



**INTERNAL SERVICE FUNDS  
COMBINING BALANCE SHEET  
September 30, 2001  
With comparative totals for September 30, 2000**

	Fleet Maintenance	Support Services	Information Systems	Employee Benefits
<b>ASSETS</b>				
Current assets:				
Cash	\$ 2,600	15,750	375	--
Pooled investments and cash	6,568,675	7,893,450	3,936,709	10,377,426
Cash held by trustee	--	--	--	292,073
Accounts receivable	236,005	5,848	--	--
Less allowance for doubtful accounts	(221,726)	--	--	--
Net accounts receivable	14,279	5,848	--	--
Inventories, at cost	1,513,281	--	--	--
Prepaid expenses	--	166,878	10,222	--
<b>Total current assets</b>	<b>8,098,835</b>	<b>8,081,926</b>	<b>3,947,306</b>	<b>10,669,499</b>
Restricted assets:				
Construction account	414,434	--	1,470,980	--
<b>Total restricted assets</b>	<b>414,434</b>	<b>--</b>	<b>1,470,980</b>	<b>--</b>
Fixed assets, at cost:				
Property, plant and equipment	49,505,166	8,227,569	15,640,419	--
Less accumulated depreciation	(17,398,778)	(3,999,195)	(4,274,367)	--
Net property, plant and equipment in service	32,106,388	4,228,374	11,366,052	--
Construction in progress	--	--	1,504,683	--
Net property, plant and equipment	32,106,388	4,228,374	12,870,735	--
Deferred costs and expenses, net of amortization	3,898	1,441	3,065	--
<b>Total assets</b>	<b>40,623,555</b>	<b>12,311,741</b>	<b>18,292,086</b>	<b>10,669,499</b>
<b>LIABILITIES AND FUND EQUITY</b>				
Current liabilities:				
Accounts payable	924,326	971,044	709,786	1,690,281
Accrued payroll	192,979	812,019	318,342	--
Accrued compensated absences	268,037	1,984,047	679,799	--
Claims payable	--	--	--	4,470,237
Due to other funds	--	--	26,872	--
Interest payable on other debt	8,047	7,941	54,911	--
Deferred revenue	--	--	--	--
General obligation bonds payable and other tax supported debt	132,167	128,207	797,920	--
Other liabilities	--	71,700	--	292,073
<b>Total current liabilities</b>	<b>1,525,556</b>	<b>3,974,958</b>	<b>2,587,630</b>	<b>6,452,591</b>
Long-term liabilities:				
Accrued compensated absences	371,718	1,299,168	386,350	--
Claims payable	--	--	--	--
Advances from other funds	--	--	241,850	--
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	1,775,195	938,274	2,204,316	--
<b>Total long-term liabilities</b>	<b>2,146,913</b>	<b>2,237,442</b>	<b>2,832,516</b>	<b>--</b>
<b>Total liabilities</b>	<b>3,672,469</b>	<b>6,212,400</b>	<b>5,420,146</b>	<b>6,452,591</b>
<b>Fund equity</b>				
Contributions from municipality	31,199,954	941,164	9,208,801	9,244,036
Retained earnings - unreserved	5,751,132	5,158,177	3,663,139	(5,027,128)
<b>Total fund equity</b>	<b>36,951,086</b>	<b>6,099,341</b>	<b>12,871,940</b>	<b>4,216,908</b>
<b>Total liabilities and fund equity</b>	<b>\$ 40,623,555</b>	<b>12,311,741</b>	<b>18,292,086</b>	<b>10,669,499</b>

CITY OF AUSTIN, TEXAS  
Exhibit G-1

Liability Reserve	Workers' Compensation	Radio Communication	Infrastructure Support Services	Capital Projects Management	Totals	
					2001	2000
-	-	500	2,750	900	22,875	22,925
11,632,759	8,155,013	866,966	603,390	3,273,804	53,308,192	45,362,999
-	-	-	-	-	292,073	198,423
-	-	62,963	10,716	227,535	543,067	504,591
-	-	-	-	-	(221,726)	(221,726)
-	-	62,963	10,716	227,535	321,341	282,865
-	-	155,037	-	-	1,668,318	2,079,330
-	-	-	46,936	71,787	295,823	252,462
11,632,759	-8,155,013	1,085,466	663,792	3,574,026	55,908,622	48,199,004
-	-	-	-	-	1,885,414	2,375,955
-	-	-	-	-	1,885,414	2,375,955
-	-	342,685	1,584,855	968,235	76,268,929	64,526,652
-	-	(75,248)	(800,043)	(149,384)	(26,697,015)	(25,049,003)
-	-	267,437	784,812	818,851	49,571,914	39,477,649
-	-	-	-	-	1,504,683	6,549,474
-	-	267,437	784,812	818,851	51,076,597	46,027,123
-	-	-	-	-	8,404	9,647
11,632,759	8,155,013	1,352,903	1,448,604	4,392,877	108,879,037	96,611,729
19,094	289,996	77,744	97,838	234,912	5,015,021	7,049,410
-	-	26,944	98,866	285,913	1,735,063	1,324,457
-	-	67,110	199,458	857,402	4,055,853	4,018,526
7,535,695	2,095,300	-	-	-	14,101,232	13,747,986
-	-	-	-	-	26,872	353,599
-	-	-	-	-	70,899	90,448
-	-	620,611	-	16,067	636,678	49,916
-	-	-	-	-	1,058,294	1,205,875
-	-	-	-	-	363,773	258,307
7,554,789	2,385,296	792,409	396,162	1,394,294	27,063,685	28,098,524
-	-	32,284	98,764	278,474	2,466,758	2,266,348
5,164,734	4,251,700	-	-	-	9,416,434	8,378,102
-	-	-	-	-	241,850	268,722
-	-	-	-	-	4,917,785	5,972,732
5,164,734	4,251,700	32,284	98,764	278,474	17,042,827	16,885,904
12,719,523	6,636,996	824,693	494,926	1,672,768	44,106,512	44,984,428
-	2,443,283	56,255	343,005	28,300	53,464,798	46,479,675
(1,086,764)	(925,266)	471,955	610,673	2,691,809	11,307,727	5,147,626
(1,086,764)	1,518,017	528,210	953,678	2,720,109	64,772,525	51,627,301
11,632,759	8,155,013	1,352,903	1,448,604	4,392,877	108,879,037	96,611,729

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF REVENUES, EXPENSES,**  
**AND CHANGES IN RETAINED EARNINGS**  
**Year ended September 30, 2001**  
**With comparative totals for year ended September 30, 2000**

	Fleet Maintenance	Support Services	Information Systems	Employee Benefits
<b>REVENUES</b>				
Billings to departments	\$ 19,210,951	50,208,114	22,545,939	39,444,283
Employee contributions	--	--	--	20,350,742
Other revenues	312,500	--	131,621	--
Operating revenues	<u>19,523,451</u>	<u>50,208,114</u>	<u>22,677,560</u>	<u>59,795,025</u>
<b>EXPENSES</b>				
Operating expenses before depreciation	18,282,555	47,957,657	22,623,530	57,248,052
Depreciation	1,690,172	551,298	1,174,480	--
Total operating expenses	<u>19,972,727</u>	<u>48,508,955</u>	<u>23,798,010</u>	<u>57,248,052</u>
Operating Income (loss) before nonoperating revenues (expenses) and operating transfers	<u>(449,276)</u>	<u>1,699,159</u>	<u>(1,120,450)</u>	<u>2,546,973</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>				
Interest and other revenues	793,110	408,185	121,796	--
Interest on other debt	(108,767)	(59,985)	(144,014)	--
Amortization of bond issue cost	(3,186)	(2,356)	(681)	--
Other nonoperating expense	(22,398)	(175,632)	(468)	--
Total nonoperating revenues (expenses)	<u>658,759</u>	<u>170,212</u>	<u>(23,367)</u>	<u>--</u>
Income (loss) before operating transfers	209,483	1,869,371	(1,143,817)	2,546,973
Operating transfers:				
Operating transfers in	--	--	1,000,000	--
Net Income (loss)	<u>209,483</u>	<u>1,869,371</u>	<u>(143,817)</u>	<u>2,546,973</u>
Retained earnings at beginning of year	5,541,649	3,288,806	3,806,956	(7,574,101)
Retained earnings at end of year	<u>\$ 5,751,132</u>	<u>5,158,177</u>	<u>3,663,139</u>	<u>(5,027,128)</u>

CITY OF AUSTIN, TEXAS  
Exhibit G-2

Liability Reserve	Workers' Compensation	Radio Communication	Infrastructure Support Services	Capital Projects Management	Totals	
					2001	2000
4,000,000	9,125,023	1,843,300	8,416,713	14,618,900	169,413,223	142,895,966
--	--	--	--	--	20,350,742	18,389,105
--	--	300,368	--	3,597,009	4,341,498	3,036,285
4,000,000	9,125,023	2,143,668	8,416,713	18,215,909	194,105,463	164,321,356
4,508,710	7,674,701	1,985,537	8,857,197	17,207,967	186,345,906	161,563,025
--	--	22,392	95,345	57,656	3,591,343	2,713,911
4,508,710	7,674,701	2,007,929	8,952,542	17,265,623	189,937,249	164,276,936
(508,710)	1,450,322	135,739	(535,829)	950,286	4,168,214	44,420
--	--	18,484	58,255	110,622	1,510,452	1,653,330
--	--	--	--	--	(312,766)	(375,059)
--	--	--	--	--	(6,223)	(3,859)
--	--	--	(1,078)	--	(199,576)	(236,102)
--	--	18,484	57,177	110,622	991,887	1,038,310
(508,710)	1,450,322	154,223	(478,652)	1,060,908	5,160,101	1,082,730
--	--	--	--	--	1,000,000	1,260,000
(508,710)	1,450,322	154,223	(478,652)	1,060,908	6,160,101	2,342,730
(578,054)	(2,375,588)	317,732	1,089,325	1,630,901	5,147,626	2,804,896
(1,086,764)	(925,266)	471,955	610,673	2,691,809	11,307,727	5,147,626

**INTERNAL SERVICE FUNDS**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Year ended September 30, 2001**  
**With comparative totals for year ended September 30, 2000**

	Fleet Maintenance	Support Services	Information Systems	Employee Benefits
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash received from customers	\$ 19,527,018	50,202,266	22,677,560	59,795,025
Cash payments to suppliers for goods and services	(9,034,520)	(10,228,438)	(7,560,141)	(25,323,274)
Cash payments to employees for services	(8,959,692)	(37,644,297)	(14,567,838)	--
Cash payments to claimants/beneficiaries	--	--	--	(30,772,793)
<b>Net cash provided (used) by operating activities</b>	<b>1,532,806</b>	<b>2,329,531</b>	<b>549,581</b>	<b>3,698,958</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Operating transfers in	--	--	1,000,000	--
Contributions from municipality	--	--	3,253,421	--
<b>Net cash provided by noncapital financing activities</b>	<b>--</b>	<b>--</b>	<b>4,253,421</b>	<b>--</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Principal paid on long-term debt	(137,622)	(86,470)	(994,654)	--
Proceeds from the sale of equipment	17,000	--	--	--
Interest paid on other debt	(110,108)	(59,835)	(162,372)	--
Acquisition and construction of capital assets	(8,596,534)	(649,370)	(1,650,848)	--
Contributions from municipality	3,731,702	--	--	--
Bond discounts and issuance costs	(2,352)	(1,759)	--	--
Bond premiums	16,126	12,060	--	--
Bonds issued for advanced refundings of debt	337,928	252,728	--	--
Cash paid for bond refunding escrow	(345,730)	(257,762)	--	--
<b>Net cash used by capital and related financing activities</b>	<b>(5,089,590)</b>	<b>(790,408)</b>	<b>(2,807,874)</b>	<b>--</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Interest on investments	793,110	408,185	121,796	--
Reverse repurchase agreement income	--	--	--	--
Reverse repurchase agreement expense	--	--	--	--
<b>Net cash provided by investing activities</b>	<b>793,110</b>	<b>408,185</b>	<b>121,796</b>	<b>--</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>(2,763,674)</b>	<b>1,947,308</b>	<b>2,116,924</b>	<b>3,698,958</b>
Cash and cash equivalents, October 1 (including \$2,375,955 in restricted accounts)	9,749,383	5,961,892	3,291,140	6,970,541
<b>Cash and cash equivalents, September 30 (including \$1,885,414 in restricted accounts)</b>	<b>\$ 6,985,709</b>	<b>7,909,200</b>	<b>5,408,064</b>	<b>10,669,499</b>

**CITY OF AUSTIN, TEXAS**  
**Exhibit G-3**

Liability Reserve	Workers' Compensation	Radio Communication	Infrastructure Support Services	Capital Projects Management	Totals	
					2001	2000
4,000,000	9,125,023	2,777,085	8,459,181	18,143,775	194,706,933	164,498,572
(789,032)	(3,088,331)	(560,372)	(4,992,314)	(5,206,344)	(66,782,766)	(53,913,417)
--	--	(1,331,786)	(4,121,809)	(12,085,138)	(78,710,560)	(72,370,584)
(3,234,375)	(4,392,584)	--	--	--	(38,399,752)	(36,369,463)
(23,407)	1,644,108	884,927	(654,942)	852,293	10,813,855	1,845,108
--	--	--	--	--	1,000,000	1,260,000
--	--	--	--	--	3,253,421	--
--	--	--	--	--	4,253,421	1,260,000
--	--	--	--	--	(1,218,746)	(1,521,533)
--	--	--	--	--	17,000	--
--	--	--	--	--	(332,315)	(401,516)
--	--	(83,274)	(51,230)	(207,100)	(11,238,356)	(12,350,422)
--	--	--	--	--	3,731,702	6,775,999
--	--	--	--	--	(4,111)	--
--	--	--	--	--	28,186	--
--	--	--	--	--	590,656	--
--	--	--	--	--	(603,492)	--
--	--	(83,274)	(51,230)	(207,100)	(9,029,476)	(7,497,472)
--	--	18,484	58,255	110,622	1,510,452	1,442,919
--	--	--	--	--	--	210,408
--	--	--	--	--	--	(199,793)
--	--	18,484	58,255	110,622	1,510,452	1,453,534
(23,407)	1,644,108	820,137	(647,917)	755,815	7,548,252	(2,938,830)
11,656,166	6,510,905	47,329	1,254,057	2,518,889	47,960,302	50,899,132
11,632,759	8,155,013	867,466	606,140	3,274,704	55,508,554	47,960,302

(continued)

**INTERNAL SERVICE FUNDS .**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Year ended September 30, 2001**  
**With comparative totals for year ended September 30, 2000**

	Fleet Maintenance	Support Services	Information Systems	Employee Benefits
<b>RECONCILIATION OF OPERATING INCOME TO NET</b>				
<b>CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>				
Operating income (loss)	\$ (449,276)	1,699,159	(1,120,450)	2,546,973
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	1,690,172	551,298	1,174,480	--
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	3,567	(5,848)	--	--
(Increase) decrease in inventory	387,487	--	--	--
Increase in prepaid expenses	--	(13,807)	(10,222)	--
Decrease in deferred expenses	--	--	--	--
Increase (decrease) in accounts payable	(183,407)	(359,506)	490,735	325,098
Increase (decrease) in accrued payroll and compensated absences	84,263	446,419	343,307	--
Increase (decrease) in deferred revenue	--	--	--	--
Increase in claims payable	--	--	--	733,237
Decrease in due to other funds	--	--	(301,397)	--
Decrease in advance from other funds	--	--	(26,872)	--
Increase (decrease) in other liabilities	--	11,816	--	93,650
<b>Total adjustments</b>	<b>1,982,082</b>	<b>630,372</b>	<b>1,670,031</b>	<b>1,151,985</b>
<b>Net cash provided (used) by operating activities</b>	<b>\$ 1,532,806</b>	<b>2,329,531</b>	<b>549,581</b>	<b>3,698,958</b>
<b>NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES</b>				
Decrease in deferred assets/expenses	\$ (1,100)	--	--	--
Amortization of bond discounts, premiums, and issue costs	(3,186)	1,412	(681)	--
Amortization of deferred loss on refundings	--	(3,768)	--	--
Loss on disposal of assets	(22,398)	(175,632)	(468)	--

CITY OF AUSTIN, TEXAS  
Exhibit G-3  
(Continued)

Liability Reserve	Workers' Compensation	Radio Communication	Infrastructure Support Services	Capital Projects Management	Totals	
					2001	2000
(508,710)	1,450,322	135,739	(535,829)	950,286	4,168,214	44,420
--	--	22,392	95,345	57,656	3,591,343	2,713,911
--	--	12,806	42,468	(38,285)	14,708	298,947
--	--	23,525	--	--	411,012	(259,982)
--	--	--	(46,936)	(25,580)	(96,545)	(250,751)
--	--	--	--	--	--	21,222
(173,038)	193,786	63,754	(22,341)	(13,838)	321,243	(429,263)
--	--	6,100	(187,649)	(44,097)	648,343	(2,189,958)
--	--	620,611	--	(33,849)	586,762	(121,731)
658,341	--	--	--	--	1,391,578	2,453,761
--	--	--	--	--	(301,397)	(45,988)
--	--	--	--	--	(26,872)	(328,269)
--	--	--	--	--	105,466	(61,211)
485,303	193,786	749,188	(119,113)	(97,993)	6,645,641	1,800,688
(23,407)	1,644,108	884,927	(654,942)	852,293	10,813,855	1,845,108
--	--	--	--	--	(1,100)	(12)
--	--	--	--	--	(2,455)	(489)
--	--	--	--	--	(3,768)	(3,370)
--	--	--	(1,078)	--	(199,576)	(36,308)

**INTERNAL SERVICE FUNDS  
COMBINING SCHEDULE OF CHANGES IN FIXED ASSETS AND ACCUMULATED DEPRECIATION  
Year ended September 30, 2001**

**CITY OF AUSTIN, TEXAS  
Exhibit G-4**

	Assets					Accumulated Depreciation				
	Balance	Additions	Retirements	Transfers	Transfers	Balance	Current Depreciation	Retirements	Balance	
	September 30, 2000			from Construction In Progress	from (to) Other Funds	September 30, 2001			September 30, 2000	September 30, 2001
<b>Property, plant and equipment in service:</b>										
Fleet Maintenance	\$ 43,764,501	6,215,571	(474,906)	--	--	49,505,166	16,144,114	1,690,172	(435,508)	17,398,778
Support Services	8,344,028	649,370	(765,829)	--	--	8,227,569	4,038,094	551,298	(590,197)	3,999,195
Information Systems	9,837,869	676,909	(893,089)	6,018,730	--	15,640,419	3,992,508	1,174,480	(892,621)	4,274,367
Radio Communication	259,411	83,274	--	--	--	342,685	52,856	22,392	--	75,248
Infrastructure Support Services	1,559,708	51,230	(26,083)	--	--	1,584,855	729,703	95,345	(25,005)	800,043
Capital Projects Management	761,135	207,100	--	--	--	968,235	91,728	57,656	--	149,384
	<u>64,526,652</u>	<u>7,883,454</u>	<u>(2,159,907)</u>	<u>6,018,730</u>	<u>--</u>	<u>76,268,929</u>	<u>25,049,003</u>	<u>3,591,343</u>	<u>(1,943,331)</u>	<u>26,697,015</u>
<b>Construction In progress:</b>										
Information Systems	6,549,474	973,939	--	(6,018,730)	--	1,504,683	--	--	--	--
<b>Total</b>	<u>\$ 71,076,126</u>	<u>8,857,393</u>	<u>(2,159,907)</u>	<u>--</u>	<u>--</u>	<u>77,773,612</u>	<u>25,049,003</u>	<u>3,591,343</u>	<u>(1,943,331)</u>	<u>26,697,015</u>

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	Fleet Maintenance Fund	Support Services Fund	Information Systems Fund	Radio Communication Fund	Infrastructure Support Services Fund	Capital Projects Management Fund	Total
<b>Property, plant and equipment:</b>							
Land	\$ --	485,463	--	--	--	--	485,463
Buildings	3,528,426	1,500	--	--	--	--	3,529,926
Furniture and equipment	4,538,724	3,768,107	2,154,737	27,872	853,014	170,625	11,513,079
Vehicles	5,788,351	715,090	27,419	49,073	--	--	6,579,933
Completed construction unclassified	35,649,665	3,257,409	13,458,263	265,740	731,841	797,610	54,160,528
	<u>49,505,166</u>	<u>8,227,569</u>	<u>15,640,419</u>	<u>342,685</u>	<u>1,584,855</u>	<u>968,235</u>	<u>76,268,929</u>
Less accumulated depreciation	(17,398,778)	(3,999,195)	(4,274,367)	(75,248)	(800,043)	(149,384)	(26,697,015)
Net property, plant and equipment	<u>32,106,388</u>	<u>4,228,374</u>	<u>11,366,052</u>	<u>267,437</u>	<u>784,812</u>	<u>818,851</u>	<u>49,571,914</u>
Construction in progress	--	--	1,504,683	--	--	--	1,504,683
<b>Total property, plant and equipment</b>	<u>\$ 32,106,388</u>	<u>4,228,374</u>	<u>12,870,735</u>	<u>267,437</u>	<u>784,812</u>	<u>818,851</u>	<u>51,076,597</u>



## FIDUCIARY FUNDS

Fiduciary funds account for assets held by the City in a trustee capacity or as an agent for other agencies, individuals, private organizations, or governmental units. Included in the fiduciary funds are expendable and nonexpendable trust funds and agency funds.

The expendable trust funds include a variety of activities, as described on the following page.

The nonexpendable trust fund includes contributions for various governmental purposes, including purchase of library books and cemetery and preserve maintenance.

The agency funds include the Municipal Utility Districts Fund and various others.

See next page for descriptions of the individual funds.

## Expendable Trust Funds

*Penta Development Fund* - Donation for the Penta Development Nature Conservancy.

*Police Benefit Fund* - Donations for the benefit and improvement of the Police Department.

*Fairway Ridge Fund* - Accounts for deposits for Fairway Ridge Subdivision.

*Miscellaneous Fund* - Various donations and revenues to be used for specified purposes.

*Brackenridge Imaging Fund* - Accounts for participation in and support of programs which will provide health care services.

*Adaptive Programs Fund* - Accounts for programs and activities sponsored by the Parks and Recreation Department.

*Austin Creeks and Trails Fund* - Donations to be used for the upkeep of Austin's creeks and trails.

*Austin History Center Fund* - Donations to be used for the Austin History Center.

*Ellis Library Trust Fund* - Revenues to be used for the purchase of books on mental health.

*First Step - A Community Project* - Accounts for programs and activities to improve community relations.

*Housing Trust Social Equity Fund* - Accounts for revenues to be used for the SMART Housing initiative.

*PARC Miscellaneous Fund* - Various donations and revenues to be used for specified purposes for Parks and Recreation Department activities.

*Perpetual Care Interest Fund* - Revenues to be used for maintenance and care of cemeteries.

*Planting for the Future Fund* - Donations to be used for plantings in the City of Austin.

*Special Library Fund* - Donations received to purchase books or special equipment in memory of an individual.

*Summer Musical Fund* - Donations and revenues to be used for the annual summer musical production that is administered by PARC.

*Teen Activity Fund* - Donations and revenues to be used for teen activities sponsored by the Parks and Recreation Department.

*Town Lake Beautification Fund* - Donations to be used for the beautification of Town Lake.

## Nonexpendable Trust Funds

Interest income from contributions may be used for specified purposes, such as purchase of library books or maintenance of cemeteries and preserves.

## Agency Funds

*Municipal Utility Districts Funds* - Receives revenues from municipal utility districts which are used to make debt service payments for the districts.

*Neighborhood Revitalization Funds* - Accounts for various loans related to revitalization programs.

*Municipal Courts Fund* - Holds fees collected by the City to be remitted to the State.

*BCCP Permit Fund* - Receives permit fees to support City of Austin and Travis County preserve administration for the Balcones Canyonlands Conservation Plan.



**TRUST AND AGENCY FUNDS  
COMBINING BALANCE SHEET  
September 30, 2001**

**CITY OF AUSTIN, TEXAS  
Exhibit H-1**

**With comparative totals for September 30, 2000**

	Expendable Trust Funds	Nonexpendable Trust Funds	Agency Funds	Totals	
				2001	2000
<b>ASSETS</b>					
Pooled investments and cash	\$ 2,960,870	1,040,217	4,111,630	8,112,717	9,421,637
Receivables from other governments	--	--	128,894	128,894	60,444
<b>Total assets</b>	<b>2,960,870</b>	<b>1,040,217</b>	<b>4,240,524</b>	<b>8,241,611</b>	<b>9,482,081</b>
<b>LIABILITIES AND FUND EQUITY</b>					
<b>Liabilities</b>					
Accounts payable	12,478	--	29,699	42,177	109,328
Due to other governments	--	--	1,587,256	1,587,256	1,310,591
Due to other funds	--	--	3,660	3,660	3,885
Escrow and other deposits	--	--	2,619,909	2,619,909	2,537,102
Other liabilities	578,913	--	--	578,913	256,498
<b>Total liabilities</b>	<b>591,391</b>	<b>--</b>	<b>4,240,524</b>	<b>4,831,915</b>	<b>4,217,404</b>
<b>Fund balances</b>					
Reserved for nonexpendable trust	--	1,040,217	--	1,040,217	1,040,217
<b>Unreserved:</b>					
Designated for purposes of trust	2,369,479	--	--	2,369,479	4,224,460
<b>Total fund balances</b>	<b>2,369,479</b>	<b>1,040,217</b>	<b>--</b>	<b>3,409,696</b>	<b>5,264,677</b>
<b>Total liabilities and fund balances</b>	<b>\$ 2,960,870</b>	<b>1,040,217</b>	<b>4,240,524</b>	<b>8,241,611</b>	<b>9,482,081</b>

TRUST AND AGENCY FUNDS  
EXPENDABLE TRUST FUNDS  
COMBINING BALANCE SHEET  
September 30, 2001

CITY OF AUSTIN, TEXAS  
Exhibit H-2

With comparative totals for September 30, 2000

	Assets		Liabilities			Unreserved Fund Balances Designated for Trust	Total Liabilities and Fund Balances
	Pooled Investments and Cash	Total Assets	Accounts Payable	Other Liabilities	Total Liabilities		
<b>Urban growth management</b>							
Penta Development	\$ --	--	--	--	--	--	--
<b>Total urban growth management</b>	--	--	--	--	--	--	--
<b>Public safety</b>							
Police Benefit	22,131	22,131	--	--	--	22,131	22,131
<b>Total public safety</b>	22,131	22,131	--	--	--	22,131	22,131
<b>Public services and utilities</b>							
Fairway Ridge	--	--	--	--	--	--	--
Miscellaneous	375,413	375,413	6,310	328,913	335,223	40,190	375,413
<b>Total public services and utilities</b>	375,413	375,413	6,310	328,913	335,223	40,190	375,413
<b>Public health</b>							
Brackenridge Imaging	--	--	--	--	--	--	--
<b>Total public health</b>	--	--	--	--	--	--	--
<b>Public recreation and culture</b>							
Adaptive Programs	15,616	15,616	--	--	--	15,616	15,616
Austin Creeks and Trails	16,132	16,132	--	--	--	16,132	16,132
Austin History Center	146,960	146,960	--	--	--	146,960	146,960
Ellis Library Trust	12,566	12,566	--	--	--	12,566	12,566
First Step - A Community Project	431,920	431,920	--	--	--	431,920	431,920
Housing Trust Social Equity	571,795	571,795	--	250,000	250,000	321,795	571,795
PARD Miscellaneous	605,530	605,530	--	--	--	605,530	605,530
Perpetual Care Interest	251,013	251,013	1,192	--	1,192	249,821	251,013
Planting for the Future	48,455	48,455	--	--	--	48,455	48,455
Special Library	85,356	85,356	2,719	--	2,719	82,637	85,356
Summer Musical	105,161	105,161	2,033	--	2,033	103,128	105,161
Teen Activity	30,505	30,505	--	--	--	30,505	30,505
Town Lake Beautification	242,317	242,317	224	--	224	242,093	242,317
<b>Total public recreation and culture</b>	2,563,326	2,563,326	6,168	250,000	256,168	2,307,158	2,563,326
<b>2001 Total</b>	2,960,870	2,960,870	12,478	578,913	591,391	2,369,479	2,960,870
<b>2000 Total</b>	\$ 4,520,750	4,520,750	39,792	256,498	296,290	4,224,460	4,520,750

**TRUST AND AGENCY FUNDS -  
EXPENDABLE TRUST FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
Year ended September 30, 2001  
With comparative totals for year ended September 30, 2000**

	Revenues			Expenditures (1)	Excess (Deficiency) of Revenues Over Expenditures
	Contributions	Interest and Other	Total Revenues		
<b>Urban growth management</b>					
Penta Development	\$ --	--	--	--	--
<b>Total urban growth management</b>	--	--	--	--	--
<b>Public safety</b>					
Police Benefit	19,748	--	19,748	20,676	(928)
<b>Total public safety</b>	19,748	--	19,748	20,676	(928)
<b>Public services and utilities</b>					
Fairway Ridge	--	--	--	--	--
Miscellaneous	6,820	11,241	18,061	11,773	6,288
<b>Total public services and utilities</b>	6,820	11,241	18,061	11,773	6,288
<b>Public health</b>					
Brackenridge Imaging	--	--	--	--	--
<b>Total public health</b>	--	--	--	--	--
<b>Public recreation and culture</b>					
Adaptive Programs	--	--	--	--	--
Austin Creeks and Trails	3,273	--	3,273	--	3,273
Austin History Center	5,857	--	5,857	8,976	(3,119)
Ellis Library Trust	1,058	--	1,058	--	1,058
First Step - A Community Project	--	28,785	28,785	242,909	(214,124)
Housing Trust Social Equity	--	71,795	71,795	1,750,000	(1,678,205)
PARD Miscellaneous	309,678	11,475	321,153	94,819	226,334
Perpetual Care Interest	34,097	66,063	100,160	110,450	(10,290)
Planting for the Future	110,490	--	110,490	37,007	73,483
Special Library	21,025	--	21,025	110,253	(89,228)
Summer Musical	25,810	--	25,810	13,403	12,407
Teen Activity	4,440	--	4,440	6,080	(1,640)
Town Lake Beautification	177,977	--	177,977	147,484	30,493
<b>Total public recreation and culture</b>	693,705	178,118	871,823	2,521,381	(1,649,558)
<b>2001 Total</b>	720,273	189,359	909,632	2,553,830	(1,644,198)
<b>2000 Total</b>	\$ 337,735	180,748	518,483	284,530	233,953

(1) Expenditures include capital outlay of \$213,506.

CITY OF AUSTIN, TEXAS  
Exhibit H-3

Other Financing Sources (Uses)		Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	Fund Balances September 30, 2000	Residual Equity Transfers In (Out)	Fund Balances September 30, 2001
Operating Transfers In	Operating Transfers Out				
--	--	--	111,000	(111,000)	--
--	--	--	111,000	(111,000)	--
--	--	(928)	23,059	--	22,131
--	--	(928)	23,059	--	22,131
--	--	--	197,978	(197,978)	--
--	--	6,288	33,902	--	40,190
--	--	6,288	231,880	(197,978)	40,190
--	--	--	839,225	(839,225)	--
--	--	--	839,225	(839,225)	--
--	--	--	15,616	--	15,616
--	--	3,273	12,859	--	16,132
--	--	(3,119)	150,079	--	146,960
--	--	1,058	11,508	--	12,566
--	--	(214,124)	646,044	--	431,920
1,000,000	--	(678,205)	1,000,000	--	321,795
--	--	226,334	379,196	--	605,530
--	--	(10,290)	260,111	--	249,821
--	(173,580)	(100,097)	148,552	--	48,455
--	--	(89,228)	171,865	--	82,637
--	--	12,407	90,721	--	103,128
--	--	(1,640)	32,145	--	30,505
--	--	30,493	100,600	111,000	242,093
1,000,000	(173,580)	(823,138)	3,019,296	111,000	2,307,158
1,000,000	(173,580)	(817,778)	4,224,460	(1,037,203)	2,369,479
1,300,000	--	1,533,953	2,690,507	--	4,224,460

TRUST AND AGENCY FUNDS  
 AGENCY FUNDS  
 COMBINING BALANCE SHEET  
 September 30, 2001

CITY OF AUSTIN, TEXAS  
 Exhibit H-4

With comparative totals for September 30, 2000

	Municipal	Neighborhood	Municipal	BCCP	Totals	
	Utility Districts	Revitalization	Courts	Permit Fund	2001	2000
<b>ASSETS</b>						
Pooled investments and cash	\$ 1,934,314	227,961	1,942,034	7,321	4,111,630	3,860,670
Receivables from other governments	128,894	--	--	--	128,894	60,444
<b>Total assets</b>	<b>2,063,208</b>	<b>227,961</b>	<b>1,942,034</b>	<b>7,321</b>	<b>4,240,524</b>	<b>3,921,114</b>
<b>LIABILITIES</b>						
Accounts payable	--	--	29,699	--	29,699	69,536
Due to other governments	--	--	1,583,595	3,661	1,587,256	1,310,591
Due to other funds	--	--	--	3,660	3,660	3,885
Escrow and other deposits	2,063,208	227,961	328,740	--	2,619,909	2,537,102
<b>Total liabilities</b>	<b>\$ 2,063,208</b>	<b>227,961</b>	<b>1,942,034</b>	<b>7,321</b>	<b>4,240,524</b>	<b>3,921,114</b>

**TRUST AND AGENCY FUNDS  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 Year ended September 30, 2001**

**CITY OF AUSTIN, TEXAS  
 Exhibit H-5**

	<b>Assets</b>			
	Balance			Balance
	September 30, 2000	Debits	Credits	September 30, 2001
<b>Municipal Utility Districts</b>				
Pooled investments and cash	\$ 1,864,722	405,274	335,682	1,934,314
Receivables from other governments	60,444	128,894	60,444	128,894
<b>Total</b>	<b>1,925,166</b>	<b>534,168</b>	<b>396,126</b>	<b>2,063,208</b>
<b>Neighborhood Revitalization</b>				
Pooled investments and cash	163,096	1,184,042	1,119,177	227,961
<b>Total</b>	<b>163,096</b>	<b>1,184,042</b>	<b>1,119,177</b>	<b>227,961</b>
<b>Municipal Courts</b>				
Pooled investments and cash	1,825,081	7,394,446	7,277,493	1,942,034
<b>Total</b>	<b>1,825,081</b>	<b>7,394,446</b>	<b>7,277,493</b>	<b>1,942,034</b>
<b>BCCP Permit Fund</b>				
Pooled investments and cash	7,771	2,400,243	2,400,693	7,321
<b>Total</b>	<b>7,771</b>	<b>2,400,243</b>	<b>2,400,693</b>	<b>7,321</b>
<b>Combined totals - all agency funds</b>				
Pooled Investments and cash	3,860,670	11,384,005	11,133,045	4,111,630
Receivables from other governments	60,444	128,894	60,444	128,894
<b>Total</b>	<b>\$ 3,921,114</b>	<b>11,512,899</b>	<b>11,193,489</b>	<b>4,240,524</b>

(continued)

**TRUST AND AGENCY FUNDS  
 AGENCY FUNDS  
 COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
 Year ended September 30, 2001**

**CITY OF AUSTIN, TEXAS  
 Exhibit H-5  
 (Continued)**

	<b>Liabilities</b>				
	<b>Balance</b>				<b>Balance</b>
	<b>September 30, 2000</b>	<b>Debits</b>	<b>Credits</b>		<b>September 30, 2001</b>
<b>Municipal Utility Districts</b>					
Due to other governments	\$ --	293,637	293,637	--	
Escrow and other deposits	1,925,166	102,488	240,530	2,063,208	
<b>Total</b>	<b>1,925,166</b>	<b>396,125</b>	<b>534,167</b>	<b>2,063,208</b>	
<b>Neighborhood Revitalization</b>					
Escrow and other deposits	163,096	1,160,215	1,225,080	227,961	
<b>Total</b>	<b>163,096</b>	<b>1,160,215</b>	<b>1,225,080</b>	<b>227,961</b>	
<b>Municipal Courts</b>					
Accounts payable	69,536	727,139	687,302	29,699	
Due to other governments	1,306,705	8,035,522	8,312,412	1,583,595	
Escrow and other deposits	448,840	634,242	514,142	328,740	
<b>Total</b>	<b>1,825,081</b>	<b>9,396,903</b>	<b>9,513,856</b>	<b>1,942,034</b>	
<b>BCCP Permit Fund</b>					
Due to other governments	3,886	3,886	3,661	3,661	
Due to other funds	3,885	3,885	3,660	3,660	
<b>Total</b>	<b>7,771</b>	<b>7,771</b>	<b>7,321</b>	<b>7,321</b>	
<b>Combined totals - all agency funds</b>					
Accounts payable	69,536	727,139	687,302	29,699	
Due to other governments	1,310,591	8,333,045	8,609,710	1,587,256	
Due to other funds	3,885	3,885	3,660	3,660	
Escrow and other deposits	2,537,102	1,896,945	1,979,752	2,619,909	
<b>Total</b>	<b>\$ 3,921,114</b>	<b>10,961,014</b>	<b>11,280,424</b>	<b>4,240,524</b>	



## **ACCOUNT GROUPS**

Account groups are self-balancing sets of accounts established to provide accounting control over certain fixed assets and long-term debt.

The General Fixed Asset Account Group is used to account for all fixed assets of the City other than those accounted for in the proprietary funds.

The General Long-Term Debt Account Group is used to account for all long-term debt of the City except for that accounted for in the proprietary funds.

**GENERAL FIXED ASSETS**  
**SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS**  
**Year ended September 30, 2001**

**CITY OF AUSTIN, TEXAS**  
**Exhibit I-1**

	Balance September 30, 2000	Additions	Retirements	Completed Construction	Transfers from (to) Other Funds (1)	Balance September 30, 2001
<b>Property, plant and equipment in service:</b>						
<b>Land and buildings:</b>						
Land and easements	\$ 174,543,252	--	(2,811,509)	18,647,173	--	190,378,916
Buildings	176,908,215	--	--	--	--	176,908,215
	<u>351,451,467</u>	<u>--</u>	<u>(2,811,509)</u>	<u>18,647,173</u>	<u>--</u>	<u>367,287,131</u>
<b>Improvements other than buildings:</b>						
Grounds	6,231,736	--	--	--	--	6,231,736
Parks	30,601,529	--	--	--	--	30,601,529
Library book stock	1,165,225	--	--	--	--	1,165,225
Other	4,188,742	--	--	--	--	4,188,742
	<u>42,187,232</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>42,187,232</u>
<b>Machinery and equipment:</b>						
Machinery	43,480,297	--	(5,460,310)	217,813	(36,866)	38,200,934
Park equipment	1,121,479	--	--	--	--	1,121,479
Furniture and fixtures	2,049,371	--	(160,315)	107,924	--	1,996,980
Barges	47,822	--	--	--	--	47,822
Communication equipment	9,920,212	--	(258,175)	85,259	--	9,747,296
Computer equipment	11,222,944	--	(891,697)	1,011,798	--	11,343,045
	<u>67,842,125</u>	<u>--</u>	<u>(6,770,497)</u>	<u>1,422,794</u>	<u>(36,866)</u>	<u>62,457,556</u>
<b>Total property, plant and equipment in service</b>	<u>461,480,824</u>	<u>--</u>	<u>(9,582,006)</u>	<u>20,069,967</u>	<u>(36,866)</u>	<u>471,931,919</u>
<b>Construction in progress</b>	208,488,755	77,099,502	(3,253,421)	(20,069,967)	(5,301)	262,259,568
<b>Totals</b>	<u>\$ 669,969,579</u>	<u>77,099,502</u>	<u>(12,835,427)</u>	<u>--</u>	<u>(42,167)</u>	<u>734,191,487</u>

**General  
Fixed  
Assets**

(1) Transfers from (to) other funds:

Enterprise funds:

Electric	\$ (5,301)
Transportation	(36,866)
<b>Total transfers</b>	<u>\$ (42,167)</u>

**GENERAL LONG-TERM DEBT  
SCHEDULE OF CHANGES IN GENERAL LONG-TERM DEBT  
Year ended September 30, 2001**

**CITY OF AUSTIN, TEXAS  
Exhibit I-2**

	Balance September 30, 2000	Increase (Decrease) In Other Long-Term Liabilities	Debt Issued During Year	Increase (Decrease) In Long-Term Debt Due to Refinancing	Long-Term Debt Retired During Year	Debt Service Fund Activity	Balance September 30, 2001
<b>AMOUNT AVAILABLE AND TO BE PROVIDED</b>							
Amount available in debt service funds	\$ 9,756,704	--	--	--	--	6,710,426	16,467,130
Amount to be provided for accrued compensated absences	47,885,622	1,526,675	--	--	--	--	49,412,297
Amount to be provided for retirement of long-term debt	553,810,692	7,174,106	58,990,000	(2,281,000)	(44,872,640)	(6,710,426)	566,110,732
<b>Total available and to be provided</b>	<b>611,453,018</b>	<b>8,700,781</b>	<b>58,990,000</b>	<b>(2,281,000)</b>	<b>(44,872,640)</b>	<b>--</b>	<b>631,990,159</b>

<b>GENERAL LONG-TERM DEBT PAYABLE</b>							
Accrued compensated absences	47,885,622	1,526,675	--	--	--	--	49,412,297
Advances from other funds	4,318,000	--	--	--	--	--	4,318,000
Loans payable	9,210,660	2,800,000	--	--	(802,534)	--	11,208,126
General obligation bonds and other tax supported debt	550,038,736	--	58,990,000	(2,281,000)	(44,070,106)	--	562,677,630
Other liabilities	--	4,374,106	--	--	--	--	4,374,106
<b>Total general long-term debt payable</b>	<b>\$ 611,453,018</b>	<b>8,700,781</b>	<b>58,990,000</b>	<b>(2,281,000)</b>	<b>(44,872,640)</b>	<b>--</b>	<b>631,990,159</b>



**SUPPLEMENTAL SCHEDULES**

**SCHEDULE OF GENERAL OBLIGATION BONDS AUTHORIZED  
AND UNISSUED  
Year ended September 30, 2001**

**CITY OF AUSTIN, TEXAS  
Exhibit J-1**

<u>Date Authorized</u>	<u>Purpose</u>	<u>Original Authorized</u>	<u>Previously Issued (1)</u>	<u>Issued During Current Year</u>	<u>Unissued September 30, 2001</u>
10-22-83	Brackenridge 2000	\$ 50,000,000	40,785,000	--	9,215,000
09-08-84	Drainage and flood control	48,535,000	46,544,000	--	1,991,000
09-08-84	Parks improvements	9,975,000	9,648,000	--	327,000
01-19-85	Cultural arts	20,285,000	14,890,000	--	5,395,000
08-10-92	Asbestos abatement, ADA compliance & East Austin health clinic	18,800,000	15,730,000	1,000,000	2,070,000
08-10-92	Erosion & flood control	21,570,000	19,643,000	--	1,927,000
05-03-97	Communication equipment	38,000,000	38,000,000 (2)	--	--
05-02-98	Walnut Creek watershed	10,000,000	4,590,000	--	5,410,000
11-03-98	Traffic signals	152,000,000	5,230,000	26,345,000	120,425,000
11-03-98	Parks and recreation facilities	75,925,000	11,735,000	6,910,000	57,280,000
11-03-98	Public safety facilities	54,675,000	8,925,000	12,930,000	32,820,000
11-03-98	Cultural arts and land acquisition	46,390,000	5,750,000	5,745,000	34,895,000
11-07-00	Street improvements	150,000,000	--	--	150,000,000
11-07-00	Land acquisition	13,400,000	--	--	13,400,000
		<u>\$ 709,555,000</u>	<u>221,470,000</u>	<u>52,930,000</u>	<u>435,155,000</u>

Source: Bond Sale Official Statements

(1) This schedule displays only those previously issued bonds that relate to bond authorizations included herein.

It does not display all debt previously issued and still outstanding or refunding bonds. It includes general obligation bonds reported in the General Long-Term Debt Account Group and in proprietary funds.

