Comprehensive Annual Financial Report

City of Austin, Texas

For the year ended
September 30, 2004

Prepared by:
Financial and Administrative Services Department

John Stephens, CPA
Chief Financial Officer

Vickie Schubert, CPA
Deputy Chief Financial Officer

Jeff Knodel, CPA
Controller

Members of the Government Finance Officers Association
of the United States and Canada

City Council

Will Wynn

Mayor

Term expires June 16, 2006

Jackie Goodman

Mayor Pro Tem

Term expires June 15, 2005

Council Members

Raul Alvarez	June 16, 2006
Betty Dunkerley	June 15, 2005
Brewster McCracken	June 16, 2006
Daryl Slusher	June 15, 2005
Danny Thomas	June 16, 2006

Toby Hammett Futrell

City Manager

CITY OF AUSTIN, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
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INTRODUCTION

City of Austin
City Hall 301 West 2nd St., P.O. Box 1088, Austin, Texas 78767

March 28, 2005

Honorable Mayor, Mayor Pro Tem and Council Members
City of Austin, Texas

Ladies and Gentlemen:

We are pleased to submit to you the 2004 Comprehensive Annual Financial Report (CAFR) of the City of Austin, Texas. The report was prepared by the Financial and Administrative Services Department, Controller's Office. The combined financial statements and related notes have been jointly audited by the independent firms of Certified Public Accountants, KPMG LLP, and R. Mendoza & Company, P.C., whose reports are included herein. This audit satisfies Article VII, Section 16 of the City Charter, which requires an annual audit of all accounts of the City by an independent Certified Public Accountant. The Federal awards received by the City directly from Federal agencies or passed through by the State of Texas or other governmental entities during fiscal year 2004 are being audited under the provisions of the Single Audit Act of 1996, as amended, and State awards are being audited under the provisions of the *State of Texas Single Audit Circular.* The reports will be available in the City's separately issued Single Audit Report.

Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentations, including all disclosures, rests with the City. We believe the data, as presented, are accurate in all material respects and are presented in a manner which fairly sets forth the financial position and results of operations of the City. Furthermore, we believe all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

These financial statements have been prepared in accordance with generally accepted accounting principles (GAAP) for local governments as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

GASB Statement No. 34, entitled "*Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*" requires that management provide a narrative introduction, overview and analysis to accompany the Basic Financial Statements in the form of management discussion and analysis (MD&A). This letter of transmittal is intended to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the Independent Auditors' Report.

REPORTING ENTITY

This CAFR includes the financial activities of the primary government and its component units. The City provides a full range of services, including general government, public safety, transportation, planning and sustainability, public health, public recreation and culture, urban growth management, electric, water, wastewater, airport, convention and other enterprise services. In addition, the City has blended with its financial statements those of the separate legal entities, the Austin Housing Finance Corporation, whose activities are reported in the Housing Assistance Fund, and the Austin Industrial Development Corporation, whose activities are included in the Austin Industrial Development Corporation Fund.

AUSTIN'S GOVERNMENT, ECONOMY AND OUTLOOK

The City of Austin, chartered in 1839, has a Council-Manager form of government with a Mayor and six Council Members. The Mayor and Council Members are elected at large for three-year staggered terms with a maximum of two consecutive terms. A petition signed by a minimum 5% of voters waives the term limit for a Council Member. The City Manager, appointed by the City Council, is responsible to them for the management of all City employees and the administration of all City affairs.

Austin, the capital of Texas, is the fourth largest city in the State (behind Houston, Dallas, and San Antonio), with a population of 683,551 in 2004. Over the past ten years, Austin's population has increased by approximately 160,000 residents, an increase of 30.6 percent. Geographically, Austin consists of approximately 290 square miles. According to the 2000 Census, Austin has a median household income of $42,689 and a per capita income of $24,163.

Austin is frequently recognized as a great place to live and/or work, with one of the most recent commendations in *Forbes Magazine*, which listed Austin as one of its "top ten places for business". In October 2004, *Fortune Magazine* recognized Austin as one of its "five dream retirement towns". *MovieMaker* magazine ranks Austin number one in its "top ten cities for moviemakers to live and make movies" in 2004, moving Austin up from number four in its 2003 ranking. In the latest data from the FBI "2003 Crime in the U.S." report, Austin is ranked the third safest city among cities with a population of 500,000 or more with respect to violent crime.

Austin has long attracted a variety of people, and the reasons that draw people to the City are varied. The area has a natural beauty and a first-rate parks department that administers a number of public outdoor recreational facilities, including neighborhood parks, greenbelts, athletic fields, golf courses, tennis courts, a veloway for bicyclists and in-line skaters, miles of hike and bike trails and striped bike lanes, a youth entertainment complex and swimming pools. In October 2004, the Parks and Recreation Department received the National Recreation and Parks Association's 2004 Gold Medal Award as the best parks and recreation system in the nation.

Residents of Austin enjoy many outdoor events, including art, music, and food and wine festivals; races and bicycle rides; and the nightly flights of the world's largest urban bat colony. Indoor events vary from music to museums to ice hockey, art galleries, and include an opera facility and a wide variety of restaurants and clubs. Long recognized as the "live music capital of the world," Austin boasts more than 120 live music venues, and is home to the annual South by Southwest (SXSW) music, film and interactive festivals each spring as well as the Austin City Limits Festival each fall.

The educational opportunities in Austin have long drawn people to the city. Among U.S. cities with a population over 250,000, Austin is one of the most highly educated cities, with approximately 40.6 percent of adults holding a bachelor's or advanced degree. With its seven institutions of higher learning and more than 113,000 students, education is a significant aspect of life in the Austin area. The University of Texas at Austin (UT), the largest public university in the nation, is known as a world-class center of education and research.

During the 1990s, over 280,000 jobs were created in Austin; unemployment dropped to less than 2 percent in 2000. Following September 11, 2001, Austin and the Central Texas area faced a significant economic downturn, resulting in a significant number of job layoffs and high unemployment rates. Due to the influence of the technology sector in the Austin area, the economic downturn had a more severe impact locally than across Texas.

