801		899,724
Municipal	66,476		74,875		66,621
Wholesale	1,686,477		0		1,686,477
Average Total	<u>13,204</u>		<u>50,805</u>		<u>13,994</u>

SAN ANTONIO WATER SYSTEM
TABLE OF WATER SUPPLY SYSTEM SERVICE BY CUSTOMER CLASS
For the Year Ended December 31, 2005
(Unaudited)

	<u>WATER CONSERVATION</u>	<u>WATER SUPPLY</u>	<u>EAA FEES</u>	<u>RECYCLED WATER**</u>	<u>WATER SUPPLY TOTALS</u>
WATER SALES					
Residential	\$ 3,291,339	\$ 42,496,739	\$ 4,835,399	\$ -	\$ 50,623,477
Commercial	2,882,034	17,943,108	2,044,796	2,888,550	25,758,488
Apartment	783,536	10,849,836	1,239,731	-	12,873,103
Industrial	123,513	2,868,976	328,767	-	3,321,257
Municipal	179,286	900,655	102,639	211,118	1,393,698
Wholesale	-	165,105	18,809	-	183,914
TOTAL	<u>\$ 7,259,708</u>	<u>\$ 75,224,419</u>	<u>\$ 8,570,142</u>	<u>\$ 3,099,668</u>	<u>\$ 94,153,936</u>
AVERAGE MONTHLY USAGE (Gals)					
Residential	301,068,626	2,592,839,361	2,591,514,032	-	
Commercial	-	1,082,545,179	1,082,511,639	68,700,245	*N/A
Apartment	-	666,961,300	666,951,700	-	
Industrial	-	176,870,734	176,870,734	-	
Municipal	16,708	54,374,101	54,374,101	15,801,057	
Wholesale	-	10,118,863	10,118,863	-	
TOTAL	<u>301,085,334</u>	<u>4,583,709,538</u>	<u>4,582,341,069</u>	<u>84,501,302</u>	
AVERAGE MONTHLY NUMBER OF CUSTOMERS					
Residential	27,963	289,647	289,484	-	
Commercial	21,661	18,917	18,910	47	*N/A
Apartment	3,482	3,407	3,405	-	
Industrial	163	150	150	-	
Municipal	812	427	427	9	
Wholesale	-	5	5	-	
Average Total	<u>54,081</u>	<u>312,551</u>	<u>312,380</u>	<u>56</u>	
AVERAGE MONTHLY USAGE PER CUSTOMER (Gals)					
Residential	10,767	8,952	8,952	-	
Commercial	-	57,228	57,245	1,456,542	*N/A
Apartment	-	195,791	195,898	-	
Industrial	-	1,181,107	1,181,107	-	
Municipal	21	127,489	127,489	1,858,948	
Wholesale	-	2,023,773	2,023,773	-	
Average Total	<u>5,567</u>	<u>14,665</u>	<u>14,669</u>	<u>1,517,987</u>	

*N/A Each of the components of the Water Supply System utilizes the same customer and consumption base. Therefore, total customer and consumption data is reflected within each component.

**CPS data included in sales section only.

SAN ANTONIO WATER SYSTEM
TABLE OF WASTEWATER SERVICE BY CUSTOMER CLASS
For the Year Ended December 31, 2005
(Unaudited)

	<u>S.A.W.S</u>	<u>AUSTIN HWY WATER CO.</u>	<u>BEXAR METRO WATER CO.</u>	<u>TOTAL WASTEWATER</u>
WATER SALES				
Residential	\$ 54,140,597	\$ 14,379	\$ 9,450,425	\$ 63,605,402
Commercial	17,218,145	1,924	2,832,863	20,052,932
Apartment	13,561,571	-	-	13,561,571
Industrial	3,175,319	-	-	3,175,319
Municipal	390,610	-	-	390,610
Wholesale	4,332,419	-	-	4,332,419
Wholesale - Bases	2,263,968	-	-	2,263,968
Sewer Surcharges	4,081,304	-	-	4,081,304
TOTAL	\$ 99,163,934	\$ 16,304	\$ 12,283,288	\$ 111,463,525

AVERAGE MONTHLY USAGE (Gals)

Residential	1,770,445,543	750,282	336,517,574	2,107,713,398
Commercial	796,639,222	55,484	152,854,847	949,549,552
Apartment	630,789,691	-	-	630,789,691
Industrial	171,898,169	-	-	171,898,169
Municipal	32,247,786	-	-	32,247,786
Wholesale	141,137,294	-	-	141,137,294
Wholesale - Bases	73,944,324	-	-	73,944,324
TOTAL	3,617,102,027	805,766	489,372,420	4,107,280,214

AVERAGE MONTHLY NUMBER OF CUSTOMERS

Residential	279,620	84	46,812	326,516
Commercial	16,632	7	2,597	19,236
Apartment	3,263	-	-	3,263
Industrial	153	-	-	153
Municipal	358	-	-	358
Wholesale	14	-	-	14
Wholesale - Bases	4	-	-	4
Average Total	300,045	91	49,409	349,545

AVERAGE MONTHLY USAGE PER CUSTOMER (Gals)