(2) The City issued \$24,420,000 of this total in Contractual Obligations and therefore applied the amount toward the authorized general obligation bonds total

**SCHEDULE OF REVENUE BONDS AUTHORIZED,  
DEAUTHORIZED AND UNISSUED  
Year ended September 30, 2001**

**CITY OF AUSTIN, TEXAS  
Exhibit J-2**

<b>Date Authorized</b>	<b>Purpose</b>	<b>Original Authorized</b>	<b>Deauthorized</b>	<b>Previously Issued (1)</b>	<b>Issued During Current Year</b>	<b>Unissued September 30, 2001</b>
<b>ELECTRIC UTILITY</b>						
10-22-83	Hydrogeneration power plant and electric system	\$ 39,000,000	--	10,620,000	--	28,380,000
03-01-84	Electric system, South Texas Nuclear Project	605,000,000	--	315,232,000	--	289,768,000
09-08-84	Electric improvements (gas turbines)	32,775,000	--	31,237,000	--	1,538,000
09-08-84	Electric improvements (western coal plant)	47,725,000	--	31,199,000	--	16,526,000
09-08-84	Electric transmission and reliability improvements	39,945,000	--	20,040,000	--	19,905,000
12-14-85	Transmission lines and substations	175,130,000	--	96,017,000	--	79,113,000
12-14-85	Overhead and underground distribution	76,055,000	--	46,845,000	--	29,210,000
12-14-85	Miscellaneous	25,891,000	--	10,443,000	--	15,448,000
08-10-92	Electrical distribution and street lighting	82,500,000	--	--	--	82,500,000
		<u>1,124,021,000</u>	<u>--</u>	<u>561,633,000</u>	<u>--</u>	<u>562,388,000</u>
<b>WATER UTILITY</b>						
09-11-82	Green water treatment plant, water lines and reservoir	40,300,000	--	28,885,000	--	11,415,000
09-11-82	Ullrich water treatment plant, water lines and reservoir	49,100,000	--	42,210,000	--	6,890,000
09-11-82	Davis water treatment plant, water lines and reservoir	40,800,000	--	32,274,000	--	8,526,000
09-11-82	Waterworks system rehabilitation and improvements	12,800,000	--	9,164,000	--	3,636,000
09-08-84	Waterworks north central, northeast, and east service area	39,385,000	17,000,000	3,990,000	--	18,395,000
09-08-84	Waterworks northwest service area	14,970,000	--	11,430,000	--	3,540,000
09-08-84	Water improvements in north central and northwest service area	14,470,000	--	2,745,000	--	11,725,000
09-08-84	Waterworks system improvements	141,110,000	--	36,513,000	--	104,597,000
09-08-84	Ullrich water treatment plant improvements to South Austin	47,870,000	--	23,245,000	--	24,625,000
09-08-84	Water lines, reservoir improvements to south corridor area	12,570,000	--	6,585,000	--	5,985,000
09-08-84	Water lines, pump station improvements to North Austin area	7,945,000	--	7,765,000	--	180,000
09-08-84	Waterworks system rehabilitation and improvements	26,500,000	--	3,665,000	--	22,835,000
12-14-85	Northeast area improvements	37,950,000	10,000,000	7,493,000	--	20,457,000
12-14-85	South/southeast area improvements	42,090,000	14,000,000	6,035,000	--	22,055,000
12-14-85	Improvements/extensions	9,775,000	--	3,689,000	--	6,086,000
08-10-92	Improvements to meet EPA safe drinking water act	23,000,000	--	--	--	23,000,000
08-10-92	Improvements and replacement of deteriorated water system facilities	5,000,000	--	--	--	5,000,000
08-10-92	General utility relocation	2,000,000	--	--	--	2,000,000
05-03-97	Improvements/extensions to City's waterworks and wastewater system	35,000,000	--	--	--	35,000,000
05-06-98	Improvements/extensions to City's waterworks and wastewater system	65,000,000	--	--	--	65,000,000
11-03-98	Water improvements, upgrade, replace	64,900,000	--	--	--	64,900,000
11-03-98	Water expansion and improvement	49,940,000	--	--	--	49,940,000
11-03-98	Water improvements and extensions	19,800,000	--	--	--	19,800,000
		<u>\$ 802,275,000</u>	<u>41,000,000</u>	<u>225,688,000</u>	<u>--</u>	<u>535,587,000</u>

(continued)

(1) This schedule displays only those previously issued bonds which relate to bond authorizations included herein. It does not display all debt previously issued and still outstanding, refunding bonds, or commercial paper.

**SCHEDULE OF REVENUE BONDS AUTHORIZED,  
DEAUTHORIZED AND UNISSUED  
Year ended September 30, 2001**

**CITY OF AUSTIN, TEXAS  
Exhibit J-2  
(Continued)**

Date Authorized	Purpose	Original Authorized	Deauthorized	Previously Issued (1)	Issued During Current Year	Unissued September 30, 2001
<b>WASTEWATER UTILITY</b>						
11-20-76	Sewer system improvements	\$ 46,920,000	--	38,920,000	--	8,000,000
09-11-82	Govalle sewage treatment plant, sewer lines and improvements to Canterbury lift station	28,300,000	--	24,658,000	--	3,642,000
09-11-82	Onion Creek sewage treatment plant and sewer lines	57,000,000	--	49,345,000	--	7,655,000
09-11-82	Sewer lines for north central and northwest Austin	20,700,000	--	17,975,000	--	2,725,000
09-11-82	Walnut Creek sewage treatment plant additions	20,400,000	--	17,971,000	--	2,429,000
09-11-82	Sewer system rehabilitation and improvements	4,800,000	--	3,930,000	--	870,000
09-08-84	Sewer system rehabilitation and improvements	43,515,000	--	36,950,000	--	6,565,000
09-08-84	Onion Creek and Walnut Creek sewage treatment plant improvements	44,795,000	--	42,284,000	--	2,511,000
09-08-84	Sewer system rehabilitation and improvements	46,230,000	--	14,925,000	--	31,305,000
05-06-85	Sewer system improvements	54,000,000	--	33,106,000	--	20,894,000
12-14-85	Advanced wastewater treatment	34,500,000	--	--	--	34,500,000
12-14-85	Northeast area improvements	47,035,000	32,300,000	1,857,000	--	12,878,000
12-14-85	Southeast area improvements	9,200,000	4,200,000	757,000	--	4,243,000
12-14-85	Improvements/extensions	24,725,000	--	12,621,000	--	12,104,000
12-14-85	Walnut Creek WWTP expansion	46,000,000	--	13,717,000	--	32,283,000
12-14-85	Bear Creek interceptor	1,840,000	1,511,340	265,000	--	63,660
08-10-92	Improvement to Hornsby Bend beneficial re-use program	11,000,000	--	--	--	11,000,000
08-10-92	Replacement and rehabilitation of deteriorated wastewater facilities	3,000,000	--	--	--	3,000,000
11-03-98	Wastewater improvements, upgrades and replacements	77,000,000	--	--	--	77,000,000
11-03-98	Wastewater improvements and expansion	121,000,000	--	--	--	121,000,000
<b>Total Utility</b>		<b>741,960,000</b>	<b>38,011,340</b>	<b>309,281,000</b>	<b>--</b>	<b>394,667,660</b>
<b>Total Utility</b>		<b>2,668,256,000</b>	<b>79,011,340</b>	<b>1,096,602,000</b>	<b>--</b>	<b>1,492,642,660</b>
<b>AIRPORT</b>						
11-03-87	Relocation/construction of new airport	728,000,000	--	30,000,000	--	698,000,000
05-01-93	Construction of new municipal airport at Bergstrom AFB site	400,000,000	--	362,205,000	--	37,795,000
<b>Total Airport</b>		<b>1,128,000,000</b>	<b>--</b>	<b>392,205,000</b>	<b>--</b>	<b>735,795,000</b>
<b>CONVENTION CENTER</b>						
07-29-89	New convention center	69,000,000	--	68,240,000	--	760,000
<b>Total Convention Center</b>		<b>69,000,000</b>	<b>--</b>	<b>68,240,000</b>	<b>--</b>	<b>760,000</b>
<b>Total revenue bonds</b>		<b>\$ 3,865,256,000</b>	<b>79,011,340</b>	<b>1,557,047,000</b>	<b>--</b>	<b>2,229,197,660</b>

Source: Bond sale official statements





## **STATISTICAL SECTION**

Financial presentations included in the Statistical Section provide data on the financial, physical and economic characteristics of the City. These tables cover multiple fiscal years and provide users with a broader and more complete understanding of the City and its financial affairs.

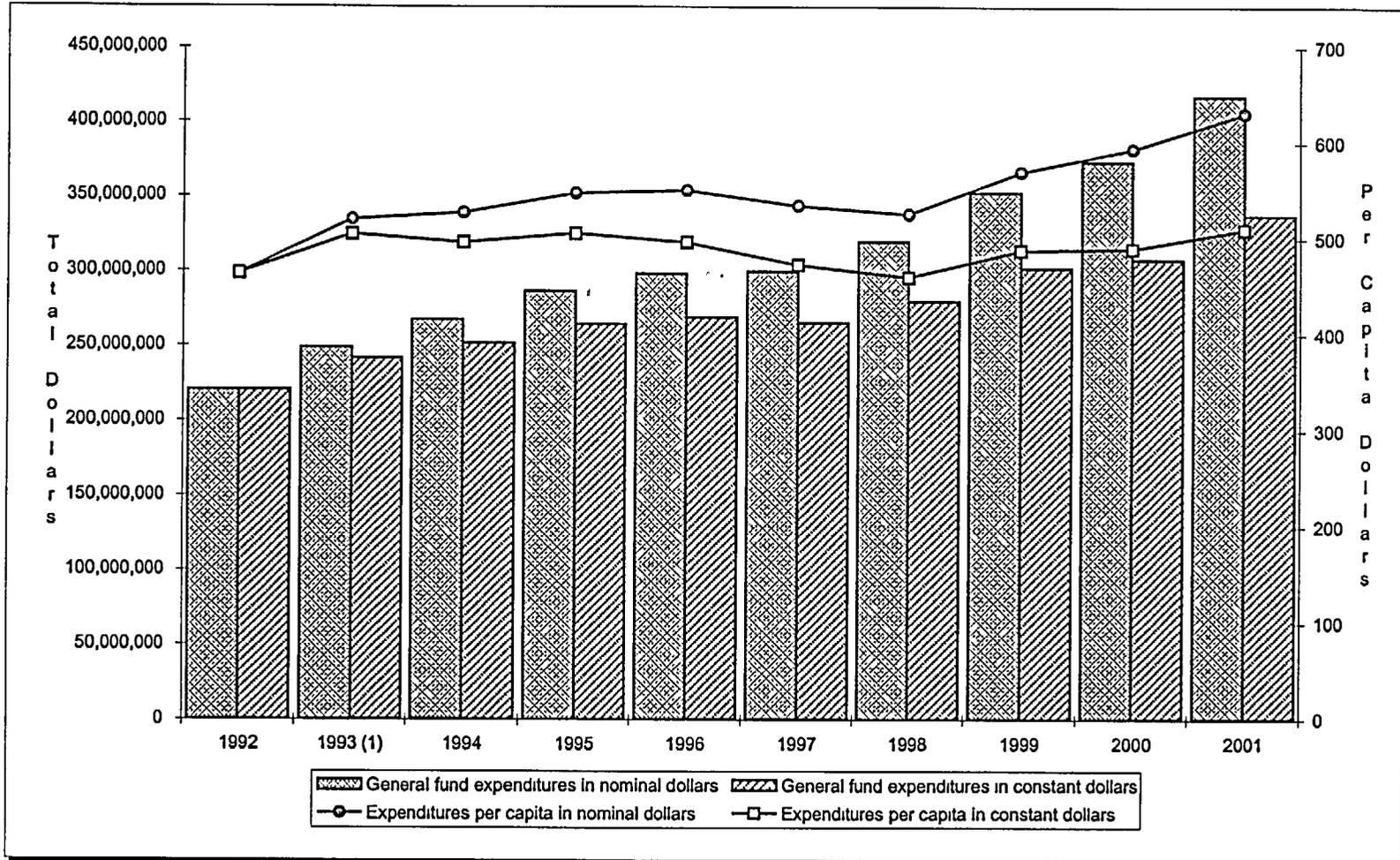


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**GENERAL GOVERNMENT TOTAL EXPENDITURES AND EXPENDITURES PER CAPITA  
1992-2001**  
In nominal and constant 1992 dollars

**CITY OF AUSTIN, TEXAS**  
Exhibit 1

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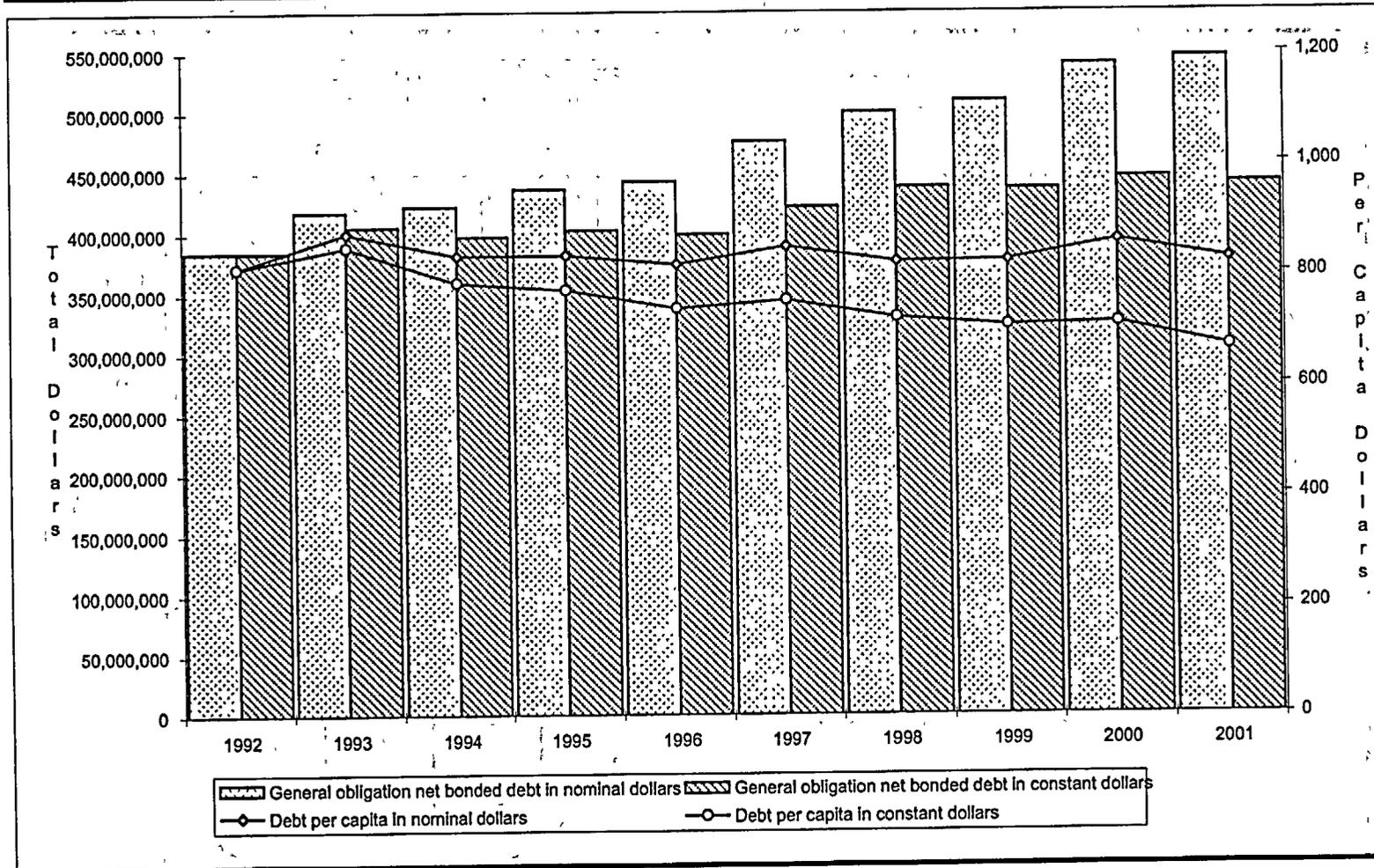
Population      475,000    478,000    507,000    523,000    542,000    561,000    608,000    619,000    629,000    662,000

(1) Certain expenditures shown in the General Fund prior to 1993 are now reported in internal service funds but are included in this exhibit for comparative purposes only. See Table 1 for more information.

**GENERAL OBLIGATION NET DEBT AND NET DEBT PER CAPITA  
1992-2001**  
In nominal and constant 1992 dollars

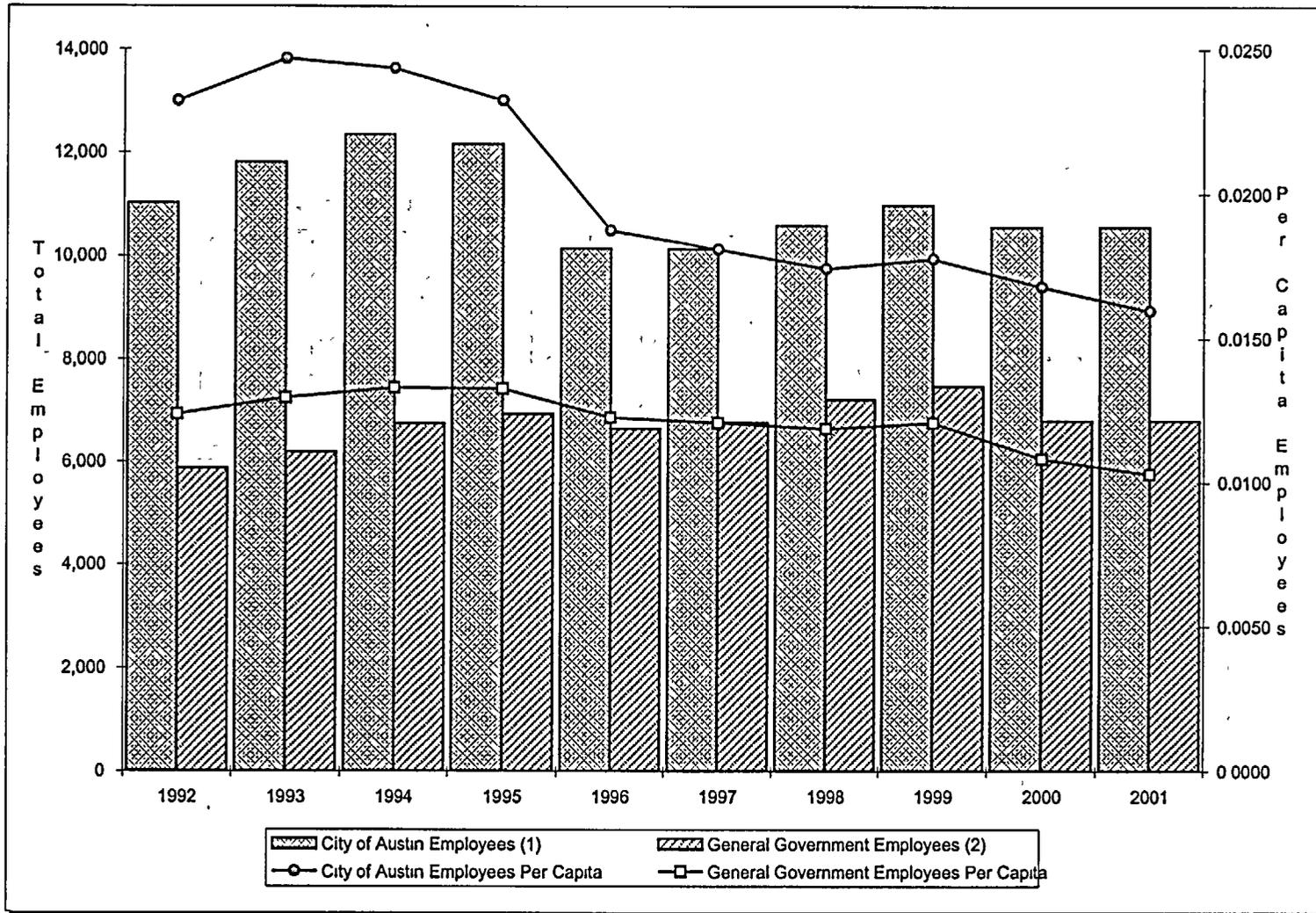
**CITY OF AUSTIN, TEXAS**  
Exhibit 2

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Population    475,000    478,000    507,000    523,000    542,000    561,000    608,000    619,000    629,000    662,000

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Population 475,000, 478,000, 507,000, 523,000, 542,000, 561,000, 608,000, 619,000, 629,000, 662,000

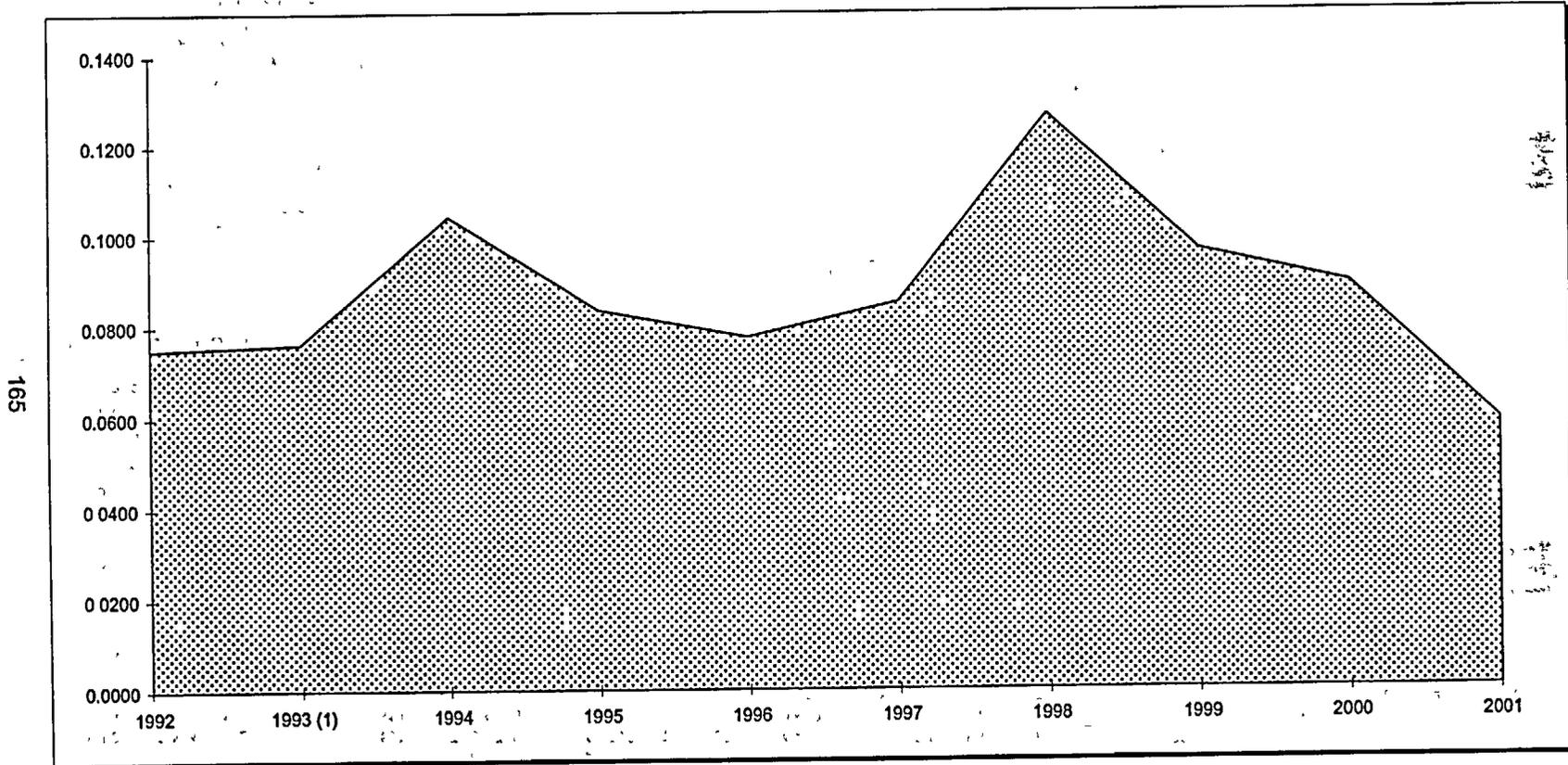
(1) Includes part-time employees

(2) Includes grant-funded employees and part-time employees

**RATIO OF GENERAL FUND UNRESERVED ENDING BALANCE  
TO GENERAL GOVERNMENT ANNUAL EXPENDITURES  
1992-2001**

**CITY OF AUSTIN, TEXAS  
Exhibit 4**

	1992	1993 (1)	1994	1995	1996	1997	1998	1999	2000	2001
Unreserved fund balance	\$ 16,505,238	18,952,547	27,902,916	23,928,888	23,082,628	25,500,778	40,502,255	34,028,637	33,242,574	24,456,791
Annual expenditures	\$ 220,426,372	248,704,122	267,435,219	286,526,640	298,415,663	299,845,025	319,903,209	352,697,335	373,260,179	417,494,206



(1) Certain expenditures shown in the General Fund prior to 1993 are now reported in internal service funds but are included in this exhibit for comparative purposes only. See Table 1 for more information.

**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION  
1992-2001**

**CITY OF AUSTIN, TEXAS  
Table 1**

**EXPENDITURES BY FUNCTION**

Fiscal Year Ended Sept 30	Total (1) \$	Administration \$	Fiscal Management \$	Public Safety \$	Public Services and Utilities \$	Public Health \$	Public Recreation and Culture		Social Services Management \$	Supportive Services \$	Urban Growth Management \$	Non Departmental
							Parks \$	Libraries \$				
1992	220,426,372	7,159,457	7,381,795	106,094,779	16,639,362	34,492,079 (2)	17,117,196	7,870,136	5,707,872	8,992,090 (3)	8,079,538	892,068
1993	248,704,122 (5)	9,102,518	10,496,320	111,994,491	13,888,153	40,539,969	17,569,271	8,615,651	6,825,339	18,812,906	9,246,220	1,613,284
1994	267,435,219	10,013,499	13,117,145	122,433,078	14,087,484	39,454,664 (4)	18,796,265	9,974,592	7,152,881	21,944,081	10,860,524	(398,994)
1995	286,526,640	9,186,152	12,499,259	131,742,620	15,550,020	40,431,597	19,257,877	10,616,810	7,334,861	20,450,561	11,401,778	8,055,105
1996	298,415,663	10,530,309	15,419,557	141,140,763	11,903,772	43,647,282	19,411,112	10,681,059	7,285,563	21,356,793	10,567,446	6,472,007
1997	299,845,025	10,660,570	16,250,379	144,288,202	9,675,512	43,189,920	21,283,492	11,481,048	6,738,940	22,512,873	7,501,086	6,263,003
1998	319,903,209	10,923,336	16,566,639	162,733,100	10,128,139	37,060,371	23,066,337	12,795,286	8,204,845	24,304,142	8,380,122	5,740,892
1999	352,697,335	13,044,612	19,628,467	173,962,836	11,098,958	40,677,762	26,027,564	14,901,499	8,627,050	29,992,967	9,129,217	5,606,403
2000	373,260,179	15,555,492	21,174,884	191,591,408	6,098,371	41,032,031	27,994,231	16,211,110	9,387,107	30,117,212	10,188,934	3,909,399
2001	417,494,206	18,151,607	20,778,934	210,280,836	9,519,936	41,437,116	30,368,897	17,090,742	8,071,026	41,076,152	11,569,463	9,149,497

- (1) Total does not include transfers to other funds.
- (2) Emergency Medical Services was combined under Public Safety in fiscal year 1991-92.
- (3) Communications was combined under Administration in fiscal year 1991-92.
- (4) In 1994, the Federally Qualified Health Center was created and certain expenditures shown previously in Public Health are now reported in a special revenue fund.
- (5) Beginning in 1993, certain expenditures for support services are reported in internal service funds but have been included in this table for comparative purposes only.  
(The reader should also note that support service amounts shown prior to 1993 are net of expense refunds).

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**Reconciliation of Internal Service Fund expenses and General Fund expenditures**

	Administration	Fiscal Management	Supportive Services	Total
Internal Service Fund expenditures				
Mayor/Council	\$ 1,046,712			1,046,712
Management Services	3,547,848			3,547,848
City Clerk	2,332,127			2,332,127
Public Information Office	1,799,414			1,799,414
Office of the City Auditor		1,868,837		1,868,837
Financial Services		18,910,097		18,910,097
Information Systems			22,623,530	22,623,530
Human Resources			6,873,766	6,873,766
Small and Minority Business Resources			3,096,771	3,096,771
City Attorney			7,054,926	7,054,926
Bonding and Technical Assistance			1,427,159	1,427,159
Total Support Services Fund	\$ 8,726,101	20,778,934	41,076,152	70,581,187
General Government total expenses by function				417,494,206
Plus budget-basis adjustment for operating transfers (see Schedule B-5)				48,707,764
Less Internal Service Fund expenditures				(70,581,187)
Total General Fund expenditures (see Schedule B-2)				\$ 395,620,783

(continued)

**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION  
1992-2001**

**CITY OF AUSTIN, TEXAS  
Table 1  
(Continued)**

**EXPENDITURES BY FUNCTION AS A PERCENT OF TOTAL EXPENDITURES**

Fiscal Year Ended Sept. 30	Total (1)	Administration	Fiscal Management	Public Safety	Public Services and Utilities	Public Health	Public Recreation and Culture		Social Services Management	Supportive Services	Urban Growth Management	Non Departmental		
							Parks	Libraries						
	%	%	%	%	%	%	%	%	%	%	%	%		
1992	100.00	3.25	3.35	48.13	7.55	15.65	(2)	7.76	3.57	2.59	4.08	(3)	3.67	0.40
1993	100.00	(5) 3.66	4.22	45.03	5.59	16.30		7.07	3.46	2.74	7.56		3.72	0.65
1994	100.00	3.74	4.90	45.78	5.27	14.75	(4)	7.04	3.73	2.67	8.21		4.06	-0.15
1995	100.00	3.21	4.36	45.98	5.43	14.11		6.72	3.70	2.56	7.14		3.98	2.81
1996	100.00	3.53	5.17	47.30	3.99	14.62		6.50	3.58	2.44	7.16		3.54	2.17
1997	100.00	3.56	5.42	48.11	3.23	14.40		7.10	3.83	2.25	7.51		2.50	2.09
1998	100.00	3.41	5.18	50.88	3.17	11.58		7.21	4.00	2.56	7.60		2.62	1.79
1999	100.00	3.70	5.57	49.32	3.15	11.52		7.38	4.23	2.45	8.50		2.59	1.59
2000	100.00	4.17	5.67	51.34	1.63	10.99		7.50	4.34	2.51	8.07		2.73	1.05
2001	100.00	4.35	4.98	50.37	2.28	9.93		7.27	4.09	1.93	9.84		2.77	2.19

(1) Total does not include transfers to other funds.

(2) Emergency Medical Services was combined under Public Safety in fiscal year 1991-92.

(3) Communications was combined under Administration in fiscal year 1991-92.

(4) In 1994, the Federally Qualified Health Center was created and certain expenditures shown previously in Public Health are now reported in another special revenue fund.

(5) Beginning in 1993, certain expenditures for support services are reported in internal service funds but have been included in this table for comparative purposes only.

(The reader should also note that support service amounts shown prior to 1993 are net of expenses refunds)

The table on the facing page shows by function internal service funds expenses that are included above in 2001

**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION**  
**1992-2001**  
**In constant 1992 dollars**

**CITY OF AUSTIN, TEXAS**  
**Table 2**

	1992	1993 (5)	1994	1995	1996	1997	1998	1999	2000	2001
Administration	\$ 7,159,457	8,837,396	9,428,907	8,482,135	9,495,319	9,442,489	9,565,093	11,177,902	12,834,564	14,662,041
Fiscal management	7,381,795	10,190,602	12,351,361	11,541,329	13,904,019	14,393,604	14,506,689	16,819,595	17,471,026	16,784,276
Public safety	106,094,779	108,732,516	115,285,384	121,646,002	127,268,497	127,801,773	142,498,336	149,068,411	158,078,719	169,855,279
Public services and utilities	16,639,362	13,483,644	13,265,051	14,358,283	10,733,789	8,569,984	8,868,773	9,510,675	5,031,659	7,689,771
Public health	34,492,079	39,359,193 (2)	37,151,284	37,332,961 (4)	39,357,333	38,255,022	32,452,164	34,856,694	33,854,811	33,471,015
Parks	17,117,196	17,057,545	17,698,931	17,781,973	17,503,257	18,851,632	20,198,194	22,302,968	23,097,550	24,530,611
Libraries	7,870,136	8,364,710	9,392,271	9,803,149	9,631,252	10,169,219	11,204,278	12,769,065	13,375,503	13,805,123
Social services management	5,707,872	6,626,543	6,735,293	6,772,725	6,569,489	5,968,946	7,184,628	7,392,502	7,745,138	6,519,407
Support services	8,992,090	18,264,957 (3)	20,662,976	18,883,251	19,257,703	19,940,543	21,282,086	25,700,914	24,849,185	33,179,444
Urban growth management	8,079,538	8,976,913	10,226,482	10,527,958	9,528,806	6,644,009	7,338,110	7,822,808	8,406,711	9,345,285
Nondepartmental	892,068	1,566,295	(375,701)	7,437,770	5,835,894	5,547,390	5,027,051	4,804,116	3,225,577	7,390,547
<b>Total (1)</b>	<b>\$220,426,372</b>	<b>241,460,314</b>	<b>251,822,239</b>	<b>264,567,536</b>	<b>269,085,358</b>	<b>265,584,611</b>	<b>280,125,402</b>	<b>302,225,650</b>	<b>307,970,443</b>	<b>337,232,799</b>

- (1) Total does not include transfers to other funds.  
(2) Emergency Medical Services was combined under Public Safety in fiscal year 1991-92.  
(3) Communications was combined under Administration in fiscal year 1991-92.  
(4) In 1994, the Federally Qualified Health Center was created and certain expenditures shown previously in Public Health are now reported in a special revenue fund.  
(5) Beginning in 1993, certain expenditures for support services are reported in internal service funds but have been included in this table for comparative purposes only.  
(The reader should also note that support service amounts shown prior to 1993 are net of expenses refunds)

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The table below shows by function internal service funds expenses that are included above in 2001

<u>Department</u>	<u>Administration</u>	<u>Fiscal Management</u>	<u>Supportive Services</u>	<u>Total</u>
Mayor/Council	\$ 845,486			845,486
Management Services	2,865,792			2,865,792
City Clerk	1,883,786			1,883,786
Public Information Office	1,453,485			1,453,485
Office of the City Auditor		1,509,561		1,509,561
Financial Services		15,274,715	-	15,274,715
Information Systems			18,274,257	18,274,257
Human Resources			5,552,315	5,552,315
Small and Minority Business Resources			2,501,431	2,501,431
City Attorney			5,698,648	5,698,648
Bonding and Technical Assistance			1,152,794	1,152,794
<b>Total Support Services Fund</b>	<b>\$ 7,048,549</b>	<b>16,784,276</b>	<b>33,179,445</b>	<b>57,012,270</b>

Note: Numbers are actual expenditures adjusted by a Consumer Price Index (CPI) based on the Texas CPI.

**GENERAL FUND REVENUES AND OTHER FINANCING SOURCES BY SOURCE**  
**1992-2001**

**CITY OF AUSTIN, TEXAS**  
**Table 3**

**REVENUES AND OTHER FINANCING SOURCES**

Fiscal Year Ended Sept. 30	Total	Operating Transfers In		Subtotal	Property Tax	1% City Sales Tax	Mixed Drink Tax	Franchise Fees and Gross Receipts Tax	Fines and Forfeitures	Licenses and Permits	Charges for Services/ Goods	Interest and Other
		Utility System Funds	Other Funds									
1992	232,688,738	73,237,718	2,147,248	157,303,772	55,243,842	58,255,348	1,636,097	11,008,628	7,469,760	7,891,542	8,045,410	7,753,145
1993	239,998,196	68,581,868	-	171,416,328	58,755,948	67,054,207	1,724,069	11,241,961	9,501,047	10,306,752	7,238,465	5,593,879
1994	256,510,874	67,914,378	25,000	188,571,498	63,567,361	75,780,061	1,809,240	12,187,668	9,764,462	12,850,578	6,518,502	6,093,626
1995	270,534,111	71,110,681	203,248	199,220,182	66,252,760	80,474,693	1,927,844	12,416,705	10,966,311	13,074,490	8,021,247	6,086,132
1996	288,329,168	73,582,839	342,401	214,403,928	74,441,453	83,681,314	2,041,643	13,578,705	12,159,358	14,311,481	8,174,721	6,015,253
1997	298,031,786	71,449,866	255,994	226,325,926	80,528,871	88,150,309	2,187,385	14,987,003	12,570,388	12,888,265	9,427,193	5,586,512
1998	333,902,489	72,721,264	-	261,181,225	90,774,546	97,581,417	2,353,980	17,100,782	14,492,863	15,540,712	10,260,908	13,076,017
1999	361,114,238	74,204,480	-	286,909,758	106,233,499	106,839,032	2,584,518	19,899,588	16,205,548	17,252,024	11,533,686	6,361,863
2000	398,096,159	78,351,603	-	319,744,556	115,327,969	122,157,210	2,972,251	23,905,319	16,039,732	18,173,885	11,757,818	9,410,372
2001	429,684,743	85,824,446	458,516	343,401,781	124,930,935	123,218,291	3,406,940	31,646,358	16,999,766	17,630,897	14,984,531	10,584,063

**REVENUES AND OTHER FINANCING SOURCES**  
**AS A PERCENT OF TOTAL REVENUES AND SOURCES**

Fiscal Year Ended Sept. 30	Total	Operating Transfers In		Subtotal	Property Tax	1% City Sales Tax	Mixed Drink Tax	Franchise Fees and Gross Receipts Tax	Fines and Forfeitures	Licenses and Permits	Charges for Services/ Goods	Interest and Other
		Utility System Funds	Other Funds									
1992	100.00	31.47	0.92	67.61	23.74	25.04	0.70	4.73	3.21	3.39	3.46	3.34
1993	100.00	28.58	-	71.42	24.48	27.94	0.72	4.68	3.96	4.29	3.02	2.33
1994	100.00	26.48	0.01	73.51	24.78	29.54	0.70	4.75	3.81	5.01	2.54	2.38
1995	100.00	26.29	0.08	73.63	24.49	29.75	0.71	4.59	4.05	4.83	2.96	2.25
1996	100.00	25.52	0.12	74.36	25.82	29.02	0.71	4.71	4.22	4.96	2.83	2.09
1997	100.00	23.98	0.09	75.93	27.02	29.58	0.73	5.03	4.22	4.32	3.16	1.87
1998	100.00	21.78	-	78.22	27.19	29.23	0.70	5.12	4.34	4.65	3.07	3.92
1999	100.00	20.55	-	79.45	29.41	29.59	0.72	5.51	4.49	4.78	3.19	1.76
2000	100.00	19.68	-	80.32	28.97	30.69	0.75	6.00	4.03	4.57	2.95	2.36
2001	100.00	19.97	0.11	79.92	29.07	28.68	0.79	7.37	3.96	4.10	3.49	2.46

**ASSESSED VALUATION, ESTIMATED MARKET VALUE, TAX RATES,  
TAX LEVIES, AND TAX COLLECTIONS  
1992-2002**

**CITY OF AUSTIN, TEXAS  
Table 4**

Fiscal Year Ended Sept. 30	Valuation Date (January 1)	Ratio of Assessed Value to Market Value	Assessed Valuation	Estimated Market Value	Percent of Growth in Market Value	Tax Rate (per \$100 Valuation)		
						General Fund	Debt Service Fund	Total
		%	\$	\$	%	\$	\$	\$
1992	1991	100	16,926,074,265	16,926,074,265	(1.5)	0.3265	0.2762	0.6027
1993	1992	100	16,977,306,423	16,977,306,423	0.3	0.3460	0.2950	0.6410
1994	1993	100	18,237,532,094	18,237,532,094	7.4	0.3462	0.2763	0.6225
1995	1994	100	20,958,589,300	20,958,589,300	14.9	0.3132	0.2493	0.5625
1996	1995	100	23,303,015,047	23,303,015,047	11.2	0.3177	0.2269	0.5446
1997	1996	100	25,823,385,257	25,823,385,257	10.8	0.3117	0.2134	0.5251
1998	1997	100	27,493,058,735	27,493,058,735	6.5	0.3304	0.2097	0.5401
1999	1998	100	32,458,349,755	32,458,349,755	18.1	0.3265	0.1877	0.5142
2000	1999	100	35,602,840,326	35,602,840,326	9.7	0.3222	0.1812	0.5034
2001	2000	100	41,419,314,286	41,419,314,286	16.3	0.3011	0.1652	0.4663
2002 (1)	2001	100	47,927,019,655	47,927,019,655	15.7	0.3041	0.1556	0.4597

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Fiscal Year Ended Sept. 30	Valuation Date (January 1)	Total Tax Levy (October 1)	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Percent of Total Tax Collections to Tax Levy	Outstanding Delinquent Taxes	Percent of Delinquent Taxes to Tax Levy
1992	1991	102,013,450	99,780,652	97.81	1,830,260	101,610,912	99.60	6,419,300	6.29
1993	1992	108,824,534	106,677,219	98.03	1,594,988	108,272,207	99.49	6,765,751	6.22
1994	1993	113,528,637	112,118,783	98.76	1,491,539	113,610,322	100.07	6,660,770	5.87
1995	1994	117,892,065	116,714,522	99.00	1,292,960	118,007,482	100.10	6,554,774	5.56
1996	1995	126,908,220	125,670,964	99.03	1,124,436	126,795,400	99.91	6,497,489	5.12
1997	1996	135,598,596	134,188,550	98.96	696,317	134,884,867	99.47	6,709,208	4.95
1998	1997	148,490,010	146,707,221	98.80	844,378	147,551,599	99.37	6,945,055	4.68
1999	1998	166,900,834	165,044,814	98.89	1,137,274	166,182,088	99.57	7,317,015	4.38
2000	1999	179,224,698	177,574,166	99.08	1,385,668	178,959,834	99.85	7,532,647	4.20
2001	2000	193,138,262	191,173,307	98.98	1,191,262	192,364,569	99.60	7,318,463	3.79
2002 (1)	2001	220,320,509	**	**	**	**	**	**	**

\*\* Information not yet available for tax year 2001

(1) Assessed valuation for tax year 2001 is subject to change pending additional exemptions and appeals. Accordingly, the tax levy represents an estimate.

**PRINCIPAL TAXPAYERS**  
**September 30, 2001**

**CITY OF AUSTIN, TEXAS**  
**Table 5**

<b>Taxpayer</b>	<b>Type of Property</b>	<b>January 1, 2000 Assessed Valuation</b>	<b>Percent of Total Assessed Valuation of \$41,419,314,286</b>
		<b>\$</b>	<b>%</b>
Motorola, Inc.	Manufacturing	1,055,495,494	2.55
Applied Matenal Inc.	Manufacturing	605,727,899	1.46
Advanced Micro Devices, Inc.	Manufacturing	579,717,695	1.40
Solectron Texas	Manufacturing	369,192,946	0.89
Samsung	Manufacturing	366,983,973	0.89
Southwestern Bell Telephone Company	Telephone Utility	332,933,573	0.81
IBM Corporation	Manufacturing	311,692,951	0.75
Crescent Real Estate Equities	Commercial	180,836,215	0.44
Minnesota Mining & Manufacturing	Manufacturing	179,417,067	0.43
Blue Star Austin Investments	Commercial	154,271,800	0.37
		<b>4,136,269,613</b>	<b>9.99</b>

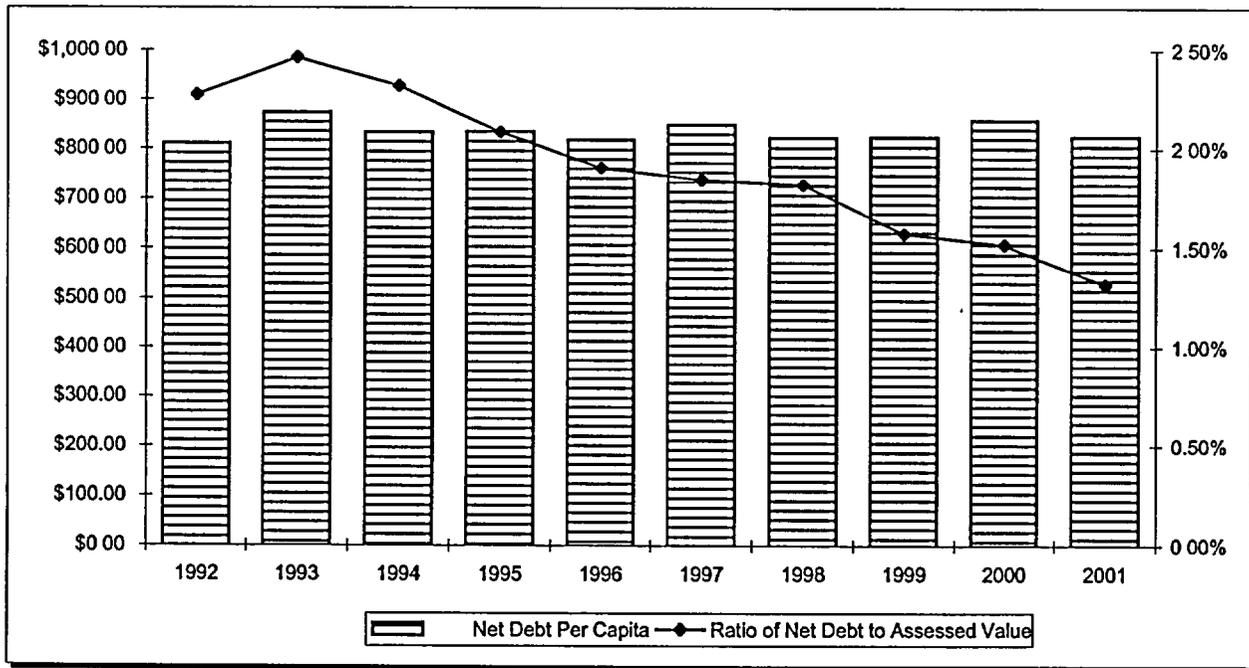
Source: Travis Central Appraisal District

**RATIO OF NET GENERAL BONDED DEBT TO ASSESSED VALUE  
AND NET BONDED DEBT PER CAPITA  
1992-2001**

**CITY OF AUSTIN, TEXAS  
Table 6**

Fiscal Year Ended Sept. 30	Population Estimate	Assessed Value	Gross Bonded Debt (1)	Amount Available in Debt Service Fund (2)	Net Bonded Debt	Ratio of Net Bonded Debt to		Net Debt Per Capita
						Assessed Value	Market Value	
		\$	\$	\$	\$	%	%	\$
1992	474,715	16,926,074,265	391,025,600	5,996,676	385,028,924	2.27	2.27	811.07
1993	478,254	16,977,306,423	424,686,831	6,453,738	418,233,093	2.46	2.46	874.50
1994	507,468	18,237,532,094	429,260,808	6,522,820	422,737,988	2.32	2.32	833.03
1995	523,352	20,958,589,300	445,802,719	8,934,818	436,867,901	2.08	2.08	834.75
1996	541,889	23,303,015,047	451,722,180	8,475,146	443,247,034	1.90	1.90	817.97
1997	560,939	25,823,385,257	483,676,552	7,529,385	476,147,167	1.84	1.84	848.84
1998	608,214	27,493,058,735	507,296,990	7,269,980	500,027,010	1.82	1.82	822.12
1999	619,038	32,458,349,755	517,628,853	7,869,714	509,759,139	1.57	1.57	823.47
2000	628,667	35,602,840,326	550,038,736	9,756,458	540,282,278	1.52	1.52	859.41
2001	661,639	41,419,314,286	562,677,630	16,466,884	546,210,746	1.32	1.32	825.54

- (1) Excludes general obligation bonds, public property finance contractual obligations, and certificates of obligation issued for proprietary funds. Excludes revenue bonds and advances from other funds.  
 (2) Excludes loan fund balances.