The Austin area economy is beginning to see a sustained improvement over conditions from the previous years. The unemployment rate for the Austin MSA has improved from 4.8 percent in December 2003 to 4.0 percent in December 2004. The average annual unemployment rate has also improved from 5.7 percent in 2003 to 4.5 percent in 2004. The statewide average unemployment rate for Texas was 6.8 percent in 2003 and 5.9 percent in 2004.

Sales tax revenue has shown a steady improvement from the previous year. Sales tax growth for fiscal year 2004 averaged a 6.6 percent increase over fiscal year 2003, with 11 months of positive growth as compared to only two months in the previous year. The growth rate is the second highest among major Texas cities. As a sign of sustained improvement, initial sales tax revenue for fiscal year 2005 has increased from comparative periods in fiscal year 2004.

Single family residential building permits increased by approximately 600 permits from fiscal year 2003, which represents an approximate 20 percent increase over the previous year. Property tax revenue increased by approximately $7.4 million from the previous year, although assessed valuation within the City decreased approximately $1.8 billion, or 3.5% from the prior year. Property taxes for 2004 and subsequent years may be negatively impacted by lawsuits filed against the appraisal district; the suits challenge the appraisal district's property valuations for many businesses. If the challenges are successful, they could result in decreased tax revenue in future years for the local taxing jurisdictions, including the City. These financial statements include the impact of estimated refunds for the pending lawsuits.

Total passenger traffic for the City's airport increased by 8% in calendar year 2004 as compared to the previous year. Total air cargo also increased 1% for the same time period. Overall collections from the hotel occupancy and vehicle rental taxes declined slightly in the current year, but avoided the significant decreases that occurred in fiscal year 2002, which reflected the effect of the 9/11 tragedy. The first quarter collections for fiscal year 2005 indicate a significant increase from comparative periods in fiscal year 2004, with an increase of 11.7 percent in hotel occupancy taxes and an increase of 13.5 percent in vehicle rental taxes.

City management implemented cost savings efforts beginning in 2002 and throughout the 2003 and 2004 budget years. During the 2004 budget process, a structurally balanced budget was achieved. As part of this process, an emphasis was placed on permanent reductions rather than one-time reductions that would have to be re-addressed in the future. Overall, 519 positions were eliminated, with 344 coming from the General Fund. Of those 519 positions 206 were filled, and ultimately 91 of these positions were subject to lay off. Other budgetary accomplishments include maintaining the effective tax rate, ensuring that no public facilities closed, maintaining utility transfer rates per covenants with the bond rating agencies, and placing no reliance on "one-time" funds to be utilized as revenue funding sources.

Economic indicators indicate that the conditions are good for the continuing economic recovery in Austin and surrounding areas. For the future, Austin's strengths continue to be the ones that led to growth in the past: a highly capable workforce, innovation and entrepreneurship, the presence of a world-class research university and several other institutions of higher learning, strong community assets and a superior quality of life.

MAJOR INITIATIVES AND ACHIEVEMENTS

The City has a number of significant initiatives underway or recently completed, as described below. These initiatives should have a positive effect on the City's economic health and services to residents and businesses.

Economic Growth and Development

A renewed effort has begun to attract new businesses and jobs to the Austin area. The City has developed and adopted a formal Economic Development Policy to guide Austin's economic recovery, including making significant changes to the Land Development Code to assist small business owners with redevelopment and expansion. In addition, the City has streamlined the development process for development review, permitting and inspections through the implementation of the One Stop Development Shop. The City was recognized for the progress made in this area at the 21st Annual Perryman Economic Outlook Conference.

The redevelopment of Robert Mueller Municipal Airport is underway. The City has recently completed and approved the Master Development Agreement (MDA), with a master developer to convert the old airport site into a vibrant mixed-use community. The MDA calls for the development of a full range of land use in order to promote a viable transit-oriented community for residents and employers. The first major project, a new Children's Hospital, has already begun. The City has established goals in order to achieve community-based values in a number of areas including affordable housing, green building and publicly accessible greenways and parks.

The annexation of Robinson Ranch protects the ability to plan the last major growth corridor north of Austin, as well as preserving a significant amount of future tax base. The agreement sets out future development rights and environmental protections for almost 6,000 acres. The present value of the 25-year all funds analysis of tax revenue from this area exceeds $160 million.

The City's Street Smart Team re-engineered the process for major urban road reconstruction projects. The revised process has allowed completion of reconstruction projects for both Lamar Blvd. and Cesar Chavez in significantly less time than typical projects of this nature. As a result, traffic impacts on citizens and financial impacts on surrounding businesses were reduced.

Austin's new City Hall and public plaza, built on 1.75 acres at the previous site of the Municipal Annex, was opened in December 2004. City Hall is approximately 115,000 square feet and houses offices, meeting facilities and a state-of-the-art City Council Chamber. The new City Hall has received awards including the Texas Construction Best of 2004 Award for Best Public Building Project in the State of Texas and the Austin Business Journal's 2005 best overall award for commercial real estate.

Public Health and Housing

In May 2004, voters of Travis County elected to create the Travis County Hospital District. As required under State law, title to City-owned Brackenridge Hospital and the Austin Women's Hospital effectively passes from the City with the formation of the District. Title to the clinic facilities that operate under the Federally Qualified Health Center (FQHC) designation will not transfer to the District until the District receives federal approval for the transfer.

The creation of the District creates a more equitable property tax structure within Travis County. It also allows the possibility of future expansion of the tax base to surrounding counties in order to support regional trauma and indigent health care. The City of Austin reduced the fiscal year 2005 property tax rate in proportion to the amount of services that were transferred to the District. The property tax rate of the District cannot exceed $0.25 per $100 assessed valuation per State legislation.

The District has assumed the City's lease agreement with the Daughters of Charity to operate Brackenridge Hospital, as well as the City's agreement with the University of Texas Medical Branch at Galveston to operate the Austin Women's Hospital. The City will continue to operate the FQHC clinic facilities through an interlocal agreement approved by the District. In order to ensure the future financial viability of the newly created district, the City contributed $10.7 million toward the establishment of the District's financial reserves.

The City's SMART™ Housing Program is being recognized nationally as an innovative best practice for increasing the supply of affordable, adaptable and accessible housing units. In fiscal year 2004, approximately 4,834 units were certified and 1,612 units were completed. Of these units completed, 82% were reasonably priced and all units met Green Building, accessibility, visitability and transit-oriented standards. Recently, the City's Neighborhood and Community Development Department was awarded a National Award of Excellence for their affordable housing project, Lyons Gardens. The award was given on behalf of the National Community Development Association (NCDA).