Residential	6,332	8,932	7,189	6,455
Commercial	47,898	7,653	58,854	49,362
Apartment	193,321	-	-	193,321
Industrial	1,122,906	-	-	1,122,906
Municipal	90,015	-	-	90,015
Wholesale	10,081,235	-	-	10,081,235
Wholesale - Bases	18,486,081	-	-	18,486,081
Average Total	12,055	8,830	9,905	11,750

San Antonio Water System
TABLE OF EFFLUENT VOLUMES FOR MAJOR WASTEWATER FACILITIES
(Million Gallon per Day)
For the Year Ended December 31, 2005

(UNAUDITED)

	LEON CREEK	SALADO	DOS RIOS	MEDIO CREEK	TOTAL
	PERMIT FLOW: 46 90%: 41.4 75%: 34.5	PERMIT FLOW: 46 90%: 41.4 75%: 34.5	PERMIT FLOW: 125 90% : 112.5 75%: 93.7	PERMIT FLOW: 6.5 90%: 5.85 75%: 4.875	PERMIT FLOW: 223.5 MGD
DATE	AVERAGE FLOW (two outfalls)	AVERAGE FLOW	AVERAGE FLOW	AVERAGE FLOW	AVERAGE FLOW (All Plants)
Jan-05	33.96	34.77	62.76	5.38	136.87
Feb-05	37.68	37.84	68.92	6.26	150.70
Mar-05	38.96	38.75	71.29	6.30	155.30
Apr-05	33.28	34.49	62.63	5.29	135.69
May-05	41.79	40.40	73.98	6.58	162.75
Jun-05	33.63	34.98	59.21	4.82	132.64
Jul-05	34.84	35.51	53.44	4.99	128.78
Aug-05	34.46	36.07	52.23	4.86	127.62
Sep-05	31.89	35.54	52.17	4.80	124.40
Oct-05	32.39	33.55	49.07	4.00	119.01
Nov-05	30.37	24.71	52.95	4.58	112.61
Dec-05	30.50	18.97	56.25	4.60	110.32

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***CONTINUING DISCLOSURE FOR DEBT SECTION
(UNAUDITED)***

San Antonio Water System
Table 1 - Historical Water Pumpage and Consumption
(Millions Gallons)
For the Year Ended December 31, 2005
(UNAUDITED)

Fiscal Year Ended	Pumpage			Metered Usage	Metered Water Sales
	Daily Average	Peak Day	Peak Month		
5/31/1993	181	242	August	41,164	\$ 56,727,574
5/31/1994	147	256	July	53,532	61,145,615
5/31/1995	146	268	July	53,184	66,229,738
5/31/1996	154	251	July	55,848	68,675,491
5/31/1997	138	313	July	49,644	63,819,099
5/31/1998	165	271	August	53,592	69,330,004
5/31/1999	159	308	July	53,520	74,317,726
5/31/2000	162	269	August	57,144	80,606,965
5/31/2001	155	267	July	53,047	73,166,293
12/31/2001	159	274	July	34,716	50,517,854
12/31/2002	143	222	August	51,850	77,801,600
12/31/2003	150	303	August	50,576	76,913,150
12/31/2004	144	295	August	49,182	77,113,717
12/31/2005	172	278	July	54,681	98,869,037

San Antonio Water System
Table 2 -Historical Water Consumption By Customer Class
(Million Gallons)
For the Year Ended December 31, 2005
(UNAUDITED)

	FY 2005	FY 2004	FY 2003	FY 2002	Seven Months Ended 12/31/2001	FY 2001	FY 2000	FY 1999	FY 1998
Residential	31,114	27,173	27,760	28,372	19,521	28,694	31,008	29,496	29,232
Commercial	12,991	11,746	11,730	11,942	7,829	12,384	13,536	11,616	11,916
Apartment	8,004	7,663	7,794	7,791	4,746	7,783	8,148	8,136	8,460
Industrial	2,122	2,089	2,473	2,696	1,622	2,737	2,724	2,820	2,568
Wholesale	121	99	136	173	346	535	624	528	516
Municipal	652	596	683	876	652	914	1,104	924	900
	<u>55,005</u>	<u>49,366</u>	<u>50,576</u>	<u>51,850</u>	<u>34,716</u>	<u>53,047</u>	<u>57,144</u>	<u>53,520</u>	<u>53,592</u>

San Antonio Water System
Table 3 - Annual Water Consumption and Revenue
For the Fifteen Largest Customers
For the Year Ended December 31, 2005
(UNAUDITED)

Customer	Principal Business	Water Usage (1000 Gallons)	Total Revenue Generated
CITY OF SAN ANTONIO	Municipal Entity	597,797	\$2,239,871
SAN ANTONIO HOUSING AUTHORITY	Public Housing	563,519	\$1,711,029
HEB GROCERY	Grocery	406,132	\$1,228,509
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	286,977	\$1,042,002
SAN ANTONIO INDEPENDENT SCHOOL DISTRICT	School System	255,781	\$839,053
BEXAR COUNTY	County Government	280,176	\$776,508
UNIVERSITY OF TEXAS HEALTH SCIENCE CENTER	University	198,994	\$643,527
BROOKS DEVELOPMENT AUTHORITY	Governmental	173,662	\$638,293
NORTH EAST INDEPENDENT SCHOOL DISTRICT	School System	165,490	\$607,948
CPS ENERGY	Public Power Utility	224,246	\$601,188
MAXIM INTEGRATED PRODUCT INC	Electronics	202,138	\$559,627
METRA UNITED	Apartment Ownership	168,584	\$519,264
FRITO LAY INC	Food Manufacture	138,006	\$459,263
UNIVERSITY OF TEXAS SA	University	156,922	\$458,115
AMERICAN OPPORTUNITY FOR HOUSING	Housing Services	146,374	\$438,285