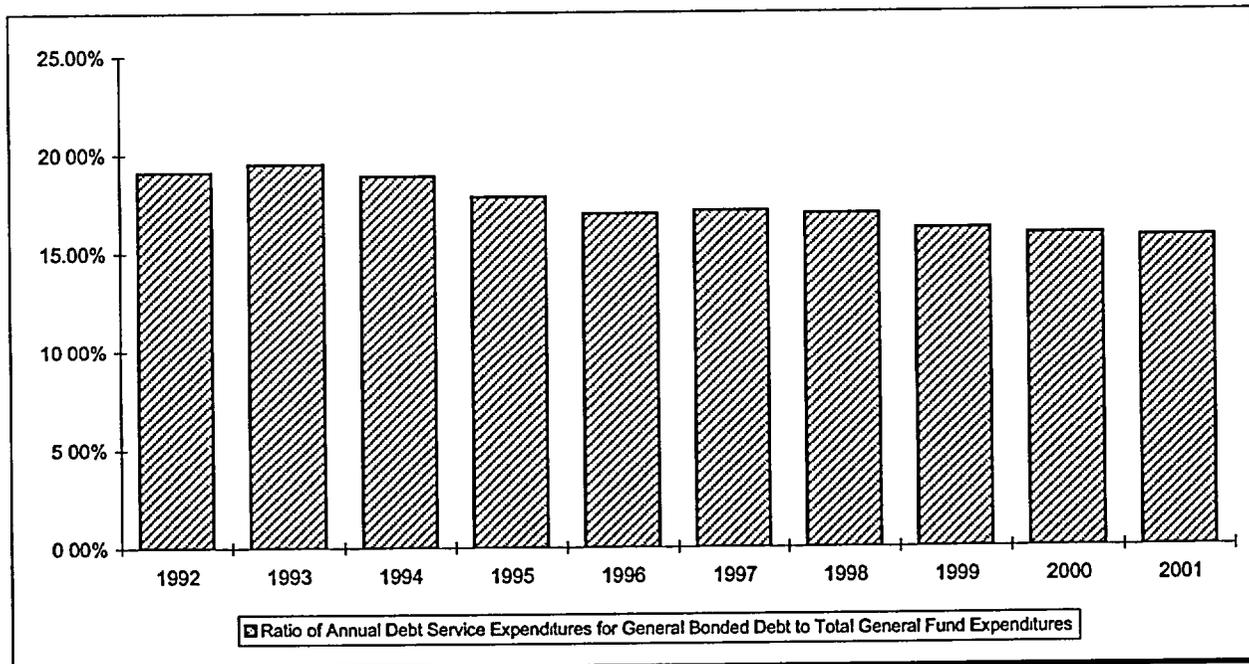


**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR GENERAL BONDED DEBT TO TOTAL GENERAL FUND EXPENDITURES 1992-2001**

**CITY OF AUSTIN, TEXAS  
Table 7**

Fiscal Year Ended Sept. 30	Principal (2) (3)	Interest and Paying Agents' Commissions (2) (3)	Total Debt Service	Total General Fund Expenditures (4)	Total Debt Service plus Total General Fund Expenditures	Ratio of Debt Service to Total (1)
	\$	\$	\$	\$	\$	%
1992	22,412,341	29,645,676	52,058,017	220,426,372	272,484,389	19.10
1993	26,479,680	25,676,027	52,155,707	215,064,378	267,220,085	19.52
1994	28,329,565	24,604,771	52,934,336	227,410,704	280,345,040	18.88
1995	22,023,089	32,214,134	54,237,223	249,615,058	303,852,281	17.85
1996	22,722,983	35,038,577	57,761,560	282,773,007	340,534,567	16.96
1997	21,502,464	38,481,239	59,983,703	290,577,756	350,561,459	17.11
1998	22,570,196	40,751,170	63,321,366	310,195,219	373,516,585	16.95
1999	23,780,716	42,130,072	65,910,788	341,417,358	407,328,146	16.18
2000	26,920,117	42,093,620	69,013,737	364,937,872	433,951,609	15.90
2001	44,070,106	29,853,597	73,923,703	395,620,783	469,544,486	15.74

- (1) Ratio of total debt service to total debt service plus total General Fund.
- (2) Excludes payments for enterprise fund general obligation debt.
- (3) In 1999 and 2000, excludes loan principal and interest
- (4) Amounts shown prior to 1993 include certain expenditures now shown in internal service funds See Table 1 for more information.



**COMPUTATION OF LEGAL DEBT MARGIN**  
**September 30, 2001**

**CITY OF AUSTIN, TEXAS**  
**Table 8**

Assessed value (100% of estimated market value) as of January 1, 2000		<u>\$ 41,419,314,286</u>
Debt limit		\$ 5,794,919,832
Amount of debt applicable to debt limit:		
Total general obligation bonds, contractual obligations, and certificates of obligation excluding enterprise fund balances of \$61,979,176	\$ 562,677,630	
Less: Amount available in Debt Service Fund	<u>16,467,130</u>	
 Debt applicable to debt limit, excluding loan fund balances and advances from other funds		 <u>546,210,500</u>
 Legal debt margin		 <u>\$ 5,248,709,332</u>

Note - Ad valorem tax limitations: The City is permitted by Article II, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including payment of principal and interest on general obligation long-term debt. However, under the City Charter, a limitation on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at \$1.00 per \$100 of assessed valuation. A practical limitation on taxes levied for debt service of \$1.50 per \$100 of assessed valuation is established by referring to the State Statute and City Charter limitations.

Assuming the maximum tax rate for debt service of \$1.50 on January 1, 2000 and assessed valuation of \$41,419,314,286 at 95% collection, tax revenues of \$590,225,229 would be produced. This revenue could service the debt on \$5,794,919,832 issued as 8% - 20 year serial bonds with level debt service payments.

**COMPUTATION OF DIRECT AND OVERLAPPING DEBT**  
**September 30, 2001**

**CITY OF AUSTIN, TEXAS**  
**Table 9**

Name of Governmental Unit	Net Debt Outstanding as of September 30, 2001 (in 000's)	Percent Applicable to City of Austin (2)	Amount Applicable to City of Austin (in 000's)
	\$	%	\$
City of Austin	562,678 (1)	100 00	562,678
<b>Greater than 10%</b>			
Austin Community College	51,155	80.10	40,975
Austin Independent School District	448,747	89 59	402,032
Del Valle Independent School District	76,700	78 00	59,826
North Austin MUD #1	20,599	100 00	20,599
Northwest Austin MUD #1	21,110	100 00	21,110
Northwest Travis County RD #3	6,045	100 00	6,045
Travis County	349,142	74 00	258,365
Subtotal greater than 10%	<u>973,498</u>		<u>808,952</u>
<b>Less than 10%</b>			
Anderson Mill MUD #1	145	0.90	1
Eanes Independent School District	87,734	4.27	3,746
Leander Independent School District	286,968	1.49	4,276
Manor Independent School District	35,782	2.10	751
Pflugerville Independent School District	150,546	3 60	5,420
Round Rock Independent School District	447,797	5.00	22,390
Williamson County	234,165	2.64	6,182
Subtotal less than 10%	<u>1,243,137</u>		<u>42,766</u>
Total direct and overlapping debt	<u><u>2,779,313</u></u>		<u><u>1,414,396</u></u>
Ratio of total direct and overlapping debt to assessed valuation (3)		3 41 %	
Per capita overlapping debt (4)		\$ 2,137.72	

(1) Excludes general obligation debt reported in enterprise funds

(2) Source: Taxing Jurisdictions

(3) Based on assessed valuation of \$41,419,314,286

(4) Based on 2001 estimated population of 661,639

**PROPERTY TAX RATES AND TAX LEVIES  
FOR DIRECT AND OVERLAPPING GOVERNMENTS WITH APPLICABLE PERCENTAGES OVER 10%  
1992-2001**

**CITY OF AUSTIN, TEXAS  
Table 10**

Government	Tax Rates (per \$100 Assessed Value) for Fiscal Year Ended September 30									
	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
City of Austin	0.4663	0.5034	0.5142	0.5401	0.5251	0.5446	0.5625	0.6225	0.6410	0.6027
Austin Community College	0.0500	0.0500	0.0500	0.0500	0.0500	0.0482	0.0466	0.0482	0.0482	0.0500
Austin Independent School District	1.5486	1.5486	1.4319	1.4010	1.3110	1.2832	1.3450	1.4623	1.5508	1.4696
Del Valle Independent School District	1.6004	1.6140	1.6140	1.6800	1.4750	1.4900	1.4928	1.4411	1.3208	1.2500
North Austin MUD #1	0.5500	0.5803	0.7100	0.7100	0.7500	--	--	--	--	--
Northwest Austin MUD #1	0.3577	0.3620	0.3620	0.4000	0.3926	0.3926	0.4000	0.3800	0.4000	0.4300
Northwest Travis County RD #3	0.1600	0.2248	0.2500	0.2700	0.3500	0.3541	0.4500	0.7500	1.7562	2.0695
Travis County (1)	0.4670	0.4988	0.5143	0.4938	0.4950	0.5186	0.5552	0.5966	0.5762	0.5132

Government	Tax Levies (in 000's) for Fiscal Year Ended September 30									
	2001	2000	1999	1998	1997	1996	1995	1994	1993	1992
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
City of Austin	193,138	179,225	166,901	148,490	135,599	126,908	117,892	113,529	108,825	102,013
Austin Community College	20,571	19,209	15,255	13,971	13,900	11,951	9,458	8,641	7,824	8,510
Austin Independent School District	525,477	455,559	385,064	348,753	321,567	277,255	272,094	251,813	239,317	225,212
Del Valle Independent School District	31,193	27,524	27,620	25,674	20,454	14,546	11,836	10,083	9,267	9,057
North Austin MUD #1	2,855	2,375	2,372	2,372	2,390	--	--	--	--	--
Northwest Austin MUD #1	1,046	136	659	645	125	509	434	323	198	157
Northwest Travis County RD #3	590	670	607	539	576	428	388	343	742	739
Travis County (1)	231,415	209,688	196,160	168,089	157,852	149,801	143,659	135,027	121,694	108,443

Note: Initial tax levies were as follows: Austin Community College - 1988, Northwest Travis County RD#3 - 1990, and Northwest Austin MUD #1 - 1989.

(1) Includes taxes and levies for Travis County and Farm to Market Roads.

Source: Travis Central Appraisal District and taxing entity.

**CITY SALES TAX  
TAX LEVIED EFFECTIVE JANUARY 1, 1968  
1968-2001**

**CITY OF AUSTIN, TEXAS  
TABLE 11**

Fiscal Year Ended Sept. 30	1st Quarter Oct. - Dec.	2nd Quarter Jan. - Mar.	3rd Quarter Apr. - Jun.	4th Quarter Jul. - Sept.	Total	Percent Base Year	Annual Percent Increase (Decrease)	Percent of Property Tax Levy	Equivalent Tax Rate
	\$	\$	\$	\$	\$	%	%	%	¢
1968 (1)	—	—	—	1,457,957	1,457,957	100.00	0.00	14.58	19.54
1969	875,858	906,029	851,768	917,593	3,551,248	243.58	143.58	34.07	43.96
1970	973,702	1,088,570	951,522	1,041,129	4,054,923	278.12	14.18	35.08	45.25
1971	1,128,941	1,245,226	1,137,359	1,234,512	4,746,038	325.53	17.04	34.41	44.39
1972	1,308,930	1,464,787	1,339,538	1,414,787	5,528,042	379.16	16.48	35.50	45.80
1973	1,569,320	1,715,523	1,591,553	1,691,794	6,568,190	450.51	18.82	38.37	48.73
1974	1,730,025	1,946,199	1,695,216	1,887,840	7,259,280	497.91	10.52	38.45	48.82
1975	1,961,267	1,972,355	2,327,542	1,644,231	7,905,395	542.22	8.90	36.05	42.89
1976	2,241,741	2,318,177	2,045,637	2,560,088	9,165,643	628.66	15.94	36.17	45.94
1977	1,797,941	3,173,023	2,653,062	3,867,237	11,491,263	788.18	25.37	35.92	45.62
1978	3,022,385	3,500,951	3,154,677	3,852,911	13,530,924	928.07	17.75	40.00	49.60
1979	3,815,525	3,908,796	3,486,853	4,066,500	15,277,674	1047.88	12.91	45.75	43.92
1980	3,792,600	4,269,264	3,721,919	6,000,029	17,783,812	1219.78	16.40	49.42	47.44
1981	3,792,138	5,652,320	5,033,556	7,102,891	21,580,905	1480.22	21.35	56.20	32.03
1982	4,483,423	6,283,622	5,625,486	8,024,660	24,417,191	1674.75	13.14	53.86	33.39
1983	5,170,854	7,089,595	6,784,754	9,051,752	28,096,955	1927.15	15.07	53.02	29.81
1984	6,331,036	8,823,690	8,962,819	12,755,753	36,873,298	2529.11	31.24	57.00	37.05
1985	7,916,721	11,289,037	10,921,876	14,506,719	44,634,353	3061.43	21.05	61.53	28.98
1986	8,378,407	11,393,785	10,435,305	13,741,340	43,948,837	3014.41	-1.54	49.24	26.00
1987	7,668,943	10,352,615	9,677,073	12,189,597	39,888,228	2735.90	-9.24	35.23	17.01
1988	7,317,701	10,596,174	10,651,574	14,359,464	42,924,913	2944.18	7.61	37.92	20.16
1989	8,038,526	9,426,849	14,140,172	15,566,564	47,172,111	3235.49	9.89	46.43	24.61
1990	12,381,190	13,276,731	8,918,588	16,963,763	51,540,272	3535.10	9.26	50.46	29.01
1991	12,762,277	10,538,818	13,577,375	18,522,158	55,400,628	3799.88	7.49	56.59	32.23
1992	9,303,794	14,712,861	14,231,541	20,007,152	58,255,348	3995.68	5.15	57.11	34.42
1993	10,868,639	17,392,838	15,971,215	22,821,515	67,054,207	4599.19	15.10	61.62	39.50
1994	11,896,613	19,225,170	18,072,107	26,586,171	75,780,061	5197.69	13.01	66.75	41.55
1995	13,198,475	21,627,680	18,836,109	26,812,429	80,474,693	5519.69	6.20	68.26	38.40
1996	5,643,150	22,055,837	20,293,853	35,688,474	83,681,314	5739.63	3.98	65.94	35.91
1997	5,570,840	23,258,686	20,849,873	38,470,910	88,150,309	6046.15	5.34	65.01	34.14
1998	8,334,970	23,187,979	24,054,142	42,004,326	97,581,417	6693.02	10.70	65.72	35.50
1999	14,684,293	20,636,819	26,050,700	45,467,220	106,839,032	7328.00	9.49	64.01	32.91
2000	10,388,741	30,780,534	29,299,798	51,688,137	122,157,210	8378.66	14.34	68.16	34.31
2001	11,324,551	30,977,538	30,573,924	50,342,278	123,218,291	8451.44	0.87	63.80	29.75

(1) 1% City sales tax levied effective January 1, 1968. This tax is collected and remitted to the City by the State Comptroller.

**ELECTRIC FUND AND  
WATER AND WASTEWATER FUND  
MISCELLANEOUS STATISTICS  
September 30, 2001**

**CITY OF AUSTIN, TEXAS  
Table 12**

**ELECTRIC FUND**

Distribution --	2,346 miles primary overhead distribution lines (12KV)
	3,139 miles secondary overhead distribution lines (12KV)
	2,037 miles primary underground distribution lines (12KV)
	1,906 miles secondary underground distribution lines (12KV)
	50 miles transmission lines (69KV)
	277 miles transmission lines (138KV)
	321 miles transmission lines (345KV)

**WATER AND WASTEWATER FUND**

Source of supply -- 150 mile long network of lakes created along the Colorado River by six dams with a combined storage capacity in excess of 3,300,000 acre-feet of water.

Water treatment plants	3
Rated peak daily capacity	250,000,000 gallons
Average daily consumption	121,221,746 gallons
Average daily consumption per capita	172 gallons (based on 2001 service area population)
Water distribution --	2,825 miles of mains
	42 booster pump stations
Water connections --	175,000 metered services
	25,838 fire hydrants
Wastewater treatment plants	3
Combined daily capacity	130,000,000 gallons
Average daily volume	93,941,989 gallons
Collection : Sanitary sewer mains	2,202 miles
Connections	173,000
Lift stations	104

**ELECTRIC FUND AND  
WATER AND WASTEWATER FUND  
FIVE-YEAR COMPARATIVE OPERATING STATEMENT  
1997-2001**

**CITY OF AUSTIN, TEXAS  
Table 13**

	Fiscal Year Ended September 30				
	2001	2000	1999	1998	1997
	\$	\$	\$	\$	\$
<b>REVENUE</b>					
<b>Electric</b>					
Service Area Sales	756,246,287	723,260,135	622,488,907	603,337,666	553,391,701
Sales to other utilities (including capacity contract)	33,134,735	50,780,027	51,565,929	56,566,516	31,236,225
Rent from electric property	995,375	851,352	878,071	870,118	696,701
Customers' forfeited discounts and penalties	(36,129)	1,557,559	3,964,346	3,982,395	3,928,675
Miscellaneous	15,970,414	6,280,055	3,190,335	3,614,356	5,077,852
<b>Total electric</b>	<b>806,310,682</b>	<b>782,729,128</b>	<b>682,087,588</b>	<b>668,371,051</b>	<b>594,331,154</b>
<b>Water</b>					
Urban	98,746,345	109,962,989	91,861,270	88,970,989	73,284,637
Rural	6,438,710	7,413,123	5,581,758	5,860,807	5,200,271
City utility departments	-	-	309,925	369,646	286,698
City general government departments	-	(42,206)	1,086,946	1,206,260	1,065,464
Sales to other water utilities	7,238,838	7,940,351	6,386,790	7,452,052	7,177,235
Water connections	237,280	207,742	232,980	249,250	259,616
Customers' forfeited discounts and penalties	(5,253)	263,506	605,178	630,236	598,582
Miscellaneous	2,016,478	4,443,174	3,556,202	1,157,918	1,075,847
<b>Total water</b>	<b>114,672,398</b>	<b>130,188,679</b>	<b>109,621,049</b>	<b>105,897,158</b>	<b>88,948,350</b>
<b>Wastewater</b>					
Urban	92,293,455	97,895,552	91,671,869	83,179,862	77,745,986
Rural	2,810,219	2,630,647	2,228,573	1,862,117	2,172,354
City utility departments	1,166	6,670	546,246	501,761	662,706
City general government departments	-	-	41,788	258,645	43,994
Sales to other sewer utilities	3,337,932	3,252,372	3,030,741	3,102,116	4,010,258
Sewer connections	217,507	190,430	216,338	231,447	241,072
Customers' forfeited discounts and penalties	(3,312)	260,173	573,446	539,652	585,706
Miscellaneous	6,585,139	6,054,111	6,112,737	6,219,036	5,520,010
<b>Total wastewater</b>	<b>105,242,106</b>	<b>110,289,955</b>	<b>104,421,738</b>	<b>95,894,636</b>	<b>90,982,086</b>
Interest	61,315,883	47,350,612	30,561,222	48,345,300	37,924,320
<b>Total operating and interest revenues</b>	<b>1,087,541,069</b>	<b>1,070,558,374</b>	<b>926,691,597</b>	<b>918,508,145</b>	<b>812,185,910</b>

(continued)

**ELECTRIC FUND AND  
WATER AND WASTEWATER FUND  
FIVE-YEAR COMPARATIVE OPERATING STATEMENT  
1997-2001**

**CITY OF AUSTIN, TEXAS  
Table 13  
(Continued)**

	Fiscal Year Ended September 30				
	2001	2000	1999	1998	1997
	\$	\$	\$	\$	\$
<b>EXPENSE</b>					
<b>Electric</b>					
Total electric	458,685,525	420,074,862	342,914,020	332,985,598	308,089,979
<b>Water</b>					
Purification	15,302,623	14,225,476	12,649,706	14,457,475	12,077,872
Distribution	20,196,995	18,246,648	15,575,024	13,601,407	15,189,496
Customer accounting and collection	5,202,484	5,456,698	3,908,047	3,194,097	3,009,229
Jobbing and contract work	51,692	14,214	(27,468)	16,855	17,431
Design engineering	425,250	1,921,976	1,251,519	1,203,702	629,797
Administrative and general	12,405,831	12,938,784	10,764,449	10,866,801	9,314,654
Total water	53,584,875	52,803,796	44,121,277	43,340,337	40,238,479
<b>Wastewater</b>					
Sewer lines	6,175,380	7,591,689	8,562,780	8,588,828	6,203,528
Sewage treatment plant	19,171,921	17,115,187	17,633,822	16,041,275	15,730,827
Customer accounting and collection	4,374,495	4,406,215	2,482,971	2,235,435	2,143,126
Jobbing and contract work	86,683	68,505	55,906	43,233	11,769
Design engineering	6,846,189	1,998,054	2,312,461	1,991,976	3,018,212
Administrative and general	12,172,179	12,382,295	11,842,412	8,711,831	7,685,425
Total wastewater	48,826,847	43,561,945	42,890,352	37,612,578	34,792,887
<b>Total expenses (1)</b>	<b>561,097,247</b>	<b>516,440,603</b>	<b>429,925,649</b>	<b>413,938,513</b>	<b>383,121,345</b>
<b>Net revenue available for debt service</b>	<b>526,443,822</b>	<b>554,117,771</b>	<b>496,765,948</b>	<b>504,569,632</b>	<b>429,064,565</b>

(1) Interest expense, depreciation, amortization and other nonoperating items are not included in total expense.

**ELECTRIC FUND AND  
WATER AND WASTEWATER FUND  
PLANT COST AND EQUITY IN UTILITY SYSTEMS  
1997-2001**

**CITY OF AUSTIN, TEXAS  
Table 14**

	Fiscal Year Ended September 30				
	2001	2000	1999	1998	1997
	\$	\$	\$	\$	\$
<b>PLANT COST</b>					
Utility systems					
Electric	3,067,649,886	2,842,927,082	2,693,237,524	2,625,217,308	2,572,557,667
Water	1,169,574,534	1,090,911,586	1,003,650,278	893,668,714	821,502,655
Wastewater	1,080,758,935	1,032,885,331	976,681,032	921,580,649	867,001,907
Total cost	<u>5,317,983,355</u>	<u>4,966,723,999</u>	<u>4,673,568,834</u>	<u>4,440,466,671</u>	<u>4,261,062,229</u>
Allowance for depreciation:					
Electric	1,131,860,735	1,048,947,313	972,367,880	895,154,272	818,396,311
Water	264,352,217	242,395,336	220,477,506	202,674,479	182,053,656
Wastewater	328,639,983	304,151,983	280,008,297	256,629,792	230,946,972
Total depreciation	<u>1,724,852,935</u>	<u>1,595,494,632</u>	<u>1,472,853,683</u>	<u>1,354,458,543</u>	<u>1,231,396,939</u>
Cost after depreciation	<u>3,593,130,420</u>	<u>3,371,229,367</u>	<u>3,200,715,151</u>	<u>3,086,008,128</u>	<u>3,029,665,290</u>
<b>EQUITY IN UTILITY SYSTEMS</b>					
Utility systems	5,317,983,355	4,966,723,999	4,673,568,834	4,440,466,671	4,261,062,229
Plus:					
Inventories, materials and supplies (1)	34,688,816	32,904,657	32,227,327	31,950,001	30,687,913
Net construction assets and unamortized bond issue cost (2)	154,575,909	126,423,265	145,027,887	129,476,175	134,997,115
	<u>5,507,248,080</u>	<u>5,126,051,921</u>	<u>4,850,824,048</u>	<u>4,601,892,847</u>	<u>4,426,747,257</u>
Less:					
Allowance for depreciation	1,724,852,935	1,595,494,632	1,472,853,683	1,354,458,543	1,231,396,939
Construction contracts payable	279,041	1,149,032	2,127,799	2,222,064	2,889,429
	<u>1,725,131,976</u>	<u>1,596,643,664</u>	<u>1,474,981,482</u>	<u>1,356,680,607</u>	<u>1,234,286,368</u>
Utility systems, net	<u>3,782,116,104</u>	<u>3,529,408,257</u>	<u>3,375,842,566</u>	<u>3,245,212,240</u>	<u>3,192,460,889</u>
Revenue bonds and other debt outstanding (3)	2,988,903,922	2,932,066,283	2,865,320,460	2,818,680,622	2,780,846,233
Less:					
Bond retirement and reserve funds	170,699,819	161,597,147	160,866,775	169,005,087	160,527,625
Net debt	<u>2,818,204,103</u>	<u>2,770,469,136</u>	<u>2,704,453,685</u>	<u>2,649,675,535</u>	<u>2,620,318,608</u>
Equity in utility systems	<u>963,912,001</u>	<u>758,939,121</u>	<u>671,388,881</u>	<u>595,536,705</u>	<u>572,142,281</u>
Percentage of equity in utility systems	<u>25.49%</u>	<u>21.50%</u>	<u>19.89%</u>	<u>18.35%</u>	<u>17.92%</u>

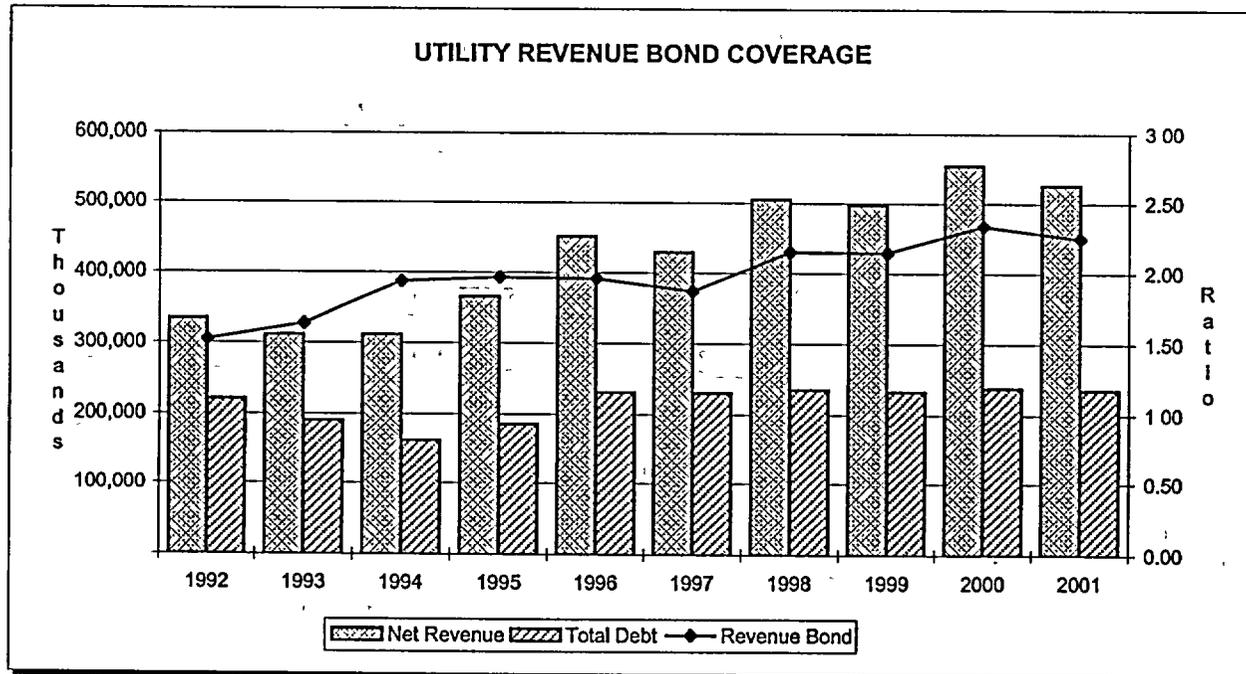
- (1) Does not include fuel oil or coal inventories of approximately \$14,038,892 at September 30, 2001. Consists primarily of spare parts inventory at Fayette Plant and South Texas Project.
- (2) Includes investment in municipal utility districts of \$1,756,084.
- (3) Includes Revenue Bonds and Tax/Revenue Bonds of \$2,640,797,440 (net of discounts and inclusive of premiums); Contract Revenue Bonds of \$76,463,104; Capital Lease Obligations of \$18,923,134; Water District Bonds of \$250,000, Commercial Paper of \$228,468,720 (net of discounts); General Obligation Bonds of \$15,823,992; and Contractual Obligation Bonds of \$8,177,532.

**SCHEDULE OF COMBINED UTILITY SYSTEMS  
ELECTRIC, WATER, AND WASTEWATER  
REVENUE BOND COVERAGE  
1992-2001**

**CITY OF AUSTIN, TEXAS  
Table 15**

Fiscal Year Ended Sept. 30	Net Revenue Available for Debt Service			Debt Service Requirements (3)		Total Debt Service	Revenue Bond Coverage (4)
	Total Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest		
	\$	\$	\$	\$	\$		
1992	610,003,346	274,749,207	335,254,139	29,005,000	190,946,822	219,951,822	1.52
1993	670,277,492	358,279,919	311,997,573	19,810,000	170,224,959	190,034,959	1.64
1994	684,559,883	372,994,681	311,565,202	14,885,000	145,844,823	160,729,823	1.94
1995	717,231,490	352,002,639	365,228,851	34,547,200	150,951,667	185,498,867	1.97
1996	831,370,626	380,407,102	450,963,524	75,520,330	154,727,958	230,248,288	1.96
1997	812,185,910	383,121,345	429,064,565	82,540,580	146,997,910	229,538,490	1.87
1998	918,508,145	413,938,513	504,569,632	93,922,453	140,541,178	234,463,631	2.15
1999	926,691,597	429,925,649	496,765,948	100,083,871	131,627,342	231,711,213	2.14
2000	1,070,558,374	516,440,603	554,117,771	96,790,312	140,126,373	236,916,685	2.34
2001	1,087,541,069	581,097,247	526,443,822	101,357,366	133,054,611	234,411,977	2.25

- (1) Operating revenue and interest income
- (2) Operating expenses other than interest on debt, depreciation and amortization
- (3) Debt service calculations are done on a cash basis rather than the accrual basis used in preparation of financial statements
- (4) Revenue bond coverage is equal to net revenue available for debt service divided by total principal interest payments made during each fiscal year. Coverage includes prior, subordinate, and separate lien bonds



**TRANSFERS FROM ELECTRIC FUND AND  
WATER AND WASTEWATER FUND  
TO GENERAL FUND  
1982-2001**

**CITY OF AUSTIN, TEXAS  
Table 16**

<b>Fiscal Year</b>	<b>Operating Revenue</b>	<b>Other Revenue</b>	<b>Total Revenue</b>	<b>Transfers to General Fund</b>	<b>Percentage of Total Revenue</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>%</b>
1982	388,676,515	17,855,612	406,532,127	37,082,911	9.12
1983	364,544,307	24,715,181	389,259,488	40,836,300	10.49
1984	451,145,965	31,330,815	482,476,780	46,057,000	9.55
1985	447,699,487	42,189,950	489,889,437	50,524,900	10.31
1986	516,724,133	51,724,247	568,448,380	56,089,577	9.87
1987	525,349,519	56,137,604	581,487,123	60,203,227	10.35
1988	556,355,820	42,873,171	599,228,991	63,740,768	10.64
1989	542,515,706	50,230,792	592,746,498	64,459,956	10.87
1990	585,184,149	53,747,584	638,931,733	63,665,887	9.96
1991	571,816,378	42,874,767	614,691,145	63,054,576	10.26
1992	578,276,283	31,038,077	609,314,360	73,237,718	12.02
1993	645,075,003	25,202,489	670,277,492	68,581,868	10.23
1994	662,806,554	21,753,329	684,559,883	67,914,376	9.92
1995	690,831,874	26,399,616	717,231,490	71,110,681	9.91
1996	800,077,548	31,293,078	831,370,626	73,582,839	8.85
1997	774,261,590	37,924,320	812,185,910	71,449,866	8.80
1998	870,162,845	48,345,300	918,508,145	72,721,264	7.92
1999	896,130,375	30,561,222	926,691,597	74,204,480	8.01
2000	1,023,207,762	47,350,612	1,070,558,374	78,351,603	7.32
2001	1,026,225,186	61,315,883	1,087,541,069	85,824,446	7.89

**ELECTRIC FUND AND  
WATER AND WASTEWATER FUND  
STATISTICAL DATA**

**CITY OF AUSTIN, TEXAS  
Table 17**

**Year ended September 30, 2001  
With comparative totals for year ended September 30, 2000**

	Electric Sales (KWH)		Number of Metered Customers	
	2001	2000	2001	2000
Electric: Totals	10,429,526,710	10,725,552,791	346,795	333,903

	2001		2000	
	Average Customers	Thousand Gallons	Average Customers	Thousand Gallons
<b>Water and Wastewater:</b>				
Thousands of gallons pumped		50,184,839 (1)		52,326,065 (1)
Less: Sales to other utilities		3,639,468		3,863,466
Thousand gallons to system		<u>46,545,371</u>		<u>48,462,599</u>
<b>Water sales:</b>				
Urban	165,536	37,653,186	161,243	41,973,466
Rural	11,700	2,219,216	11,242	2,435,328
	<u>177,236</u>	<u>39,872,402</u>	<u>172,485</u>	<u>44,408,794</u>
City departments	392	588,880	392	650,006
	<u>177,628</u>	<u>40,461,282</u>	<u>172,877</u>	<u>45,058,800</u>
Used by utility		1,531,430		1,613,380
Loss and unaccounted for		4,552,659		1,790,419
Thousand gallons to system		<u>46,545,371</u>		<u>48,462,599</u>
Maximum daily use		240,285		220,305
Average daily consumption		127,522		132,774

(1) Pumpage includes the Davenport WTP estimate provided by ST Environmental Services.

**WATER AND WASTEWATER FUND  
LARGE CUSTOMERS  
FIVE-YEAR COMPARATIVE DATA (1997-2001)**

**CITY OF AUSTIN, TEXAS  
Table 18**

	Fiscal Year Ended September 30 (dollars in thousands)									
	2001		2000		1999		1998		1997	
	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>LARGE WATER CUSTOMERS</b>										
Motorola, Inc. (1)	1,931,463	4,886	1,814,060	4,031	1,781,016	3,855	1,904,313	3,927	1,894,879	3,918
The University of Texas at Austin	1,135,801	4,094	1,029,359	2,341	908,424	2,056	824,213	1,784	824,049	1,767
Advanced Micro Devices	979,919	2,340	1,044,510	2,082	1,186,752	2,570	1,250,741	2,584	1,151,306	2,384
Water District 10	848,672	1,666	901,248	1,831	699,180	1,416	737,810	1,509	579,175	999
Wells Branch MUD	587,057	1,076	646,054	1,328	544,046	1,107	559,016	1,013	463,043	851
Samsung	492,533	1,153	462,139	1,005	353,927	768	363,761	812	48,002	91
Anderson Mill MUD	486,185	851	546,213	936	510,713	872	542,058	899	467,978	799
North Austin MUD	364,580	712	406,345	850	297,789	622	323,138	658	276,784	557
Lost Creek	303,592	608	355,547	758	282,637	600	320,721	655	237,423	497
Shady Hollow MUD	247,103	496	300,277	800	217,346	576	266,715	671	195,505	494
	<b>7,376,905</b>	<b>17,882</b>	<b>7,505,752</b>	<b>15,962</b>	<b>6,781,830</b>	<b>14,442</b>	<b>7,092,486</b>	<b>14,512</b>	<b>6,138,144</b>	<b>12,357</b>

(1) Totals for Motorola, Inc. include the east Austin plant site and the west Austin plant sites

**CITY OF AUSTIN  
SCHEDULE OF INSURANCE IN FORCE  
September 30, 2001**

**CITY OF AUSTIN, TEXAS  
Table 19**

<b>Department and Policy</b>	<b>Expires</b>	<b>Annual Premium</b>	<b>Insurer</b>	<b>Limits of Coverage</b>	<b>Coverage Overview</b>
City-wide (Excluding Austin Energy (1)) <ul style="list-style-type: none"> <li>• All-risk property</li> <li>• Boiler and machinery</li> </ul>	10/1/01	\$788,394	Arkwright	\$1,000,000,000	Provides replacement cost coverage for loss or damage to City buildings, and contents due to fire, wind storm, hail, or other perils. Subject to a \$100,000 per occurrence deductible. Provides coverage for fine arts owned or on loan subject to \$1,000 deductible per claim. Covers Cable TV equipment with \$1,000 deductible. Covers damages from boiler and fired pressure vehicle accidents with a \$10,000 deductible.
City-wide <ul style="list-style-type: none"> <li>• Commercial crime</li> </ul>	10/20/01	\$13,169	Fidelity & Deposit	\$5,000,000	Covers loss of funds through public employee dishonesty. Subject to \$5,000 deductible.
			Fidelity & Deposit	\$1,000,000	Covers loss of funds through forgery or alteration of, on, or in any covered instrument. Subject to \$5,000 deductible.
City-wide Selected capital improvement projects <ul style="list-style-type: none"> <li>• Hired and nonowned auto</li> </ul>	11/1/01	Premium is for a 4 year term; \$1,000 paid in 1997	St. Paul Insurance	\$1,000,000 per occurrence	Provides bodily injury and property damage coverage to the City and contractors signed up in the Rolling Owner Controller Insurance Program (ROCIP). Coverage is provided for nonowned and hired vehicles and is intended to be excess over primary auto coverage.
City-wide Selected capital improvement projects <ul style="list-style-type: none"> <li>• Commercial general liability</li> </ul>	11/1/01	\$2,812,770 Premium is for a 4 year term. Premium may vary based on experience.	St. Paul Insurance	\$2,000,000 per occurrence; \$2,000,000 general aggregate	Provides bodily injury, property damage, and completed operations coverage to the City and contractors signed up in the ROCIP program. Coverage is provided only at specified capital improvement project sites participating in the program.
City-wide Selected capital improvement projects <ul style="list-style-type: none"> <li>• Workers compensation and employers liability</li> </ul>	11/1/01	Premium included in Commercial general liability above and is for a 4 year term. Premium may vary based on experience.	St. Paul Insurance	Workers' compensation: Statutory Employers' Liability: \$1,000,000 each accident \$1,000,000 policy limit \$1,000,000 each employee	Provides workers' compensation and employers' liability coverage to all contractors working on specified capital improvement project sites participating in the ROCIP program.

(continued)

(1) Austin Energy maintains appropriate levels of insurance coverage on all property and boiler/machinery, as well as excess liability coverage. Coverage is in compliance with applicable regulations and bond covenants.

**CITY OF AUSTIN  
SCHEDULE OF INSURANCE IN FORCE  
September 30, 2001**

**CITY OF AUSTIN, TEXAS  
Table 19  
(Continued)**

Department and Policy	Expires	Annual Premium	Insurer	Limits of Coverage	Coverage Overview
City-wide Selected capital improvement projects • Excess liability	11/1/01	\$140,160 Premium is for a 4 year term.	St. Paul Insurance	\$8,000,000	Provides excess coverage over the primary auto, employers' liability, and general liability coverage. Self-insured retention is \$25,000.
Aviation • Airport liability	3/24/02	\$54,193	Old Republic	\$100,000,000	Provides liability protection for operations at the airport. \$100,000,000 per occurrence. Personal injury limits of \$25,000,000.
Finance • Fidelity bond	5/6/02	\$850	Western Surety	\$100,000	Covers loss of funds through employee dishonesty for the Director of Finance and City Treasurer. No deductible applicable.
Health and Human Services Department (HHSD) and Primary Care Department • Medical malpractice	5/20/02	\$115,664	Texas Medical Liability Trust	\$200,000 per occurrence; \$600,000 aggregate	Provides medical malpractice coverage for physicians. Coverage is on a claims made basis and is offered as a benefit for physicians employed by the City for both HHSD and Primary Care.
Police • Airplane liability	8/21/02	\$850	Signal Aviation Underwriters, Inc.	\$100,000 per person, \$1,000,000 per occurrence	Aircraft physical damage; liability to others; medical expense.
Public Works • Commercial general liability	5/12/02	\$14,620	Audubon Indemnity Company	\$1,000,000 per occurrence; \$2,000,000 general aggregate	Provides bodily injury and property damage coverage to the City. Coverage is provided only for 505 Barton Springs Road, One Texas Center. Purchased for compliance with tenant lease agreements

**HOTEL-MOTEL OCCUPANCY TAX  
TAX LEVIED EFFECTIVE JANUARY 1, 1971  
1971-2001**

**CITY OF AUSTIN, TEXAS  
TABLE 20**

Fiscal Year Ended Sept. 30	1st Quarter Oct. - Dec.	2nd Quarter Jan. - Mar.	3rd Quarter Apr. - Jun.	4th Quarter Jul. - Sept.	Total	Percent Base Year	Annual Increase (Decrease)
	\$	\$	\$	\$	\$	%	%
1971 (1)	—	—	69,071	73,184	142,255	100.00	—
1972	76,984	66,993	72,548	79,457	295,982	208.06	108.06
1973	81,045	72,409	86,576	92,679	332,709	233.88	12.41
1974	93,177	80,532	86,948	99,453	360,110	253.14	8.24
1975	99,215	94,190	96,739	113,131	403,275	283.49	11.99
1976	117,374	102,840	123,474	148,508	492,196	346.00	22.05
1977 (2)	151,665	136,046	185,907	138,515	612,133	430.31	24.37
1978	184,781	214,007	237,216	293,196	929,200	653.19	51.80
1979	288,919	272,772	307,652	353,143	1,222,486	859.36	31.56
1980	341,993	321,153	361,385	401,138	1,425,669	1,002.19	16.62
1981	409,762	362,559	443,138	481,192	1,696,651	1,192.68	19.01
1982	548,825	435,653	507,105	602,974	2,094,557	1,472.40	23.45
1983	630,232	519,503	648,948	699,246	2,497,929	1,755.95	19.26
1984 (3)	689,264	641,817	767,887	917,109	3,016,077	2,120.19	20.74
1985	941,893	1,491,967	1,557,235	1,923,513	5,914,608	4,157.75	96.10
1986	1,705,665	1,438,165	1,597,429	1,554,359	6,295,618	4,425.59	6.44
1987	1,674,558	1,223,621	1,681,665	1,569,008	6,148,852	4,322.42	(2.33)
1988	1,379,099	1,329,160	1,522,765	1,709,054	5,940,078	4,175.65	(3.40)
1989	1,674,823	1,683,558	1,907,258	2,126,998	7,392,637	5,196.75	24.45
1990	1,878,569	1,620,368	1,918,927	2,151,947	7,569,811	5,321.30	2.40
1991	1,942,450	1,860,253	2,154,340	2,350,986	8,308,029	5,840.24	9.75
1992	2,224,053	1,957,134	2,317,423	2,622,315	9,120,925	6,411.67	9.78
1993	2,463,470	2,260,375	2,778,975	3,011,457	10,514,277	7,391.15	15.28
1994	2,727,486	2,408,591	2,896,697	3,443,893	11,476,667	8,067.67	9.15
1995	3,115,451	2,869,919	3,500,988	3,653,908	13,140,266	9,237.12	14.50
1996	3,494,394	3,202,865	3,762,935	3,799,614	14,259,808	10,024.12	8.52
1997	3,536,872	3,353,333	3,859,507	4,468,147	15,217,859	10,697.59	6.72
1998 (4)	4,538,958	4,284,084	4,936,295	5,061,261	18,820,598	13,230.18	23.67
1999	5,611,823	5,551,731	6,375,290	7,073,269	24,612,113	17,301.40	30.77
2000	6,636,823	6,264,056	7,573,390	8,283,660	28,757,929	20,215.76	16.84
2001 (5)	7,594,776	7,671,359	8,042,834	7,835,582	31,144,551	21,893.47	8.30

- (1) 3% tax levied effective January 1, 1971. Section 32-32(a) of Article V of Chapter 32 of the 1967 Code of the City of Austin.
- (2) Tax levy increased to 4% effective October 1, 1977. Ordinance No. 770901-1 amended Section 32-32(a) of Article V of Chapter 32 of the 1967 Code of the City of Austin.
- (3) Tax levy increased to 7% effective October 1, 1984. Ordinance No. 840712-U amended Section 5-3-2(a) of Chapter 5-3 of Title V of the 1981 Code of the City of Austin.
- (4) Tax levy increased to 9% effective August 1, 1998. Ordinance No. 980709-G amended Section 5-3-2(a) of Chapter 5-3 of Title V of the 1981 Code of the City of Austin.
- (5) Beginning in fiscal year 2001, the City implemented GASB Statement No. 33, which changes the method of reporting tax collections in the City's financial statements. This table will continue to be reported on a cash basis to provide a more meaningful comparison.