Utility Projects

Austin Energy, the City's electric utility, continues to prepare for possible deregulation. Deregulation allows Texas residents and businesses served by utilities participating in deregulation to choose the supplier from which they purchase their electricity. The local electric utility continues to deliver the electricity. Deregulation began in Texas on January 1, 2002 for all private electric utilities. These utilities, owned by stockholders, are called investor-owned utilities (IOUs). Electric cooperatives (Co-ops) and city-owned electric utilities (called municipally owned utilities or MOUs) such as Austin Energy can participate, or "opt-in," by a vote of their board or City Council. Once the City Council votes to participate in deregulation, it cannot later withdraw. The City has not "opted-in", but does continue to prepare for that possibility.

Standard & Poor's raised its ratings on the following Utility revenue bonds:

Type	Previous	Revised
Combined utility system:		
Prior first lien	A	A+
Prior subordinate lien	A-	A
Electric:		
Separate lien	A-	A
Water and Wastewater:		
Separate lien	A-	A

The upgrade was based on a demonstrated trend of financial performance and risk management, while reducing indebtedness and managing a large capital plan.

Austin Energy's Strategic Plan was adopted by Council in December 2003 and sets a national standard for renewable energy and energy efficiency. Among Austin Energy's numerous awards for leadership in this area is the 2004 Green Power Program of the Year given by the Environmental Protection Agency and the Department of Energy. In addition, Austin Energy received the U.S. Green Building Public Sector Leadership Award given by the U.S. Green Building Council in November 2003.

In January 2005, Austin Energy announced it was doubling the capacity of its renowned clean power program, GreenChoice. With the additional capacity, Austin Energy is on track to achieve its goal of generating 20 percent of Austin's electricity needs from renewables by the year 2020. The Austin Independent School District subscribes to 45-million kWh annually, the largest green power subscription by any public school system in the nation.

Austin Water Utility has launched the Austin Clean Water Program. The Program is the result of a mandate from the U.S. Environmental Protection Agency to eliminate overflows from the City's wastewater collection system by the end of 2007. The cost to complete this program is estimated to be $150 million. The Utility remains on schedule to complete the necessary requirements.

Status of city services

The vision of the City of Austin is to be the most livable community in the country. To achieve this vision, the governing leaders of the City invite citizens to participate in the Citizen Satisfaction Survey. The City has conducted the survey since 1997.

Austin residents assign a very high level of importance to public safety services, including 9-1-1, EMS, Fire, and Police. Generally, satisfaction with most public safety services is high, although neighborhood policing and traffic enforcement rank very low as compared to other public safety services. The City's parks program has seen a significant increase in the number of participants in 2004; residents are generally satisfied with the services of the Parks and Recreation Department. Overall, the City had a significant improvement in the level of satisfaction with all customer services provided by City staff. Two areas of continuing dissatisfaction are traffic and the repair of City streets.

The top issues of importance to Austin residents are:

- Traffic issues (congestion, flow, planning, etc.)
- Tax related issues (too high, too many, etc.)
- Growth management (speed, planning, zoning, etc.)
- Economic issues (protection, conservation, control, balance, etc.)
- Roadway development (planning, maintenance, inconvenience, etc.)

The City is committed to incorporating the public's preferences into its strategic planning and use the public's expression of satisfaction as a criterion of accountability.

OTHER

Internal Controls and Budgetary Control

City management is responsible for establishing, implementing and maintaining a framework of internal controls designed to ensure that City assets are protected from loss, theft or misuse, and to ensure that adequate accounting data is compiled to allow for the preparation of financial statements in conformity with Generally Accepted Accounting Principles (GAAP). The system of internal control is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: 1) the cost of control should not exceed the benefits likely to be derived; and 2) the evaluation of costs and benefits requires estimates and judgments by management. All internal control evaluations occur within this framework and are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions. The City employs a computerized financial accounting system that includes a system of internal accounting controls.

The Financial and Administrative Services Department is responsible for providing all centralized City financial services including financial accounting, reporting and budgeting, payroll and accounts payable disbursement functions, cash and investment management, debt management, purchasing and contract administration. The Director of Financial Services, appointed by the City Manager, supervises the department's operations.

The objective of budgetary controls is to ensure compliance with legal provisions in the annual appropriated budget approved by the City Council. The annual operating budget, or financial plan, is proposed by the City Manager and enacted by the City Council after public discussion. Subsequent intradepartmental budget transfers must be approved by the City Manager. Interdepartmental transfers and any increase or decrease in total appropriations must be approved by the City Council. Management control for the operating budget is maintained at the fund and department level.

Primary responsibility for fiscal analysis of budget to actual expense or revenue and overall program fiscal standing rests with the department operating the program. As demonstrated by the statements and schedules included in the City's 2004 CAFR, the City continues to meet its responsibility for sound financial management.

Cash Management

The City's investment policy is to minimize credit and market risk while maintaining a competitive portfolio yield. Cash balances of all City funds are invested in consideration of five factors: safety, term, liquidity, market exposure and rate of return. Cash balances of most funds, except for debt service and other legally restricted funds, are pooled for investment purposes. These investments are made in accordance with the Texas Public Funds Investment Act and the City of Austin Investment Policy. During 2004, the City's cash resources were primarily invested in U.S. Treasury and Agency issues. The average yield on pooled investments during the year was 1.99 percent, and the weighted average maturity of the investments was 315 days.

Risk Management

The City maintains three internal service funds to account for its risk of loss associated with torts and employee and workers' compensation benefits. The City continues to be self-insured for liabilities for most health benefits, third-party claims and workers' compensation. The City purchases commercial insurance coverage for property loss or damage, commercial crime, fidelity bonds and airport operations. In addition, the City purchases a broad range of insurance coverage for contractors working at selected capital improvement project sites. The City does not participate in a risk pool. Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities for the Employee Benefits Fund and the Workers' Compensation Fund are calculated based on outstanding claims and actuarial data; the Liability Reserve Fund is based on outstanding claims.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its 2003 Comprehensive Annual Financial Report (CAFR). This is the eleventh consecutive year that the City has achieved this prestigious award. A Certificate of Achievement is valid for a period of one year only. City management believes that this 2004 CAFR conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for its review.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not have been accomplished without the dedicated services of a highly qualified staff. The City of Austin has such a staff in the Controller's Office of the Financial and Administrative Services Department. We would like to express our appreciation to all the staff of the Controller's Office who assisted in and contributed to the preparation of this report.