**TABLE 4 -RESIDENTIAL CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas
Effective January 1, 2005
Ordinance No. 99994 and 99995 dated November 18, 2004

The Service Availability Charge (minimum bill) for all residential water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons of water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
			<u>Standard</u>	<u>Seasonal</u>
5/8"	\$6.11	First 7,481	\$0.0818	\$0.0818
3/4"	7.75	Next 5,236	0.1182	0.1285
1"	11.28	Next 4,488	0.1858	0.2002
1-1/2"	20.09	Over 17,205	0.2969	0.3834
2"	30.66			
3"	55.33			
4"	90.58			
6"	178.70			
8"	284.43			
10"	407.80			
12"	760.26			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning July 1 and ending on or about October 31 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

The Service Availability Charge (minimum bill) for all residential water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
			<u>Standard</u>	<u>Seasonal</u>
5/8"	\$7.93	First 7,481	\$0.1062	\$0.1062
3/4"	10.07	Next 5,236	0.1537	0.1671
1"	14.66	Next 4,488	0.2415	0.2603
1-1/2"	26.11	Over 17,205	0.3859	0.4984
2"	39.86			
3"	71.93			
4"	117.75			
6"	232.30			
8"	369.76			
10"	530.13			
12"	988.33			

The Volume Charge "Seasonal" Rate Per 100 Gallons shall be applied to all billings beginning July 1 and ending on or about October 31 of each year. At all other times the Volume Charge "Standard" Rate Per 100 Gallons shall be utilized.

SEWER

Sewer service charges for all metered residential connections are computed on the basis of average water usage for 90 days during three consecutive billing periods beginning after November 15 and ending on or about March 15 of each year and are billed according to the rate schedules below.

INSIDE CITY LIMITS (ICL)

OUTSIDE CITY LIMITS (OCL)

Monthly Service Availability Charge (includes first 1,496 gallons) - \$7.33
Over 1,496 gallons - \$0.1943 per 100 gallons.

Monthly Service Availability Charge (includes first 1,496 gallons) - \$8.80
Over 1,496 gallons - \$0.2331 per 100 gallons.

New customers or customers moving from one location to another who would not have a record of winter water usage will be billed an Unaveraged Residential Charge of \$20.41 per month.

New customers or customers moving from one location to another who would not have a record of winter water usage will be billed an Unaveraged Residential Charge of \$24.49 per month.

**TABLE 4 - GENERAL CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective January 1, 2005

Ordinance No. 99994 and 99995 dated November 18, 2004

The Service Availability Charge (minimum bill) for all general water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$8.86	Below Base*	\$0.0980
3/4"	11.88	100-125% of Base	0.1135
1"	17.34	125-150% of Base	0.1474
1-1/2"	31.63	150-200% of Base	0.1931
2"	47.71	Over 200% of Base	0.2854
3"	96.55		
4"	159.30	*The Base Use is defined as 90% of the Annual Average Consumption	
6"	316.10		
8"	490.55		
10"	682.62		
12"	1,076.32		

The Service Availability Charge (minimum bill) for all general water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$10.68	Below Base*	\$0.1273
3/4"	14.19	100-125% of Base	0.1476
1"	20.72	125-150% of Base	0.1915
1-1/2"	37.65	150-200% of Base	0.2509
2"	56.91	Over 200% of Base	0.3711
3"	113.16		
4"	186.47	*The Base Use is defined as 90% of the Annual Average Consumption	
6"	369.71		
8"	575.88		
10"	804.95		
12"	1,304.40		

SEWER

Sewer service charges are computed from the water usage schedules below for all metered connections.

INSIDE CITY LIMITS (ICL)	OUTSIDE CITY LIMITS (OCL)
Monthly Service Availability Charge (includes first 1,496 gallons) - \$7.33	Monthly Service Availability Charge (includes first 1,496 gallons) - \$8.80
Over 1,496 gallons - \$0.1943 per 100 gallons.	Over 1,496 gallons - \$0.2331 per 100 gallons.

**TABLE 4 - WHOLESALE CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas

Effective January 1, 2005

Ordinance No. 99994 and 99995 dated November 18, 2004

The Service Availability Charge (minimum bill) for all wholesale water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u> [†]	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>
6"	\$178.70	Below Base*	\$0.0712
8"	284.43	100-125% of Base	0.0888
10"	407.80	125-150% of Base	0.1222
12"	760.26	150-200% of Base	0.1629
		Over 200% of Base	0.2136

*The Base Use is defined as 90% of the Annual Average Consumption.

The Service Availability Charge (minimum bill) for all wholesale water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u> [†]	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>
6"	\$232.30	Below Base*	\$0.0925
8"	369.76	100-125% of Base	0.1155
10"	530.13	125-150% of Base	0.1589
12"	988.33	150-200% of Base	0.2118
		Over 200% of Base	0.2777

*The Base Use is defined as 90% of the Annual Average Consumption.