MISCELLANEOUS STATISTICAL DATA

CITY OF AUSTIN, TEXAS

Table 21

Date of Incorporation:	December 27, 1839	Police protection:	
Date first Charter adopted:	December 27, 1839	Number of employees	1,784
Date present Charter adopted:	January 31, 1953	Number of law offenses	117,927
Form of Government:	Council - Manager	Number of arrests	41,162
Number of Employees:	10,914	Vehicle patrol units	232
		Number of employees per	
		1,000 population (1)	2.6963
<b>Elections:</b>		<b>Library:</b>	
Number of registered voters,		Central and branch libraries	21
November 7, 2000	572,338 Travis County	Volumes in collection	1,416,044
May 6, 2000	425,052 City of Austin	Materials circulated	3,164,580
November 7, 2000	511,436 City of Austin	Registered borrowers	410,102
Number of votes cast in:		<b>Recreation:</b>	
Last general election,		District parks	11
November 7, 2000	302,812	Metropolitan parks	10
Last bond election, November 7, 2000	228,615	Natural preserves	14
Last general municipal election, May 6, 2000	36,485	Neighborhood parks	80
Last municipal election, November 7, 2000	228,615	Special parks (museums and	
		miscellaneous)	23
Percentage of registered voters voting in:		Greenbelts	25
Last general election,		Golf courses	6
November 7, 2000	52.91%	Swimming pools	47
Last bond election, November 7, 2000	44.70%	Recreation centers	16
Last general municipal election, May 6, 2000	8.58%	Youth entertainment complex	1
Last municipal election, November 7, 2000	44.70%	Senior activity sites	20
		Athletic fields	87
<b>Fire protection:</b>		Tennis courts	106
Number of stations	40	Open fields	88
Number of employees	1,059	Senior activity centers	3
Number of alarms answered	59,307	Veloway	3.1 miles
Number of employees per		Hike and bike trails	51 miles
1,000 population (1)	1 6006		

POPULATION ANALYSIS

Year	Austin (1)		Travis County (1)		Texas (2)		United States (2)	
	Population	Percentage Change %	Population	Percentage Change %	Population	Percentage Change %	Population	Percentage Change %
1940	87,930	-	111,053	-	6,414,824	-	132,165,000	-
1950	132,459	50.64	160,980	44.96	7,711,194	20.21	151,326,000	14.50
1960	186,545	40.83	212,136	31.78	9,579,677	24.23	179,323,000	18.50
1970	253,539	35.91	295,516	39.30	11,198,655	16.90	203,302,000	13.37
1980	345,496	36.27	419,573	41.98	14,228,383	27.05	222,110,000	9.25
1985	406,584	17.68	527,120	25.63	16,370,000	15.05	238,740,000	7.49
1990	450,830	10.88	576,407	9.35	16,986,510	3.77	249,632,692	4.56
1991	466,530	3.48	585,731	1.62	17,349,000	2.13	252,177,000	1.02
1992	474,715	1.75	594,560	1.51	17,615,745	1.54	255,020,000	1.13
1993	478,254	0.75	600,427	0.99	17,805,566	1.08	257,592,000	1.01
1994	507,468	6.11	636,991	6.09	18,291,000	2.73	261,212,000	1.41
1995	523,352	3.13	656,979	3.14	18,724,000	2.37	262,755,000	0.59
1996	541,889	3.54	681,654	3.76	19,128,000	2.16	265,410,000	1.01
1997	560,939	3.52	703,717	3.24	19,439,337	1.63	267,792,000	0.90
1998	608,214	8.43	725,669	3.12	19,759,614	1.65	271,685,044	1.45
1999	619,038	1.78	744,857	2.64	20,044,141	1.44	272,690,813	0.37
2000	628,667	1.56	749,426	0.61	20,044,141	0.00	272,690,813	0.00
2001	661,639	5.24	837,206	11.71	20,851,820	4.03	281,421,906	3.20

(1) All years are estimates from the City's Department of Development and Review based on full purpose area as of December 31. Census years are modified to conform to U.S. Bureau of the Census data. Estimates for 1985 were revised in 1990 based on the 1990 census

(2) U.S. Bureau of the Census official estimates as of July 31, except for census years; 2000 data available April 2001.

MISCELLANEOUS STATISTICAL DATA  
ECONOMIC AND GROWTH INDICATORS  
1992-2001

CITY OF AUSTIN, TEXAS  
Table 22

Year	Area of Incorporation (Sq. Miles)	Population (1)	Utility Connection (2)			Effective Buying Income (EBI) (4)	
			Electric (3)	Water	Gas	Median	Per
						Household EBI	Capita EBI
						\$	\$
1992	190.12	474,715	286,413	141,210	139,529	28,679	15,475
1993	193.15	478,254	291,896	146,396	143,088	29,662	16,965
1994	192.16	507,468	298,662	148,148	142,373	32,062	17,487
1995	196.68	523,352	306,670	149,867	147,023	33,981	18,490
1996	195.74	541,889	319,518	151,757	148,124	29,803	16,685
1997	232.26	560,939	326,816	156,397	156,752	31,362	17,494
1998	253.67	608,214	342,263	168,907	165,274	33,690	18,999
1999	252.30	619,038	348,721	173,038	173,150	36,532	18,973
2000	264.90	628,667	344,134	176,096	172,063	36,321	20,790
2001	265.80	661,639	349,671	178,608	172,177	39,811	22,241
1992-2001							
Change	39.81%	39.38%	22.09%	26.48%	23.40%	38.82%	43.72%

Year	Building Permits			Austin Area Home Sales (6)		
	Federal, State and Municipal	Taxable	Total	Retail Sales (Austin) (5)	Average Sale Price	Number of Homes Sold
	\$	\$	\$	\$	\$	
1992	5,162,800	435,053,697	440,216,497	5,644,034,689	106,265	8,914
1993	70,976,449	607,717,144	678,693,593	6,253,828,689	114,908	11,104
1994	19,643,501	840,043,119	859,686,620	6,784,452,526	120,161	10,833
1995	11,087,831	870,446,315	881,534,146	7,286,274,112	126,726	8,436
1996	89,945,847	1,246,232,619	1,336,178,466	7,932,937,305	132,699	9,773
1997	2,574,539	1,023,114,762	1,025,689,301	8,513,655,224	146,763	8,094
1998	46,722,845	1,434,660,615	1,481,383,460	10,842,488,373	155,600	10,536
1999	54,399,189	1,501,435,229	1,555,834,418	11,279,844,061	166,272	12,284
2000	34,334,286	1,797,039,075	1,831,373,361	13,577,833,634	196,308	12,972
2001	71,189,116	1,625,508,854	1,696,697,970	12,542,967,960	154,000	12,444
1992-2001						
Change	1278.89%	273.63%	285.42%	122.23%	44.92%	39.60%

Note: All numbers are as of fiscal year ended September 30, except where noted.

- (1) Figures represent full purpose population as of December 31 for each year.
- (2) Figures are as of September 30.
- (3) Figures exclude nightwatchman billings.
- (4) Source: 2000 Survey of Buying Power, Sales and Marketing Management.
- (5) Source: State of Texas Comptroller's Office. Amount is an estimate based on State of Texas Comptroller's Office data.
- (6) Source: Austin Board of Realtors.

MISCELLANEOUS STATISTICAL DATA  
EMPLOYMENT CHARACTERISTICS

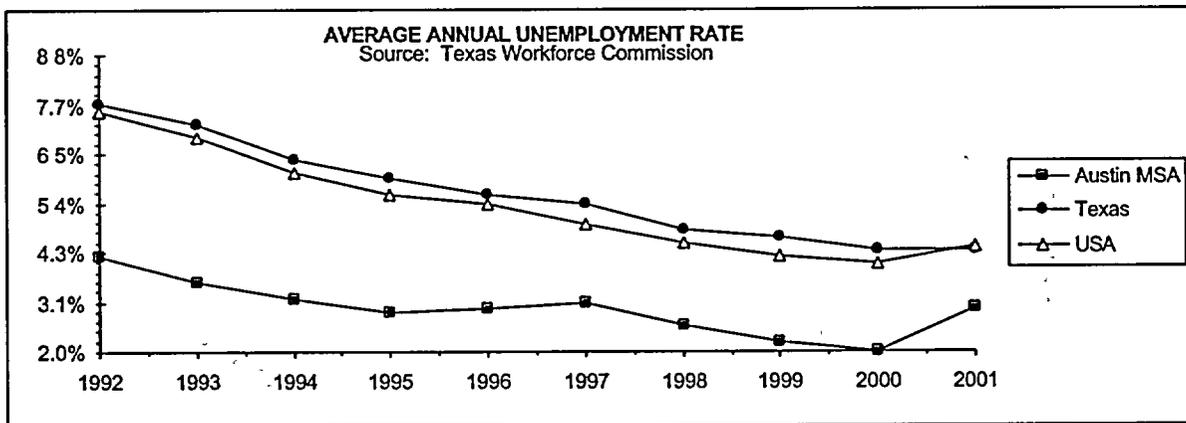
CITY OF AUSTIN, TEXAS  
Table 23

EMPLOYMENT BY INDUSTRY IN THE AUSTIN METROPOLITAN STATISTICAL AREA (1)

Industrial Classification	2001		2000		1990		1980	
	Number	% of Total						
Manufacturing	86,500	12.6	84,662	12.9	49,300	12.9	31,014	12.8
Government	140,700	20.5	137,171	20.9	110,400	28.8	78,263	32.3
Trade	154,600	22.5	150,231	22.9	78,400	20.4	51,852	21.4
Services and miscellaneous	207,900	30.3	190,048	28.9	97,200	25.3	44,826	18.5
Finance, insurance and real estate	33,000	4.8	32,031	4.9	23,400	6.1	14,296	5.9
Contract construction	39,700	5.8	39,134	6.0	12,000	3.1	14,053	5.8
Transportation and utilities	22,400	3.3	21,540	3.3	12,100	3.2	7,269	3.0
Mining	1,600	0.2	1,353	0.2	700	0.2	727	0.3
Totals	686,400	100.0	656,170	100.0	383,500	100.0	242,300	100.0

Source: Texas Workforce Commission (TWC)

(1) Austin MSA includes Travis, Bastrop, Caldwell, Hays, and Williamson Counties. Numbers for 2001 are an estimate based on TWC and the Bureau of Labor Statistics, and U.S. Department of Labor data as of March 31st



TEN LARGEST EMPLOYERS  
September 30, 2001

Employer	Product or Service	Number of Employees	% of Total (2)
The University of Texas at Austin	Education and research	20,211	2.9
Dell Computer Corporation	Computers	17,100	2.5
City of Austin	City government	10,914	1.6
Austin Independent School District	Education	9,417	1.4
Motorola, Inc.	Electronic components	8,900	1.3
HEB Grocery	Grocery/pharmacy	7,000	1.0
Seton Healthcare Network	Hospital	6,715	1.0
IBM Corporation	Office machines	5,988	0.9
Internal Revenue Service	Federal agency	5,800	0.8
Sulzer Orthopedics, Inc	Medical	5,479	0.8
		<b>97,524</b>	<b>14.2</b>

Source: Austin Chamber of Commerce

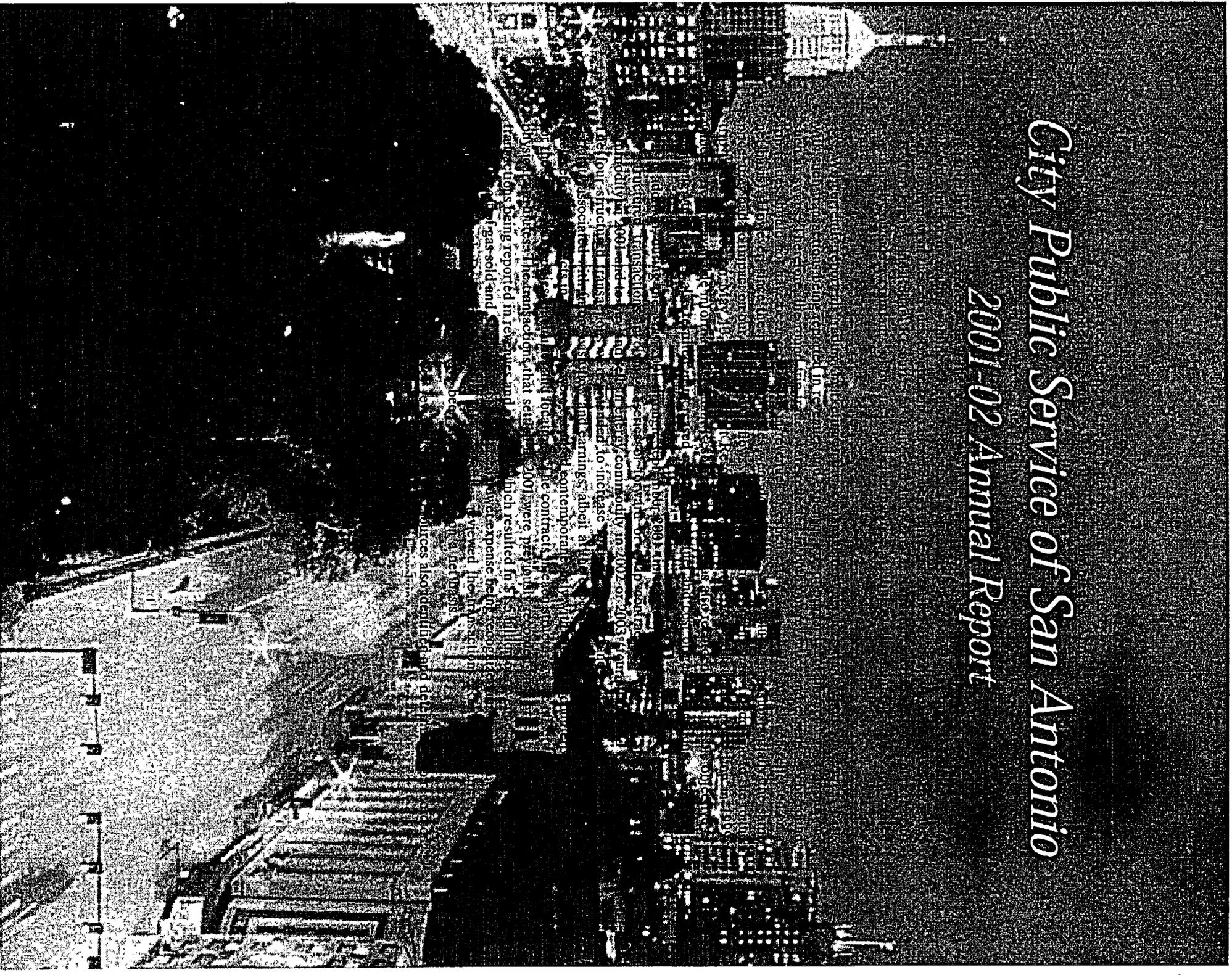
(2) Total refers to total work force of 686,400 as stated in the 'Employment by Industry' Table, above.

**ELEMENTS OF BUDGET FUND BALANCE  
FOR SELECTED OPERATING FUNDS  
September 30, 2001**

**CITY OF AUSTIN, TEXAS  
Table 24**

	Reserve for Encumbrances	Inception-to-Date Change in Fair Value
<b>General Fund</b>	\$ 6,460,867	247,936
<b>Special Revenue Funds:</b>		
Disproportionate Share	207,873	--
Federally Qualified Health Center	207,071	--
Fiscal Surety - Land Development	--	476,950
<b>Enterprise Funds:</b>		
Electric	11,307,107	985,566
Water and Wastewater:		
Water	660,036	316,520
Wastewater	1,118,847	382,455
Hospital	200,779	--
Solid Waste Services	394,780	--
Airport	1,003,587	513,594
Convention Center	389,816	954,155
Drainage	432,682	--
Transportation	1,746,199	--
Golf	38,565	--
Parks and Recreation:		
Softball	7,716	--
Recreation Centers	9,070	--
<b>Internal Service Funds:</b>		
Fleet:		
Operating	398,296	299,094
Designated for acquisition	1,246,691	--
Support Services	2,708,865	--
Information Systems	2,134,066	--
Employee Benefits	46,471	--
Liability Reserve	133,656	--
Radio Communication	38,338	--
Infrastructure Support Services	40,194	--
Capital Projects Management	250,201	--
<b>Total</b>		<b>\$ 4,176,270</b>

# City Public Service of San Antonio 2001-02 Annual Report



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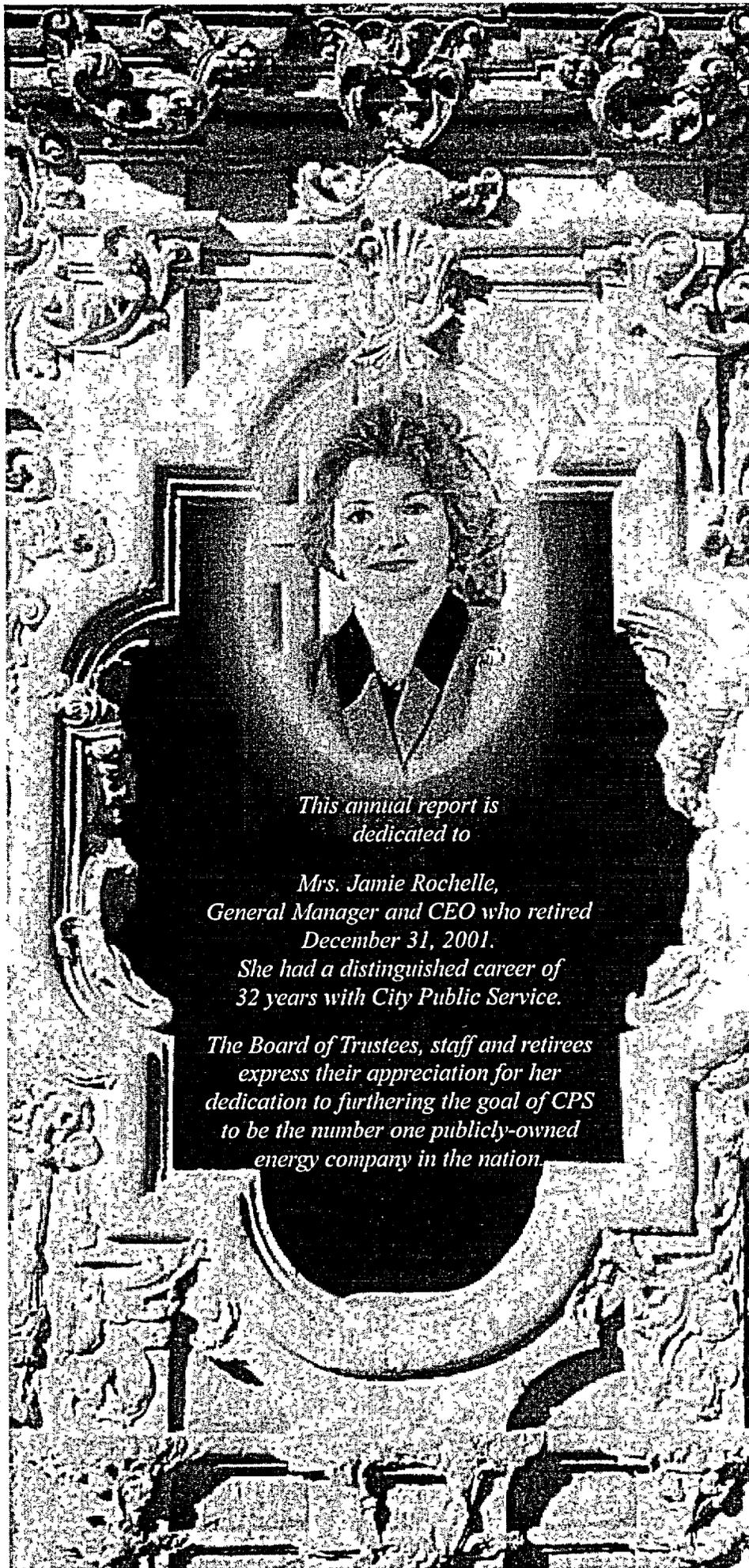
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The vision statement creates an image of our mission accomplished. The pathway to our vision is the ultimate journey through the challenges that we face now, and in the future. Therefore, the theme for this annual report is that journey.

CPS Vision Statement:

To be the BEST publicly-owned energy company in the U.S.A.

*About the cover: San Antonio downtown skyline shines brightly through the efforts of City Public Service*



*This annual report is  
dedicated to*

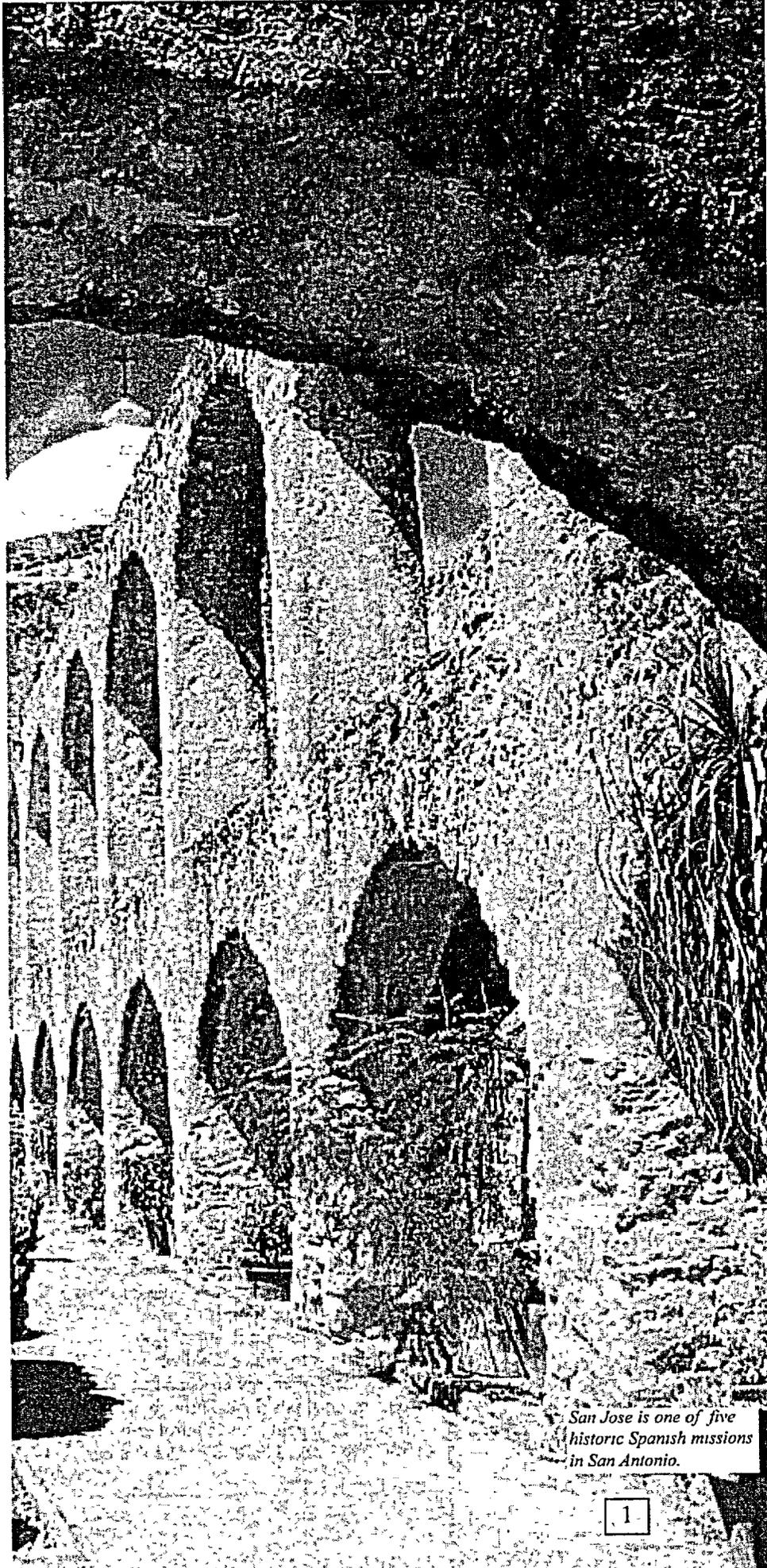
*Mrs. Jamie Rochelle,  
General Manager and CEO who retired  
December 31, 2001.*

*She had a distinguished career of  
32 years with City Public Service.*

*The Board of Trustees, staff and retirees  
express their appreciation for her  
dedication to furthering the goal of CPS  
to be the number one publicly-owned  
energy company in the nation.*

*City Public Service has been a part of San Antonio for many years. Our mission is to produce and deliver competitive energy products and services to meet the changing expectations of our customers.*





## *Profile of San Antonio's Gas and Electric Utility*

As the second largest municipally-owned utility in the nation, CPS serves more than 592,000 electric customers throughout its 1,566 square-mile service area, and about 307,000 natural gas customers in the urban San Antonio area. Purchased in 1942 by the City of San Antonio, CPS provides competitively-priced energy products and services for San Antonio and the surrounding area. The utility is governed by a five-member Board of Trustees that includes the Mayor of San Antonio.

As of January 2002, CPS owns and operates 16 electric generating units capable of producing 4,327 megawatts (MW) of power from natural gas, oil and coal. CPS also owns 700 MW of nuclear generating capacity in the South Texas Project plus the rights to another 160 MW of wind generation, which brings the total CPS capacity to 5,187 MW. For the fiscal year ending January 2002, CPS's generation was obtained from the following sources: coal, 48.9 percent; nuclear, 30.5 percent; and natural gas, 19.5 percent. Wind energy and purchased power accounted for 1.1 percent.

A diversified fuels mix at economical prices, low production costs and sound financial management have enabled CPS to keep its rates lower than any other major Texas city and most other large U.S. cities. The utility has consistently maintained favorable bond ratings to ensure the lowest interest rates when CPS requires financing for large projects.

CPS returns a portion of its gross revenue to the City of San Antonio. This contribution helps support city services such as police, fire and health services, while also reducing property taxes. CPS also supports the community through customer education, and employee and community programs such as the United Way campaign. CPS is one of only a few local companies whose employees contribute over \$500,000 annually to this drive.

With the onset of deregulation, CPS has developed strategic initiatives to prepare for the new environment. CPS, consistently a leader in the utility business, stands ready to face the challenges of new industry, legal and regulatory changes.

*San Jose is one of five  
historic Spanish missions  
in San Antonio.*

## Message From the Chairman and General Manager & CEO

At City Public Service (CPS), we are on a journey - a journey to be the BEST publicly-owned energy company in the U.S.A.! Although we are not far from that goal, we realize that to fully achieve this vision, we must continuously act upon the well-defined elements of our corporate strategic plan. In doing this, we have completed another successful year of operations marked by several significant events. New information systems were implemented; construction projects continued; and various customer and community efforts were enhanced. These were all aimed at fulfilling our mission "to produce and deliver competitive energy products and services to meet the changing expectations of our customers."

Of utmost importance in striving to be the best utility services provider is the commitment to maintain our competitive edge. This has become even more crucial as retail electric competition began in Texas on January 1, 2002, for some utilities. Senate Bill 7 (SB 7), Texas' Electric Industry Restructuring Bill, passed in June 1999. As a municipally-owned utility, CPS was given the choice of opting-in to retail competition. In spring 2001, the City of San Antonio and CPS Board elected not to opt-in at the onset of deregulation. CPS and the City are continuing to closely monitor the deregulated market to determine if and when an opt-in decision would be beneficial to the citizens of San Antonio. Meanwhile, we have implemented many new initiatives to remain competitive and to prepare for the changing environment.

We began implementation of new Business Information Systems, which provide the latest in advanced hardware and software technology for all facets of utility operations. This will ultimately contribute to improved customer service, better reporting by our evolving business units and greater competitiveness. We completed strategic financial transactions to reduce the debt component of energy costs and enhance our financial position. Through these and other ongoing cost-control efforts, we have worked hard to ensure that our

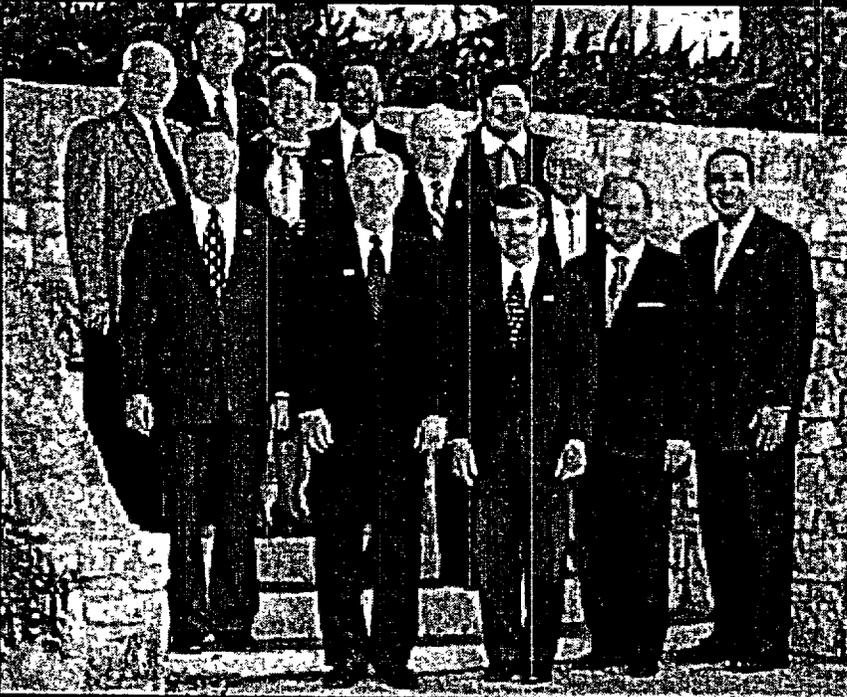


**Chairman of the Board  
of Trustees**  
Alvaro Sanchez, Jr.



**General Manager  
& CEO**  
Milton B. Lee, BSME, P.E.  
(Tenure 1 year - 30 years  
in the industry)

## Citizens Advisory Committee



*(Left to Right) First Row: Gary G. Candy, Louis Edward Rowe (Chairman), Terry Dudley, Lee Jaye Rosenberg, and Ralph Gomez. Second Row: Harold Tillman, Dominick Dina, Verna Eskridge, Royal Hammond, Jr., Keith Kolars, Raymond Aguilon, Jr., and Jesse Frank Jenkins.  
(Not pictured are: Manuel R. Garcia III and Reynaldo Nieto)*

*The Citizens Advisory Committee reviews CPS programs and policies, then makes recommendations to CPS staff and the Board of Trustees.*

customers continue to receive low energy bills. In fact, for the twelve months ended December 2001, CPS achieved the second lowest average monthly residential combined gas and electric bill of the 20 largest cities in the U.S. and the lowest among the seven largest cities in Texas. As a further indication of our competitive edge, CPS has not had a base rate increase in 11 years.

We fully realize that customers are the essence of our business. We have carefully listened to our customers through formal research to be fully aware of their wants and needs, and we continue to utilize this data to develop programs that address their requirements. New facilities are being constructed to respond to customer growth patterns and to improve gas and electric system reliability in the service area.

In January, we celebrated the groundbreaking for the new Northside Customer Service Center, which will provide all the necessary customer service functions, plus demonstrate new forms of renewable energy. Customers have indicated an increasing demand for renewable energy technologies and for their utility to maintain its environmental leadership. CPS has expanded its wind-energy program to be the fourth largest in Texas. We are also in the process of developing a distributed generation program for customer-owned generation. By responding to these customer needs, we can continue to grow the utility while maintaining our commitment to environmental excellence.

Our utility's successful operations would not be possible without its most important resource - dedicated employees. A workforce of about 4,200 highly skilled individuals is committed to CPS's excellence every day. Leadership and training programs have continued to be offered to bring out the best in our employees. We realize that to remain competitive, a highly-qualified and talented workforce is necessary. In May 2001, a new market-based compensation program was implemented, featuring a performance-driven merit structure to help attract and retain the best employees. CPS also offers additional incentive pay programs that are linked to its corporate objectives. We consistently update the benefits package, which is already among the best in the region.

As we go forward, it is imperative that we ensure ongoing and effective communication with all stakeholders. The increasing role of regulatory agencies, in light of electric deregulation, has required a growing awareness. We have continued to actively monitor and participate in regulatory and legislative affairs that have an impact on CPS. Our goal is to successfully manage any risk factors that may originate from these areas.

We have continued to strengthen the relationship with our owner, the City of San Antonio. Since the utility was purchased by the City in 1942, CPS has provided almost \$2.9 billion in benefits and payments to the City. In fiscal year 2002, City payments totaled over \$168 million. Representing a steady and increasing source of revenue for the City, this return helps keep property taxes low and enhances the funding of many city services offered to residents.

We also intend to continue meeting our community's expectations. In addition to providing a financial return to the City, CPS returns value to the local economy through numerous supplier diversity programs. Other indicators of our commitment to the community included another record-breaking United Way campaign and numerous hours of volunteer community service from CPS employees.

By linking our corporate objectives and strategies to our key business plans, we will remain committed to achieving our vision. CPS already enjoys a well-respected status as an industry leader and a financially-strong, value-driven, low-cost utility. The nation's principal bond rating agencies have consistently recognized CPS's successful track record. Thus, our journey to the top will be short! We embark upon this journey to be the BEST in the U.S.A. as we enter our 60th anniversary year of providing reliable, low-cost gas and electric service to a growing San Antonio. We remain confident in our ability to succeed, and we stand well-prepared to face any challenges on our path to be *NUMBER ONE!*

Alvaro Sanchez, Jr.  
Chairman of the CPS Board of Trustees

Milton B. Lee  
General Manager & CEO



**Finance and Administration**  
V. Gary Schaub, BSA, MBA  
Secretary-Treasurer,  
Senior Vice President  
(Tenure 28 years)



**Energy Supply**  
William C. "Bill" Gunst,  
BSME, MSMT, P.E.  
Senior Vice President  
(Tenure 29 years)



**Customer and Energy Services**  
Nadine Knaus, BAM, MAS, C.P.M., A.P.P.  
Senior Vice President  
(Tenure 23 years)



**Electric Transmission and Distribution Systems**  
Fidel Marquez, BSEE, MSEE, MBA, P.E.  
Senior Vice President\*  
(Tenure 1 year - 18 years in the industry)

\*Effective May 1, 2002



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## Corporate Governance



Alvaro Sanchez, Jr.  
 Chairman  
 (Trustee since March 1999)



Clayton T. Gay Jr.  
 Vice Chairman  
 (Trustee since February 1998)



Stephen S. Hennigan  
 Trustee  
 (Since June 2001)

### Independence of the Board

The complete management and control of City Public Service is vested in a Board of Trustees consisting of five citizens of the United States of America permanently residing in Bexar County, Texas, including the Mayor of San Antonio, who serves as an ex-officio member of the Board. The Mayor is a voting member of the Board and is responsible for keeping the City Council fully advised and informed of any actions, deliberations, and decisions of the Board and its conduct of the management of City Public Service. Board membership (excluding the Mayor of the City) is representative of the four geographic quadrants established by the City Council of San Antonio. Vacancies are filled by majority vote of the remaining members of the Board of Trustees. New Board members must be approved by the majority vote of City Council. The term of office of each member appointed to the Board is five (5) years, with

eligibility for re-appointment for one additional five-year term.

The appointed members of the Board qualify as "unrelated Directors." An unrelated Director is one who is independent of management and is free from any interest or business or other relationship that could, or reasonably be perceived to, materially interfere with the Director's ability to act with an unbiased approach and act in the best interests of the entity. Thus, the Board can function independent of management.

The Board of Trustees elects one of its members as Chairman and one as Vice Chairman. All trustees have equal vote and authority, including the Mayor of San Antonio, as an ex-officio member of the Board. The Chairman and Vice Chairman positions are rotated annually commencing with the first Board meeting of each fiscal year, among the appointed Board Members.



Cheryl Garcia  
 Trustee  
 (Since June 2001)



Ed Garza  
 Mayor of San Antonio  
 Ex-Officio Member  
 (Trustee since June 2001)

## Responsibilities of the Board

The Board has full power and authority to make rules and regulations governing the furnishing of electricity and gas service and full authority with reference to making extensions, improvements and additions to the gas and electric systems, and to adopt new rules for the orderly handling of CPS's affairs. The Board is empowered to appoint and employ all officers, employees, and professional consultants which it may deem desirable, including without limitation, a Chief Executive Officer and General Manager of the gas and electric systems, attorneys, engineers, architects and other advisors.

The Board of Trustees, in exercising the management powers granted, will ensure that policies adopted affecting research, development, and corporate planning will be consistent with City Council policy of San Antonio, and policies adopted by the Board of Trustees pertaining to such matters will be subject to City Council review.

The Board is vested with all of the powers of the City with respect to the management and operation of the systems and the expenditures and application of the revenues therefrom, including all powers necessary or appropriate for the performance of all covenants, undertakings, and agreements of the City contained in the bond ordinances, except regarding rates, issuance of debt and eminent domain matters.

During the fiscal year ended January 31, 2002, the Board of Trustees met 12 times in regular sessions. In addition, 18 special meetings were held during the year.

## Committees of the Board

The Board of Trustees has established two committees: the Audit Committee and the Personnel Committee. Two Trustees, not to include the ex-officio member, serve on each committee. Each year the Trustees review the make-up of the committees and may elect to rotate the membership; however, it is not necessary to do so.

- **Audit Committee**

The role of the Audit Committee is to oversee all material aspects of CPS's reporting, control, and audit functions, including review and assessment of CPS's business ethics policy and management's efforts to ensure compliance with the policy. The authority of the Audit Committee is to report to and recommend action by the Board of Trustees. The Audit Committee meets regularly during the year. As of January 31, 2002, the Audit Committee included Mr. Clayton Gay, Committee Chairman, and Mr. Stephen Hennigan, Member.

- **Personnel Committee**

The role of the Personnel Committee is to oversee the compensation and incentive levels for employees and executives of CPS, and act on matters that may be directed to the Committee from time to time by the Board. The authority and responsibilities of the Personnel Committee include understanding compensation and incentive levels in the industry, determining or advising regarding compensation levels for executive personnel, and reporting to and recommending personnel-related and perquisites matters to the Board of Trustees. The Personnel Committee meets as needed during the year. As of January 31, 2002, the

Personnel Committee included Mr. Alvaro Sanchez, Committee Chairman, and Mrs. Cheryl Garcia, Member.

## Citizens Advisory Committee

A 15 member Citizens Advisory Committee (CAC) was established in 1997 to enhance the relationship of City Public Service with the community and to address the City Council's goals regarding broader community involvement. The primary goal of this committee is to provide accessibility to CPS and to provide input to CPS from the community concerning the operations of CPS, for use by the Board and CPS staff. Representing the various sectors of San Antonio, the CAC encompasses a broad range of customer groups in order to identify their concerns and articulate their issues to ensure that community concerns are communicated and represented in CPS business operations. The CAC meets monthly to be briefed about various pending matters and to advise CPS management and staff about community issues and concerns with regard to the electric and gas systems and other aspects of CPS's business.

*... and remain committed to the people we serve.*



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## *Governmental and Regulatory Relations*

**F**iscal year 2001-02 was a year of significant change for the utility industry in Texas. On January 1, 2002, investor-owned utilities (IOUs) were required to open their retail markets to competition, as mandated by SB 7. Customers of those utilities now have the ability to choose their retail electric providers.

As a municipally-owned utility, CPS was given the option of whether or not to opt-in to retail competition. In April 2001, the CPS Board and the City Council of the City of San Antonio (COSA), announced that at the present time, CPS will not opt-in to retail competition because of CPS's favorable

position of offering customers some of the lowest rates in the state. This important decision will allow CPS the opportunity to carefully evaluate the deregulated market. The utility has implemented a number of strategic initiatives to prepare for competition and will continue these initiatives to be ready in the event that an opt-in decision is made in the future. Rate and cost unbundling efforts continued and were integrated into the new computer information systems, since this would be required if CPS elects to later participate in retail competition.

At the same time, CPS and COSA confirmed their position on utility ownership. CPS has been a valuable asset to the city, and to continue this relationship, municipal ownership is a requirement. CPS will continue to operate all sectors of its business as a complete municipally-owned utility. To keep customers informed about deregulation issues that could affect them and their utility, CPS continued its campaign to educate the public on utility restructuring.

With the onset of deregulation, CPS continued its strong participation in the Electric Reliability Council of Texas (ERCOT). Leading the way was the appointment or election of several CPS executives to key positions with ERCOT. Most recently, Milton B. Lee, General Manager & CEO of CPS, was elected vice chairman of the ERCOT Board of Directors. He was already serving a two-year term on the Board.



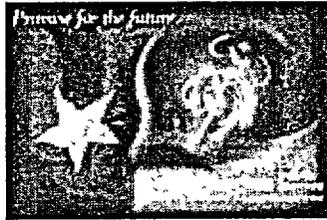
*The Governmental and Regulatory Relations Team includes Steve Bartley, Director of Regulatory Relations (standing at left) and Maryann Randall, Vice President of Governmental Relations (sitting at right) Also pictured is Milton B Lee, General Manager & CEO (center), and other General Manager's office direct reports. Helen Long, Director of Audit Services (sitting at left); and Richard Putnicki, Chief of Staff (Senior vice presidents are pictured separately with their staffs)*

The role of ERCOT, which is also the state's independent system operator, or ISO, underwent dramatic changes this year, many of which affected CPS. ERCOT is responsible for overseeing the transactions that result from the restructuring of the utility industry, while maintaining the overall reliability of the state's electrical grid, which now includes retail as well as wholesale activity. The ERCOT pilot program for retail competition began July 2001 and provided a test window for limited switching of IOU customers. ERCOT also conducted summer market trials to simulate the wholesale market under increased, centralized operations. CPS was actively involved in the wholesale market trials because it is a key wholesale participant. Perhaps the most significant change in ERCOT occurred July 31, 2001, when operations for the restructured market were consolidated into a single statewide control area. CPS was faced with some challenges as a result of this move, such as new statewide fees and assessments. The active representation of CPS within ERCOT will ensure that the best interests of CPS customers are protected into the future.

CPS is also active at the Public Utility Commission of Texas (PUC). The utility is regulated by the PUC with respect to statewide transmission pricing, and the PUC is responsible for oversight of the evolving wholesale and retail marketplace.