Other departments and offices of the City have also contributed directly or indirectly to the preparation of this report. In particular, the Budget Office of the Financial and Administrative Services Department and the Office of the City Auditor have been instrumental in ensuring that good financial management practices are maintained, and their cooperation and continued assistance is appreciated. We also acknowledge the efforts of the City departments in following good financial management practices and in providing information and assistance during the preparation of the report.

We acknowledge the thorough, professional and timely manner in which our independent auditors, KPMG LLP and R. Mendoza & Company, P.C., conducted the audit.

Finally, we acknowledge the Mayor and Council Members who have consistently supported the City's goal of excellence in all aspects of financial management. Their support is greatly appreciated.

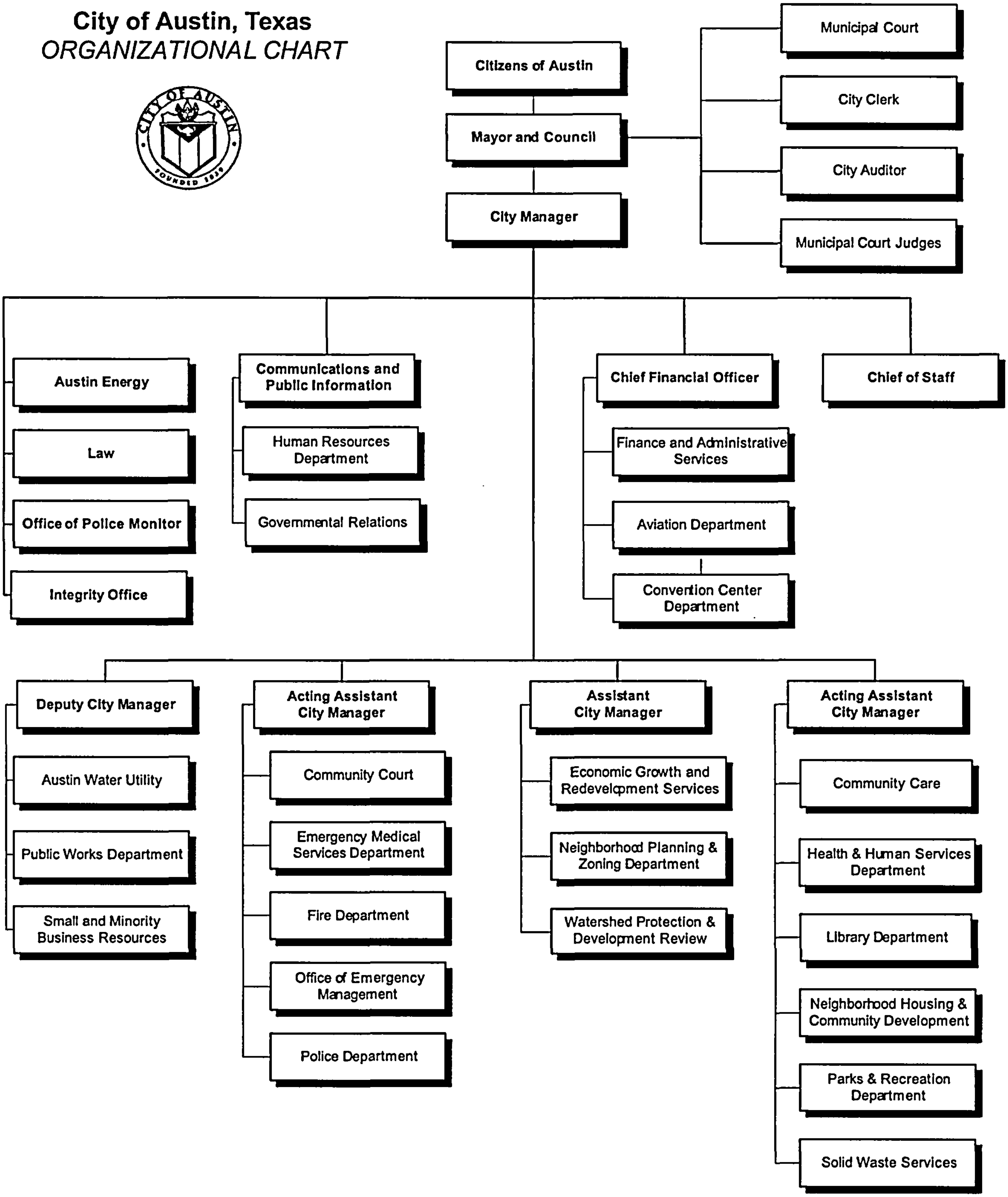
Toby Hammett Futrell

Toby Hammett Futrell
City Manager

John Stephens

John Stephens, CPA
Chief Financial Officer

City of Austin, Texas
ORGANIZATIONAL CHART



The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Austin, Texas for its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2003.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards. Such reports must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. City management believes that this 2004 CAFR conforms to the Certificate of Achievement Program requirements, and we are submitting it to GFOA for their review.

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Austin, Texas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended September 30, 2003

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

President

Executive Director

FINANCIAL SECTION

KPMG

111 Congress Avenue
Suite 1100
Austin, TX 78701

R. Mendoza & Company, P.C.
Certified Public Accountants
2211 South I.H.35, Suite 410
Austin, TX 78741

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Austin, Texas ("City"), as of and for the year ended September 30, 2004, which collectively comprise the City's basic financial statements as listed in the foregoing table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes 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 audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of September 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 23, 2005 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As described in note 1e, the City has implemented Governmental Accounting Standards Board Statement No. 40, *Deposit and Investment Risk Disclosures*, as of September 30, 2004.