[†] Wholesale water service will not be provided through a meter smaller than 6" in order to comply with fire-flow requirements and the "Criteria for Water Supply and Distribution in the City of San Antonio and its Extraterritorial Jurisdiction."

SEWER

INSIDE CITY LIMITS (ICL)

\$0.1751 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$1.31 per 100 cubic feet)

OUTSIDE CITY LIMITS (OCL)

\$86.07 Monthly Service Availability Charge plus \$0.2102 Monthly Volume Charge per 100 gallons of contributed wastewater. (\$1.58 per 100 cubic feet)

**TABLE 4 - RECYCLED WATER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM
San Antonio, Texas**

Under Article VIII, Recycled Water Service and Rates Division 1, Sec. 1146, et seg.
Ordinance No. 90733 dated October 21, 1999

The Monthly Service Availability Charge (minimum bill) for all recycled water service furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month of fraction thereof shall be as follows:

EDWARDS EXCHANGE CUSTOMERS

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
			<u>Standard</u>	<u>Seasonal</u>
5/8"	\$8.74	Transferred Amount	\$0.0230	\$0.0230
3/4"	11.37			
1"	14.81	All in excess of		
1-1/2"	23.55	transferred amount	0.0863	0.0917
2"	34.44			
3"	91.60			
4"	136.14	The Volume Charge "Seasonal" Rate Per 100		
6"	259.71	Gallons shall be applied to all billings beginning July		
8"	391.47	1 and ending on or about October 31 of each year.		
10"	536.79	At all other times the Volume Charge "Standard"		
12"	662.31	Rate Per 100 Gallons shall be utilized.		

NON-EXCHANGE CUSTOMERS

MONTHLY SERVICE AVAILABILITY CHARGE

MONTHLY VOLUME CHARGE

<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>	
			<u>Standard</u>	<u>Seasonal</u>
5/8"	\$8.74	First 748,000	\$0.0924	\$0.0992
3/4"	11.37			
1"	14.81	Over 748,000	0.0943	0.1002
1-1/2"	23.55			
2"	34.44			
3"	91.60			
4"	136.14	The Volume Charge "Seasonal" Rate Per 100		
6"	259.71	Gallons shall be applied to all billings beginning July		
8"	391.47	1 and ending on or about October 31 of each year.		
10"	536.79	At all other times the Volume Charge "Standard"		
12"	662.31	Rate Per 100 Gallons shall be utilized.		

**SAN ANTONIO WATER SYSTEM
SAN ANTONIO, TEXAS**

TABLE 4 - WATER SUPPLY FEE SCHEDULES

Effective January 1, 2005
Ordinance No. 92753 dated October 19, 2000

The Water Supply Fee assessed on all potable water service for water usages in every instance of service for each month or fraction thereof shall be as follows:

<u>Year</u>	<u>Maximum Fee to be Assessed (per 100 gallons)</u>	<u>Fee Assessed (per 100 gallons)</u>
2001	\$0.0358	\$0.0358
2002	\$0.0708	\$0.0708
2003	\$0.0938	\$0.0844
2004	\$0.1128	\$0.1100
2005	\$0.1378	\$0.1378

**TABLE 4 - IRRIGATION CLASS WATER AND SEWER RATE SCHEDULES
SAN ANTONIO WATER SYSTEM**

San Antonio, Texas
Effective January 1, 2005
Ordinance No. 99994 dated November 18, 2004

The Service Availability Charge (minimum bill) for all irrigation water service **INSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$8.86	First 12,717	\$0.1378
3/4"	11.88	Next 4,488	0.2068
1"	17.34	Over 17,205	0.2854
1-1/2"	31.63		
2"	47.71		
3"	96.55		
4"	159.30		
6"	316.10		
8"	490.55		
10"	682.62		
12"	1,076.32		

The Service Availability Charge (minimum bill) for all irrigation water service **OUTSIDE THE CITY LIMITS** of San Antonio furnished through meters of the following sizes together with the Monthly Volume Charge measured per 100 gallons for water usage in every instance of service for each month or fraction thereof shall be as follows:

MONTHLY SERVICE AVAILABILITY CHARGE		MONTHLY VOLUME CHARGE	
<u>Meter Size</u>	<u>Service Availability Charge</u>	<u>Usage Blocks</u>	<u>Rate Per 100 Gallons</u>
5/8"	\$10.68	First 12,717	\$0.1790
3/4"	14.19	Next 4,488	0.2688
1"	20.72	Over 17,205	0.3711
1-1/2"	37.65		
2"	56.91		
3"	113.16		
4"	186.47		
6"	369.71		
8"	575.88		
10"	804.95		
12"	1,304.40		

San Antonio Water System
Table 5 - Historical Wastewater Flows and Usage
(Million Gallons)
For the Year Ended December 31, 2005
(UNAUDITED)

Fiscal Year Ended	Daily Average	Peak Day	Total Usage	Metered Total Revenue
5/31/1996	156	202	56,916	\$88,750,861
5/31/1997	135	217	51,300	90,605,026
5/31/1998	135	251	49,368	86,982,251
5/31/1999	136	437	49,476	87,789,747
5/31/2000	120	181	53,016	94,623,379
5/31/2001	133	264	52,342	89,481,423
12/31/2001	132	175	29,561	50,520,876
12/31/2002	131	390	52,823	87,733,710
12/31/2003	148	201	47,348	85,780,481
12/31/2004	140	297	51,326	97,017,963
12/31/2005	131	212	49,287	111,463,525