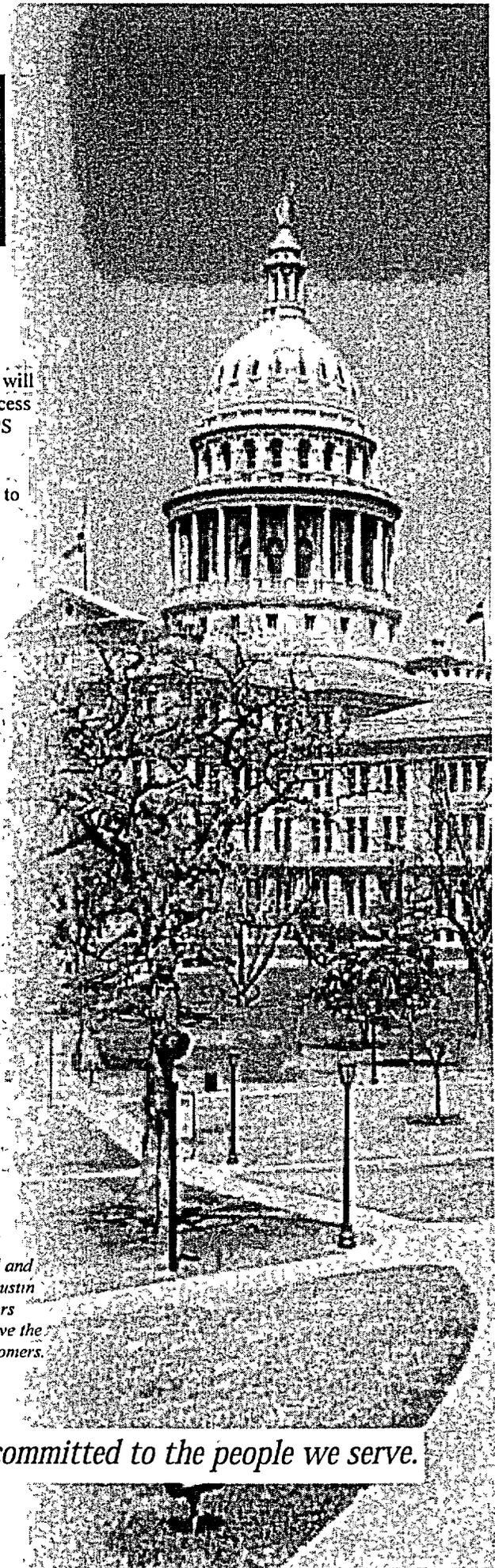
In addition to regulatory issues, CPS faced other unique governmental and legislative challenges. During the 77th Texas Legislative Session, CPS staff closely tracked over 420 bills that were related to its operations. Through a careful review of the bills by CPS's inter-departmental legislative team, the session ended without any negative impact to CPS. The utility's governmental team in Austin continuously monitors legislation to preserve the welfare of CPS customers.

CPS continues to be acclaimed for its ongoing successes. As an indication, the Texas Public Power Association awarded CPS its top honor, the 2001 System Achievement Award. This mark of distinction specifically recognized the utility's ongoing efficiency, customer



service and outreach programs on deregulation.

The proactive efforts of CPS's governmental and regulatory teams will help to ensure CPS's continued success in the changing utility industry. CPS plans to stay actively involved with deregulation issues and will closely watch the competitive retail market to determine future strategies.



*CPS's governmental and regulatory staff in Austin continuously monitors legislation to preserve the welfare of CPS customers.*

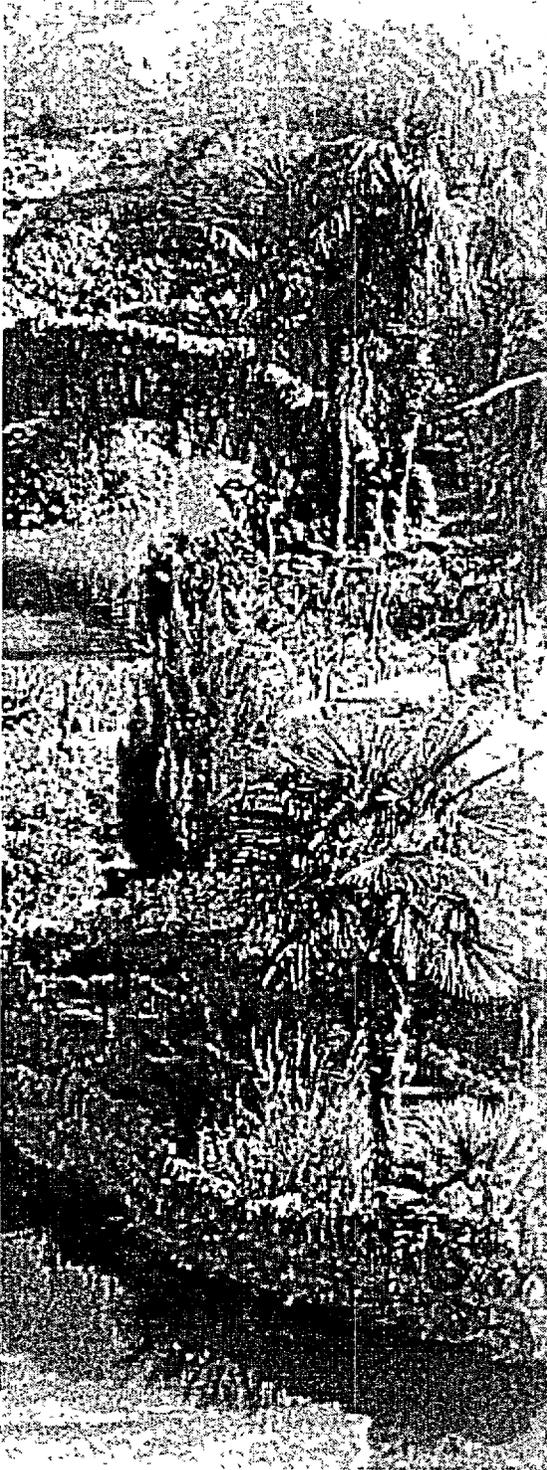
*... and remain committed to the people we serve.*



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## Environmental



CPS is committed to maintaining a clean and healthy environment. The utility has historically outperformed the environmental and energy conservation requirements mandated by federal and state regulations. Given these high standards, CPS has continued to advance its environmental programs and policies to an even greater level. Fiscal year 2001-02 was no exception, as environmental efforts continued at an exhilarating pace.

CPS made significant progress in the area of renewable energy. Certain federal and state requirements, such as those mandated by SB 7, have called for an increase in renewable energy capacity in Texas. In addition, recent research shows there has been a steady rise in CPS's customer demand for renewable technologies. Customers are very concerned about the environment, and they consider renewable energy to be a proactive choice for the future.

With this in mind, CPS took steps to expand its wind-energy program. Through a long-term wind-power contract, CPS added 135 MW of wind energy to its already existing 25 MW, bringing the total wind-energy capacity to 160 MW. As a retail utility, CPS now has a higher wind renewable ratio -- just over four percent -- relative to its peak demand than any other utility in the ERCOT region. CPS introduced its wind-energy program (Windtricity™) last year as a first step in offering renewable technologies to customers.

*CPS's proactive environmental efforts contribute to the aesthetic beauty of San Antonio*

Wind-generated electricity is only one of many other alternative energy technologies CPS is exploring. CPS is one of the founding members of the Metropolitan Partnership for Energy, a regional organization taking the lead for developing alternative energy sources and energy management techniques. CPS is currently researching other forms of renewable energy such as solar power and fuel-cell technology.

Additionally, a new distributed generation program was developed and will be available soon to customers. This program allows CPS customers to install up to 25 kW of their own generating capacity at their home or business using naturally regenerating sources.

Representing a monumental effort in support of alternative energy, the new Northside Customer Service Center will serve as a national model for "green energy" systems and will showcase various forms of renewable technologies to customers. The 72,000 square-foot building itself will be constructed using environmentally-friendly techniques and will feature alternative energy utilization. Groundbreaking was held in January 2002, and completion is set for August 2002.

Using highly effective environmental control equipment to help preserve the environment is not new for CPS. At the CPS power plants, air emissions levels are continuously monitored to ensure that stringent state and federal guidelines are not only met, but also that emissions are far lower than required by regulations. In 1998, a public commitment and program was introduced to reduce



*The environmental staff displays some of CPS's recent awards. Pictured (left to right) Kim Stoker, Supervisor of Waste & Hazardous Materials; Scott Smith, Director of Environmental Management; Cyndi Levesque, Supervisor of Permits; Joe Fulton, Director of Environmental and Research.*

nitrogen oxide (NOx) emissions from CPS power plants system-wide by 15 to 20 percent. The emission rates of NOx were reduced over 40 percent by the end of 2001, which exceeded the original goal. CPS is continuing the program to achieve an approximate 50 percent reduction in NOx emissions by 2005.

CPS also engages water resource management efforts at its power plants. The Braunig and Calaveras lakes were built in the 1960s to provide cooling water for the power plants at those locations. Since then, CPS has used treated sewage effluent, preserving over 200 billion gallons of Edwards Aquifer water. In addition, the lakes also provide a variety of recreational activities for area citizens such as fishing, boating, camping and picnicking.

CPS continued its "Mow Down Smog" program of giving rebates to customers who replace gas-powered lawn equipment with electric lawn equipment, including mowers, blowers and trimmers. Electric lawn equipment is virtually pollution-free and produces far less noise.

CPS also expanded its "Buy Recycled" program to further its award-winning recycling program that includes the recovery of usable products, the reduction of waste through more-efficient processes and the use of environmentally-preferable products. The new "Buy Recycled" program helps create markets for recovered materials and promotes the continued manufacture of recycled products.

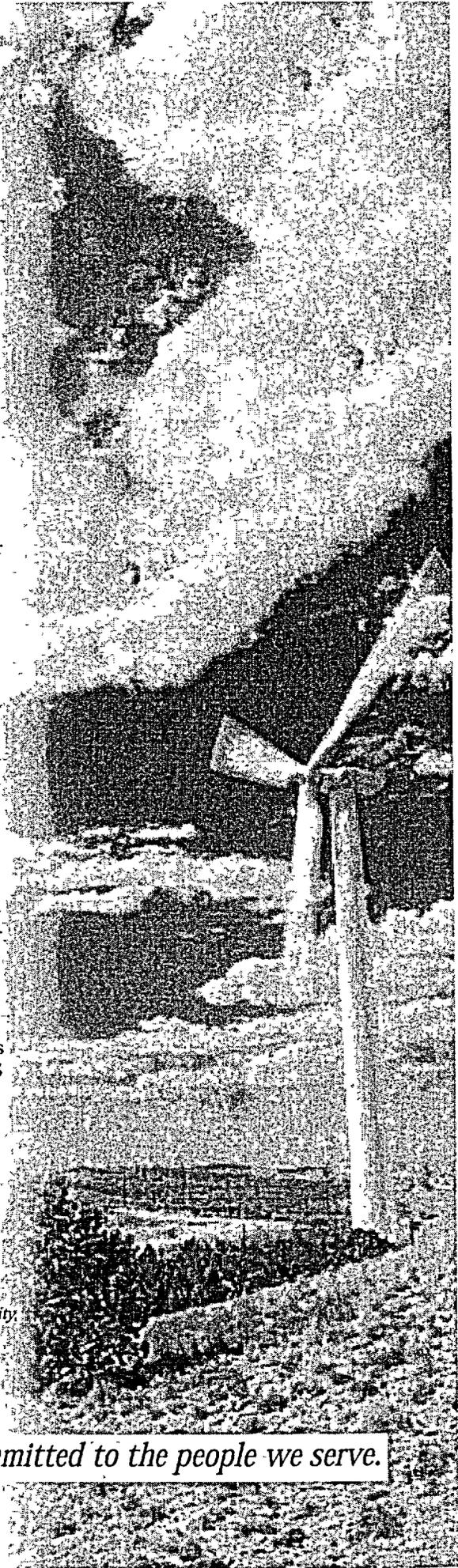
CPS's proactive environmental efforts also include area beautification.

CPS participated in various tree-planting programs, and a comprehensive study also was initiated to determine how strategically planting trees and conserving existing trees can improve air quality and lower energy usage.

State and national recognition paid tribute to CPS's environmental efforts. Eleven of CPS's facilities were among 130 recognized statewide by the Texas Natural Resource Conservation Commission as "Partners" in the Clean Texas Program. These facilities were honored for their significant levels of environmental performance, management and commitment to protect air, water and land. Also, the National Association of Environmental Professionals (NAEP) named CPS as recipient of the Environmental Excellence Award for conservation. The NAEP especially gave tribute to CPS for its recycling of wastewater to cool its power plants.

Clearly, CPS's long-term strategy is to actively support renewable technologies, energy conservation efforts and other environmental programs. CPS realizes the importance of maintaining a healthy environment for future generations and intends to work hard to achieve that goal.

*West Texas wind turbines give CPS the largest percentage of wind power to electric peak demand of any Texas utility, generating enough energy to meet the annual needs of an estimated 50,000 customers*



*... and remain committed to the people we serve.*

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...the BEST publicly-owned energy company in the U.S.A.*

*To help protect the environment, the five CPS power plants pictured utilize treated recycled water for cooling while maintaining their low emissions ratings.*







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...the *BEST* publicly-owned energy company in the U.S.A.

## Energy Supply



*The Energy Supply Team includes (left to right) Richard Peña, Vice President of Gas Systems; Jim Nesrsta, Director of Generation Planning & Alliance; Mark Werner, Director of Fuels; Wilham "Bill" Gunst, Senior Vice President of Energy Supply System; Mike Hardt, Director of Nuclear; Jim Pruske, Vice President of Fossil Generation; Joe Fulton, Director of Environmental and Research; John Ruckman, Business Manager for Energy Supply; and Mike Kotara, Director of Generation Control & Wholesale Marketing.*

### Electric System

Continuing a tradition of sound planning and well-managed implementation, CPS has created a successful electric energy supply strategy that results in some of the lowest costs in the nation. Diversity of fuel sources for electric generation continues to be a key factor in the pursuit of responsible, environmentally-safe, low-cost energy. By having multiple sources, CPS is able to utilize the most cost-effective fuels at times of less-than-maximum capacity requirements. Adding to nuclear, coal and gas energy capacity during the year was an increase in wind power. The total generating capacity for CPS for all fuel types is 5,187 MW as of January 2002.

Beginning in December 2001, CPS gained the long-term rights to the electricity produced by all 107 wind

turbines at the newly constructed Desert Sky Wind Energy Project in West Texas. The 213 foot-tall wind turbines with their 115 foot blades are in line with CPS's commitment to provide reliable electric power to its customers in an environmentally-responsible manner. Under peak wind conditions, each turbine can produce 1.5 MW of electric energy for a total wind capacity of about 160 MW.

To keep energy prices down, CPS consistently examines the generation mix that will provide the optimal allocation of resources. Using relatively inexpensive, low-sulfur coal continues to be a major stabilizing factor. This past year, coal comprised 48.9 percent of electric generation. As the lowest-cost fossil fuel, coal unit costs have remained steady for many years.

The coal is transported in CPS-owned railcars from the Powder River Basin of Wyoming. The coal supply should continue to offer stability as CPS has long-term supply and transportation agreements.

Transporting coal to San Antonio will be more cost effective as CPS converts from steel cars to new aluminum railcars that haul about 18 percent more coal. Approximately 300 aluminum railcars were delivered in November and December of 2001, with another 560 scheduled for delivery during the spring and summer months of 2002.

Nuclear generation continues to be a major payoff for CPS and its customers. The South Texas Project (STP) nuclear plant met 30.5 percent of the electric generation requirement in fiscal year 2001-02. This reliable fuel source has been the largest contributor to keeping CPS's electric fuel costs low and is the cleanest for emissions per unit of power. By utilizing nuclear generation instead of more costly fuels, CPS customers saved approximately \$192 million in fuel costs last year. Units 1 and 2 performed well, producing at 94.8 percent and 87.0 percent of capacity, respectively, for the fiscal year. These high factors were achieved despite scheduled refueling outages for both units. In addition, STP Unit 1 led the

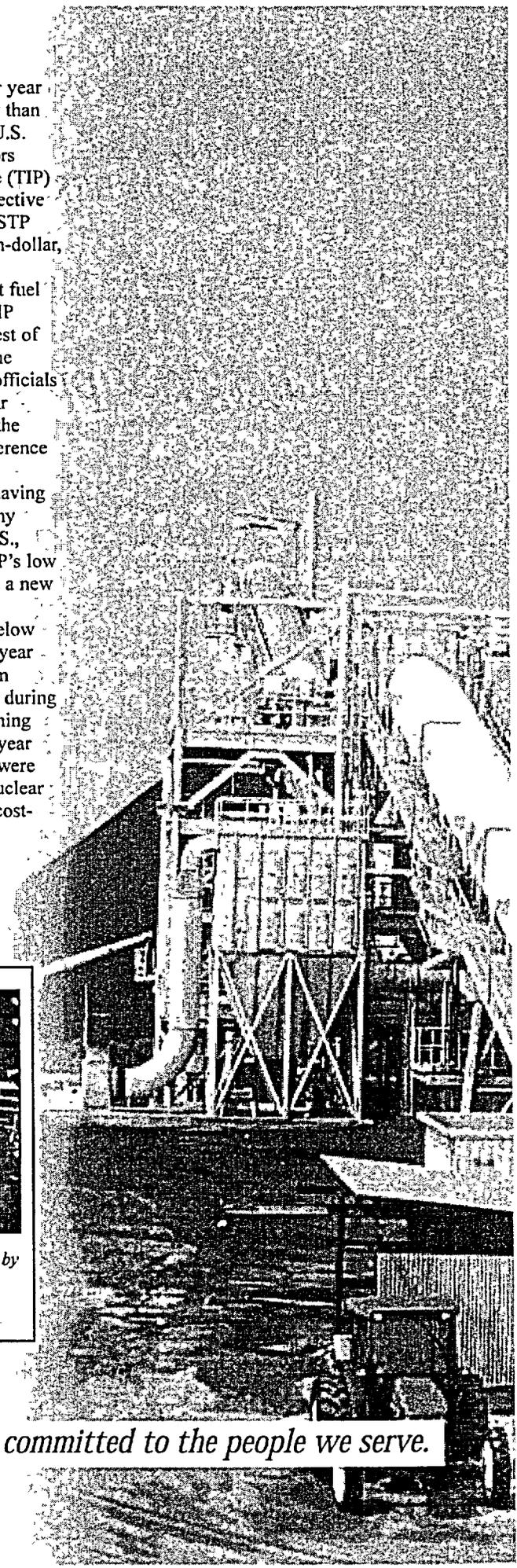
country in production in calendar year 2001, generating more electricity than any other nuclear reactor in the U.S.

STP earned top industry honors including a Top Industry Practice (TIP) award for its innovative, cost-effective Boraflex Removal Project. The STP team devised a new multi-million-dollar, cost-saving procedure to remove deteriorating Boraflex from spent fuel storage pools. Of the top nine TIP award winners, STP won the "Best of the Best" trophy, sponsored by the Nuclear Energy Institute. STP officials accepted the award at the Nuclear Energy Assembly in May 2001, the industry's annual executive conference in Washington, D.C.

STP was also recognized as having the lowest average fuel cost of any nuclear power provider in the U.S., according to federal reports. STP's low cost of 0.3997 cents per kWh set a new benchmark for nuclear-energy producers, and was 17 percent below the industry average in calendar year 2000. The low cost resulted from strategically purchasing uranium during market price lows and by reclaiming spent fuels for reuse. For fiscal year 2001-02, nuclear fuel unit costs were even lower, demonstrating the nuclear plant's ongoing commitment to cost-effectiveness for its owners.



*CPS's coal yard rotary railcar dumping facility keeps production costs to a minimum by providing for the efficient movement of coal to the stockpile (right). Coal accounted for 48.9 percent of CPS's electric generation in fiscal year 2001-02.*



*... and remain committed to the people we serve.*

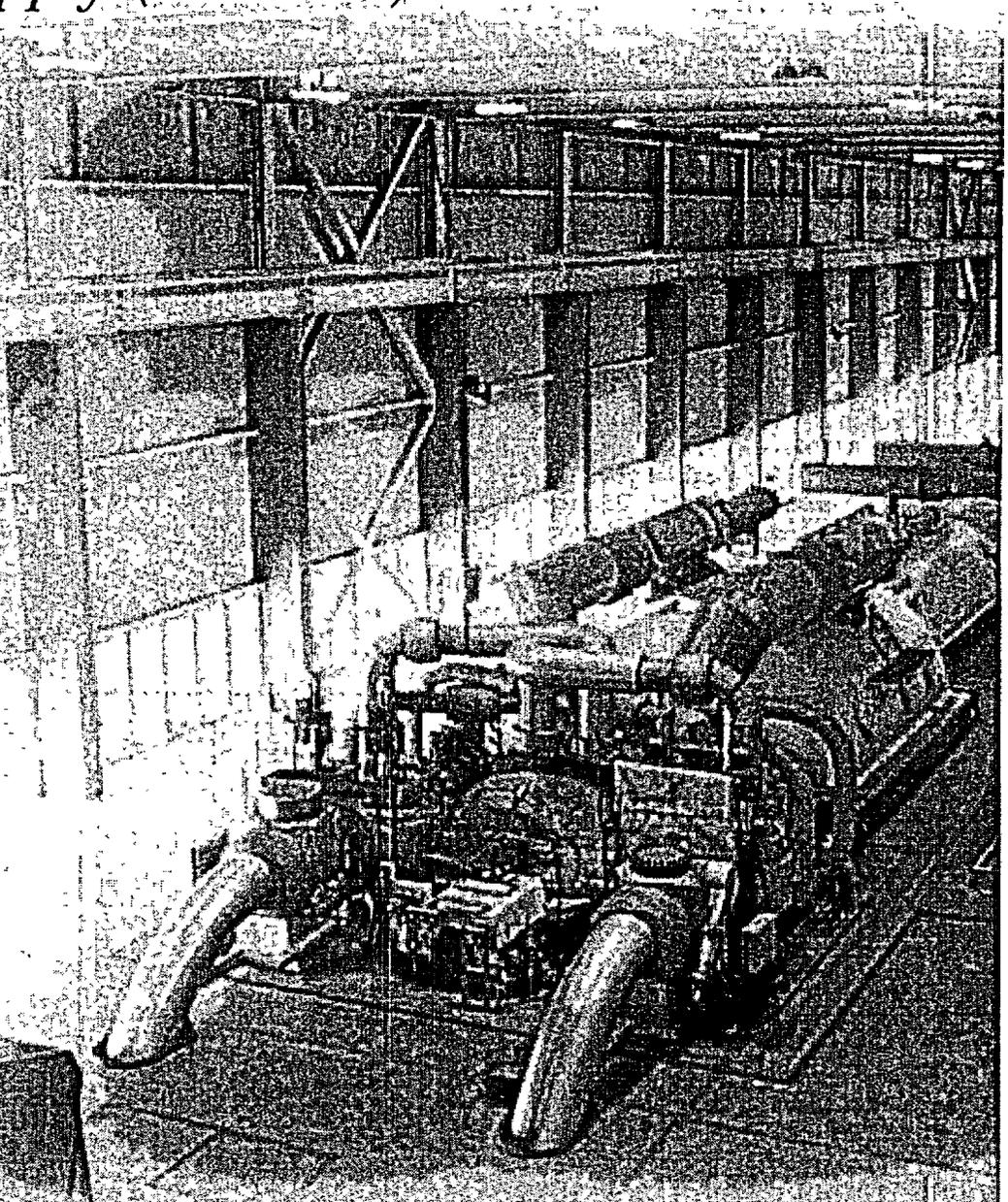
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## *Energy Supply (Continued)*

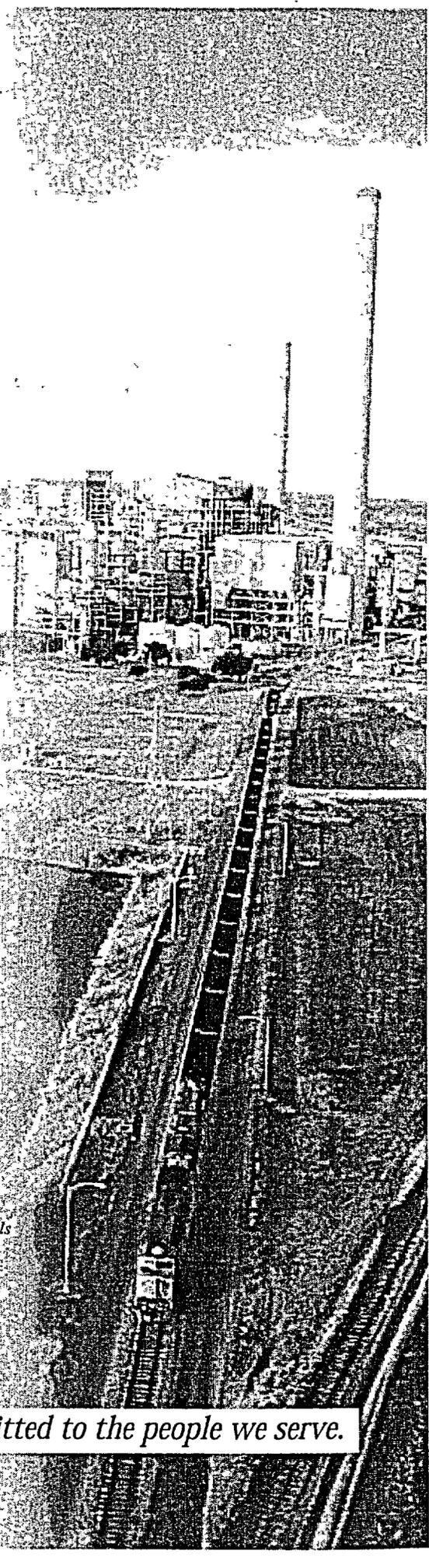
Natural gas, which produced about 19.5 percent of electrical generation, is the most cost-volatile of the fuel sources, as demonstrated by the record high prices nationally for the 2000-01 winter season. Gas prices across the country did eventually return to more historical levels during the spring and summer of 2001. However, to mitigate the volatility in gas prices and assure a competitive price, CPS secured gas price collar agreements during the year, which sets fixed prices between predetermined upper and lower limits, and is developing fuels hedging policies for future years.

Gas-fueled efficiency was increased as a result of the first full year of generation from the combined-cycle Arthur von Rosenberg Power Plant, which is approximately 30 percent more efficient than other traditional gas-fueled plants. To provide even greater fuel flexibility, five of CPS's gas-powered electric generating plants are capable of using oil, especially if natural gas prices exceed those of oil, as they did in the winter of 2000-01.

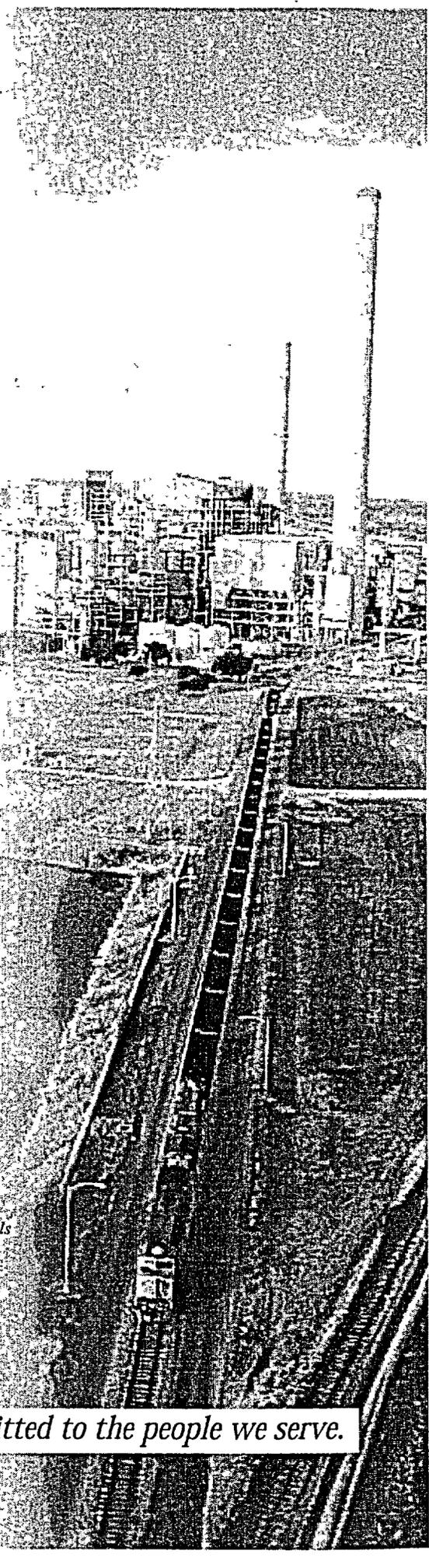
Overall, electric bills declined as a result of a lower market unit fuel cost for gas and lower customer usage, both due primarily to milder weather. As a result of more moderate temperatures, both in the summer and winter, CPS was able to utilize its most economical fuels -- coal and nuclear -- to generate power, and thereby offer its customers the lowest costs possible.



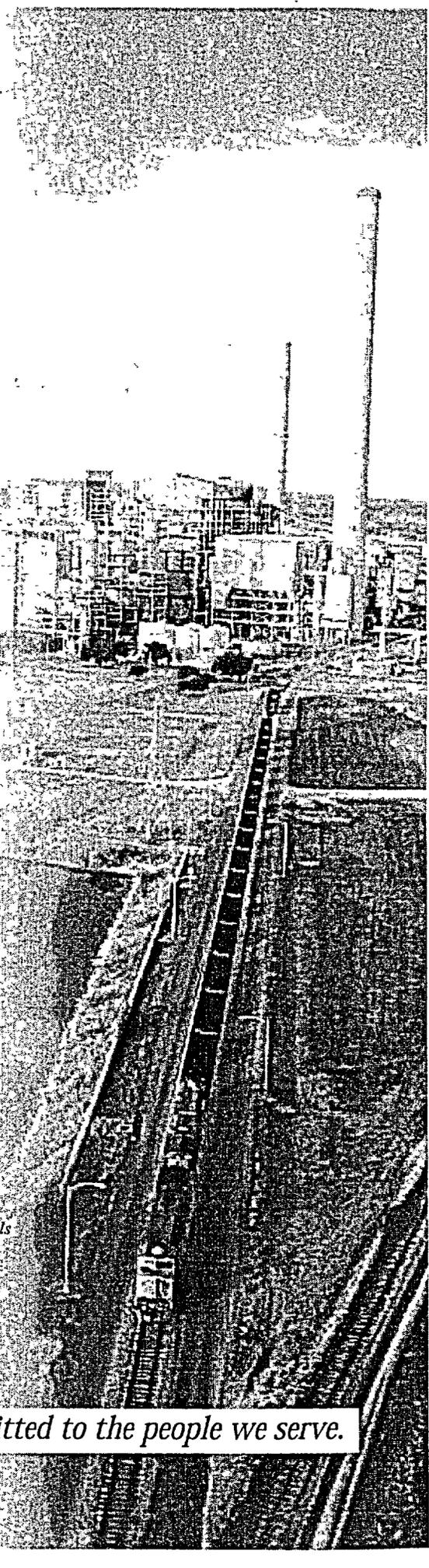
*Steam generators like these produce most of the electric requirements of San Antonio. In fiscal year 2001-02, generation and purchased power totaled 18.1 billion kilowatt-hours.*



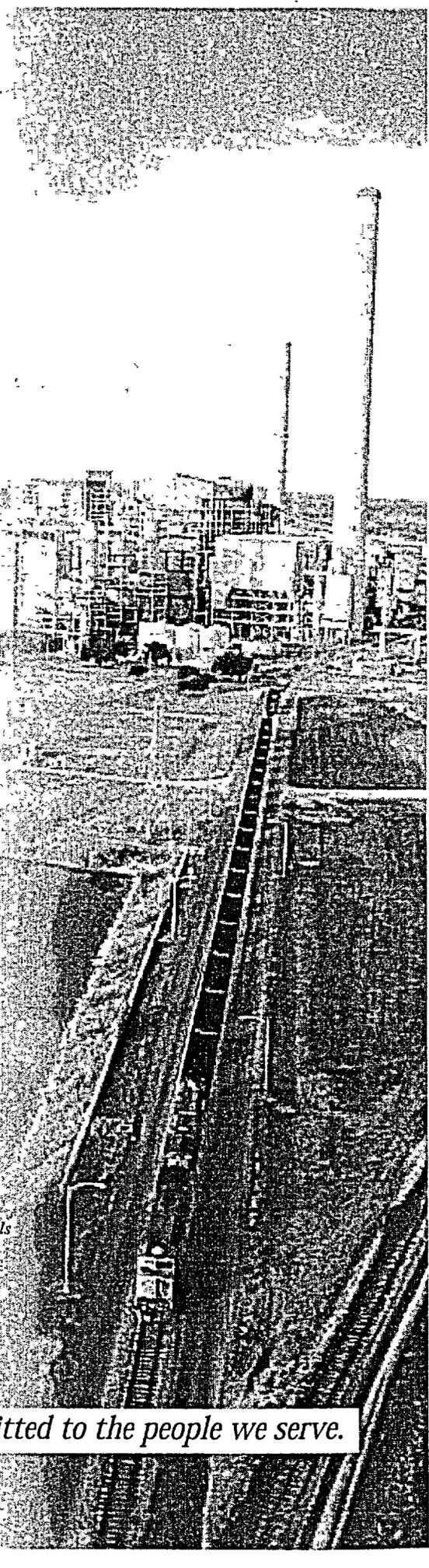
An additional factor that helps reduce generating costs lies within the joint operations agreement CPS has with Reliant Energy of Houston. This agreement provides that the two utilities jointly dispatch their generating plants, other than STP, to take advantage of the most efficient plants and favorable fuel prices of each utility. The agreement stipulates that CPS receive at least \$10 million in cumulative benefits per year and \$150 million savings over the ten-year agreement, or Reliant Energy will compensate CPS for the difference.



Results from this agreement have provided cost-savings benefits to CPS that have been significantly above expectations. The cumulative minimum savings of \$150 million was achieved in April 2001, approximately five years ahead of schedule. CPS will continue to benefit from the arrangement for several more years through a new agreement that was finalized this year. CPS will continue to receive 90 percent of the savings until the cumulative savings total reaches \$200 million. At that time, the savings will be shared equally by each utility.



Pursuant to the agreement, CPS supplied 2.4 billion kWh of electricity to Reliant Energy during the fiscal year for a cumulative total of 17.7 billion kWh to date. CPS recognized \$46.3 million in benefits this year for a savings of \$190.3 million since the inception of the agreement.



*CPS-owned railcars haul coal to San Antonio in support of a diversified fuels mix. This helps minimize CPS's electric production costs and helps keep utility rates lower than any other major Texas city.*

*... and remain committed to the people we serve.*

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## *Energy Supply (Continued)*

### **Gas System**

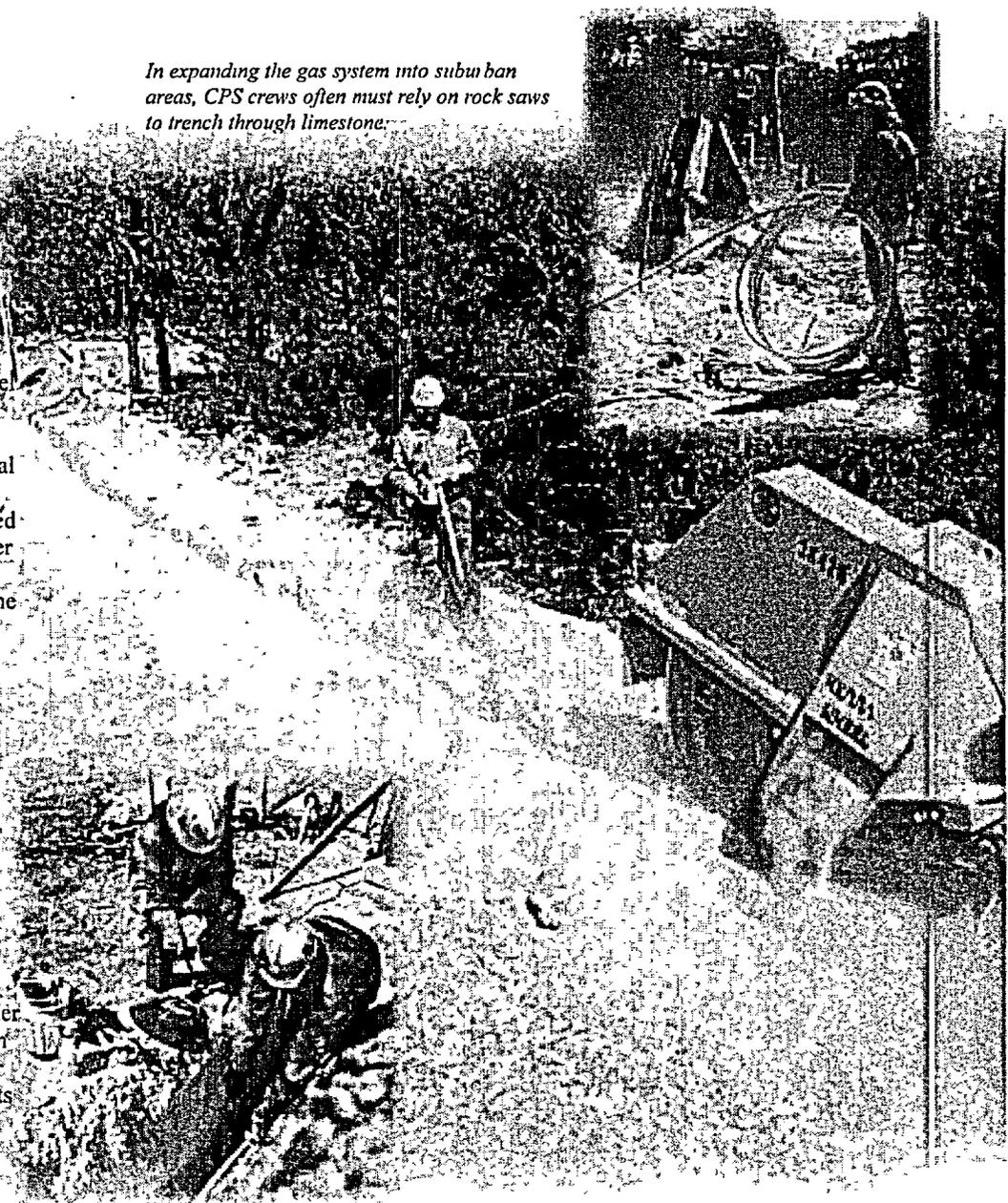
CPS is dedicated to delivering natural gas to its customers safely and reliably with extraordinary service and value. That commitment was again reflected in the fact that, for the eleventh consecutive year, CPS did not implement a base rate increase. CPS base rates include a pass-through of fuel costs, which accounts for seasonal variations in customer bills.

During the early months of the fiscal year, CPS was challenged with the national natural gas crisis that continued from the 2000-01 winter. Due to colder weather and nationwide supplier shortages, gas prices reached an all-time high last year across the country. CPS immediately responded by offering numerous customer relief programs. These efforts continued into the early months of this fiscal year and included customer rebates, settlement refunds, extended payment terms, longer customer service center hours and a service cutoff moratorium.

The gas crisis faded as mild temperatures in the spring eased demand, while supply increased. By June 2001, gas prices had declined to levels below June 2000 and remained closer to normal levels for the remainder of the year. To manage the volatility in gas prices, especially during the winter months, CPS has negotiated agreements for price collars to keep its price from rising excessively.

With added access to suppliers

*In expanding the gas system into suburban areas, CPS crews often must rely on rock saws to trench through limestone.*



provided by the Southgate Gas Supply Line that was completed in 2000, there is a greater opportunity for more competitive purchasing of natural gas for both the electric and gas systems. CPS's current single-supplier agreement for gas will end in June 2002. As a result, the utility has taken a much more active role in procuring natural gas. Extensive study and negotiations have resulted in competitive agreements for long-distance transportation lines, storage facilities, and more gas suppliers that will take effect with the termination of the present gas supply agreement.

In addition, the development of hedging policies and related procurement strategies began to help guard against excessive gas price

volatility in the future. All these initiatives reflect CPS's commitment to offer the best value to its customers.

Meanwhile, the gas system continued to experience modest growth. For the fiscal year, gas operations accounted for about 14 percent of CPS's total revenue. Due to milder temperatures, gas system sales were slightly below those of the previous year. However, the customer base has increased and strategies are in place to drive gas customer growth and sales to a higher level. By creatively and carefully managing the financial and physical resources of the natural gas system, CPS will sharpen the competitiveness of the system and be assured of healthy gas operations for years to come.



*Gas System employees work on a gas cutoff valve at a CPS gate station. New pipelines have enabled CPS to secure gas at competitive prices from a variety of suppliers*

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## *Electric Transmission and Distribution Systems*

### **Transmission System**

**T**he CPS transmission system provides the network through which energy flows from the power plants to the substations. To transport high-voltage power in a safe and effective manner, CPS has constructed and maintained a reliable infrastructure of transmission lines along with the supporting structures and equipment. Currently, the utility has approximately 1,300 circuit-miles of transmission lines as well as 14 power-switching stations. These facilities move large blocks of power across the CPS service area and among neighboring utilities within the ERCOT grid.

Transporting bulk electrical power through the power grids has become

more complicated due to SB 7's restructuring of the electric power industry. The role of ERCOT, designated by the PUC as the state's independent system operator, changed greatly during the year. In July 2001, ERCOT became a single control area, balancing electrical energy and load demand for the entire grid. In the same month, a pilot project initiated a limited opening of retail competition for IOUs. Full retail competition began January 1, 2002, for IOUs, giving ERCOT responsibility for overseeing all transactions at the wholesale and retail levels, while maintaining overall reliability of the state's electrical grid. Previously, ERCOT had overseen wholesale transactions only.



*The Electric Transmission and Distribution Systems Team includes (left to right) Ralph Alonzo, Vice President of Project Management & Process Improvement, Mike Vorndam, Vice President of Distribution, Richard Castrejano, Director of Transmission & Distribution Planning; Fidel Marquez, Senior Vice President of Electric Transmission and Distribution Systems, and Fred James, Director of System Operations*

Due to these electric-restructuring developments, CPS was faced with new operating regulations, procedures and assessments. These added fees, initiated in July 2001, began to be recovered from customers in January 2002.

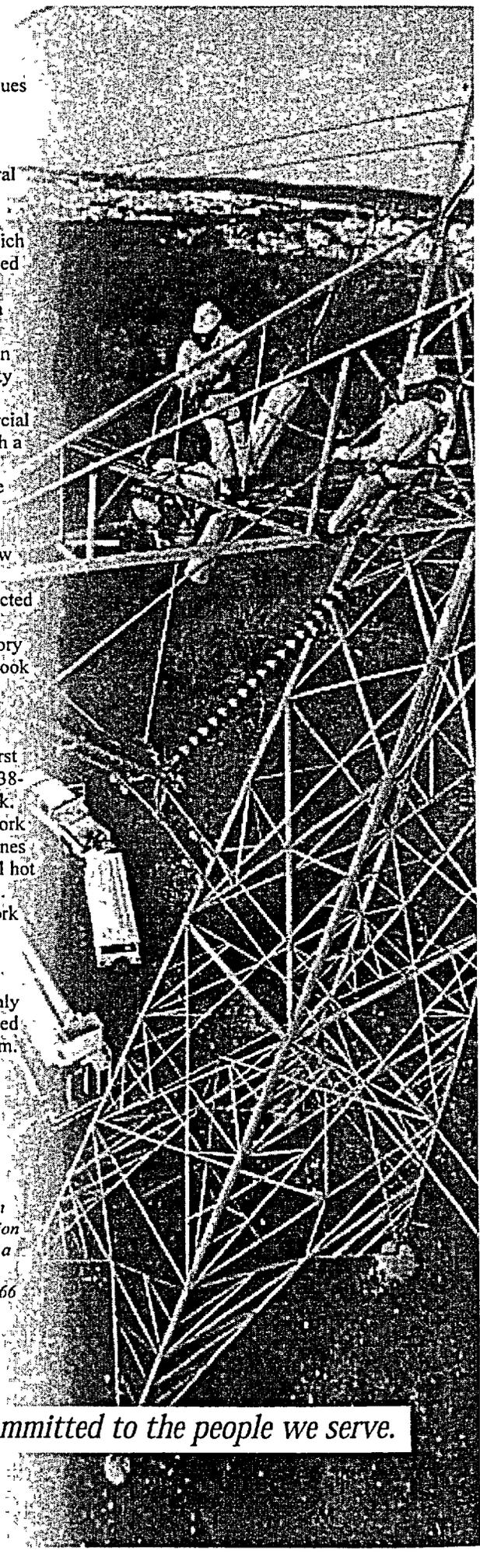
CPS, however, was able to benefit from the settlement of its wholesale transmission cost of service case at the PUC, filed in May 2000 and approved in January 2001. CPS's net cost of participating in the interconnected transmission grid was substantially reduced from the prior fiscal year as a direct result of CPS's efforts to update its own annual costs of building, operating, and maintaining its transmission system, as recovered through PUC-approved charges to other utility users of its transmission system. The significant increase in these revenues more fully offset CPS's share of aggregate transmission costs of other transmission owners in the ERCOT grid, causing CPS's overall cost of participating in the interconnected grid to be considerably lower than in the prior year.