The Management's Discussion and Analysis on pages 3 through 14 and the General Fund Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Budget Basis on pages 100 through 101 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying introduction, combining and fund financial statements and schedules, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and fund financial statements and schedules, and supplemental schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introduction and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

KPMG LLP

R. Mendoza & Company, P.C.

Austin, Texas
February 23, 2005

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The Management's Discussion and Analysis (MD&A) section of the City of Austin's (the City) Comprehensive Annual Financial Report presents a narrative overview and analysis of the financial activities of the City for the fiscal year ended September 30, 2004. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal.

The financial statements are presented in conformance with the Governmental Accounting Standards Board Statement No. 1 through Statement No. 41. During the current fiscal year, the City implemented GASB Statement No. 40, *"Deposit and Investment Risk Disclosures"*. GASB Statement No. 40 addresses disclosure of certain deposit and investment risks, including credit risk, interest risk and foreign currency risk.

FINANCIAL HIGHLIGHTS

Government-wide financial statements
The assets of the City exceeded its liabilities at the end of the fiscal year 2004, resulting in $3.7 billion of net assets. Net assets associated with governmental activities are approximately $1.4 billion, or 39% of the total net assets of the City. Net assets associated with business-type activities are approximately $2.2 billion, or 61% of the total net assets of the City. The largest portion of net assets consists of investment in capital assets, net of related debt, which is $2.9 billion, or 79% of total net assets.

Unrestricted net assets, which may be used to meet the City's future obligations, consist of $528 million, or 14% of the City's total net assets. Unrestricted net assets for governmental activities are approximately $51 million, or 4% of total net assets for governmental activities; unrestricted net assets for business activities are approximately $477 million, or 21% of total net assets for business-type activities.

Total net assets for the City of Austin increased $36.7 million, or 1% during fiscal year 2004. Of this amount, governmental activities increased $90.4 million, or 6.7% from the previous year and business-type activities decreased $53.7 million, or 2.3% from the previous year.

Total revenues for the City decreased $104.2 million; revenues for governmental activities decreased $584 thousand; revenues for business-type activities decreased $103.7 million. Total expenses for the City increased $89.8 million; expenses for governmental activities decreased $25.6 million; expenses for business-type activities increased $115.4 million.

In fiscal year 2004, the ending fund balance for the General Fund increased $13 million, or 14%. Unreserved fund balance increased $12.7 million, or 14.4%.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, consisting of three components:

- government-wide financial statements,
- fund financial statements and
- notes to the financial statements.

This report also contains other supplementary information in addition to the basic financial statements, including information on individual funds.

a -- Government-wide Financial Statements
The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner comparable to a private-sector business. The two government-wide financial statements are, as follows:

- The ***Statement of Net Assets*** presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Austin is improving or deteriorating.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

- The ***Statement of Activities*** presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues for uncollected taxes and expenses for future general obligation debt payments. The statement includes the annual depreciation for infrastructure and governmental assets.

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

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are reported in governmental funds, which focus on how cash and other financial assets can readily be converted to available resources and on the available balances remaining at year-end. This information may be useful in determining what financial resources are available in the near future to finance the City's future obligations. Other funds are referred to as nonmajor funds and are presented as summary data.

Because the focus of governmental fund level statements is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented in the government-wide statements. In addition to the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balance, separate statements are provided that reconcile between the government-wide and fund level statements.

The City's General Fund is considered a major fund and information is presented separately in the governmental fund balance sheet and statement of revenues, expenditures and changes in fund balances. In addition, the City maintains several individual governmental funds organized according to their type (special revenue, debt service, capital projects and permanent funds). Data from these governmental funds are combined into a single column labeled nonmajor governmental funds. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Proprietary funds. Proprietary funds are generally used to account for services for which the City charges customers —either outside customers or internal units or departments of the City. Proprietary fund statements provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains the following two types of proprietary funds:

- Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for the operations of the City's three major funds, Electric, Water and Wastewater and Austin-Bergstrom International Airport (Airport), as well as the nonmajor enterprise funds.

OVERVIEW OF THE FINANCIAL STATEMENTS, continued

- Internal Service funds are used to report activities that provide supplies and services for many City programs and activities. The City's internal service funds include: Capital Projects Management, Employee Benefits, Fleet Maintenance, Information Systems, Liability Reserve, Support Services, Wireless Communication and Workers' Compensation. Because these services benefit governmental operations more than business-type functions, they have been included in governmental activities in the government-wide financial statements.

The nonmajor enterprise funds and the internal service funds are combined into two aggregated presentations in the proprietary fund financial statements. Individual fund data for the funds are provided in the form of combining statements in the supplementary section of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the City. Since the resources of fiduciary funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting policies applied to fiduciary funds are much like those used for proprietary funds.

Comparison of Government-wide and Fund Financial Components. The following chart compares how the City's funds are included in the government-wide and fund financial statements:

Fund Types / Other	Government-wide	Fund Financials
General Fund	Governmental	Governmental
Special revenue funds	Governmental	Governmental - Nonmajor
Debt service funds	Governmental	Governmental - Nonmajor
Capital project funds	Governmental	Governmental - Nonmajor
Permanent funds	Governmental	Governmental - Nonmajor
Internal service funds	Governmental	Proprietary
Assets previously reported in General Fixed Asset Group	Governmental	Excluded
Infrastructure assets	Governmental	Excluded
Liabilities previously reported in General Long-Term Debt Group	Governmental	Excluded
Electric	Business-type	Proprietary
Water and wastewater	Business-type	Proprietary
Airport	Business-type	Proprietary
Other enterprise funds	Business-type	Proprietary - Nonmajor
Fiduciary funds	Excluded	Fiduciary

Basis of Reporting - The government-wide statements and fund-level proprietary statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. The governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting.

c -- Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

d -- Other Information

The section Required Supplementary Information (RSI) immediately follows the basic financial statements section of this report. The City adopts an annual appropriated budget for the General Fund. The RSI provides a comparison to budget and demonstrates budgetary compliance. Following the RSI are other statements and schedules, including the combining statements for nonmajor governmental and enterprise funds, internal service funds and fiduciary funds.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS

a -- Net Assets
The following table reflects a summary of Net Assets compared to prior year (in thousands):