San Antonio Water System
Table 6 - Annual Wastewater Revenues
For the Fifteen Largest Customers
For the Year Ended December 31, 2005
(UNAUDITED)

Customer	Principal Business	Water Usage (1000 Gallons)	Total Revenue Generated
HEB GROCERY	Grocery	406,132	\$1,294,760
SAN ANTONIO HOUSING AUTHORITY	Public Housing	563,519	\$987,974
FRITO LAY INC	Food Manufacture	138,006	\$777,975
BEXAR COUNTY	County Government	280,176	\$438,434
CITY OF SAN ANTONIO	Municipal Entity	597,797	\$384,752
MAXIM INTEGRATED PRODUCT INC	Electronics	202,138	\$380,810
OAK FARMS DAIRY	Dairy Producer	58,612	\$289,427
NORTHSIDE INDEPENDENT SCHOOL DISTRICT	School System	286,977	\$263,331
SAN ANTONIO INDEPENDENT SCHOOL DISTRICT	School System	225,781	\$259,421
METRA UNITED	Apartment Ownership	168,584	\$259,314
AMERICAN OPPORTUNITY FOR HOUSING	Housing Services	146,374	\$256,359
MARRIOTT CORP	Hotel	144,485	\$246,420
UNIVERSITY OF TEXAS AT SAN ANTONIO	University	156,922	\$221,759
BILL MILLER BAR B Q	Restaurant	60,877	\$213,314
LACKLAND AFB - 37 CES/CERF	Military	104,395	\$204,604

San Antonio Water System
Table 7 - Wholesale Wastewater Customers
For the Year Ended December 31, 2005
(UNAUDITED)

Wholesale Wastewater Customers	Revenues	% of Total Wastewater Revenue
Air Force Village II	\$ 58,606	0.05
Alamo Heights	773,653	0.68
Balcones Heights	342,400	0.30
Bexar County Water Control District No. 10	471,570	0.42
Castle Hills	454,564	0.40
Hill Country Village	29,813	0.03
Hollywood Park	53,041	0.05
Kirby	341,181	0.30
Leon Valley	844,463	0.75
Olmos Park	233,197	0.21
Southwest Research Institute	137,588	0.12
State Hospital	35,027	0.03
Terrell Hills	522,947	0.46
Texas Center for Infectious Diseases	34,369	0.03
Brooks Air Force Base	332,990	0.29
Ft. Sam Houston Army Base	686,459	0.61
Lackland Air Force Base	984,865	0.87
Lackland Annex / Medina Base	259,654	0.23
	\$ <u>6,596,387</u>	<u>5.82</u>
TOTAL WASTEWATER OPERATING REVENUE	\$ <u>113,333,959</u>	

San Antonio Water System
Table 8 -Residential Water Service Charges For
Ten Major Texas Cities
For 2005

CITY	GALLONS					
	3,000	6,000	9,000	12,000	18,000	36,000
Arlington	\$ 10.39	\$ 15.76	\$ 21.13	\$ 27.50	\$ 42.74	\$ 92.96
Austin	\$ 8.01	\$ 14.88	\$ 21.75	\$ 32.85	\$ 63.21	\$ 178.77
Corpus Christi ¹	\$ 11.33	\$ 20.67	\$ 30.01	\$ 39.35	\$ 60.78	\$ 142.41
Dallas	\$ 7.09	\$ 12.15	\$ 18.00	\$ 25.19	\$ 43.25	\$ 104.45
El Paso ²	\$ 10.00	\$ 14.69	\$ 19.39	\$ 24.08	\$ 33.46	\$ 61.61
Ft. Worth	\$ 12.60	\$ 19.70	\$ 27.69	\$ 36.55	\$ 54.28	\$ 119.97
Houston	\$ 6.95	\$ 18.60	\$ 26.10	\$ 33.60	\$ 60.60	\$ 141.60
Lubbock	\$ 15.05	\$ 20.39	\$ 25.73	\$ 31.07	\$ 41.75	\$ 73.79
Plano	\$ 12.66	\$ 14.57	\$ 18.86	\$ 23.15	\$ 31.73	\$ 57.47
San Antonio (Standard) ²	\$ 13.15	\$ 20.22	\$ 27.82	\$ 35.97	\$ 56.71	\$ 137.75
San Antonio (Seasonal) ²	\$ 13.15	\$ 20.22	\$ 27.97	\$ 36.44	\$ 58.58	\$ 155.19

Note - Charges are for a 5/8" meter; Arlington and Lubbock are for a 3/4" meter.

¹ Includes Raw Water Pass Through Charge of \$0.891 per 1,000 gallons.

² Includes Water Supply Fee.