Meanwhile, CPS has continued its efforts to unbundle costs and revenues into separate functions. IOUs were required by law to separate their transmission and distribution systems from generation and retail segments of the business as a prerequisite to full retail competition. CPS was not required to separate these functions because it is municipally-owned and has not opted into retail competition. However, CPS has functionally separated revenues and expenses to track costs better and to prepare for a possible future opt-in decision.

While transmission regulatory issues are being addressed, CPS is also focusing on the expansion of its transmission system. The needs of customers in the growing north central Bexar County service area prompted construction of the new Stone Gate Substation and transmission line, which began in July 2001. CPS is committed to providing reliable service to all customers, and this new construction highlights CPS's ongoing efforts to constantly monitor electric demand in expanding areas and increase capacity as needed.

With every expansion of commercial or residential sites, CPS goes through a strict set of procedures to ensure environmental compatibility with the people and their residences in the community. CPS's policy and guidelines for the construction of new substations and transmission lines ensure that open meetings are conducted to obtain citizens' comments.

Even with the significant regulatory and new construction activity, CPS took the opportunity to advance the qualifications of its transmission employees. In August 2001, CPS transmission linemen became the first employees certified to "barehand" 138- and 345-kV lines from a bucket truck. Barehanding allows employees to work directly on energized transmission lines as opposed to using the conventional hot stick or having the line de-energized. With this capability, linemen can work on energized lines so the customer's service is not interrupted. Those certified had to meet rigorous requirements. CPS is now one of only two companies in Texas to be certified in this procedure and assert this claim.



*CPS heavy construction crews install transmission lines to bring power to a growing number of customers in CPS's 1,566 square-mile area*

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## *Electric Transmission and Distribution Systems (continued)*

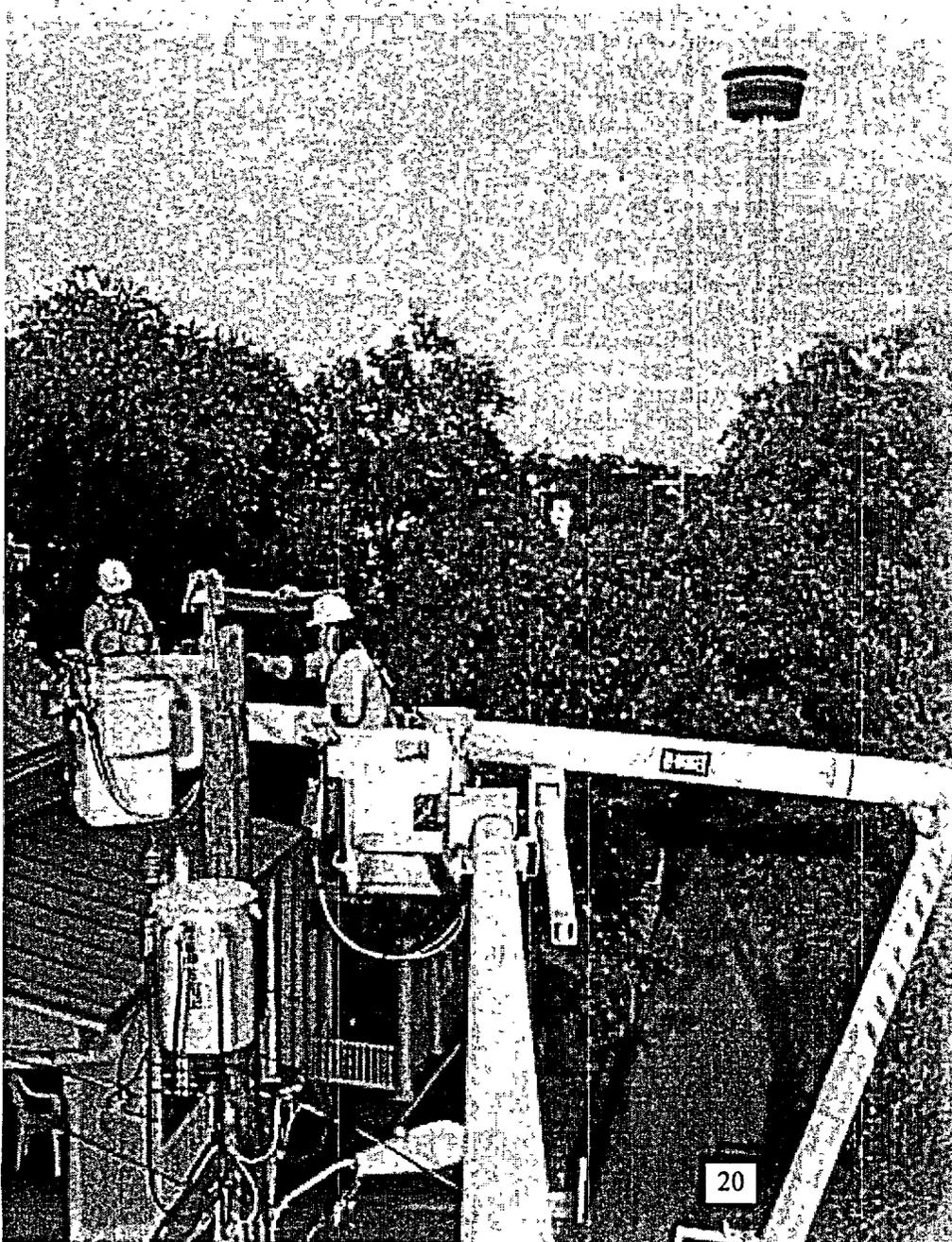
### **Distribution System**

The distribution system transports power from transmission substations to CPS customers through its 65 distribution substations using several thousand miles of overhead and underground lines. Additions to the system are carefully planned to keep up with the population growth of the service area.

To improve the aesthetics and safety of downtown San Antonio, CPS continued to convert overhead distribution lines to underground, an ongoing downtown beautification project that began in 1998. This effort is financed through the Overhead Conversion Fund, which CPS established in 1995. Monies from this fund are also used for other beautification efforts around the City of San Antonio and within surrounding governmental jurisdictions. The fund is made up of one percent of each city's retail electric sales revenue which is set aside and designated for future overhead line conversion projects in that city.

The purchase of the Kelly Air Force Base electric and gas distribution systems to CPS ownership two years ago represents the first of many strategic

*CPS linemen maintain electrical equipment on more than 264,000 poles in CPS's distribution system.*



efforts to acquire area military base electric and gas facilities. Since the purchase of these systems, CPS has played a key role in converting the new KellyUSA into a modern, commercial business park, which has brought many jobs and opportunities to the community. CPS continued to upgrade the KellyUSA systems to CPS standards, and finalize contracts with new tenants of the business park. To date, CPS has signed contracts for utility service with 21 commercial, industrial and governmental enterprises. The 579 electric meters and 325 gas meters installed at KellyUSA are serving new customers such as Boeing, Pratt & Whitney, General Electric and Lockheed Martin.

The Underground Residential Distribution System is continuing to improve service reliability thanks to upgrades and replacements of direct buried cable, plus treatment of existing cable. CPS uses the CableCure™ technology that offers a cost-effective maintenance alternative for the cable replacement program. Since its inception in 1992, the CableCure™ process, which involves injecting a coating of silicone-based fluid into the cable, has extended the life of another 22 miles of cable this year at a cost of about \$1.7 million.

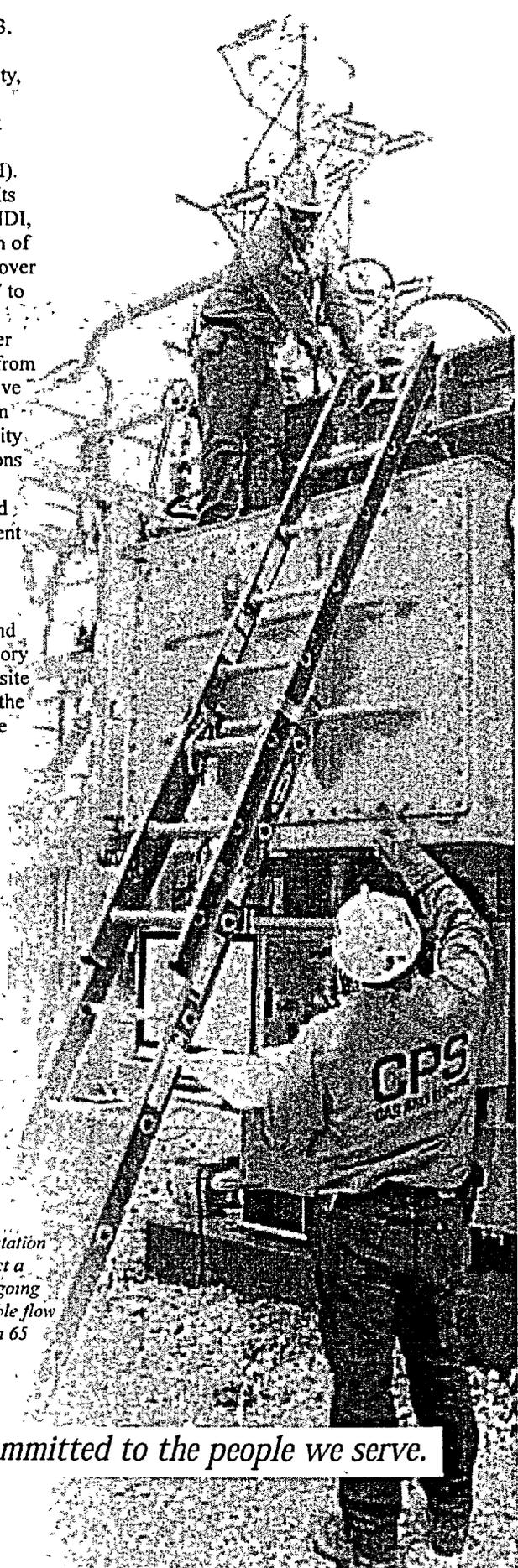
In another effort to have the latest and most technologically advanced facilities, the CPS Board approved plans to construct a new primary energy control center. This facility will fully control operations of the utility's electric and gas distribution systems.

Factors considered in this strategic decision included the changes brought about by deregulation and the condition of the current, older control center. The new center will include a training facility with classrooms and an auditorium that will provide for an academic partnership between CPS, local school and college districts, and the surrounding community.

Construction of the new center is scheduled to begin during early 2003.

CPS compares favorably to the industry average in terms of reliability, which is measured by the System Average Interruption Duration Index (SAIDI) and the System Average Interruption Frequency Index (SAIFI). However, CPS's goal is to improve its reliability standards even more. SAIDI, which measures the average duration of power outage in minutes, improved over the prior year by decreasing from 67 to 39, while SAIFI, which records the average number of power outages per customer, also improved, declining from 1.5 to 1.0. To maintain its competitive edge, CPS is pursuing new long-term initiatives to further advance reliability improvements, so that the expectations of customers will be satisfied.

CPS is committed to building and maintaining a dependable and efficient transmission and distribution infrastructure. Related ongoing initiatives will focus on CPS's commitment to diligently monitor and work with governmental and regulatory issues, to involve the community in site selection procedures, and to deliver the energy customers expect in a reliable and environmentally safe manner.



*Electric Distribution Substation Maintenance crews inspect a transformer as part of ongoing efforts to ensure the reliable flow of energy to customers via 65 substations.*

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## *Customer and Energy Services*



*The Customer and Energy Services Team includes (left to right) Sandra Higginbotham, Vice President of Customer Services, Paula Miles, Vice President of Retail Gas & Electric Services, Bob McCullough, Director of Corporate Communications; Nadine Knaus, Senior Vice President of Customer and Energy Services, and Anthony Edwards, Vice President of Community Programs.*

**R**ecognizing that customers are the essence of the business, CPS has continued to serve its customers and the community in the best possible way. Major customer relief programs, ongoing development of new products and services, a record year of community involvement, and increased attention to customer awareness helped characterize another year of truly being "Committed to the People We Serve."

The fiscal year began with CPS customers benefiting from several major relief programs that the Board approved in response to the winter/spring 2000-01 national natural gas crisis. While

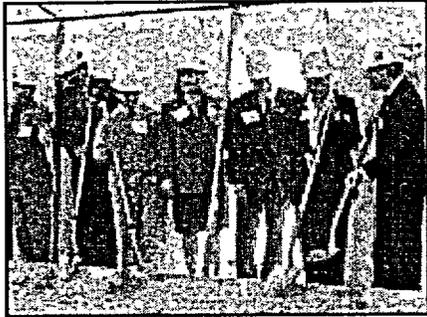
natural gas prices eventually stabilized during the year, CPS took extra efforts to aid customers early in the year when prices were high. Enhanced weatherization and energy efficiency programs were activated. CPS extended its customer service office hours and increased call center staffing. Service disconnections were temporarily deferred, and some reconnection and late fees were waived. About \$4.9 million in savings resulting from negotiations involving coal transportation and delivery shortages were refunded to customers. In addition to CPS's efforts, another major directive from the City of San Antonio resulted in an additional \$8.3 million rebate for San Antonio gas customers.

As warmer weather approached, CPS continued to aid customers through its Project Summer Wise program. Bill assistance efforts, energy-saving information and pay arrangements continued.

About 800 fans were donated by CPS employees to needy customers as part of the "Heat Relief 2001" fan drive. Perhaps the most significant summer effort was the "Cool Volunteer" program, where over 450 CPS employees volunteered to weatherize 475 homes of the elderly, handicapped and less-fortunate. To continue this effort, CPS is partnering with Bexar County and the Alamo Area Council of Governments to support additional local weatherization programs.



*CPS staff and honored guests held a groundbreaking ceremony at the site of the future Northside Customer Service Center on January 8, 2002.*



CPS continued its mission to offer the most competitive energy products and services to its customers. Through the utility's well-managed fuel supply and other cost-control initiatives, CPS customers received some of the lowest bills in the nation throughout the year.

The electronic and budget payment plans continued to be offered for convenience in paying bills and flexibility to balance payments year-round. As a measure of national support for those customers serving in the military overseas and to aid their families, CPS implemented "Project: Support Enduring Freedom." This program helps qualified military reservists in satisfying their utility bills through a variety of pay agreements and extensions while deployed overseas on active duty.

Moreover, CPS made extra efforts to respond to increasing customer demand as a result of insights gained through research. A branding campaign was unveiled to further enhance customer understanding of CPS, which is already a well-respected, value-driven utility. Customers have indicated an increasing demand for renewable technologies, so CPS has significantly expanded its wind-generation program. Plans to construct a solar facility have been finalized for the coming year, and new policies, rates and procedures have been developed for a distributed generation

program that will soon be offered to customers.

Perhaps the greatest response to customer interest and CPS's progressive attitude toward renewable energy services is found in the new Northside Customer Service Center (NSCSC), which is presently under construction. This state-of-the-art facility will be one of the most technologically-advanced buildings in the country, and will feature cutting-edge "green energy" systems to educate customers. By integrating solar, photovoltaic, natural gas and water reclamation systems into the design and function of the NSCSC, a showcase of energy-saving alternatives will be created for CPS and its customers. The facility also will provide the usual array of customer service functions. With the completion of this center, scheduled for August 2002, CPS will have customer service centers located within all geographic quadrants of the city, as well as downtown, offering the best in customer convenience.

*The Energy Education Center provides interesting and informative exhibits to help customers learn about CPS's electric and gas operations*

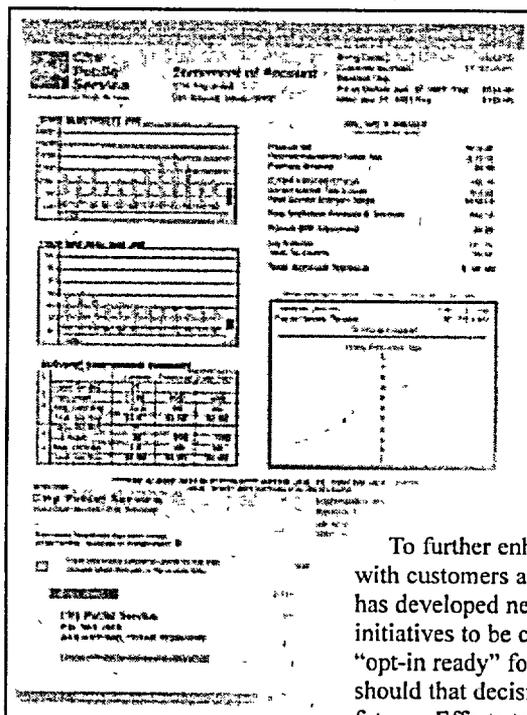


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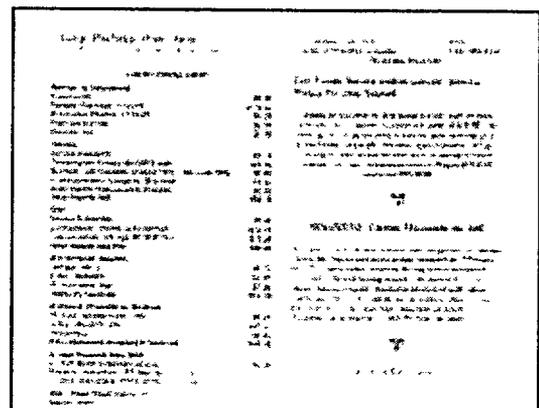
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## Customer and Energy Services (continued)



A new bill design to be introduced in 2002 will contain graphs and other information to help customers better manage their energy usage.

To further enhance the relationships with customers and the community, CPS has developed new customer service initiatives to be certain that it is fully "opt-in ready" for retail competition should that decision be made in the future. Efforts to improve communication with large commercial and industrial customers continued with the Key Accounts Representatives group. CPS also began work on a comprehensive business retention and expansion plan.



In response to customer requests, a new bill design has been developed and will be introduced in conjunction with the rollout of the new Customer Information System. The innovative bill will be a standard business size, contain graphs to help track energy usage, and allow for more flexibility so that other billing information may be added in the future. Progress on the final implementation of the Customer Information System continued this year with a "go-live" date scheduled for summer 2002. This technologically advanced system will provide a wealth of customer information in the ongoing effort to improve service.

Organizationally, a separate area was formed to focus exclusively on community programs. CPS already can point to a tradition of community service.



*CPS employees share a moment of silence to pay tribute to the victims and those families who experienced tragedy on September 11, 2001*

For years, CPS employees have been generously supporting the United Way campaign. For the third consecutive year, CPS took a leadership role as a "Pacesetter" organization. Employees responded by donating a record \$716,000.

Through the Volunteers in Public Service program, CPS employees and retirees contributed about 20,700 community service hours to assist with various charitable efforts including weatherization projects, Christmas gift-giving and youth sporting events, among other programs. In addition, the CPS Speakers Bureau delivered timely, information-packed presentations to organizations throughout the community.

These efforts reflect CPS's strategy to enhance, expand and facilitate a customer-centered focus. The goal is to exceed customers' and the community's expectations en route to being the best energy-services provider. CPS will continue to emphasize exceptional service, while developing and marketing energy and related products and services.

*CPS serves the world-famous Alamo in downtown San Antonio as well as large hotels and the Tower of the Americas*

*CPS planners play an integral role in making sure new construction projects have adequate gas and electric service facilities*



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## *Finance and Administration*

**C**PS has experienced strong financial growth over the years. The utility has strategically planned and completed financial transactions that have improved its economic position and resulted in savings for its customers. Fiscal year 2001-02 operations continued to reflect this healthy financial performance. At year-end, the fund net assets of the utility exceeded \$2.6 billion.

A significant part of the financial planning process is focused on effectively managing the debt component of energy costs. This includes taking advantage of favorable market opportunities to lower debt costs and improve cash flow. In October, CPS successfully sold \$115.3 million of revenue refunding bonds at an average interest cost of 3.84 percent. Proceeds from these bonds refunded existing higher-cost debt issued in 1992. This transaction will result in savings of about \$14.2 million to CPS and its customers.

CPS maintained its excellent bond ratings from three of the nation's principal financial rating agencies. These ratings are the highest for a municipal electric utility in the United States. The rating agencies recognized CPS's consistently strong financial performance, its very competitive rates that are among the lowest in the nation and management's expertise to lead the utility into the deregulated environment.

A major financial reporting change for CPS occurred with the implementation of the Government



*The Finance and Administration Team includes (seated, left to right) Jeffrey Tuttle, Vice President of Human Resources; V. Gary Schaub, Secretary-Treasurer, Senior Vice President of Finance and Administration; Porter Dillard, Director of Facilities, Security & Fleet Operations, (standing) Stan Torvik, Vice President of Information & Communication Services, Richard Williamson, Assistant Secretary-Treasurer, Vice President of Financial Services, Tracy McCuan, Director of Business Information Systems; Patricia Major, Assistant Secretary-Treasurer, Controller, and Nelson Claire, Vice President of Legal Services*

Accounting Standards Board Statement Number 34, which became effective February 1, 2001. Extensive research by the Controller Division identified the necessary accounting and reporting changes to be in full compliance with this new pronouncement.

Other initiatives helped prepare CPS for industry change. A major milestone, Phase One of the Business Information Systems (BIS) Project, achieved "go-live" status on December 4, 2001. The Financial Information, Work Management and Materials Management Systems all migrated successfully from the systems they replaced without significant problems.

Extensive staff training on the new systems occurred in the fall prior to the

"go-live" date. This training represented a major company-wide coordinated effort among the BIS team and all end-users.

The new systems, which replaced 1970's technology, represent the latest in software and contain a fully integrated host of business applications to assist CPS with daily operations. They will allow for improved internal reporting capabilities in line with the changing utility environment and will ultimately improve customer service and CPS's competitive posture. Phase Two of the Project, which includes the Customer Information and the Generation Maintenance Systems, is scheduled to "go-live" during the summer of 2002.

Members from the BIS Project team work with Controller Division staff as part of the new Financial Information System's implementation efforts



In addition to the BIS Project, CPS continued to upgrade or expand other information and communication systems. Upgrading continued on the Supervisory Control and Data Acquisition system (SCADA), which is the main computer control and monitoring structure of the CPS electric system. Hardware that uses the SCADA system has been installed in company vehicles used by customer contact representatives to improve service to customers.

Programs to enhance purchasing capabilities were initiated. CPS, which has already modified its procurement processes to be more efficient, will be implementing additional processes to carry out competitive initiatives authorized by SB 7.

CPS continued its Supplier Diversity Program to support the local economy through procurements from San Antonio area vendors. This year, local vendors were given the opportunity to bid on approximately \$255 million worth of procurements, of which they were awarded \$167.6 million. The Small Business Mentoring and Protégé Program that was introduced four years ago also continued in full force. It offers small, minority, woman, service-

disabled veteran and Historically Underutilized Business Zones businesses an opportunity to have CPS mentor them to develop the tools and practices needed for business success.

CPS recognizes that all its accomplishments would not be possible without the dedicated efforts of its employees, who drive the utility to success each and every day. To help attract and retain the best-qualified staff, CPS implemented a market-based compensation program in May 2001. This key strategic initiative rewards high-performing employees through a performance-driven merit structure.

*Bond rating agencies have consistently recognized CPS's success. A fall 2001 revenue refunding bond issue elicited the comments at right*

## BOND RATINGS

September 2001

### Fitch AA+

*"The ratings reflect CPS's strong financial performance, low cost generating resources, and very competitive retail rates, which are among the lowest in the region."*

### Moody's Aa1

*"This high grade rating is based on the utility's very competitive power cost structure and debt position, adequate generation resources, strong financial management and growing service area."*

### Standard & Poor's AA

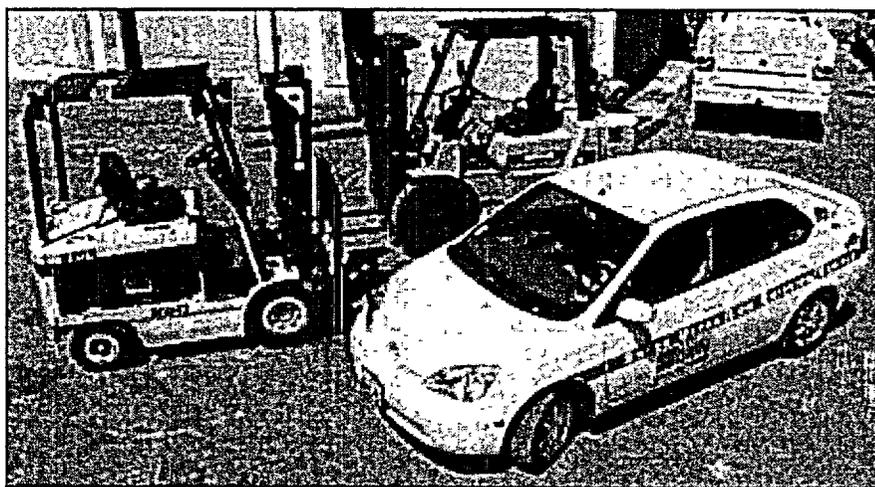
*"The Double - 'A' rating on the bonds reflects: Management's active and successful preparation to compete in a deregulated electric market... sufficient generation to meet native load produced by favorable resource mix...consistently strong financial performance."*

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## *Finance and Administration (continued)*

The Employee Incentive Pay plan, now in its fourth year of operation for all salaried employees, continued its concentration on rewarding employees for company achievements that meet or exceed predetermined goals. Performance measures include specific targets for sales, expense control, customer satisfaction and safety, among others. More aggressive recruitment strategies focused on attracting the best talent to the company. In addition, CPS expanded its "Workforce Ideas Needed for Success" program to reward employees for offering job-related, money-saving suggestions and ideas that are implemented.



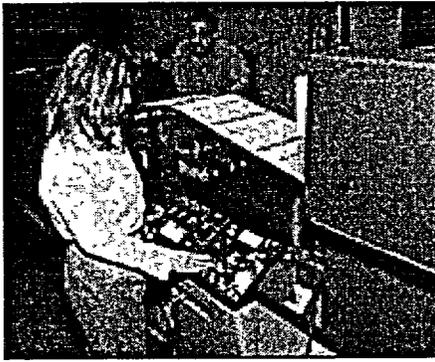
*CPS's fleet includes several low-emission, alternative-fueled vehicles such as hybrid electric/gasoline-powered cars and electric- and propane-powered forklifts. CPS will continue to incorporate other alternative fuels to protect the environment.*



*The Compensation Team completed an extensive project that led to a new market-based compensation plan*

CPS also has taken steps to ensure it exceeds the latest standards in Fleet Operations. Several light-duty, alternative-fueled vehicles were added to CPS's fleet to make certain CPS complies with provisions of the State and Alternative Fuel Transportation Program implemented by the U.S. Department of Energy in 1999. This mandatory program requires that 90 percent of all new light-duty vehicles CPS purchases must be equipped with alternative-fueled engines and that alternative fuels must be used in these vehicles 75 percent of the time

To do more research into alternative fuels, CPS's Fleet Operations recently acquired two hybrid compact cars that run off electricity as well as gasoline. These vehicles are extremely fuel-efficient and offer adequate performance, comfort and very low emissions. CPS continues to enhance its alternative fuels program by acquiring other alternative-fueled vehicles and equipment powered by compressed natural gas, electricity, BioDiesel, propane or ethanol.



*The Lithographics staff facilitates the transmission of information through printed communications. These printers generate millions of documents during the year.*

The CPS Lithographics team represents an integral part of communicating information both internally and externally. A large amount of information is printed in-house and includes customer bills, customer information, employee publications, financial reports, and other special projects. An award-winning graphics design staff helps to assure that CPS publications portray the best visual appeal to the reader.

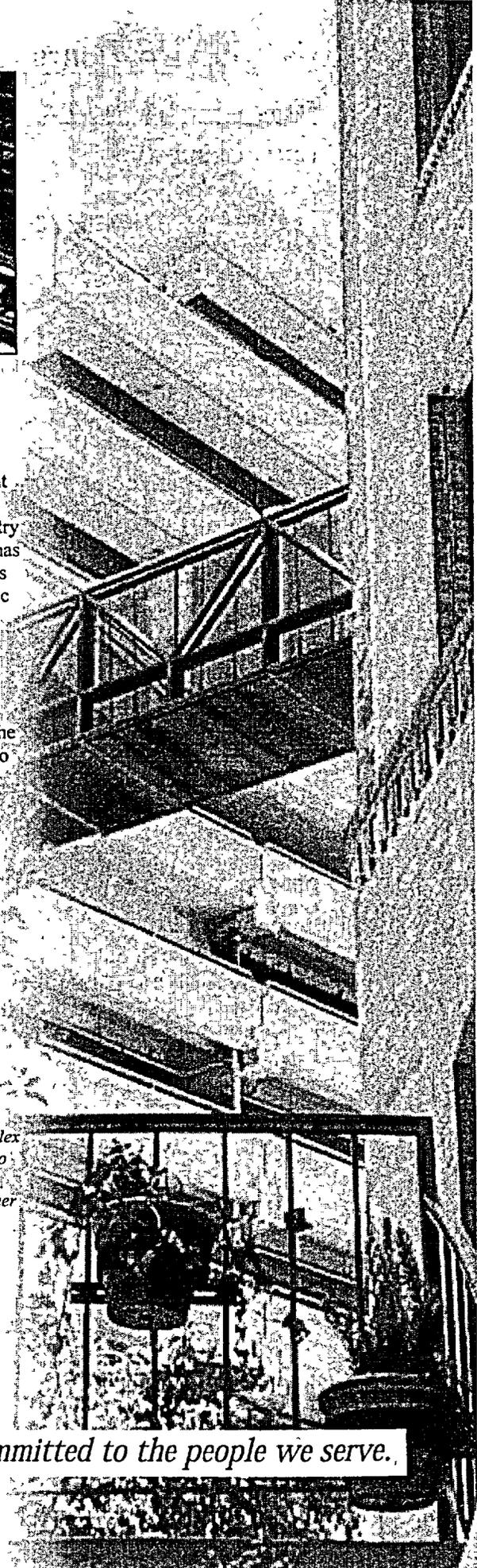
CPS's Safety Section carefully monitors, among other things, incident rates and lost hours per employee and ensures CPS's compliance with industry and company safety measures. CPS has set specific safety targets to achieve as part of its corporate goals and strategic plan. For fiscal year 2001-02, safety incident rates and lost hours per employee corporate-wide were both better than the target performance levels.

Finally, CPS does not forget that the safety of its workforce is imperative to the utility's ongoing operational success. As a result of the events of September 11, 2001, CPS took immediate steps to heighten security measures at all locations to protect employees and the reliability of the electric and gas systems.



*CPS attorneys ensure that legal implications are carefully examined for all major initiatives and contingencies.*

*CPS's Main Office complex in downtown San Antonio includes the Navarro Building and the Customer Service Center.*



*... and remain committed to the people we serve.*

## FIVE-YEAR HIGHLIGHTS - UNAUDITED *(Dollars In Thousands)*

For Year Ended January 31,	2002 <sup>(1)</sup>	2001 <sup>(1)</sup>	2000	1999	1998
<b>FINANCIAL SUMMARY</b>					
Total revenue .....	\$ 1,252,771	\$ 1,405,501	\$ 1,079,969	\$ 1,081,404	\$ 1,032,202
Operating & maintenance expenses .....	696,119	769,002	520,915	500,083	491,813
Available for debt service .....	556,652	636,499	559,054	581,321	540,389
Payments to City of San Antonio (per financial statements) .....	168,135	185,006	145,474	144,555	138,543
<b>CAPITAL ASSETS</b>					
Capital assets, net (per Balance Sheet) .....	4,454,164	4,365,709	4,134,207	3,929,705	3,900,755
Depreciation & depletion expense .....	189,065	217,191	165,249	167,686	153,407
New construction, net removal costs, & nuclear fuel purchases .....	287,653	260,748	431,563	292,450	204,201
<b>FUNDING FOR NEW CONSTRUCTION, NET REMOVAL COSTS, &amp; NUCLEAR FUEL PURCHASES</b>					
Bond proceeds <sup>(2)</sup> .....	5,557	66,808	208,968	192,029	152,754
Commercial paper proceeds .....	123,600	78,000	6,500	0	4,500
Repair & Replacement Account <sup>(2)</sup> .....	76,070	11,819	162,952	26,312	37,966
Overhead Conversion Fund .....	8,938	8,891	7,420	5,051	1,589
Contributions in aid of construction .....	73,488	95,230	45,723	69,058	7,392
<b>OTHER FINANCIAL DATA</b>					
STP nuclear decommissioning master trust total assets .....	145,878	119,840	95,493	89,465	72,783
Repair and Replacement Account .....	548,303	465,206	330,984	424,494	291,748
Total assets .....	6,521,346	6,255,245	5,005,769	4,920,277	5,105,373
Fund net assets .....	2,664,571	2,416,100	2,048,534	1,961,174	1,898,367
<b>DEBT</b>					
Outstanding					
Bonds .....	2,589,860	2,668,820	2,730,575	2,794,295	2,582,638
Commercial paper .....	350,000	252,800	134,800	128,300	450,000
Weighted-Average Interest Rate					
Bonds .....	5.32%	5.33%	5.24%	5.23%	5.53%
Commercial paper .....	1.36%	3.95%	3.69%	3.09%	3.69%
Debt Service					
Bonds <sup>(3)</sup> .....	212,274	208,567	208,925	185,044	193,626
Commercial paper .....	8,191	8,182	4,709	15,474	15,841
Debt Service Coverage - Bonds .....	2.62x	3.05x	2.68x	3.14x	2.79x
Ratings - Bonds/Commercial Paper					
Fitch, Inc. ....	AA+/F-1+	AA+/F-1+	AA+/F-1+	AA+/F-1+	AA+/F-1+
Moody's Investors Service, Inc. ....	Aa1/P-1	Aa1/P-1	Aa1/P-1	Aa1/P-1	Aa1/P-1
Standard & Poor's Rating Services .....	AA/A-1+	AA/A-1+	AA/A-1+	AA/A-1+	AA/A-1+
<b>RELIABILITY INDICES</b>					
System Average Interruption Duration Index (SAIDI) <i>(In hours)</i> .....	0.650	1.124	0.728	0.886	0.842
System Average Interruption Frequency Index (SAIFI) .....	1.005	1.527	1.162	0.919	1.130

(1) 2002 and 2001 reflect reclassifications and restatements due to accounting changes for implementation of GASB 33 and 34 and Employee Health and Welfare Plans

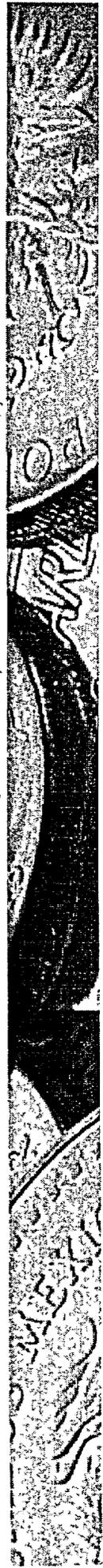
(2) 2001 and 2000 reflect the allocation of the New Series 2000 bond proceeds to reimburse the Repair and Replacement Account for prior construction funding

(3) Excludes cash defeasance in 2001 and 1999

## FIVE-YEAR OPERATIONS REVIEW- UNAUDITED

For Year Ended January 31,	2002	2001	2000	1999	1998
<b>OPERATING REVENUE</b> <i>(In thousands)</i>					
Electric:					
Residential .....	\$ 479,471	\$ 516,203	\$ 428,450	\$ 428,482	\$ 392,889
Commercial and industrial .....	398,563	411,773	353,055	344,064	329,241
Street lighting .....	12,703	12,786	11,977	11,655	11,404
Public authorities .....	94,586	105,815	94,475	90,182	87,198
Sales for resale .....	14,539	15,548	12,581	11,818	11,731
Off-system sales .....	19,368	54,677	26,499	17,147	6,667
Miscellaneous .....	9,029	7,612	6,592	6,291	5,718
Total .....	<u>\$ 1,028,259</u>	<u>\$ 1,124,414</u>	<u>\$ 933,629</u>	<u>\$ 909,639</u>	<u>\$ 844,848</u>
Gas:					
Residential .....	94,443	122,385	59,748	66,142	79,791
Commercial and industrial .....	64,341	75,888	39,425	39,756	47,547
Public authorities .....	12,271	14,704	6,694	7,391	9,197
Miscellaneous .....	1,532	1,579	1,153	948	1,058
Total .....	<u>\$ 172,587</u>	<u>\$ 214,556</u>	<u>\$ 107,020</u>	<u>\$ 114,237</u>	<u>\$ 137,593</u>
<b>SALES</b> <i>(In thousands)</i>					
Electric kWh:					
Residential .....	7,053,649	7,180,459	6,492,199	6,571,130	5,990,225
Commercial and industrial .....	7,454,710	7,284,582	6,928,944	6,850,843	6,467,755
Street lighting .....	102,668	103,428	100,534	99,919	97,775
Public authorities .....	1,954,333	2,083,527	2,108,671	2,059,882	1,972,320
Sales for resale .....	352,521	348,717	327,277	320,986	287,996
Off-system sales .....	326,559	844,436	470,335	454,114	351,745
Total .....	<u>17,244,440</u>	<u>17,845,149</u>	<u>16,427,960</u>	<u>16,356,874</u>	<u>15,167,816</u>
Gas MCF:					
Residential .....	11,540	12,777	10,027	11,925	13,607
Commercial and industrial .....	10,184	10,574	9,485	10,196	10,875
Public authorities .....	2,033	2,065	1,762	2,074	2,293
Total .....	<u>23,757</u>	<u>25,416</u>	<u>21,274</u>	<u>24,195</u>	<u>26,775</u>
<b>ELECTRIC GENERATION</b>					
Total kWh <sup>(1)</sup> <i>(In thousands)</i> .....	17,916,991	18,214,197	17,457,003	17,373,503	15,738,497
Capacity, kW (Gas) .....	2,942,000	2,942,000	2,430,000	2,430,000	2,430,000
Capacity, kW (Coal) .....	1,385,000	1,385,000	1,385,000	1,385,000	1,385,000
Capacity, kW (Nuclear) .....	700,000	700,000	700,000	700,000	700,000
Capacity, kW (Wind) .....	160,000	25,000	-	-	-
<b>ENERGY PURCHASES</b> <i>(In thousands)</i>					
Electric kWh .....	203,032	480,894	14,835	0	0
Distribution Gas MCF .....	23,559	25,905	21,664	23,998	26,308
<b>ELECTRIC PEAK DEMAND KW</b> .....	3,860,000	4,091,000	3,729,000	3,684,000	3,448,000
<b>NUMBER OF CUSTOMERS</b>					
Electric .....	592,195	578,296	563,127	550,956	539,400
Gas .....	306,668	305,811	303,871	302,719	301,181
<b>RESIDENTIAL AVERAGES</b>					
Electric					
Revenue per customer .....	\$ 930.36	\$ 1,026.56	\$ 874.10	\$ 892.38	\$ 833.89
kWh per customer .....	13,687	14,280	13,245	13,685	12,714
Revenue per kWh .....	6.80¢	7.20¢	6.60¢	6.52¢	6.56¢
Gas					
Revenue per customer .....	\$ 330.97	\$ 430.49	\$ 211.34	\$ 235.00	\$ 284.93
MCF per customer .....	40.4	44.9	35.5	42.4	48.6
Revenue per MCF .....	\$ 8.18	\$ 9.58	\$ 5.96	\$ 5.55	\$ 5.86
<b>NUMBER OF EMPLOYEES</b> .....	4,195	3,994	3,810	3,639	3,475

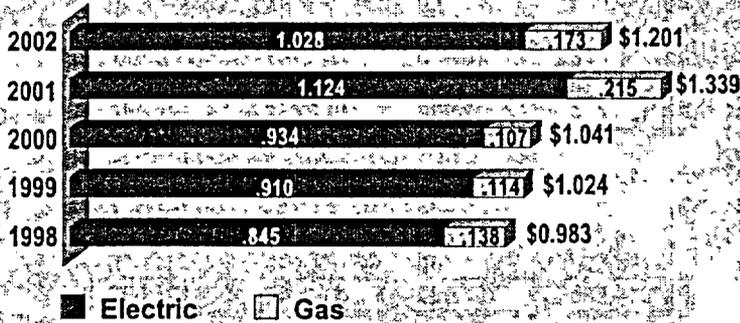
(1) Excludes joint operating systems generation



# Financial and Operating Review

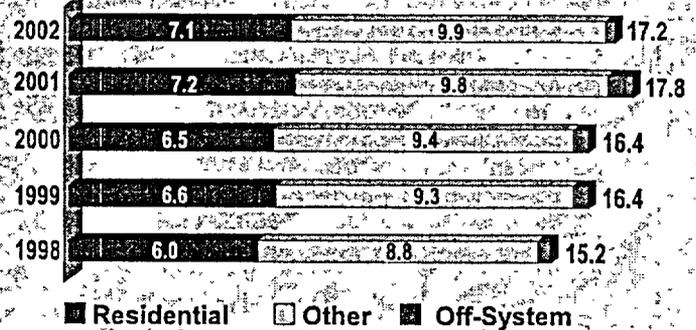
## OPERATING REVENUE

Fiscal Year Ending January 31  
In Billions of Dollars



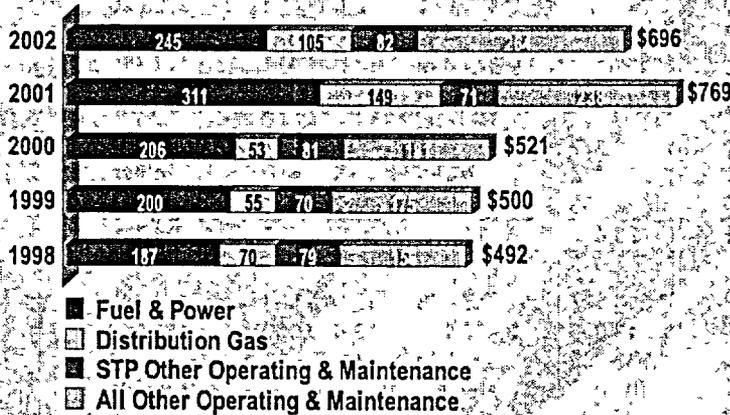
## ELECTRIC SALES

Fiscal Year Ending January 31  
In Billion kWh



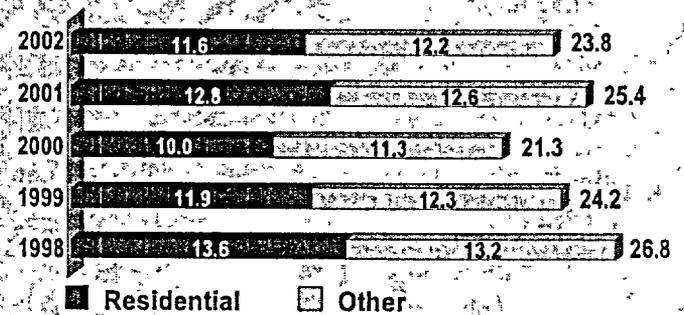
## OPERATING & MAINTENANCE EXPENSES

Fiscal Year Ending January 31  
In Millions of Dollars



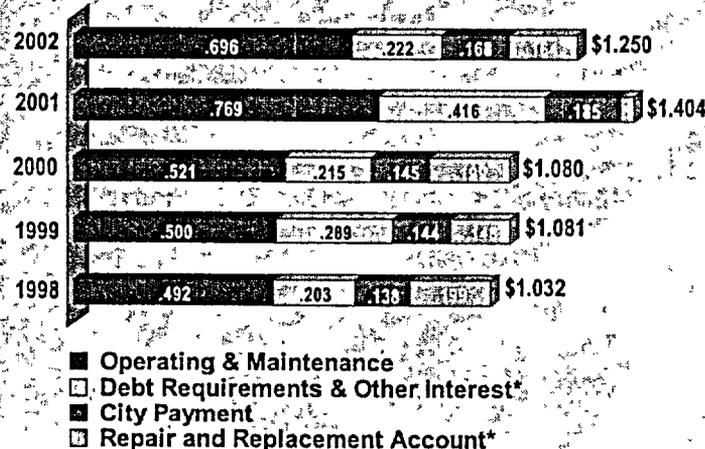
## GAS SALES

Fiscal Year Ending January 31  
In Million MCF



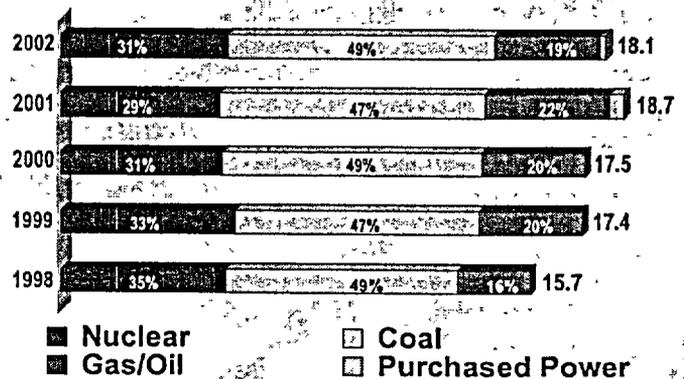
## APPLICATION OF REVENUE PER BOND ORDINANCE

Fiscal Year Ending January 31  
In Billions of Dollars



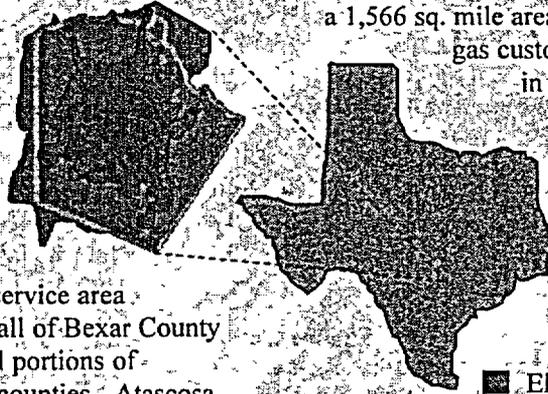
## ELECTRIC GENERATION & PURCHASED POWER

Fiscal Year Ending January 31  
In Billion kWh



\*FY 2001 includes cash defeasance of debt.  
Application of Revenue for FY 2002 & 2001 excludes fair value adjustment for investments.