Net Assets
as of September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Current assets	$ 498,993	529,203	934,090	1,073,730	1,433,083	1,602,933
Capital assets	2,032,289	1,868,710	5,174,870	4,965,869	7,207,159	6,834,579
Other noncurrent assets	3,233	3,138	624,169	701,942	627,402	705,080
Total assets	2,534,515	2,401,051	6,733,129	6,741,541	9,267,644	9,142,592
Current liabilities	207,830	198,161	416,793	384,841	624,623	583,002
Noncurrent liabilities	888,181	854,763	4,072,592	4,059,289	4,960,773	4,914,052
Total liabilities	1,096,011	1,052,924	4,489,385	4,444,130	5,585,396	5,497,054
Net assets:						
Invested in capital assets, net of related debt	1,333,779	1,204,877	1,569,489	1,505,479	2,903,268	2,710,356
Restricted	53,481	100,469	197,174	216,459	250,655	316,928
Unrestricted	51,244	42,781	477,081	575,473	528,325	618,254
Total net assets	$ 1,438,504	1,348,127	2,243,744	2,297,411	3,682,248	3,645,538

As noted earlier, net assets may serve as a useful indicator of a government's financial position. For the City, assets exceeded liabilities by $3.7 billion at the end of the current fiscal year. However, the largest portion of the City's net assets are invested in capital assets, net of related debt (e.g. land, building, and equipment), which are $2.9 billion, or 79% of the total amount of the City's net assets. The City uses these capital assets to provide services to citizens. Capital assets are generally not highly liquid; consequently, they are not considered future available resources. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated for these liabilities.

An additional portion, $251 million of the City's net assets, represents resources that are subject to external restrictions on how they may be used in the future. The remaining balance, $528 million of unrestricted net assets, may be used to meet the government's future obligations.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets for the government as a whole, as well as for governmental and business-type activities separately.

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

b -- Changes in Net Assets

Total net assets of the City increased by $36.7 million in the current year. Governmental net assets increased $90.4 million. The increase is attributable to total revenues exceeding program expenses by $58.8 million, transfers from other funds of $39.3 million and a payment in the amount of $7.7 million to the Travis County Hospital District. Business-type net assets decreased by $53.7 million, due to program expenses exceeding revenues by $11.4 million, a payment to the Travis County Hospital District in the amount of $3 million and transfers to other funds of $39.3 million.

Changes in Net Assets
September 30
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Program revenues:						
Charges for services	$ 74,661	75,469	1,279,565	1,368,616	1,354,226	1,444,085
Operating grants and contributions	52,068	55,122	–	–	52,068	55,122
Capital grants and contributions	2,546	3,956	47,570	48,325	50,116	52,281
General revenues:						
Property tax	240,536	233,130	–	–	240,536	233,130
Sales tax	117,725	110,454	–	–	117,725	110,454
Franchise fees and gross receipts tax	63,509	63,049	–	–	63,509	63,049
Grants and contributions not restricted to specific programs	81,937	94,210	–	–	81,937	94,210
Interest and other	26,799	24,975	16,582	30,430	43,381	55,405
Total revenues	659,781	660,365	1,343,717	1,447,371	2,003,498	2,107,736
Program expenses:						
General government	46,607	43,405	–	–	46,607	43,405
Public safety	292,678	292,411	–	–	292,678	292,411
Transportation, planning and sustainability	15,879	17,119	–	–	15,879	17,119
Public health	48,733	80,808	–	–	48,733	80,808
Public recreation and culture	56,408	58,199	–	–	56,408	58,199
Urban growth management	64,631	59,949	–	–	64,631	59,949
Unallocated depreciation expense - infrastructure	35,833	35,414	–	–	35,833	35,414
Interest on debt	40,199	39,296	–	–	40,199	39,296
Electric	–	–	774,702	754,393	774,702	754,393
Water	–	–	155,472	130,119	155,472	130,119
Wastewater	–	–	137,227	115,284	137,227	115,284
Airport	–	–	77,541	79,558	77,541	79,558
Convention	–	–	52,336	40,621	52,336	40,621
Other	–	–	157,842	119,763	157,842	119,763
Total expenses	600,968	626,601	1,355,120	1,239,738	1,956,088	1,866,339
Excess before special items and transfers	58,813	33,764	(11,403)	207,633	47,410	241,397
Special items - hospital district reserve	(7,700)	–	(3,000)	–	(10,700)	–
Transfers	39,264	66,926	(39,264)	(66,926)	–	–
Increase (decrease) in net assets	90,377	100,690	(53,667)	140,707	36,710	241,397
Beginning net assets	1,348,127	1,247,437	2,297,411	2,156,704	3,645,538	3,404,141
Ending net assets	$ 1,438,504	1,348,127	2,243,744	2,297,411	3,682,248	3,645,538

FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

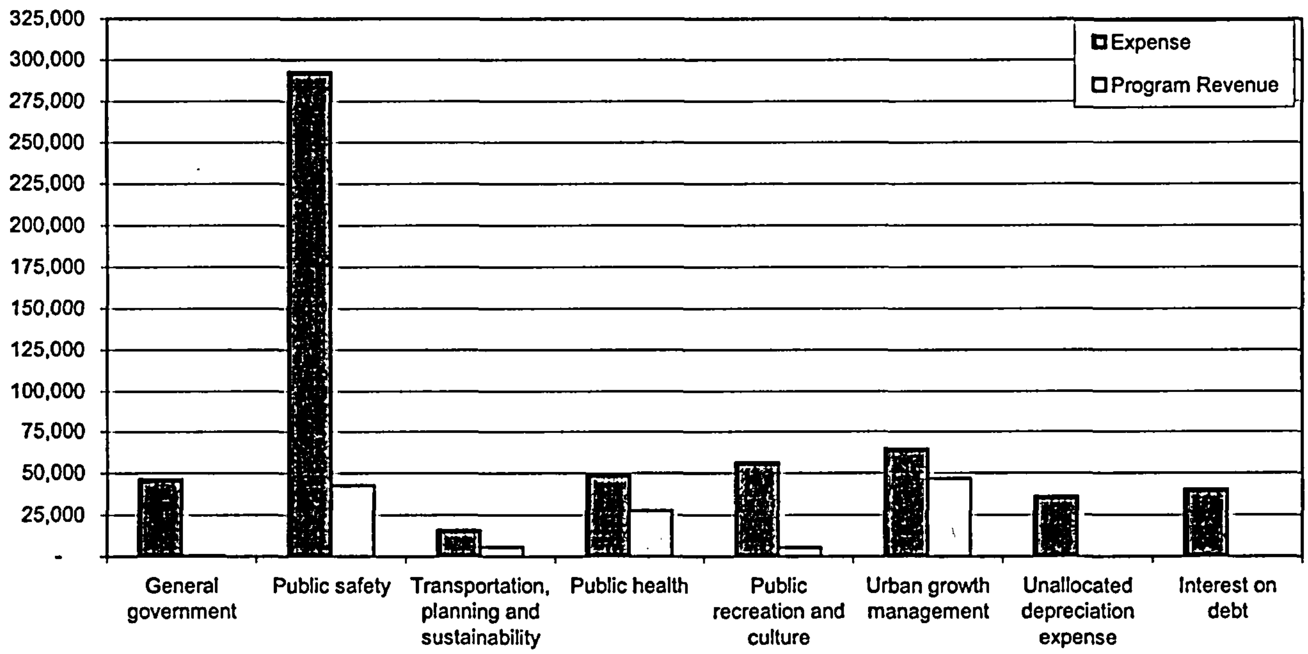
c -- Program Revenues and Expenses -- Governmental Activities