San Antonio Water System
Table 8 - Residential Wastewater Service Charges For
Ten Major Texas Cities
For 2005

CITY	GALLONS					
	3,000	6,000	9,000	12,000	18,000	36,000
Arlington ¹	\$ 12.26	\$ 19.52	\$ 26.78	\$ 34.04	\$ 48.56	\$ 92.12
Austin	\$ 14.65	\$ 31.72	\$ 48.79	\$ 65.86	\$ 100.00	\$ 202.42
Corpus Christi ²	\$ 17.80	\$ 26.77	\$ 35.75	\$ 44.73	\$ 62.69	\$ 81.18
Dallas ^{1,3}	\$ 12.71	\$ 22.19	\$ 31.67	\$ 41.15	\$ 60.11	\$ 116.99
El Paso	\$ 8.65	\$ 12.76	\$ 16.87	\$ 20.99	\$ 29.22	\$ 53.90
Ft. Worth ⁴	\$ 14.57	\$ 24.63	\$ 34.70	\$ 42.15	\$ 42.15	\$ 42.15
Houston	\$ 5.55	\$ 21.22	\$ 31.33	\$ 41.44	\$ 61.66	\$ 122.32
Lubbock ¹	\$ 8.95	\$ 13.96	\$ 18.97	\$ 23.98	\$ 34.00	\$ 64.06
Plano ⁵	\$ 14.90	\$ 24.11	\$ 33.32	\$ 42.53	\$ 42.53	\$ 42.53
San Antonio	\$ 10.25	\$ 16.08	\$ 21.91	\$ 27.74	\$ 39.40	\$ 74.37

¹ Sewer usage billed is the lesser of actual consumption or Winter Average.

² Maximum residential sewer usage billed is 25,000 gallons.

³ Maximum residential sewer usage billed is 40,000 gallons.

⁴ Maximum residential sewer usage billed is 11,220 gallons.

⁵ Maximum residential sewer usage billed is 12,000 gallons.

San Antonio Water System
TABLE 9 - COMBINED SYSTEM DEBT SERVICE REQUIREMENTS
For the Year Ended December 31, 2005
(UNAUDITED)

<i>Fiscal Year Ended 12/31</i>	<i>Principal</i>	<i>Interest</i>	<i>Total Debt Service Requirements</i>	<i>Percent of Principal Retired</i>
2006	22,415,000	64,945,618	87,360,618	
2007	24,880,000	63,835,640	88,715,640	
2008	29,165,000	62,606,028	91,771,028	
2009	32,355,000	61,231,770	93,586,770	
2010	35,220,000	59,772,353	94,992,353	10.48%
2011	35,815,000	58,275,790	94,090,790	
2012	37,130,000	56,732,361	93,862,361	
2013	38,800,000	55,064,206	93,864,206	
2014	40,550,000	53,267,314	93,817,314	
2015	42,475,000	51,363,536	93,838,536	24.66%
2016	44,500,000	49,346,775	93,846,775	
2017	46,625,000	47,211,637	93,836,637	
2018	48,125,000	44,973,266	93,098,266	
2019	47,980,000	42,724,669	90,704,669	
2020	50,500,000	40,377,121	90,877,121	41.96%
2021	53,935,000	37,859,337	91,794,337	
2022	56,180,000	35,232,097	91,412,097	
2023	57,505,000	32,480,896	89,985,896	
2024	57,780,000	29,652,900	87,432,900	
2025	57,475,000	26,796,110	84,271,110	62.55%
2026	60,440,000	23,853,841	84,293,841	
2027	63,800,000	21,772,182	85,572,182	
2028	68,280,000	17,517,013	85,797,013	
2029	17,980,000	15,409,423	33,389,423	
2030	18,870,000	14,539,231	33,409,231	79.25%
2031	19,810,000	13,625,628	33,435,628	
2032	20,795,000	12,666,222	33,461,222	
2033	12,515,000	11,891,704	24,406,704	
2034	5,550,000	11,311,681	16,861,681	
2035	33,265,000	10,337,837	43,602,837	85.94%
2036	34,970,000	8,631,962	43,601,962	
2037	36,715,000	6,885,731	43,600,731	
2038	38,520,000	5,082,000	43,602,000	
2039	40,465,000	3,138,625	43,603,625	
2040	42,540,000	1,063,500	43,603,500	100.00%
	<u>\$ 1,373,925,000</u>	<u>\$ 1,151,476,004</u>	<u>\$ 2,525,401,004</u>	

San Antonio Water System
Table 10- Summary of Pledged Revenues For Debt Coverage
For the Year Ended December 31, 2005
(UNAUDITED)

	December 31, 2005	December 31, 2004	(Restated) December 31, 2003	December 31, 2002	Seven Months Ended December 31, 2001
Revenues					
Water System	\$ 93,419,939	\$ 72,888,054	\$ 65,163,910	\$ 58,873,352	\$ 52,803,937
Water Supply	108,045,245	78,546,461	76,044,416	76,167,052	23,537,496
Wastewater System	113,333,959	99,224,713	87,683,794	89,312,338	51,541,185
Chilled Water & Steam	13,370,759	12,027,528	12,193,646	10,871,599	6,822,031
Non Operating Revenues	11,167,861	7,060,677	7,308,979	7,547,353	12,249,485
Adjustments for Pledged Revenues	(6,668,991)	(5,437,557)	(5,591,341)	(7,583,370)	(3,770,167)
Total Revenues	\$ 332,668,772	\$ 264,309,876	\$ 242,803,404	\$ 235,188,324	\$ 143,183,967
Maintenance and Operating Expenses					
	\$ 173,489,890	\$ 153,859,964	\$ 152,742,554	\$ 138,212,615	\$ 78,448,318
Net Available for Debt Service					
	<u>\$ 159,178,882</u>	<u>\$ 110,449,912</u>	<u>\$ 90,060,850</u>	<u>\$ 96,975,709</u>	<u>\$ 64,735,649</u>
Maxium Annual Debt Service Requirements - Total Debt					
	<u>\$ 94,992,353</u>	<u>\$ 84,941,122</u>	<u>\$ 76,075,114</u>	<u>\$ 66,267,591</u>	<u>N/A</u>
Maxium Annual Debt Service Requirements - Senior Lien Debt					
	<u>\$ 78,372,649</u>	<u>\$ 67,203,188</u>	<u>\$ 61,511,375</u>	<u>\$ 61,511,375</u>	<u>N/A</u>
Debt Service for Period					<u>\$ 38,081,878</u>
Coverage of Total Annual Debt Service Requirements	1.68 x	1.30 x	1.18 x	1.46 x	N/A
Coverage of Senior Lien Annual Debt Service Requirements	2.03 x	1.64 x	1.46 x	1.58 x	N/A