## SERVICE AREA



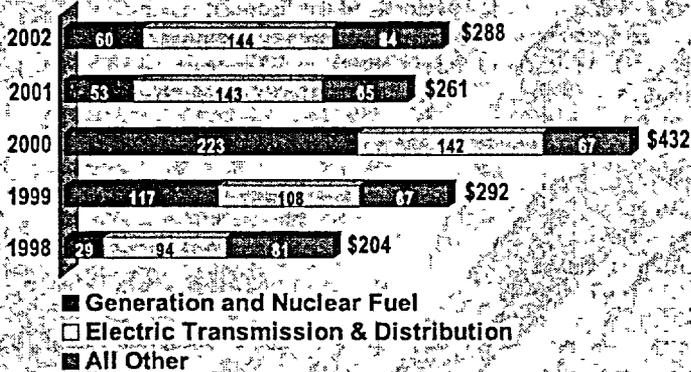
CPS serves 592,195 electric customers in a 1,566 sq. mile area. CPS's 306,668 gas customers are situated in Bexar and Comal Counties.

Electric service area includes all of Bexar County and small portions of adjacent counties - Atascosa, Bandera, Comal, Guadalupe, Medina, Wilson, and Kendall.

■ Electric  
■ Gas

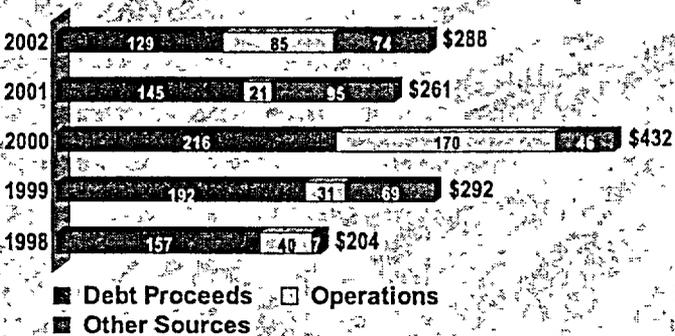
## CONSTRUCTION, NET REMOVAL COSTS & NUCLEAR FUEL PURCHASES EXPENDITURES SUMMARY

Fiscal Year Ending January 31  
In Millions of Dollars



## CONSTRUCTION, NET REMOVAL COSTS & NUCLEAR FUEL PURCHASES FUNDING SUMMARY

Fiscal Year Ending January 31  
In Millions of Dollars



## COMPARISON OF RESIDENTIAL GAS AND ELECTRIC BILLS FOR THE 20 LARGEST U.S. CITIES

Monthly Average for 12 months Ending December 2001

Based on 1,000 kWh and 5 MCF

Memphis, TN	\$104.11
San Antonio, TX	\$108.00
Detroit, MI	\$123.29
Indianapolis, IN	\$124.11
Milwaukee, WI	\$125.74
Austin, TX	\$132.00
Columbus, OH	\$132.06
Dallas, TX	\$132.70
Baltimore, MD	\$135.00
Jacksonville, FL	\$138.88
Los Angeles, CA	\$146.45
Houston, TX	\$153.61
Phoenix, AR	\$155.75
Chicago, IL	\$156.36
San Jose, CA	\$174.10
San Francisco, CA	\$174.10
San Diego, CA	\$200.71
Boston, MA	\$206.39
Philadelphia, PA	\$208.51
New York, NY	\$223.55

Compiled by City Public Service

# REPORT OF MANAGEMENT

The Board of Trustees is responsible for the audited financial statements but has delegated responsibility for the preparation to Management.

The audited financial statements included in this report were prepared by Management in conformity with generally accepted accounting principles and the statements are presented fairly in all material respects. Management has also prepared the financial information presented elsewhere in the annual report and has ensured that it is consistent with information in the audited financial statements.

City Public Service maintains internal accounting and administrative controls designed to provide reasonable assurance that the financial information is relevant, reliable and accurate and that assets are appropriately accounted for and adequately safeguarded. As part of this process, Management has an internal audit function which assists in evaluating the adequacy and effectiveness of the control structure.

The Board of Trustees is responsible for reviewing and approving the audited financial statements and Management's Discussion & Analysis and, primarily through its Audit Committee, ensures that Management fulfills its responsibilities for financial reporting.

The Audit Committee meets regularly with Management, and with the internal and external auditors, to discuss internal control and reporting issues and to satisfy itself that each party is properly discharging its responsibilities. The Audit Committee reviews the audited financial statements and the external auditors' report and considers, for review and approval by the Board, the engagement or reappointment of the external auditors.

CPS's external auditors, KPMG LLP, Leal & Carter, P.C., and Robert J. Williams, CPA, have audited the financial statements in accordance with generally accepted auditing standards. They considered the company's control structure and performed such tests and other procedures, as they deemed necessary to express an opinion on the fairness of the audited financial statements. The external auditors were given full and free access to the accounting records through CPS's Management.

Milton B. Lee  
General Manager & CEO

V. Gary Schaub  
Secretary-Treasurer  
Senior Vice President  
Finance & Administration

April 29, 2002

## Audited Financial Statements and Footnotes

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## MANAGEMENT'S DISCUSSION & ANALYSIS

City Public Service (CPS) has completed fiscal year 2002 (2002) with several financial firsts and highlights. Most dramatic were various accounting and reporting changes that occurred this year in conjunction with the implementation of Governmental Accounting Standards Board Statements (GASB) No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This Management's Discussion and Analysis (MD&A) is required by the new reporting changes in GASB 34. The MD&A is intended to be an understandable and clear explanation and analysis of significant financial and operating activities and events and their impact on CPS's financial reports.

### **The audited financial statements presented this year include the following:**

The *Balance Sheets* present CPS's assets and liabilities for the current and prior year. Assets are reported as current and non-current based upon liquidity. Non-current assets include cash, cash equivalents, investments and interest receivable which have been restricted legally by State Law, debt ordinances, or contracts. Receivables, inventories, prepayments and deferred costs, as well as net capital assets are detailed. Liabilities are segregated into current and non-current and indicate the long-term nature of net debt, the South Texas Nuclear Project (STP) decommissioning liability, and deferred revenue from the lease transaction that occurred last fiscal year. The balance sheet reports fund net assets which is the difference between the total assets and total liabilities. The fund net assets are classified as those invested in capital assets, net of related debt; those legally restricted; and those unrestricted and available for operations.

The *Statements of Revenues, Expenses and Changes in Fund Net Assets* include all current and prior year revenues and expenses. Operating results are reported separately from non-operating activities which primarily relate to financing and investing. This statement identifies for the current and prior fiscal years the amount of revenue generated from existing energy sales to cover operating expenses for the years. Operating expenses are shown by major cost categories. Revenue remaining is available to pay debt service; city payment; to finance system additions; and to pay for contingencies, such as uninsured losses. The results indicate the sales and profitability and credit worthiness of the utility systems as a whole.

The *Statements of Cash Flows* present two years of cash activity. The statement is prepared using the direct method which reports cash receipts and payments and a reconciliation of operating income to net cash provided by operating activities. Categories of cash flows presented are cash flows from operating activities, capital and related financing activities, non-capital financing activities, and investing activities. The changes in cash balances during the fiscal years are an important indicator of CPS's liquidity and financial condition.

GASB 33 required a change in accounting for contributions in aid of construction (CIAC). As a result, CPS had to reclassify \$203.2 million between its capital assets, net and equity accounts at the beginning of the fiscal year 2001. As of February 1, 2000, contributions to construct capital assets will flow through the *Statements of Revenues, Expenses and Changes in Fund Net Assets* and will be shown as part of the utility's equity invested in capital and other assets. The amount reported in this new manner for CIAC was \$73.1 million for 2002 as compared with \$93.2 million for 2001. About 87 percent of the amount for the year came from litigation settlements, mainly the Joint Operating Agreement with Reliant Energy. The remainder was contributed by customers for utility extensions and services.

Another important aspect of the financial reporting changes involved the new balance sheet presentation. Essentially, the utility system's equity is now known as fund net assets. At year-end, this amounted to \$2.7 billion as compared with \$2.4 billion for January 31, 2001 after the restatements for CIAC. The newly adopted balance sheet presentation focuses more on asset liquidity than the traditional format where more emphasis was placed on capital assets due to the substantial amounts. In addition, restricted cash, cash equivalents and investments are now more specifically defined as those designated legally, such as by State Law, debt ordinances, or other legal requirements.

Another change in financial reporting for CPS this year involved additional reporting and disclosures for the net assets accumulated to pay the liabilities for the employee health and welfare plans under GASB 14, *The Financial Reporting Entity*. CPS has adopted the provisions of GASB 14 and has included these plans in its financial statements for external reporting purposes. These assets are segregated from CPS, separately accounted for, and audited by another independent accounting firm. This change had the following impact for fiscal year 2002: fund net assets were \$131.7 million greater; income before contributions, was \$7.4 million lower as investment earnings from the plans were less than the claims paid this year; and the *Statements of Cash Flows* reflected the overall changes in cash and investments related to the employee health and welfare plans. These reporting changes have been incorporated in various footnote disclosures as well.

Following are other analysis and explanations of the transactions, activities and events that had major impact on either the fund net assets or the change in fund net assets for fiscal year 2002. This discussion will compare results to the prior fiscal year.

#### **Major Transactions and Events:**

The fiscal year began with record winter weather. CPS responded by working with the City of San Antonio to offer utility customers several relief programs. A variety of customer service enhancements were activated including extended customer service hours for call center and office personnel. Service disconnections were briefly discontinued and bill payment extensions were increased. In addition, CPS lowered fuel costs by \$4.9 million from savings in negotiated coal transportation settlements. The City gave \$8.3 million of its payments from CPS back to San Antonio gas customers.

February 2001 was the beginning of the new transmission cost of service rate filing. This lowered regulatory assessments by almost \$15 million during the year, and was a direct savings to customers.

Electric Reliability Council of Texas (ERCOT), the Texas Independent System Operator (ISO), began assessing new fees related to the wholesale competitive market in late July 2001 with the start-up of the statewide control center. CPS initiated passing some of these costs through to native load electric customers. About \$5.7 million of the costs paid in 2002 have not as yet been billed to customers. CPS did record this revenue as a receivable at year end, and billings will occur next fiscal year.

In October 2001, CPS sold \$115.3 million of revenue refunding bonds to defease \$122.5 million of certain 1992 New Series Bonds. This financial transaction resulted in net present value savings of \$11.7 million. The 2001 bonds were sold at a very favorable average interest rate of 3.84 percent. A \$2.4 million accounting loss was recorded in relation to this refunding. The loss will be deferred and amortized over the remaining life of the bonds refunded.

CPS also sold \$97.2 million in Tax-Exempt Commercial Paper during fiscal year 2002, which was invested until used for construction projects. At year end, \$13.6 million in unspent proceeds was available for projects next year.

### Comparison of 12 Months Ended January 2002 and 2001

Operating revenue from electric and gas operations for fiscal year 2001-2002 totaled \$1.2 billion, a 10.3 percent decrease from last year. During the prior fiscal year, San Antonio experienced extremely cold temperatures in the winter months as did most of Texas and the nation. Unusual temperatures nationally created an unexpected demand on natural gas. This coupled with less natural gas in storage caused the commodity prices to escalate to historically high levels throughout fiscal year 2000 - 2001. This resulted in operating revenue from electric fuel and distribution gas costs recoveries being about \$109.7 million greater last fiscal year. Substantially greater fuel and gas recovery revenue accounted for record operating revenue a year ago. This year's mild to normal weather, resulted in fuel and gas recovery revenue of over \$401.0 million, or about one-third of CPS's total operating revenue.

Electric sales of 17.2 billion kWh were about 3.4 percent less, primarily due to reduced off system sales. CPS recorded 326.6 million kWh in sales outside of the service area which accounted for \$19.3 million in operating revenue. This was significantly lower than the prior year due to the milder weather in Texas, and to the additional merchant plant capacity available for sale in 2002. Service area customers increased 13,899 to 592,195 at year end.

Gas sales totaled 23.7 million MCF, or a 6.5 percent decrease from last year. Gas customer growth was very modest this year.

CPS energy base rates, which have not increased since 1991, accounted for \$772.7 million, or 64.4 percent, of total operating revenue. Revenue from rates decreased about \$12.6 million in 2002 as the mild weather all year was only partially offset by sales to new customers.

Recoveries from customers for utility commission assessments for statewide transmission costs and for assessments by ERCOT, the Texas ISO, totaled \$16.5 million as compared with \$33.7 million last year. The recovery for transmission costs was reduced in 2002 due to a rate filing, which became effective early in the year, that allowed CPS greater cost recoveries from other utilities. These savings reduced the pass through charges to CPS customers. Beginning July 31, 2001, ISO fees and charges rose dramatically, and they were and will continue to be passed on to CPS electric service area customers.

Total Operating Expenses were \$885.2 million which was about 10.2 percent lower than the comparable amount for 2001. Electric fuel and purchased power costs of \$244.7 million decreased by \$66.2 million, or 21.3 percent. Generation requirements were about 3.2 percent lower this year. Nuclear and coal accounted for almost 80 percent of total generation, and were somewhat greater this year which resulted in less gas-fueled requirements. As a result, the average electric production unit cost of fuel was \$13.51 per MWh, or 18.3 percent below 2001.

Distribution gas costs were \$105.4 million, or \$44.0 million less than the prior year. The average unit cost per million Btu declined significantly to \$4.16, reflecting the prior year volatile gas market and high demand for gas. Purchased gas volume requirements dropped 8.9 percent due to greater customer demand during the late fall and winter of fiscal year 2001 when record low temperatures were experienced in Texas and the nation.

STP non-fuel operating and maintenance expenses totaled \$81.7 million. A year ago various costs for the steam generator replacements were being capitalized, which resulted in reduced maintenance expenses in 2001. In 2002, there were two refueling outages, whereas only one in the prior year, which contributed to greater operating expenses. STP expenses included CPS Decommissioning funding payments of \$15.9 million in fiscal 2002 as compared with \$9.4 million in 2001.

CPS non-fuel operating and maintenance expenses for the systems amounted to \$247.5 million and were about \$46.5 million higher for the year. Increased costs included expenses related to the Business Information Systems (BIS) Project for training and project management, as well as a full year of operating and maintenance costs for the new von Rosenberg plant. To prepare for the systems conversions, materials and supplies inventory items were reviewed which resulted in some expensing of items no longer to be used. In addition, numerous construction work orders were reviewed prior to conversion which caused various reclassifications of costs to expense. This year CPS implemented customer initiatives and education programs, including new and revised energy conservation campaigns which increased expenses this year. Staff was added to handle customer growth and enhance marketing, sales and public information efforts. Various projects relating to electric distribution system reliability continue, such as the CableCure™ process, which contributed to cost variances.

The regulatory assessment expense totaled \$17.0 million, down significantly from the prior year. As a result of the Texas Public Utility Commission's (PUC) 100 percent postage stamp rate effective September 1, 1999, CPS was faced with increased costs for transmission access. CPS began recovering these costs from customers since the PUC rate did not allow for full cost recovery. In Spring, 2001, a rate filing occurred that when completed increased the costs recovered from other transmission utilities in the state. This filing became effective in early 2002 which resulted in CPS recording substantially less expense related to transmission cost assessments. During 2002, the ISO began assessing additional fees to those engaged in the wholesale competitive market. The fees increased significantly starting in August 2001. CPS began passing through to system customers some of these costs at that time and deferred billing a contested amount until next fiscal year.

Depreciation expense amounted to \$189.0 million which reflects the accounting change that no longer requires amortization of CIAC which reduced depreciation expense. Last fiscal year included a \$12 million accrual for additional removal costs at two locations.

Interest and debt-related costs were slightly less than the prior year due in part to the financing transactions in 2002 and 2001. The Allowance For Funds Used During Construction (AFUDC) amounted to \$7.1 million as compared with \$12.6 million in 2001. Completion of major projects in mid to late 2001 resulted in less capitalized interest during 2002.

Payments to the City of San Antonio were \$168.1 million which decreased from the record payments in 2001, when revenue reflected much higher fuel and gas costs.

Income before contributions was \$36.3 million in 2002 as compared with \$71.2 million in 2001. Lower utility sales revenue due to milder weather and greater operating expenses, including CPS labor and related costs; STP operating expenditures; and costs for various initiatives such as the BIS Project, deregulation education, and conservation programs accounted for the reduced income before contributions.

CIAC for 2002 of \$73.1 million reflected certain litigation settlements, mainly the Joint Operations Agreements (JOA) with Reliant. Prior year CIAC amounted to \$93.2 million and was greater in 2001 due to JOA and other litigation proceeds.

Total assets at January 31, 2002 amounted to \$6.521 billion; an increase of about \$266 million from the amount reported for January 2001. The accounting change for the employee health and welfare plans added \$131.7 million to fund net assets. The remainder of the increase resulted mainly from operating activities.

For the fiscal year ended January 31, 2002, cash paid for new construction, net removal costs, and nuclear fuel purchases amounted to \$285.6 million as compared with \$248.2 million in 2001. Major construction projects for the year included underground electric distribution system initiatives for reliability and service improvements; the BIS Project; the purchase of railcars for two unit trains to supplement an aging fleet; and progress on constructing several transmission substations and lines within the service area. The BIS project implementation will continue next year. The remaining budget of \$16.5 million will be spent on the implementation of the customer information system and phase II of the work management system.

Actual expenditures for new construction, net removal costs, and nuclear fuel purchases were funded from the following sources: \$123.6 million from Tax-Exempt Commercial Paper (TECP) proceeds; \$76.1 million from the Repair and Replacement Account; \$73.5 million from contributions in aid of construction; \$8.9 million from the Overhead Conversion Fund; and \$5.6 million from taxable bond proceeds.

At January 31, 2002, CPS had \$13.6 million of TECP funds and \$26.3 million of taxable bond proceeds available for eligible projects and construction next year.

The three major municipal bond rating agencies reaffirmed our excellent ratings on revenue bonds and commercial paper: Fitch, Inc. AA+/F-1+; Moody's Investors Service, Inc. Aa1/P-1; Standard and Poor's Rating Services AA/A-1+. Debt service coverage for bonds was a strong 2.62x for the year. Interest rates on bonds and commercial paper declined again in 2002 due to the financing strategies and transactions, and favorable market conditions. CPS's fund net assets to total debt and fund net assets, as restated, was 47.5 percent, up from 45.3 percent for 2001. CPS's operating margin was 26.3 percent for years 2002 and 2001.

For more information about CPS, contact Robert G. McCullough, Director of Corporate Communications at (210) 353-2344 or at P.O. Box 1771, San Antonio, Texas, 78296-1771.

### Summary of Balance Sheet Information

	January 31	
	2002	2001
(In thousands)		
<b>Assets</b>		
Current and other assets	\$ 2,067,182	\$ 1,889,536
Capital assets, net	4,454,164	4,365,709
<b>Total Assets</b>	<b>6,521,346</b>	<b>6,255,245</b>
<b>Liabilities</b>		
Other liabilities	1,129,927	1,151,456
Long-term debt, net	2,726,848	2,687,689
<b>Total Liabilities</b>	<b>3,856,775</b>	<b>3,839,145</b>
<b>Fund Net Assets</b>		
Invested in capital assets, net of related debt	1,690,076	1,679,157
Restricted	720,221	504,263
Unrestricted	254,274	232,680
<b>Fund Net Assets</b>	<b>\$ 2,664,571</b>	<b>\$ 2,416,100</b>

### Summary of Capital Assets, Net of Depreciation Information (Dollars in thousands)

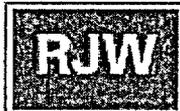
	January 31		Amount Change	Percentage Change
	2002	2001		
Land	\$ 67,488	\$ 65,935	\$ 1,553	2.4%
Buildings and structures	809,646	836,929	(27,283)	(3.3)%
Systems and improvements				
Generation	1,582,997	1,636,901	(53,904)	(3.3)%
Transmission and distribution	1,209,239	1,140,801	68,438	6.0%
Gas	286,697	276,213	10,484	3.8%
Machinery and equipment	256,600	210,094	46,506	22.1%
Other	19,812	19,906	(94)	(0.5)%
Nuclear fuel	30,968	34,420	(3,452)	(10.0)%
Construction in progress	190,717	144,510	46,207	32.0%
<b>Capital Assets, Net of Depreciation</b>	<b>\$ 4,454,164</b>	<b>\$ 4,365,709</b>	<b>\$ 88,455</b>	<b>2.0%</b>

**Summary of Revenues,  
Expenses, and Changes in Fund Net Assets Information**  
(Dollars in thousands)

	Years Ended January 31,		Dollar	Percentage
	2002	2001	Change	Change
<b>Revenue</b>				
Utility operating	\$ 1,200,846	\$ 1,338,970	\$ (138,124)	(10.3)%
Non-operating income, net	51,925	66,531	(14,606)	(22.0)%
<b>Total Revenue</b>	<u>1,252,771</u>	<u>1,405,501</u>	<u>(152,730)</u>	<u>(10.9)%</u>
<b>Expenses:</b>				
Depreciation	188,999	217,125	(28,126)	(13.0)%
Decommissioning	26,038	24,347	1,691	7.0%
Other operating and maintenance	670,147	744,721	(74,574)	(10.0)%
Interest and debt related	163,151	163,108	43	0.0%
Payments to the City of San Antonio	168,135	185,006	(16,871)	(9.1)%
<b>Total Expenses</b>	<u>1,216,470</u>	<u>1,334,307</u>	<u>(117,837)</u>	<u>(8.8)%</u>
<b>Income Before Contributions</b>	36,301	71,194	(34,893)	(49.0)%
<b>Contributions in aid of construction</b>	<u>73,096</u>	<u>93,166</u>	<u>(20,070)</u>	<u>(21.5)%</u>
<b>Change In Fund Net Assets Before Change</b>				
In Accounting Policy	109,397	164,360	(54,963)	(33.4)%
Cumulative Effect of Change In Accounting Policy	139,074	0	139,074	100.0%
<b>Change in Fund Net Assets After Change in Accounting Policy</b>	248,471	164,360	84,111	51.2%
<b>Fund Net Assets - Beginning, As Restated</b>	2,416,100	2,251,740	164,360	7.3%
<b>Fund Net Assets - Ending</b>	<u>\$ 2,664,571</u>	<u>\$ 2,416,100</u>	<u>\$ 248,471</u>	<u>10.3%</u>



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### Independent Auditors' Report

The Board of Trustees  
City Public Service Board of San Antonio, Texas:

We have audited the accompanying balance sheets of the City Public Service Board of San Antonio, Texas (City Public Service), a component unit of the City of San Antonio, Texas, as of January 31, 2002 and 2001, and the related statements of revenues, expenses, and changes in fund net assets and cash flows for the years then ended. These financial statements are the responsibility of City Public Service's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements of City Public Service Employees' Pension Plan in 2002 or 2001, the financial statements of the City Public Service Disability Income, Group Life Insurance and Group Health Plans (Employee Health and Welfare Plans) in 2002, or the City Public Service Decommissioning Master Trust for the South Texas Project in 2001. The financial information related to the City Public Service Employees' Pension Plan is included in footnote 7 of the notes to the financial statements. The total assets and total liabilities, respectively, of the City Public Service Decommissioning Master Trust for the South Texas Project as of January 31, 2001, represent 2% and 3% of the total assets and total liabilities of City Public Service. The total assets and net assets, respectively, of the Employee Health and Welfare Plans represent 2% and 5% of the total assets and total fund net assets of City Public Service. Those financial statements were audited by other auditors, for the years indicated, whose reports thereon have been furnished to us, and our opinion on the City Public Service financial statements, insofar as it relates to the amounts and disclosures included for the City Public Service Employees' Pension Plan, the City Public Service Employee Health and Welfare Plans, and the City Public Service Decommissioning Master Trust for the South Texas Project, is based on the reports of other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits and the reports of other auditors provide a reasonable basis for our opinion.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the financial position of City Public Service as of January 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in note 1, City Public Service adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, adopted the provisions of Governmental Accounting Standards Board Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and changed its method of accounting for assets accumulated to finance risk, in 2002.



CPA CERTIFIED PUBLIC ACCOUNTANT  
MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

The management's discussion and analysis on pages 35 to 41 is not a required part of the basic financial statements, but is supplementary information required by the 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 supplementary information. However, we did not audit the information and express no opinion on it.

KPMG LLP Robert Williams CPA Seal & Carter, P.C.

March 22, 2002

## Balance Sheets

	January 31,	
	2002	2001
<i>(In thousands)</i>		
<b>Assets</b>		
<b>Current Assets:</b>		
Unrestricted cash and cash equivalents <i>(Notes 1 and 2)</i>	\$ 303,593	\$ 21,554
Unrestricted investments <i>(Notes 1 and 2)</i>	11,019	230,108
Interest receivable	6,528	11,319
Customer accounts receivable, less allowance for doubtful accounts of \$6,362 in 2002 and \$5,567 in 2001	78,208	128,987
Other receivables	18,854	45,199
Inventories, at average cost -		
Materials and supplies	74,084	73,479
Fossil fuels	26,526	24,268
Prepayments and other	27,227	26,583
<b>Total Current Assets</b>	<u>546,039</u>	<u>561,497</u>
<b>Non-Current Assets:</b>		
<b>Restricted--</b>		
<b>Debt service- <i>(Notes 1 and 2)</i></b>		
Cash and cash equivalents	6	89
<b>Capital projects- <i>(Notes 1 and 2)</i></b>		
Cash and cash equivalents	13,606	40,128
Investments	26,324	32,146
Interest receivable	655	618
<b>Bond ordinance- <i>(Notes 1 and 2)</i></b>		
Investments	588,557	503,927
<b>Employee health and welfare- <i>(Notes 1 and 2)</i></b>		
Cash and cash equivalents	9,455	0
Investments	125,386	0
Interest receivable	775	0
<b>South Texas Nuclear Project decommissioning master trust <i>(Notes 1, 2, and 10)</i></b>		
Cash and cash equivalents	565	309
Investments	143,657	118,187
Interest receivable	1,656	1,344
<b>Project Warm- <i>(Notes 1 and 2)</i></b>		
Cash and cash equivalents	7,405	103
Investments	0	7,417
Interest receivable	(45)	240
Prepaid rent - leaseback <i>(Notes 1 and 13)</i>	575,551	595,341
Other non-current assets and deferred costs <i>(Note 1)</i>	27,590	28,190
Capital assets, net <i>(Notes 1, 3, 10, and 14)</i>	4,454,164	4,365,709
<b>Total Non-current Assets</b>	<u>5,975,307</u>	<u>5,693,748</u>
<b>Total Assets</b>	<u>\$ 6,521,346</u>	<u>\$ 6,255,245</u>

See accompanying notes to the basic financial statements

	January 31,	
	2002	2001
	<i>(In thousands)</i>	
<b>Liabilities</b>		
<b>Current Liabilities:</b>		
Current maturities of revenue bonds <i>(Note 5)</i> .....	\$ 77,825	\$ 71,755
Accounts payable and accrued liabilities .....	156,423	190,789
Employee health and welfare payables <i>(Notes 1 and 9)</i> .....	3,946	0
<b>Total Current Liabilities</b> .....	<u>238,194</u>	<u>262,544</u>
<b>Non-Current Liabilities:</b>		
Long-term debt, net <i>(Notes 4, 5, and 6)</i> .....	2,726,848	2,687,689
South Texas Nuclear Project decommissioning <i>(Notes 1 and 10)</i> .....	145,878	119,840
Customer deposits .....	28,269	26,879
Deferred lease revenue <i>(Notes 1 and 13)</i> .....	656,135	678,696
Other non-current liabilities and deferred credits <i>(Note 1)</i> .....	61,451	63,497
<b>Total Non-current Liabilities</b> .....	<u>3,618,581</u>	<u>3,576,601</u>
<b>Total Liabilities</b> .....	<u>3,856,775</u>	<u>3,839,145</u>
<b>Fund Net Assets <i>(Note 1)</i></b>		
Invested in capital assets, net of related debt .....	1,690,076	1,679,157
Restricted .....	720,221	504,263
Unrestricted .....	254,274	232,680
<b>Total Fund Net Assets</b> .....	<u>2,664,571</u>	<u>2,416,100</u>
<b>Total Liabilities and Fund Net Assets</b> .....	<u>\$ 6,521,346</u>	<u>\$ 6,255,245</u>

*See accompanying notes to the basic financial statements*

## Statements of Revenues, Expenses and Changes in Fund Net Assets

	Years Ended January 31,	
	2002	2001
	<i>(In thousands)</i>	
<b>Operating Revenue (Note 1)</b>		
Electric .....	\$ 1,028,259	\$ 1,124,414
Gas .....	172,587	214,556
<b>Total Operating Revenue</b> .....	<u>1,200,846</u>	<u>1,338,970</u>
<b>Operating Expenses (Notes 1, 7, and 8)</b>		
Fuel, purchased power and distribution gas .....	350,035	460,210
Other operating and maintenance .....	283,200	239,347
Employee health and welfare (Notes 1 and 9) .....	19,932	15,829
Regulatory assessments .....	16,980	29,335
Depreciation (Notes 1 and 3) .....	188,999	217,125
Decommissioning .....	26,038	24,347
<b>Total Operating Expenses</b> .....	<u>885,184</u>	<u>986,193</u>
<b>Operating Income</b> .....	315,662	352,777
<b>Non-operating Income (Expense) (Note 1)</b>		
Interest and other income .....	52,020	51,609
Decommissioning investment income and change in fair value .....	10,084	14,922
Employee health and welfare investment income and change in fair value .....	(10,179)	0
Interest expense (Notes 5 and 6) .....	(150,428)	(151,154)
Amortization of debt reacquisition, issuance, discount and other costs (Note 5) .....	(19,785)	(21,961)
Allowance for funds used during construction (Note 1) .....	7,062	12,593
Costs for cash defeasance of debt (Note 5) .....	0	(2,586)
Payments to the City of San Antonio .....	<u>(168,135)</u>	<u>(185,006)</u>
<b>Income Before Contributions</b> .....	36,301	71,194
Contributions in Aid of Construction (Notes 1 and 3) .....	73,096	93,166
<b>Change in Fund Net Assets Before Change in Accounting Policy</b> .....	<u>109,397</u>	<u>164,360</u>
Cumulative Effect of Change in Accounting Policy (Note 1) .....	139,074	0
<b>Change in Fund Net Assets After Change in Accounting Policy</b> .....	<u>248,471</u>	<u>164,360</u>
<b>Fund Net Assets -- Beginning, As Restated (Note 1)</b> .....	<u>2,416,100</u>	<u>2,251,740</u>
<b>Fund Net Assets -- Ending</b> .....	<u>\$ 2,664,571</u>	<u>\$ 2,416,100</u>

*See accompanying notes to the basic financial statements*

## Statements of Cash Flows

Years Ended January 31,

	2007	2006
	(In thousands)	
<b>Cash Flows from Operating Activities (Note 1)</b>		
Cash Received from customers	\$ 1,280,445	\$ 1,263,005
Cash Payments to suppliers for goods and services	(569,484)	(569,669)
Cash Payments to employees for service	(119,059)	(108,422)
Net Cash Provided by Operating Activities	<u>591,902</u>	<u>584,914</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Cash paid for additions to utility plant and net removal costs (Note 1 and 3)	(273,910)	(237,062)
Cash paid for nuclear purchases (Notes 1 and 3)	(11,666)	(11,093)
Contributions in aid of construction (Notes 1 and 3)	73,096	95,230
Proceeds from issuance of revenue bonds (Note 5)	115,280	221,195
Proceeds from issuance of commercial paper (Note 6)	97,200	118,000
Premium received from revenue bonds issued (Note 5)	10,528	6,040
Principal payments on revenue bonds and cash defeasance of debt (Note 5)	(194,240)	(265,330)
Interest paid (Notes 5 and 6)	(150,428)	(151,154)
Debt issue and cash defeasance costs paid (Notes 5 and 6)	(3,907)	(2,299)
Proceeds from lease transaction (Notes 1 and 13)	0	725,000
Payments for leaseback transaction (Notes 1 and 13)	0	(637,027)
Net Cash (Used) by Capital and Related Financing Activities	<u>(338,047)</u>	<u>(138,500)</u>
<b>Cash Flows from Non-capital Financing Activities:</b>		
Cash payments to the City of San Antonio	(174,062)	(176,029)
Cash payments to the City from lease/leaseback transaction	0	(12,316)
Net Cash (Used) by Non-capital Financing Activities	<u>(174,062)</u>	<u>(188,345)</u>
<b>Cash Flows from Investing Activities (Notes 1 and 2)</b>		
Purchases of investments	(1,067,329)	(1,104,592)
Proceeds from sales and maturities of investments	1,240,821	882,285
Net cash increase in South Texas Nuclear Project decommissioning master trust assets	(15,698)	(9,357)
Net cash increase in assets held for employee health and welfare	1,305	0
Opening cash and cash equivalents held for employee health and welfare	5,352	0
Interest and other income	28,203	29,040
Net Cash Provided (Used) by Investing Activities	<u>192,654</u>	<u>(702,624)</u>
Net Increase in Cash and Cash Equivalents	272,447	55,445
Cash and Cash Equivalents at Beginning of Period (Note 1)	62,183	6,738
Cash and Cash Equivalents at End of Period	<u>\$ 334,630</u>	<u>\$ 62,183</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>		
<b>Cash Flows from Operating Activities:</b>		
Operating Income	\$ 315,662	\$ 352,777
<b>Non-cash Items Included -</b>		
Depreciation and depletion expense (Notes 1 and 3)	189,065	217,125
Nuclear fuel amortization (Notes 1 and 3)	15,118	15,825
Allowance for doubtful accounts	795	4,592
<b>Changes in current and other assets and liabilities:</b>		
(Increase) decrease in customer accounts receivable, net	49,984	(63,718)
(Increase) decrease in other receivables	26,345	(18,406)
(Increase) decrease in materials and supplies	(605)	(6,502)
(Increase) decrease in fossil fuels	(2,258)	9,367
(Increase) decrease in prepayments and other	(644)	(15,486)
Increase (decrease) in accounts payable and accrued liabilities	(28,107)	59,913
<b>Changes in non-current and other assets and liabilities:</b>		
(Increase) decrease in other non-current assets and deferred costs	1,085	445
Increase (decrease) in customer service deposits payable	1,390	1,122
Increase (decrease) in South Texas Nuclear Project decommissioning liability	26,038	24,347
Increase (decrease) in employee health and welfare liability	23	0
Increase (decrease) in non-current and other liabilities	(1,989)	3,513
Net Cash Provided by Operating Activities	<u>\$ 591,902</u>	<u>\$ 584,914</u>

See accompanying notes to the basic financial statements.

## Notes To Financial Statements January 31, 2002 and 2001

### 1. Summary of Significant Accounting Policies

**Reporting Entity** — City Public Service Board of San Antonio (CPS), a municipal utility owned by the City of San Antonio (the City), provides electricity and natural gas to San Antonio and surrounding areas. As a municipal utility, CPS is exempt from payment of income taxes, state franchise and sales taxes, and real and personal property taxes. CPS provides certain payments and benefits to the City as required by bond ordinances. As a discretely presented component unit of the City, the financial statements of CPS are included in the annual financial reports of the City.

**Basis Of Accounting** — The financial statements of CPS are presented in accordance with accounting principles generally accepted in the United States of America for proprietary funds of governmental entities. CPS complies with all applicable pronouncements of the Governmental Accounting Standards Board (GASB). In accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, CPS has elected not to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued after November 30, 1989.

In accordance with the utility systems revenue bond resolution, CPS has adopted the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners (NARUC). The financial statements are presented on the accrual basis of accounting.

In the current year, CPS changed its policy for accounting for assets accumulated to pay the liabilities for the employee health and welfare benefits. As a result of this change in policy, a cumulative effect adjustment was recorded in fund net assets - beginning for the CPS employee health and welfare plans.

In fiscal year 2002 CPS implemented GASB Statements No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, and No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments*. This implementation resulted in reporting contributions in aid of construction (CIAC) as an increase in fund net assets, and in certain restatements of prior fiscal year amounts. In addition, previously reported retained earnings were reclassified as fund net assets and categorized as invested in capital assets, net of related debt, restricted and unrestricted. The other changes in financial statement presentation as compared to 2001, were the change to the direct method of cash flow reporting and the addition of management's discussion and analysis as required supplementary information.

#### Reconciliation of Total Equity Restatement:

Total equity as of January 31, 2000, as previously reported	\$ 2,048,534
Reclassification of CIAC for years prior to 2001	231,946
Reclassification of CIAC amortized in fiscal year 2000 and prior years as a reduction of depreciation expense	(28,740)
Fund net assets as of February 1, 2000, as restated	<u>\$ 2,251,740</u>

**Reclassifications** — Certain amounts in the prior year's financial statements have been reclassified to conform to current year presentation.

**Fiscal Year** — The fiscal year ended January 31, 2002, is referred to herein as 2002; the fiscal years ended January 31, 2001, January 31, 2000, and January 31, 1999, are referred to herein as 2001, 2000, and 1999, respectively.

**Revenue And Expenses** — Revenue is recorded when billed. Customers' meters are read and bills are rendered monthly. Rate schedules include fuel and gas cost adjustment clauses that permit recovery of fuel and gas costs in the month incurred. CPS reports fuel and distribution gas costs on the same basis as it recognizes revenue.

CPS's fuel cost adjustment clause permits recovery of regulatory assessments. Beginning in March 2000, CPS began recovering assessments from the Public Utility Commission of Texas (PUC) for transmission access charges and from the Texas Independent System Operator (ISO), also known as the Electric Reliability Council of Texas (ERCOT), for its operating costs and other charges applicable to CPS as a wholesale provider of power to other utilities.

Operating revenue includes receipts from energy sales and miscellaneous revenue related to the electric and gas systems operations. This includes late payment fees, rental income, jobbing and contract work, ancillary services, and merchandise sales. Operating expenses include those expenses that result from the ongoing operations of the electric and gas systems.

Non-operating revenue consists primarily of investment income, including fair value adjustments. The amortization of net gains from the lease-leaseback and the sale of water rights in prior years are also included. Some miscellaneous income from renting general property and miscellaneous service is also recorded in nonoperating when it's not directly identified with the electric or gas systems.

**Capital Assets** — The costs of capital asset additions and replacements of capital assets identified as major components, or property units, are capitalized. Maintenance and replacements of minor items are charged to operating expenses. The cost of depreciable plant retired is eliminated from the plant accounts and such costs plus removal expense less salvage are charged to accumulated depreciation.

Utility plant is stated at the cost of construction, including expenditures for: contracted services; direct equipment; material; labor; indirect costs, including general engineering, labor, equipment, and material overheads; and an allowance for funds used during construction (AFUDC). CPS computes AFUDC using rates which approximate the cost of borrowed funds or the short-term investment rate for other funds used for construction. AFUDC is applied to projects estimated to cost in excess of \$250,000 and to require thirty days or more to complete.

As of February 1, 2000, proceeds from customers and certain litigation settlements to partially fund construction expenditures are reported in the statement of revenues, expenses and changes in fund net assets as increases in fund net assets in accordance with the requirements of GASB 33.

In 2001 and prior years, CPS computed depreciation using the straight-line method over the estimated service lives of the depreciable property using class lives for certain asset categories and specifically assigned lives for certain assets. In 2002, CPS computed depreciation using the straight-line method over the estimated service lives of the depreciable property using specifically identified service lives for each asset type. Total depreciation and depletion as a percentage of total depreciable assets net of nuclear fuel was 2.99 percent in 2002 and 3.55 percent in 2001.

The estimated useful lives of capital assets are as follows:

Buildings and structures	3-60 years
Systems and improvements	
Generation	6-30 years
Transmission and distribution	20-50 years
Gas	40-65 years
Machinery and equipment	8-40 years
Lignite mineral rights and other	30-40 years
Nuclear fuel	1-2 years

**Unrestricted and Restricted Cash, Cash Equivalents And Investments** — CPS investments with a maturity date within 1 year of the purchase date are reported at amortized costs, which approximates fair value. Amortization of premium and accretion of discount are recorded over the terms of the investments that mature within one year. CPS investments with a maturity date of 1 year or longer from the purchase date are accounted for using fair value. Fair value is determined by using generally accepted financial reporting services and publications and approved dealers and brokers as necessary. The specific identification method is used to determine cost in computing gain or loss on sales of securities.

CPS reports all South Texas Nuclear Project (STP) decommissioning master trust investments and employee health and welfare investments at fair value.

Restricted funds are generally for uses other than current operations. They are designated by law, ordinance, or contract to acquire or construct non-current assets. Funds consist primarily of unspent bond issue or commercial paper proceeds, debt service required for the New Series Bonds, and funds for future construction or contingencies. This category also includes customer assistance programs where proceeds are received from outside parties. The South Texas Nuclear Project (STP) decommissioning master trust assets and the CPS's employee health and welfare plans assets are also considered restricted.

The CPS Board authorized that Repair and Replacement Account funds be designated for converting overhead electric facilities to underground. One percent of the prior fiscal year's electric revenue from cities and unincorporated areas served by CPS are appropriated for this program. This is included with the assets restricted by bond ordinance.

**Other Non-Current Assets And Deferred Costs** — In June 2000, CPS entered into a lease/leaseback transaction with Unicom Corporation (Unicom). The long-term portion of prepaid rent related to this transaction was recorded as a deferred cost in 2001. In addition, \$12.3 million less expenses of \$350 thousand was paid to the City of San Antonio, in accordance with the New Series Bond Ordinance, for its 14 percent share of the net benefit from the transaction. This is recorded as a prepaid item and is being amortized over the life of the lease. See note 13 for more information.

Non-current assets include unamortized debt issuance expenses, which are amortized over the period of the outstanding bonds. Other assets include the long-term receivable from the San Antonio Water System for the sale of water rights in fiscal year 2000.

Non-current deferred costs also include a Department of Energy (DOE) special assessment fee for decommissioning of U.S. nuclear fuel enrichment facilities. CPS recorded this in fiscal 1994 to be amortized over a 15-year period to nuclear fuel expense.

**Other Non-Current Liabilities And Deferred Credits** — The long-term portion of the deferred revenue associated with the lease of the J.K. Spruce Plant was recorded as a deferred credit and is being amortized over the life of the lease. See note 13 for more information.

Other liabilities and deferred credits generally include the STP decommissioning liability, customer service deposits, advance payments from customers for construction, and the DOE special assessments. See other non-current assets and deferred costs. The long-term portion of the payable to the Greater Kelly Development Authority for the purchase of realigned electric and gas properties in 2000 has also been recorded with other liabilities.

**Statements Of Cash Flows** — For purposes of reporting cash flows, CPS considers all highly liquid debt instruments purchased with a maturity of approximately 3 months or less to be cash equivalents.

**Use Of Estimates** — The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## **2. Cash, Cash Equivalents, and Investments**

CPS's cash deposits at January 31, 2002 and 2001 were entirely insured or collateralized by banks for the account of CPS. For deposits that were collateralized, the securities were U.S. Government or Government Agency or U.S. Government guaranteed obligations held in book entry form by the Federal Reserve Bank in CPS's name.

CPS allowable investments as defined by CPS Board Resolution and Policy, Bond Ordinances, Tax-Exempt Commercial Paper Ordinance, and State Law include U.S. Government or Government Agency or U.S. Government guaranteed obligations, collateralized mortgage obligations issued by the U.S., fully secured certificates of deposit issued by a state, national bank, or savings bank domiciled in the State of Texas, direct repurchase agreements, reverse repurchase agreements, defined bankers acceptances and commercial paper, no-load money market mutual funds, and other types of specific secured or guaranteed investments.

CPS's investments in the STP decommissioning master trust are held by an independent trustee. Trust investments are limited to U.S. Government or Government Agency or U.S. Government guaranteed obligations by CPS Board Resolution and Policy, Trust Agreement, and State Law. These investments are subject to market risk and their market value will vary as interest rates fluctuate. This could affect the value at which these securities are recorded.