San Antonio Water System
Table 11- Debt Coverage and Fund Balances
For the Year Ended December 31, 2005
(UNAUDITED)

2005 Net Revenues	\$	159,178,882
Maximum Annual Debt Service Requirements on Senior, Junior, and Subordinate Lien Debt	\$	94,992,353
Coverage of Maximum Requirements by Pledged Revenues		
On Senior Bonds		2.03 Times
On All Revenue Bonds		1.68 Times
Revenue Bonds Outstanding, 12-31-2005	\$	1,373,925,000
Debt Service Fund Balance, 12-31-2005		15,977,687

San Antonio Water System
Table 12 - Utility Plant of the System
For the Year Ended December 31, 2005
(UNAUDITED)

	December 31, 2005	December 31, 2004	(Restated) December 31, 2003	December 31, 2002	Seven Months Ended December 31, 2001
Water	\$ 1,077,840,212	\$ 1,042,342,407	\$ 1,000,990,811	\$ 935,144,596	\$ 854,553,682
Wastewater	1,293,193,924	1,219,085,949	1,142,941,392	1,061,298,049	982,980,609
Reuse	126,904,584	120,114,031	100,174,779	65,496,379	34,616,575
Central Heating and Cooling Plant	47,865,190	47,137,063	46,046,139	32,706,293	27,693,897
Water Resources	166,168,138	46,047,595	34,331,962	26,456,033	14,281,283
Conservation	262,473	259,255	261,613	85,419	13,906
Stormwater	147,078				
Working Capital	3,860,496	3,906,482	6,858,031	33,216,631	39,324,742
Construction in Progress	483,200,611	499,585,285	428,225,637	305,234,544	339,399,414
Total Value	\$ 3,199,442,706	\$ 2,978,478,067	\$ 2,759,830,364	\$ 2,459,637,944	\$ 2,292,864,108
Less: Depreciation	861,162,744	798,456,941	743,690,802	688,081,572	643,936,011
Net System Value	\$ 2,338,279,962	\$ 2,180,021,126	\$ 2,016,139,562	\$ 1,771,556,372	\$ 1,648,928,097

San Antonio Water System
Table 13 - City's Equity in System
For the Year Ended December 31, 2005
(UNAUDITED)

	December 31, 2005	December 31, 2004	(Restated) December 31, 2003	Restated December 31, 2002	Seven Months Ended December 31, 2001
Resources					
Net System Value	\$ 2,338,279,962	\$ 2,180,021,126	\$ 2,016,139,562	\$ 1,771,556,372	\$ 1,648,928,097
Cash and Investments	337,322,249	307,768,893	326,949,633	354,756,120	170,541,057
Other Resources	64,828,085	59,690,849	60,380,537	41,161,750	34,021,375
Total Resources	<u>\$ 2,740,430,296</u>	<u>\$ 2,547,480,868</u>	<u>\$ 2,403,469,732</u>	<u>\$ 2,167,474,242</u>	<u>\$ 1,853,490,529</u>
Obligations					
Revenue Bonds Payable (net)	<u>\$ 1,348,053,826</u>	<u>\$ 1,134,378,683</u>	<u>\$ 1,018,643,202</u>	<u>\$ 866,713,736</u>	<u>\$ 705,979,091</u>
Commercial Paper Notes Payable	98,000,000	238,400,000	269,000,000	255,000,000	185,000,000
Other Obligations	59,274,538	56,635,175	52,573,781	43,780,720	41,082,974
Total Obligations	<u>\$ 1,505,328,364</u>	<u>\$ 1,429,413,858</u>	<u>\$ 1,340,216,983</u>	<u>\$ 1,165,494,456</u>	<u>\$ 932,062,065</u>
City's Equity in System	<u>\$ 1,235,101,932</u>	<u>\$ 1,118,067,010</u>	<u>\$ 1,063,252,749</u>	<u>\$ 1,001,979,786</u>	<u>\$ 921,428,464</u>
Percentage City's Equity in System	45.07%	43.89%	44.24%	46.23%	49.71%

San Antonio Water System
Table 14 - Current Investments
For the Year Ended December 31, 2005
(UNAUDITED)

	<u>Percentages</u>	<u>Reported Amount*</u>	<u>Fair Value</u>
Money Market Deposits	3.28%	\$ 11,074,400	\$ 11,074,400
U.S. Treasuries Notes	29.65%	100,004,311	99,960,615
U. S. Agency Notes	64.49%	217,532,183	217,369,747
Cash on Hand	0.07%	238,814	238,814
Demand and Savings	2.51%	8,472,541	8,472,541
Total	<u>100.00%</u>	<u>\$ 337,322,249</u>	<u>\$ 337,116,117</u>

* At Amortized Cost

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FEDERAL AWARD SECTION



PADGETT, STRATEMANN & CO., L.L.P.