Investments in the employee health and welfare plans are held by an independent trustee. These investments are limited to those authorized by the plans Administrative Committees, the Trust Agreements, and State Law. These investments are subject to market risk and their market value will vary as interest rates fluctuate. This could affect the value at which these securities are recorded. These investment policies follow the "prudent man" concept.

**Cash, Cash Equivalents and Investments**

	January 31	
	2002	2001
<b>Cash and Cash Equivalents:</b>		
CPS unrestricted and restricted	\$ 324,610	\$ 61,874
STP decommissioning master trust - restricted	565	309
Employee health and welfare - restricted	9,455	0
<b>Total Cash and Cash Equivalents</b>	<u>334,630</u>	<u>62,183</u>
<b>Investments:</b>		
CPS unrestricted and restricted	948,098	828,633
STP decommissioning master trust - restricted	144,222	118,496
Employee health and welfare - restricted	134,841	0
<b>Total Cash Equivalents and Investments</b>	<u>1,227,161</u>	<u>947,129</u>
<b>Less: Investments with original maturities of less than ninety days included in cash equivalents</b>		
CPS unrestricted and restricted	322,198	55,035
STP decommissioning master trust - restricted	565	309
Employee health and welfare - restricted	9,455	0
<b>Total Cash Equivalents</b>	<u>332,218</u>	<u>55,344</u>
<b>Total Cash, Cash Equivalents and Investments</b>	<u>\$ 1,229,573</u>	<u>\$ 953,968</u>
<b>Unrestricted:</b>		
Cash and cash equivalents	\$ 303,593	\$ 21,554
Investments	11,019	230,108
<b>Total Unrestricted</b>	<u>314,612</u>	<u>251,662</u>
<b>Restricted:</b>		
<b>CPS:</b>		
Cash and cash equivalents	21,017	40,320
Investments	614,881	543,490
<b>Total CPS</b>	<u>635,898</u>	<u>583,810</u>
<b>STP decommissioning master trust:</b>		
Cash and cash equivalents	565	309
Investments	143,657	118,187
<b>Total STP decommissioning master trust</b>	<u>144,222</u>	<u>118,496</u>
<b>Employee health and welfare:</b>		
Cash and cash equivalents	9,455	0
Investments	125,386	0
<b>Total Employee Health and Welfare</b>	<u>134,841</u>	<u>0</u>
<b>Total Cash, Cash Equivalents and Investments</b>	<u>\$ 1,229,573</u>	<u>\$ 953,968</u>
<b>Petty Cash Funds on Hand</b>	<u>\$ 107</u>	<u>\$ 115</u>
<b>Deposits with Financial Institutions:</b>		
Unrestricted CPS deposits	2,213	6,491
Restricted CPS deposits		
Capital projects	6	41
Bond paying agent - debt service	6	89
Project warm	80	103
<b>Total Restricted Deposits</b>	<u>92</u>	<u>233</u>
<b>Total Deposits with Financial Institutions</b>	<u>2,305</u>	<u>6,724</u>
<b>Investments with Original Maturities of Less Than Ninety Days:</b>		
CPS unrestricted	301,273	14,949
CPS restricted	20,925	40,086
STP decommissioning master trust - restricted	565	309
Employee health and welfare - restricted	9,455	0
<b>Total Cash Equivalents</b>	<u>332,218</u>	<u>55,344</u>
<b>Total Cash and Cash Equivalents</b>	<u>\$ 334,630</u>	<u>\$ 62,183</u>

Deposits with financial institutions are classified into three categories of credit risk based upon the following:

Category	Description
1	Deposits insured by the FDIC or collateralized with securities held by CPS or CPS's agent in CPS's name.
2	Deposits collateralized by securities held by the pledging bank's agent in CPS's name.
3	Deposits uncollateralized which include deposits collateralized by securities held by the pledging financial institution or by its trust department or agent but not in CPS's name.

Deposits With Financial Institutions (dollars in thousands)	Carrying	Bank	Category		
	Amounts	Balance	1	2	3
January 31, 2002	\$ 2,305	\$ 10,797	\$ 10,797		
January 31, 2001	6,724	24,085	24,085		

Investments are classified into three categories of credit risk based upon the following:

Category	Description
1	Includes investments that are insured or registered, or for which the securities are held by CPS's agent in CPS's name.
2	Includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in CPS's name.
3	Includes uninsured and unregistered investments for which the securities are held by the counterparty or by its trust department or agent but not in CPS's name.

Accordingly, the investments of CPS are categorized below to give an indication of the level of risk assumed:

Total Investments By Category (dollars in thousands)	Category			Carrying Amount	Fair Value
	1	2	3		
<b>CPS Investments:</b>					
U.S. Treasury & Government Agency Securities	\$ 948,098			\$ 948,098	\$ 950,932
South Texas Nuclear Project Decommissioning Master Trust U.S. Treasury & Government Agency Securities	\$ 144,222			\$ 144,222	\$ 144,222
Employee Health and Welfare:					
Corporate bonds	\$ 18,498			\$ 18,498	\$ 18,498
Common stock	67,668			67,668	67,668
U.S. Treasury & Government Agency Securities	28,113			28,113	28,113
Global bonds	5,980			5,980	5,980
Foreign equities	5,127			5,127	5,127
Total Health and Welfare Investments Categorized	\$ 125,386			125,386	125,386
Investments not Categorized					
Money Market Mutual Fund				9,455	9,455
Total Employee Health and Welfare Funds				\$ 134,841	\$ 134,841

### 3. Capital Assets

Capital asset activity for the years ended January 31, 2001 and January 31, 2002 was as follows (in thousands):

	Balance as Reported 01-31-2000	Reclassification for CIAC 02-01-2000	Restated Balance	Additions Increases	Reductions Decreases	Balance at 01-31-2001
<b>Non-Depreciable Assets:</b>						
Land	\$ 48,111	\$ 0	\$ 48,111	\$ 5,225	\$ 0	\$ 53,336
Land held for future use	12,599	0	12,599	0	0	12,599
Construction-in-progress	345,751	2,252	348,003	237,720	441,213	144,510
<b>Total Non-Depreciable Assets</b>	<u>406,461</u>	<u>2,252</u>	<u>408,713</u>	<u>242,945</u>	<u>441,213</u>	<u>210,445</u>
<b>Depreciable Assets:</b>						
Electric plant	4,759,692	201,376	4,961,068	362,919	38,751	5,285,236
Gas plant	381,306	-26,067	407,373	16,840	1,669	422,544
General plant	337,759	2,251	340,010	56,626	5,446	391,190
Utility property leased	18,785	0	18,785	0	0	18,785
Nuclear fuel	247,143	0	247,143	11,093	0	258,236
<b>Total Depreciable Assets</b>	<u>5,744,685</u>	<u>-229,694</u>	<u>5,974,379</u>	<u>447,478</u>	<u>45,866</u>	<u>6,375,991</u>
<b>Accumulated Depreciation, Depletion and Amortization:</b>						
Electric	(1,621,573)	(22,765)	(1,644,338)	(167,857)	(53,434)	(1,758,761)
Gas	(131,821)	(5,404)	(137,225)	(349)	(2,879)	(134,695)
General	(55,483)	(571)	(56,054)	(48,919)	(1,656)	(103,317)
Utility property leased	(72)	0	(72)	(66)	0	(138)
Nuclear fuel	(207,991)	0	(207,991)	(15,825)	0	(223,816)
<b>Total</b>	<u>(2,016,940)</u>	<u>(28,740)</u>	<u>(2,045,680)</u>	<u>(233,016)</u>	<u>(57,969)</u>	<u>(2,220,727)</u>
<b>Depreciable assets, net</b>	<u>\$ 3,727,745</u>	<u>\$ 200,954</u>	<u>\$ 3,928,699</u>	<u>\$ 214,462</u>	<u>\$ (12,103)</u>	<u>\$ 4,155,264</u>
<b>Capital assets, net</b>	<u>\$ 4,134,206</u>	<u>\$ -203,206</u>	<u>\$ 4,337,412</u>	<u>\$ 457,407</u>	<u>\$ 429,110</u>	<u>\$ 4,365,709</u>

Cash paid for additions, net removal costs and nuclear fuel was \$248,155 and non-cash AFUDC was \$12,593 for a total of \$260,748. Depreciation and amortization totaled \$232,950. Depletion was \$66 and a net removal adjustment was \$565.

	Balance at 02-01-2001	Additions Increases	Reductions Decreases	Balance at 01-31-2002
<b>Non-Depreciable Assets:</b>				
Land	\$ 53,336	\$ 1,558	\$ 5	\$ 54,889
Land held for future use	12,599	0	0	12,599
Construction-in-progress	144,510	274,283	228,076	190,717
<b>Total Non-Depreciable Assets</b>	<u>210,445</u>	<u>275,841</u>	<u>228,081</u>	<u>258,205</u>
<b>Depreciable Assets</b>				
Electric plant	5,285,236	141,597	18,366	5,408,467
Gas plant	422,544	19,165	1,312	440,397
General plant	391,190	67,717	7,031	451,876
Utility property leased	18,785	0	0	18,785
Nuclear fuel	258,236	11,666	0	269,902
<b>Total Depreciable Assets</b>	<u>6,375,991</u>	<u>240,145</u>	<u>26,709</u>	<u>6,589,427</u>
<b>Accumulated Depreciation, Depletion and Amortization:</b>				
Electric	(1,758,761)	(161,628)	(25,671)	(1,894,718)
Gas	(134,695)	(9,425)	(1,734)	(142,386)
General	(103,317)	(17,946)	(4,037)	(117,226)
Utility property leased	(138)	(66)	0	(204)
Nuclear fuel	(223,816)	(15,118)	0	(238,934)
<b>Total</b>	<u>(2,220,727)</u>	<u>(204,183)</u>	<u>(31,442)</u>	<u>(2,393,468)</u>
<b>Depreciable assets, net</b>	<u>4,155,264</u>	<u>35,962</u>	<u>(4,733)</u>	<u>4,195,959</u>
<b>Capital assets, net</b>	<u>\$ 4,365,709</u>	<u>\$ 311,803</u>	<u>\$ 223,348</u>	<u>\$ 4,454,164</u>

Cash paid for additions, net removal costs and nuclear fuel was \$285,576 and non-cash AFUDC was \$7,062 for a total of \$295,638. Depreciation, depletion and amortization totaled \$204,183.

#### 4. Revenue Bond and Commercial Paper Ordinances Requirements

As of January 31, 2002, the bond ordinances for New Series Bonds issued on and after August 6, 1992 contain, among others, the following provisions:

Funds in CPS's General Account shall be pledged and appropriated to be used in the following priority: (a) for maintenance and operating expenses of the systems, (b) for payments of the New Series Bonds, (c) for the payment of any obligations inferior in lien to the New Series Bonds which may be issued, (d) for an amount equal to 6 percent of the gross revenue of the systems to be deposited in the Repair and Replacement Account, (e) for cash payments and benefits to the City not to exceed 14 percent of the gross revenue of the systems, and (f) any remaining net revenues in the General Account to the Repair and Replacement Account.

The maximum amount in cash to be transferred or credited to the General Fund of the City from the net revenues of the systems during any fiscal year shall not exceed 14% of the gross revenues of the systems less the value of gas and electric services of the systems used by the City for municipal purposes and the amounts expended during the fiscal year for additions to the street lighting system. The percentage of gross revenues of the systems to be paid over or credited to the General Fund of the City each fiscal year shall be determined (within the 14% limitation) by the governing body of the City.

The net revenues of the systems are pledged to the payment of principal of and interest on the New Series Bonds. All New Series Bonds and the interest thereon shall have a first lien upon the net revenues of the systems.

The City agrees that it will at all times maintain rates and charges for the sale of electric energy, gas, or other services furnished, provided, and supplied by the systems to the City and all other consumers which shall be reasonable and nondiscriminatory and which will produce income and revenues sufficient to pay:

- (a) all maintenance and operating expenses, depreciation, replacement and betterment expenses, and other costs as may be required by Chapter 1502, as amended, Texas Government Code;
- (b) the interest on and principal of all New Series Bonds, as and when the same shall become due, and for the establishment and maintenance of the funds and accounts created for the payment and security of the New Series Bonds;
- (c) to the extent the same are reasonably anticipated to be paid with available revenues (as defined in the ordinance authorizing the Commercial Paper), the interest on and principal of all Notes (as defined in said ordinance), and the credit agreement (as defined in said ordinance); and
- (d) a legal debt or obligation of the systems as and when the same shall become due.

As of January 31, 2002, the Tax Exempt Commercial Paper Ordinance contains, among others, the following provisions:

To secure the payment of TECP principal and interest a pledge is made of: (a) proceeds from (1) the sale of bonds and additional notes issued for such purposes, and (2) the sale of TECP; (b) TECP proceeds will be used for authorized purposes, and (c) the net revenues of the systems, after payment on New Series Bond requirements pledged to the payment on TECP.

As of January 31, 2002, CPS was in compliance with the terms of the New Series Bonds and the TECP ordinances.

## 5. Revenue Bonds

In November 2001, CPS issued \$115.3 million of New Series 2001 Revenue Refunding Bonds at a true interest rate of 3.84 percent. The bonds were sold at a combined net premium of \$10.5 million.

The refunding bonds were issued to refund \$122.5 million in certain outstanding 1992 New Series Bonds, and were \$7.2 million less than the amount of bonds refunded. The refunding transaction resulted in cash flow savings of \$14.2 million, which equates to a present value savings of \$11.7 million, or 9.6 percent of the par amount of refunded bonds. This transaction resulted in loss for accounting purposes of \$2.4 million which has been deferred and will be amortized over the shorter of life of the refunded or refunding bonds.

In November 2000, \$215.7 million par value of 1992 New Series bonds were legally defeased with cash. The net accounting loss of \$2.6 million reported included the par value of debt less \$198.1 million paid for the actual defeasance, plus unamortized reacquisition and bond issue costs of \$20.2 million.

In 2001, CPS issued \$221.2 million in revenue bonds which consisted of \$170.8 million in Tax-Exempt Bonds at an average interest rate of 5.4 percent, and \$50.4 million in Taxable Bonds at an average interest rate of 7.44 percent. The bonds were sold at a combined net premium of \$6.0 million. Of the net proceeds from the New Series 2000 Bonds, \$184.9 million was used to reimburse the Repair and Replacement account for prior construction expenditures. In addition, \$34.0 million of new money proceeds were deposited into the Bond Construction Fund to finance transmission projects.

A summary of revenue bonds is as follows:

Maturities	Weighted-Average Interest Rate on Outstanding Bonds at January 31, 2002	January 31	
		2002	2001
<i>(In thousands)</i>			
Tax-Exempt New Series Bonds, 1992-2001, 2003-2021	5.223%	\$2,445,270	\$2,521,350
Taxable New Series Bonds, 1998-2001, 2003-2021	6.674%	144,590	147,470
Total New Series Bonds outstanding	5.317%	2,589,860	2,668,820
Less: Current maturities of bonds		77,825	71,755
Total New Series Bonds outstanding, net of current maturities		\$2,512,035	\$2,597,065

Principal and interest amounts due (in thousands) for each of the next five years and thereafter to maturity are:

Year	Principal	Interest	Total
2003	\$ 77,825	\$ 136,336	\$ 214,161
2004	100,015	132,686	232,701
2005	120,335	127,615	247,950
2006	126,635	121,369	248,004
2007	134,515	114,766	249,281
2008-2012	776,510	463,969	1,240,479
2013-2017	740,305	250,425	990,730
2017-2021	513,720	60,431	574,151
Totals	\$2,589,860	\$1,407,597	\$3,997,457

**Long-Term Debt Activity**  
(Dollars in thousands)

	Original Amount	Final Principal Payment	Interest Rates (%)	Balance Outstanding February 1, 2000	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2001
<b>Revenue and Refunding Bonds</b>							
1992 Tax-exempt	\$ 700,805	2017	6.048	\$ 479,460	\$ 0	\$ 225,305	\$ 254,155
1994-A Tax-exempt	684,700	2014	5.008	595,805	0	0	595,805
1994-B Tax-exempt	37,000	2006	5.008	22,990	0	22,990	0
1994-C Tax-exempt	56,000	2006	5.008	42,710	0	0	42,710
1995 Tax-exempt	125,000	2018	5.500	114,800	0	2,500	112,300
1997 Tax-exempt	350,000	2020	5.738	332,570	0	0	332,570
1997 Tax-exempt	311,170	2014	5.509	270,195	0	24,315	245,880
1998A Tax-exempt	785,515	2021	4.918	773,435	0	6,275	767,160
1998B Taxable	99,615	2020	6.343	98,610	0	1,565	97,045
2000A Tax-exempt	170,770	2017	5.374	0	170,770	0	170,770
2000B Taxable	50,425	2021	7.403	0	50,425	0	50,425
				<u>2,730,575</u>	<u>221,195</u>	<u>282,950</u>	<u>2,668,820</u>
Less Bond current maturities				67,215	4,540	0	71,755
Less Bond discount/(premium)				17,675	(6,040)	8,150	3,485
Less Bond reacquisition costs				191,830	0	33,139	158,691
Revenue Bonds, Net				<u>2,453,855</u>	<u>222,695</u>	<u>241,661</u>	<u>2,434,889</u>
Tax-Exempt Commercial Paper (TECP)				<u>134,800</u>	<u>118,000</u>	<u>0</u>	<u>252,800</u>
Long-term Debt, Net				<u>\$ 2,588,655</u>	<u>\$ 340,695</u>	<u>\$ 241,661</u>	<u>\$ 2,687,689</u>

**Long-Term Debt Activity**  
(Dollars in thousands)

	Original Amount	Final Principal Payment	Interest Rates (%)	Balance Outstanding February 1, 2001	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2002
<b>Revenue and Refunding Bonds</b>							
1992 Tax-exempt	\$ 700,805	2017	6.048	\$ 254,155	\$ 0	\$ 132,540	\$ 121,615
1994-A Tax-exempt	684,700	2014	5.008	595,805	0	30,235	565,570
1994-C Tax-exempt	56,000	2006	5.008	42,710	0	0	42,710
1995 Tax-exempt	125,000	2018	5.500	112,300	0	3,000	109,300
1997 Tax-exempt	350,000	2020	5.738	332,570	0	0	332,570
1997 Tax-exempt	311,170	2014	5.509	245,880	0	1,575	244,305
1998A Tax-exempt	785,515	2021	4.918	767,160	0	24,010	743,150
1998B Taxable	99,615	2020	6.343	97,045	0	1,655	95,390
2000A Tax-exempt	170,770	2017	5.374	170,770	0	0	170,770
2000B Taxable	50,425	2021	7.403	50,425	0	1,225	49,200
2001 Tax-exempt	115,280	2011	3.843	0	115,280	0	115,280
				<u>2,668,820</u>	<u>115,280</u>	<u>194,240</u>	<u>2,589,860</u>
Less Bond current maturities				71,755	6,070	0	77,825
Less Bond discount/(premium)				3,485	(10,528)	3,499	(10,542)
Less Bond reacquisition costs				158,691	5,611	18,573	145,729
Revenue Bonds, Net				<u>2,434,889</u>	<u>114,127</u>	<u>172,168</u>	<u>2,376,848</u>
Tax-Exempt Commercial Paper (TECP)				<u>252,800</u>	<u>97,200</u>	<u>0</u>	<u>350,000</u>
Long-term Debt, Net				<u>\$ 2,687,689</u>	<u>\$ 211,327</u>	<u>\$ 172,168</u>	<u>\$ 2,726,848</u>

## 6. Commercial Paper

In 1988, the City Council of San Antonio, Texas (City Council) adopted an ordinance authorizing the issuance of up to \$300 million in TECP. This ordinance as amended provides for funding to assist in the financing of eligible projects, in an aggregate amount not to exceed \$450 million. Eligible projects include fuel acquisition and capital improvements to the utility systems (the Systems), and to refinance or refund any outstanding obligations which are secured by and payable from a lien on and/or a pledge of net revenues of the Systems. The program's scheduled maximum maturities will not extend beyond November 1, 2028.

The TECP has been classified as long-term in accordance with the refinancing terms under a revolving credit agreement with a consortium of banks, which supports the commercial paper. Under the terms of the agreement, CPS may borrow up to an aggregate amount not to exceed \$350 million for the purpose of paying principal due under the TECP. The credit agreement has a term of two years, currently extended until November 1, 2003, and may be renewed for additional periods.

To date, there have been no borrowings under the credit agreement. The TECP is secured by the net revenues of the Systems. Such pledge of net revenues is subordinate and inferior to the pledge securing payment of existing New Series Bonds and any to be issued in the future.

CPS sold \$97.2 million of TECP in fiscal year 2002 and \$118 million in 2001; \$123.6 million has been used to fund construction expenditures through January 2002.

A summary of TECP is as follows:

	January 31	
	2002	2001
TECP outstanding ( <i>Dollars in thousands</i> )	\$350,000	\$252,800
TECP new money issues ( <i>Dollars in thousands</i> )	97,200	118,000
Weighted-average interest rate of outstanding TECP, approximate	1.36%	3.95%
Average life of outstanding TECP approximate number of days	80	92

## 7. Benefit Plans

The City Public Service Pension Plan is a self-administered, single-employer, defined-benefit contributory pension plan (Plan) covering substantially all employees who have completed one year of service. Normal retirement is age 65; however, early retirement is available with 25 years of benefit service and to those employees who are ages 55 or older with at least 10 years of benefit service.

Retirement benefits are based on length of service and compensation, and benefits are reduced for retirement before age 55 with 25 years or more of benefit service, or age 62 with less than 25 years of service. The Plan is sponsored by and may be amended by CPS. Plan net assets, having a market value of \$790.1 million at December 31, 2001 and \$823.5 million at December 31, 2000, are held in a separate trust that is periodically audited and which statements include historical trend information. For further information, contact the Employee Benefits Division at CPS.

The current policy of CPS is to establish funding levels, considering annual actuarial evaluations and recommendations of the Administrative/Investment Committee, using both employee and employer contributions. Generally, participating employees contribute 5 percent of their total compensation and are normally fully vested in CPS's contribution after completing 7 years of credited service or at age 40.

Employee contributions commence with the effective date of participation, and continue until attaining normal or early retirement age or termination of employment. The balance of Plan contributions are the responsibility of CPS giving consideration to actuarial information, budget controls, legal requirements, compliance and industry and/or community norms.

CPS adopted two Restoration Plans effective January 1, 1998, to supplement benefits paid from the Plan due to federal tax restrictions on benefit amounts. The benefits due under the Restoration Plans have been paid by CPS.

The total employer and employee pension funding, which includes amortization of past service costs using the unit credit cost actuarial method, is summarized as follows:

	<u>1/31/2002</u>	<u>1/31/2001</u>
	<i>(In thousands)</i>	
Employee contributions	\$ 7,981	\$ 7,197
CPS contributions	1,048	5,633
Total contributions	<u>\$ 9,029</u>	<u>\$ 12,830</u>
Covered payroll	<u>\$ 165,314</u>	<u>\$ 148,936</u>
Total payroll	<u>\$ 184,801</u>	<u>\$ 164,143</u>

The actuarially determined contribution requirements for fiscal years 2002 and 2001 were computed using an assumed rate of return of 8.5 percent. For fiscal years 2002, 2001 and 2000 the past-service costs were amortized over a targeted 10 years, as compared to a 15-year amortization for fiscal 1999. No changes in actuarial cost methods or actuarial assumptions were made in fiscal 2001 or 2002, which would affect the comparability of results with the prior year.

CPS's contributions to the Plan amounted to 0.6 percent of covered payroll in fiscal 2002, 3.8 percent in fiscal 2001 and 9.0 percent in fiscal 2000.

A schedule of funding progress follows:

	Plan (Calendar) Year Actuarial Valuation Date (Unaudited)		
	<u>1/1/01</u>	<u>1/1/00</u>	<u>1/1/99</u>
	<i>(In millions)</i>		
1. Actuarial value of assets	\$713.6	\$648.1	\$563.4
2. Actuarial accrued liability(AAL)	643.5	610.8	565.0
3. Unfunded AAL (UAAL): (2) - (1)	(70.1)	(37.3)	1.6
4. Funded ratio (1) ÷ (2)	110.9%	106.1%	99.7%
5. Covered payroll	165.3	148.9	138.5
6. UAAL as a percentage of covered payroll: (3) ÷ (5)	(42.4)%	(25.1)%	1.2%

Actuarial valuation methods used for the January 1, 2001, 2000, and 1999 include: (a) the five-year smoothed market for asset valuation; (b) the projected unit credit for actuarial accrued liability, and (c) the level dollar open for amortization of pension service costs. The remaining amortization periods for January 1, 2001, 2000, and 1999 are 9.89 years, 11.01 years, and 1.0 years respectively and are calculated using the level dollar open amortization method.

Significant actuarial assumptions used for the January 1, 2001, 2000, and 1999 actuarial valuations include (a) a rate of return on the investment of present and future assets of 8.5 percent per year compounded annually, (b) projected salary increases averaging 5.0 percent, and (c) post-retirement cost-of-living increases of 2.0 percent. The projected salary increases include an inflation rate of 4.0 percent.

CPS's annual pension cost and net pension obligation for the fiscal periods ended January 31, 2002, January 31, 2001, and January 31, 2000 were as follows:

	2002	2001	2000
	<i>(In thousands)</i>		
Annual required contribution (ARC)	\$ 660	\$ 5,397	\$ 12,288
Interest on net pension obligation (NPO)	8	8	42
Adjustment to ARC	(14)	(13)	(490)
Annual pension cost (APC)	654	5,392	11,840
CPS contributions in relation to ARC	(753)	(5,392)	(12,231)
Increase (decrease) in NPO	(99)	0	(391)
Net pension obligation beginning of year	99	99	490
Net pension obligation end of year	<u>\$ 0</u>	<u>\$ 99</u>	<u>\$ 99</u>
Percentage of APC contributed	115%	100.0%	103.0%

Employees who retired prior to 1983 are receiving annuity payments from an insurance carrier as well as receiving some benefits directly from CPS. CPS's costs for fiscal 2002 and 2001 were \$295 thousand and \$312 thousand, respectively, and were recorded when paid.

### 8. Other Postemployment Benefits

CPS provides certain health care and life insurance benefits for retired employees. Most former CPS employees are eligible for these benefits upon retirement from CPS. Plan assets are held as part of CPS's Group Health and Life Insurance Plans. Plan funding is from both participant and employer contributions determined by annual actuarial and in-house calculations. Retired employees contribute to the health plan in varying amounts depending upon an equity formula that considers age and years of service. The plan may be amended by CPS. The annual cost of retiree health care and life insurance benefits funded by CPS is recognized as an expense of CPS as employer contributions are made to the programs. These retiree costs approximated \$3.4 million for 2002 and \$2.7 million for 2001. CPS reimbursed certain retirees and their spouses enrolled in Medicare Part B a percentage of the monthly premium. Costs totaled \$207 thousand for 2002 and \$219 thousand for 2001.

Retired employees and covered dependents contributed \$1.3 million and 1.1 million for their health care and life insurance benefits in fiscal 2002 and 2001, respectively. In fiscal 2002, there were approximately 2,098 retirees and covered dependents eligible for health care and life insurance benefits, as compared to approximately 2,070 in 2001.

In view of the potential economic significance of these benefits, CPS has reviewed the present value of the postemployment benefit obligations for current retirees. The January 1 valuations are \$62.5 million in 2001 and \$45.2 million in 2000 for health and \$16.9 million in 2001 and \$16.0 million in 2000 for life insurance benefits. The actuarial analysis of the present value of postemployment benefit obligations for other participants fully eligible for benefits are estimated to be \$44.5 million for health, \$4.9 million for life insurance and \$2.5 million for disability benefits. CPS began partial accrual and funding of projected future benefits in 1992. Funding totaled \$6.5 million in fiscal 2002, \$2.6 million in 2001 and \$3.7 million in 2000.

For the health plan, the actuarial cost method used is the Projected Unit Credit Actuarial Cost Method. For the life insurance and disability plans, CPS uses a present value method to determine the cost of benefits.

Significant actuarial assumptions used in the calculations for the January 1, 2001 and 2000 actuarial valuations include (a) a rate of return on the investment of present and future assets of 8.5 percent per year for the health, life and the disability plans (b) projected salary increases for the plans ranging from 4.5 percent to 12.0 percent depending on age for base and other salaries, and (c) medical cost increases projected at 8.0 percent for 2002 and 6.0 percent for 2001.

## 9. Risk Management

CPS is exposed to various risks of loss including those related to torts, theft or destruction of assets, errors and omissions, and natural disasters. CPS purchases commercial liability and property insurance coverage to provide protection in event of large/catastrophic losses. CPS performs actuarial studies periodically to determine its insurance retentions. An actuarial study was last performed in 2001.

In addition, CPS is exposed to risks of loss due to death of, injuries to, or illnesses of, its employees. At January 31, 2002 and 2001, CPS has accumulated approximately \$131.7 million and \$139.1 million, respectively, in external trusts for these risks. The trust accounts and related claims liabilities are included in CPS's financial statements. CPS has recorded \$25.5 million of expense related to these risk programs for the year ended January 31, 2002 and \$18.3 million for the year ended January 31, 2001.

In 2001, CPS recorded \$12.0 million additional depreciation expense for dismantling of storeroom and general property locations. CPS recorded estimated costs for landfill and fly ash pond closure, dismantling, and remediation of \$400 thousand in 2001. Closure and postclosure costs were estimated for the Class I non-hazardous waste landfill in accordance with EPA regulations. No additional depreciation expense or costs for dismantling or remediation were recorded in 2002.

Based upon the guidance of GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, the following information is provided regarding the changes in the insurance reserves for property, and employee and public liability claims for the years ended January 31, 2002 and 2001:

	Property Insurance	Employee & Public Liability Claims	Employee Health and Welfare Claims
Balance - 1/31/00	\$ 10,158	\$ 5,603	\$ 0
Payments	(620)	(2,880)	0
Incurred Claims	406	3,117	0
Balance - 1/31/01	9,944	5,840	0
Change in			
Accounting Policy	0	0	3,625
Payments	(1,327)	(2,888)	(24,381)
Incurred Claims	7	2,056	24,397
Balance - 1/31/02	\$ 8,624	\$ 5,008	\$ 3,641

(Dollars in thousands)

The employee health and welfare plan assets are segregated from CPS's assets. They are separately managed by committee whose members are appointed by the CPS General Manager and CEO. These plans have separate financial statements for calendar years 2001 and 2000. These separately audited financial statements are available upon request from CPS.

In 2002, CPS entered into two short term natural gas forward contracts to purchase fixed quantities of natural gas at fixed prices for specific months through February 2002. CPS entered into this contract to help plan natural gas costs and to protect itself against an increase in the market price of the commodity during the winter months of 2002 and the early part of next year. At January 31, 2002, market natural gas prices were lower than the contractual prices. As a result, CPS may incur additional natural gas costs of approximately \$2.1 million in February 2002 based on the fixed quantities remaining to be purchased. CPS will pass any additional costs through to its customers under the fuel and gas cost adjustment provisions of the rate tariffs.

	2002	2001
Natural Gas Forward Contracts:		
Volume Remaining in MMBtu	560,000	0
Fixed Price per MMBtu	\$4.55	0
Natural Gas Two Way Collar:		
Volume Remaining in MMBtu	420,000	0
Ceiling Price per MMBtu	\$7.00	0
Floor Price per MMBtu	\$4.14	0
Market Price at January 31	\$2.25	0

Subsequent to year end, the CPS Board of Trustees approved a policy for energy price risk management. The 1999 Texas utility deregulation legislation, Senate Bill 7, contained provisions modifying the Texas Public Funds Investment Act to allow municipal utilities the ability to purchase and sell energy related financial instruments in order to hedge or mitigate the effect of market price fluctuations of natural gas, fuel oil, and electric energy. The policy approved by the Board requires that general operating procedures and guidelines as well as basic oversight and control structures be in place prior to implementation or operation next fiscal year.

#### 10. South Texas Project (STP)

CPS is one of four participants in the STP, which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are Reliant Energy - formerly known as Houston Lighting & Power; American Electric Power - Central Power and Light Company; and the City of Austin. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. CPS's 28-percent ownership in the STP represents 700 megawatts of plant capacity. At January 31, 2002 and 2001 CPS's investment in the STP utility plant was approximately \$1.7 billion, net of accumulated depreciation. Effective November 17, 1997, the Participation Agreement among the owners of STP was amended and restated and the STP Nuclear Operating Company (STP OPCO), a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STP OPCO.

CPS amortizes its share of nuclear fuel for the STP to fuel expense on a unit-of-production method. Under the Nuclear Waste Policy Act of 1982, the federal government assumed responsibility for the permanent disposal of spent nuclear fuel. CPS is charged a fee for disposal of spent nuclear fuel, which is based upon CPS's share of the STP generation that is available for sale to CPS customers. This charge is included in fuel expense monthly.

**Nuclear Insurance** — The Price-Anderson Act, a comprehensive statutory arrangement providing limitations on nuclear liability and governmental indemnities, is in effect until August 1, 2002. The limit of liability under the Price-Anderson Act for licensees of nuclear power plants is \$9.34 billion per incident. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is \$83.9 million, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at \$10 million per year per reactor for each nuclear incident. CPS and each of the other participants of STP are subject to such assessments, which will be borne on the basis of their respective ownership interests in STP. For purposes of these assessments, STP has two licensed reactors. The participants have purchased the maximum limits of nuclear liability insurance, as required by law, and have executed indemnification agreements with the Nuclear Regulatory Commission (NRC), in accordance with the financial protection requirements of the Price-Anderson Act.

A Master Worker Nuclear Liability policy, with a maximum limit of \$400 million for the nuclear industry as a whole, provides protection from nuclear-related claims.

NRC regulations require licensees of nuclear power plants to obtain on-site property damage insurance in a minimum amount of \$1.06 billion. NRC regulations also require that the proceeds from this insurance be used first to ensure that the licensed reactor is in a safe and stable condition so as to prevent any significant risk to the public health or safety, and then to complete any decontamination operations that may be ordered by the NRC. Any funds remaining would then be available for covering direct losses to property.

The owners of STP currently maintain \$2.75 billion of nuclear property insurance, which is above the legally required amount of \$1.06 billion, but is less than the total amount available for such losses. The \$2.75 billion of nuclear property insurance consists of \$500 million in primary property damage insurance and \$2.25 billion of excess property damage insurance, both subject to a retrospective assessment being paid by all members of Nuclear Electric Insurance Limited (NEIL). In the event that property losses as a result of an accident at any nuclear plant insured by NEIL exceed the accumulated fund available to NEIL, a retrospective assessment could occur. The maximum aggregate assessment under current policies for both primary and excess property damage insurance is \$24.8 million during any one-policy year.

**Nuclear Decommissioning** — CPS, together with the other owners of the STP, files with the NRC a certificate of financial assurance for the decommissioning of the nuclear power plant. The certificate assures that CPS will meet the minimum decommissioning funding requirements mandated by the NRC. The STP owners agreed in the financial assurance plan that their estimate of decommissioning costs would be reviewed and updated periodically. In 1995, the owners conducted a review of decommissioning costs. The results estimated CPS's share of decommissioning costs at approximately \$270 million in 1994 dollars, which also exceeded NRC minimum requirements. In 1999, the owners conducted an additional review of decommissioning, and results showed that CPS's share of decommissioning costs are now approximately \$311 million in 1998 dollars.

In 1991, CPS started accumulating the decommissioning funds in an external trust, in accordance with the NRC's regulations. The Decommissioning Trust assets and related liabilities are included in CPS's financial statements as a component unit. At January 31, 2002, CPS has accumulated approximately \$145.9 million of funds in the external trust. Based on the annual calculation of financial assurance required by the NRC, CPS's trust balance exceeded the calculated financial assurance amounts of \$61.4 million at December 31, 2001 and \$61.0 million at December 31, 2000.

Based upon the 1998 and 1994 decommissioning cost studies, the annual level funding into the trust of \$15.9 million and \$9.4 million for 2002 and 2001, was expensed by CPS.

### **11. Lignite Mining Lease and Assignment Agreement**

CPS has an agreement with the Aluminum Company of America (ALCOA) dated December 28, 1998 regarding CPS's lignite reserves in Bastrop and Lee Counties, Texas. ALCOA began making advance royalty payments to CPS under the agreement in January, 1999. The base term of the agreement runs through 2013. ALCOA has the option to exercise six additional five-year extensions of the agreement. Thus, if ALCOA exercises all six extensions, the agreement will remain in effect until 2043. The agreement provides for royalty payments to CPS based on the amount of lignite mined by ALCOA, subject to certain minimum amounts per year once mining has commenced. The current estimate of the amount of the lignite to be mined by ALCOA under the agreement is 180 million tons over a 30-year period, although ALCOA may mine more or less than this amount. CPS will amortize the basis of the lignite reserves, approximately \$18.8 million, as royalty payments are received. As of January 2002, mining of the lignite by ALCOA has not commenced. CPS received advance royalty payments of \$1.0 million in 2002 and \$1.0 million in 2001.

### **12. Joint Operations Agreement**

A 1997 Joint Operations Agreement (JOA) resulted from the litigation settlement with Reliant Energy - formerly known as Houston Lighting & Power, over its management of STP during the construction and early operating periods. The JOA is an arrangement to jointly dispatch CPS's and Reliant's generating plants to take advantage of the most efficient plants and favorable fuel prices of each utility. CPS receives, in monthly cash payments, 90 percent of the savings realized from the jointly operated systems. This JOA must result in at least \$10 million in cumulative savings per year to CPS, or Reliant will make up the difference in cash. A similar payment will be made by Reliant to ensure benefits to CPS of \$150 million in savings during the ten-year life of this agreement. In April 2001 Reliant met the JOA \$150 million cumulative savings obligation.

In August 2001, the JOA was extended until 2009. Under the extended agreement CPS will receive the benefit of 90 percent of the combined savings achieved under the joint dispatching until the total benefit to CPS reaches \$200 million after which the benefit will be shared equally. As of January 31, 2002, CPS's total cumulative savings were \$190.3 million.

### 13. Lease/Leaseback

On June 2, 2000, CPS entered into a financial transaction with an affiliate of Unicom involving CPS's J.K. Spruce Unit No. 1 coal-fired electric generation unit. The transaction included a headlease for a term of approximately 65 years in combination with a leaseback of the facility by CPS for approximately 32 years. CPS retains fee simple title to and operating control of the facility and retains all revenues generated from sales of electricity produced from the facility. CPS received the appraised fair value of the unit, \$725.0 million, which will be amortized over 381 months. The transaction expenses and leaseback costs of \$637.0 million were recorded as prepaid items in 2001 and are being amortized over 381 months.

The utility has the option to cancel the headlease after the leaseback expires by making a payment to Unicom's affiliate. CPS entered into a collateralized payment undertaking agreement that will generate funds sufficient to fund the cancellation option payment. CPS's net benefits were approximately \$88.0 million. The City was paid \$12.3 million in accordance with the New Series Bond Ordinance, or its 14 percent share of this net benefit. This payment was recorded as a prepayment in 2001 and is being amortized over 381 months. As a result, net proceeds from the transaction of approximately \$75.7 million will be reported over the 32-year leaseback term. In 2002 and 2001, the net amount recorded as income by CPS was \$2.8 million and \$1.8 million, respectively.

### 14. Commitments and Contingencies

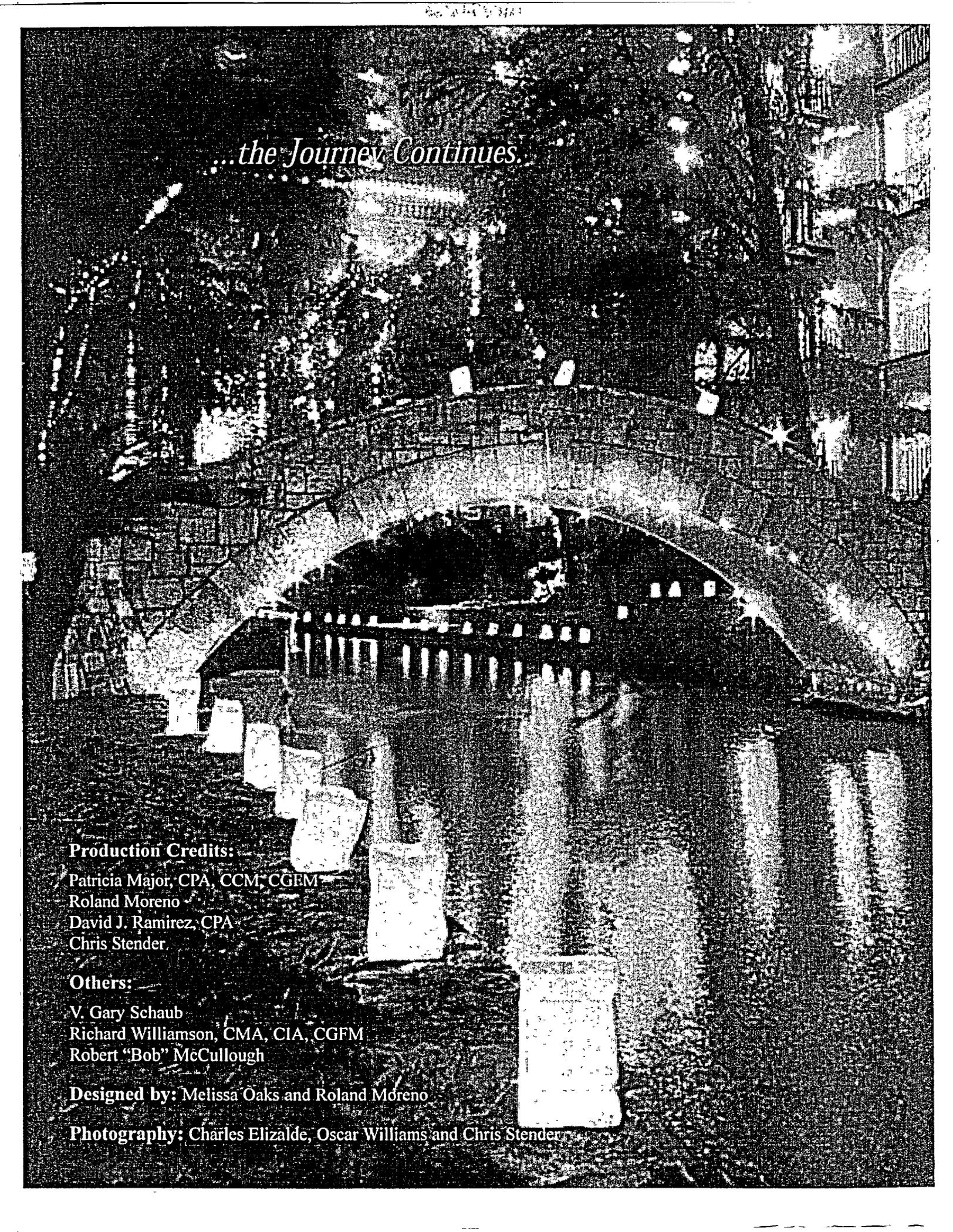
In the normal course of business, CPS is involved in legal proceedings related to alleged personal and property damages, breach of contract, condemnation appeals and discrimination cases. In addition, CPS power generation activities and other utility operations are subject to extensive state and federal environmental regulation. In the opinion of management of CPS, the outcome of such proceedings will not have a material adverse effect on the financial position or results of operations of CPS.

Purchase and construction commitments amounted to approximately \$2.6 billion at January 31, 2002. This amount includes approximately \$81.7 million that is expected to be paid for natural gas purchases to be made under the contract currently in effect through June 2002; the actual amount to be paid will depend upon CPS's actual requirements during the contract period and the price of gas. Commitments also include \$78.1 million for pipeline quality gas to be produced from the City of San Antonio "Nelson Gardens" landfill under the contract which is currently in effect to the beginning of the year 2017. Also included is \$65.0 million for coal purchases through December 2003, \$331.5 million for coal transportation through December 2014, and \$3.0 million for treated cooling water through December 2005, based upon the minimum firm commitment under these contracts.

CPS has also committed to purchase \$289.4 million in wind power and \$40.0 million in additional natural gas requirements; \$73.8 million in railcars; \$31.9 million for generation plant maintenance services; and \$44.6 million for distribution system construction and maintenance.

Additional purchase commitments at January 31, 2002, which are related to STP, include approximately \$335.5 million for raw uranium, associated fabrication and conversion services. This amount represents services that will be needed for refueling through the year 2028.

The PUC promulgated new rules in 1996 designed to comply with legislative changes affecting the utility industry. The Transmission Pricing and Access Rule (Rule) mandates that electric utilities charge customers for wholesale open transmission access according to a formula based on the amount of load served by each utility. CPS's cost for calendar years 2000 and 2001 were approximately \$20.5 million and \$5.6 million, respectively. The estimated cost for calendar year 2002 is approximately \$10.8 million. The decrease in amounts paid for calendar year 2001 is a result of CPS's success in updating the CPS transmission cost of service approved by the PUC. This new cost became effective in January 2001. In March 2000, CPS began recovering these costs from customers.



*...the Journey Continues.*

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