Certified Public Accountants and Business Advisors

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 Members of the Board
San Antonio Water System
San Antonio, Texas

We have audited the accompanying balance sheet of the San Antonio Water System (the "System"), a component unit of the City of San Antonio, Texas, as of and for the year ended December 31, 2005, and the related statements of revenues, expenses, and changes in equity and cash flows for the year then ended, and have issued our report thereon dated March 15, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

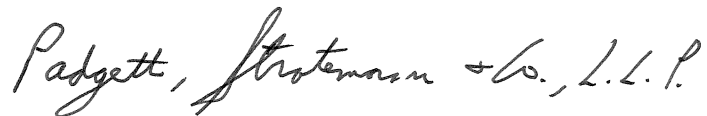
In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses.

Compliance and Other Matters

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

However, we noted certain matters that we reported to management of the System in a separate letter dated March 15, 2006.

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

A handwritten signature in cursive script that reads "Padgett, Stratenman & Co., L.L.P.".

Certified Public Accountants
March 15, 2006



PADGETT, STRATEMANN & CO., L.L.P.

Certified Public Accountants and Business Advisors

**Independent Auditors' Report on Compliance
With Requirements Applicable to Each Major
Program and on Internal Control Over Compliance
in Accordance With OMB Circular A-133**

To the Members of the Board
San Antonio Water System
San Antonio, Texas

Compliance

We have audited the compliance of the San Antonio Water System (the "System") with the types of compliance requirements described in the U.S. Office of Management and Budget ("OMB") *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The System's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the System's management. Our responsibility is to express an opinion on the System's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 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 System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the System's compliance with those requirements.

In our opinion, the System complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005.

Internal Control Over Compliance

The management of the System is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the System's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Padgett, Stutenman + Co., L.L.P.

Certified Public Accountants
March 15, 2006

**San Antonio Water System
San Antonio, Texas**

Note to Schedule of Expenditures of Federal Awards

December 31, 2005

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None Reported

Noncompliance material to the financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None Reported

Type of auditors’ report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes X No

Identification of major programs:

CFDA Number(s)

66.458

Name of Federal Program or Cluster

Capitalization Grants for State Revolving Funds

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes No

Section II – Financial Statement Findings

There were no findings required to be reported in accordance with Government Auditing Standards

Section III – Federal Award Findings and Questioned Costs

There were no findings required to be reported in accordance with OMB Circular A-133.

**San Antonio Water System
San Antonio, Texas**

Note to Schedule of Expenditures of Federal Awards

December 31, 2005

There were no findings or questioned costs in the prior year.

**San Antonio Water System
San Antonio, Texas**

Note to Schedule of Expenditures of Federal Awards

December 31, 2005

Program	Corrective Action Plan
None	No current year findings

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**SAN ANTONIO WATER SYSTEM
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended December 31, 2005**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA CFDA Number</u>	<u>Program/ Grant Number</u>	<u>Total Program/ Grant Award</u>	<u>Expenditures</u>
Environmental Protection Agency				
Pass Through:				
Texas Water Development Board				
Capitalization Grants for State Revolving Funds (Clean Water State Revolving Fund)				
Series 1999 A Junior Lien Revenue and Refunding Bonds	66.458	-	\$ 47,500,000	\$ 36,244
Series 2002 Junior Lien Revenue Bonds	66.458	-	15,650,000	1,080,925
Series 2003 Junior Lien Revenue Bonds	66.458	-	34,000,000	39,414
Series 2004 Junior Lien Revenue Bonds	66.458	-	10,635,000	251,890
Total Passed Through Texas Water Development Board				<u>1,408,473</u>
 Environmental Protection Agency				
Sensitive Land Acquisition	66.606		1,734,700	-
Design & Construction of Water improvements Brooks City Base	66.606		1,253,600	-
Total Environmental Protection Agency				<u>-</u>
 United States Department of Agriculture				
Medina River Bank Stabilization Project	10.904		1,498,000	56,671
Total United States Department of Agriculture				<u>56,671</u>
 United States Department of Commerce				
Grants for Public Works and Economic Development Facilities	11.300	08-01-03991	1,800,000	887,413
Total United States Department of Commerce				<u>887,413</u>
 Total Federal Financial Assistance				<u>\$ 2,352,557</u>

See accompanying notes to schedule of expenditures of federal awards.

San Antonio Water System
San Antonio, Texas

Note to Schedule of Expenditures of Federal Awards

December 31, 2005

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the System and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB A-133, *Audits of States, Local Governments, and Non Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. The System is indebted to the Texas Water Development Board (TWDB) as a result of the issuance of the City of San Antonio Water System Junior Lien Revenue and Refunding Bonds, Series 1999-A; and Junior Lien Revenue Bonds Series 2002 and 2003. The bonds were sold under the federal cross cutter program for financing qualified System improvements related to wastewater and recycled water systems. The amount reflected here represents expenditures incurred in the current year.