Governmental activities increased the City's net assets by $90.4 million in fiscal year 2004, a 6.7% increase of governmental net assets from the previous year. Key factors of this increase are as follows:

- The City's property tax revenue increased by $7.4 million from the previous year, as a result of an increase in the City's tax rate from 45.97 cents to 49.28 cents per $100 valuation. The total assessed valuation of real and personal property in the City had a negative growth rate of 3.5%.
- Sales tax revenue increased $7.3 million from the previous year, an increase of 6.6%.
- Grants and contributions not restricted to specific programs decreased by $12 million, primarily as a result of lower intergovernmental revenues. Grants and contributions restricted to specific programs decreased $4.5 million.
- Governmental expenses decreased $25.6 million, largely due to the transfer of the certain indigent health care costs from the Public Health program in governmental activities to the Primary Care Fund, which is a business-type activity. However, the reduction in expenses was offset by an increase of transfers to other funds in order to provide the funding source for these services.

The chart below illustrates the City's governmental expense and revenues by function: general government; public safety; transportation, planning and sustainability; public health; public recreation and culture; urban growth management; unallocated depreciation expense and interest on debt.

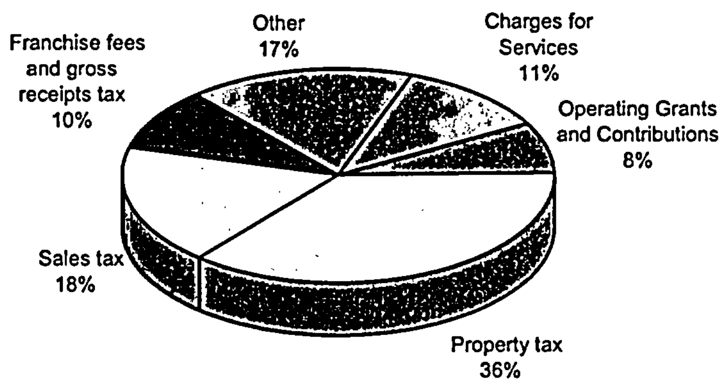
Government-wide Program Expenses and Revenues – Governmental Activities
(in thousands)



FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

General revenues such as property taxes, sales taxes and franchise fees are not shown by program, but are used to support all governmental activities. Property taxes are the largest source of general governmental revenues, followed by sales taxes and charges for services.

Government-wide Revenues by Source -- Governmental Activities



d -- Program Revenues and Expenses -- Business-type activities

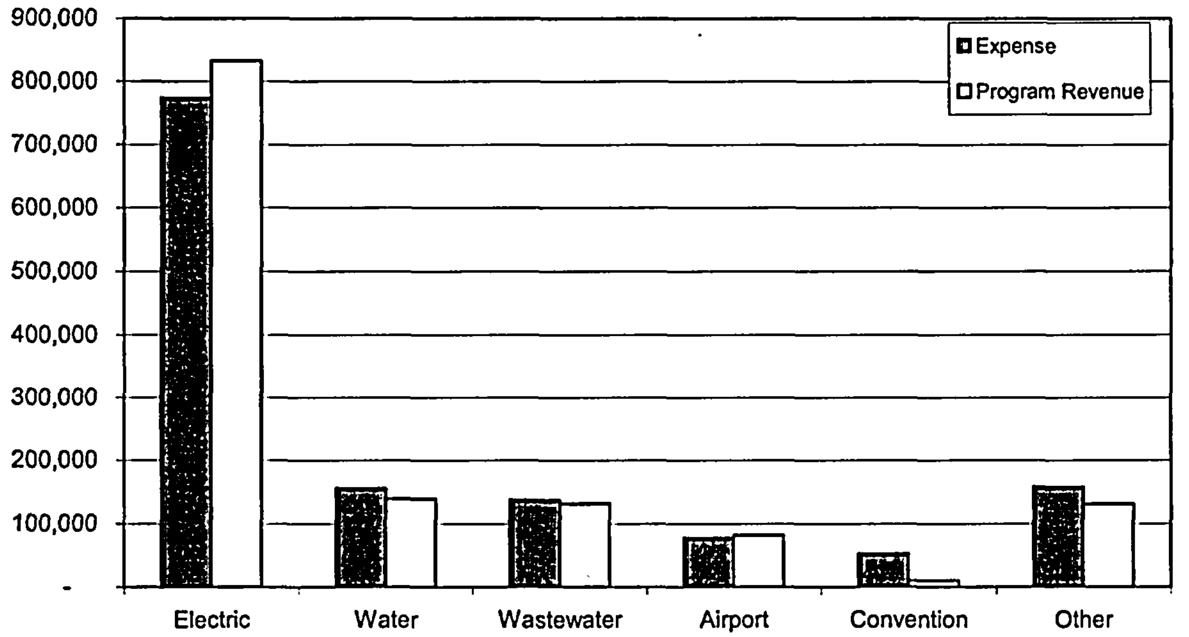
Business-type activities decreased the City's net assets by $53.7 million, accounting for a 1.5% decrease in the City's total net assets and a 2.3% decrease in business-type net assets. Key factors include:

- Electric net assets decreased $6 million. The decrease is due primarily to the recognition of $66 million previously reported as deferred depreciation. The expense recognition was required as a result of a bond defeasance and the resulting principal payment associated with the defeasance. Revenue decreased approximately 10% from the previous year due to mild weather conditions and lower fuel cost; expenses decreased by 7% from the previous year due to lower fuel costs.
- Water and Wastewater net assets decreased $43 million. The decrease is due primarily to the recognition of $38 million previously reported as deferred depreciation. The expense recognition was required as a result of a bond defeasance and the resulting principal payment associated with the defeasance. Water revenue decreased by $11.2 million from the previous year due to wetter than normal weather and reduced industrial demand.
- Airport net assets increased $6 million. Revenues increased due to an increase in passenger traffic, which was 8% higher than the previous calendar year. Expenses decreased as a result of cost containment.
- Convention net assets decreased $19 million. Revenues were 31% less than the previous year due to reduced business activity for convention space and event cancellations. Expenses increased $12 million from the previous year due to the recognition of economic development costs.
- Other business-type net assets increased by $8 million, primarily as a result of increased revenues in the Drainage Fund.

As shown in the following chart, the Electric utility, with expenses of $775 million, is the City's largest business-type activity, followed by Water ($155 million), Wastewater ($137 million), Airport ($78 million) and Convention ($52 million). For fiscal year 2004, operating revenues exceeded operating expenses for all business-type activities, except Water, Wastewater, Convention and other business-type activities. Within other business-type activities, only Hospital and Primary Care operating expenses exceeded operating revenues.

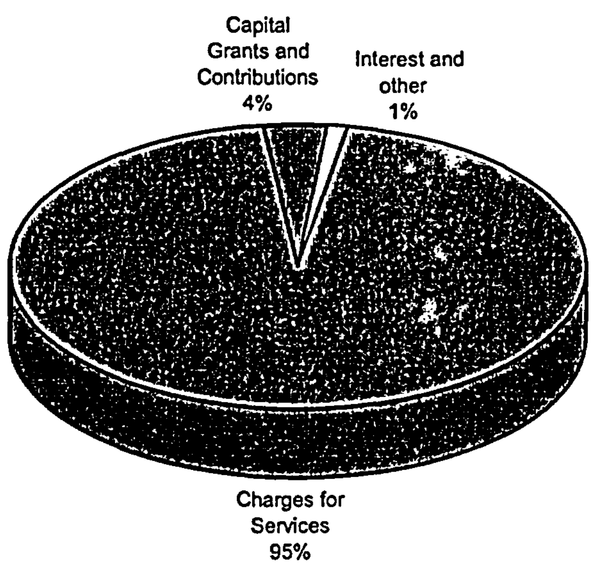
FINANCIAL ANALYSIS OF THE GOVERNMENT-WIDE STATEMENTS, continued

Government-wide Expenses and Program Revenues -- Business-type Activities
(Excludes General Revenues and Transfers)
(in thousands)



For all business-type activities, charges for services provide the largest percentage of revenues (95%), followed by capital grants and contributions (4%) and interest and other revenues (1%).

Government-wide Revenue by Source – Business-type Activities



FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUND LEVEL STATEMENTS

In comparison to the government-wide statements, the fund-level statements focus on the key funds of the City. The City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

a -- Governmental funds
The City reports the following types of governmental funds: the General Fund, special revenue funds, debt service funds, capital project funds and permanent funds. The focus of the City's governmental funds is to provide information on near-term inflows, outflows and available resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available at the end of the fiscal year.

At the end of the year, the City of Austin's governmental funds reported combined ending fund balances of $309 million, a decrease of $36 million from the previous year. Approximately $206 million represents unreserved ending balance, which is available for future use. The remainder of fund balance is reserved and only available for commitments for the purchase of goods and services, receivables, property held for resale and certain debt service amounts. Reserved fund balance decreased $24.3 million in comparison to the prior year, primarily due to a decrease in the reservation for encumbrances of $26.7 million.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the unreserved fund balance of the General Fund was $100.8 million, while total fund balance was $106 million. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 25% of total General Fund expenditures of $405 million, and total fund balance represents 26% of expenditures. The unreserved and undesignated fund balance of the General Fund is $48 million, which may be designated by City Council for specified uses for the future.

The General Fund fund balance increased by $13 million during the fiscal year; undesignated fund balance increased by $12.7 million. Significant differences from the previous year include:

- $17 million increase in revenues, primarily from property taxes, sales tax and rental income.
- Decrease of $28 million in expenditures, due primarily to the transfer of certain indigent health care costs to the Primary Care Fund, a nonmajor enterprise fund.
- $28 million increase in transfers out, to fund the indigent health care costs mentioned above.

b -- Proprietary funds
The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Overall, net assets of the City's enterprise funds, including consolidation of the internal service funds activities, decreased by $53.7 million.

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

OTHER INFORMATION

a -- General Fund budgetary highlights
The original budget of the General Fund was amended twice during fiscal year 2004 by $1.3 million for increased public safety costs offset by a decrease to transfers out to other funds and a decrease in expenditures for Municipal Court.

During the year, revenues were $12.6 million more than budgeted. An increase in sales tax collections and rental income was the primary cause of the difference.

Expenditures were $8.7 million less than budgeted. Public safety accounted for approximately $6.9 million of the difference, with Police consisting of $5 million of this amount. Transfers out were approximately $1.8 million less than budgeted. The budget was not formally amended to reflect any cost containment actions. The total fund balance at year-end amounted to $52.5 million, which was $27.3 million higher than budgeted.

b -- Capital Assets
The City's capital assets for governmental and business-type activities as of September 30, 2004, total $7.2 billion (net of accumulated depreciation). Capital assets include land, buildings and improvements, equipment, vehicles, infrastructure, assets not classified, construction work in progress, nuclear fuel and plant held for future use. The total increase in the City's capital assets for the current fiscal year was $372 million (5 percent), with an increase of almost 9 percent for governmental activities and an increase of 4 percent for business-type activities. Additional information on capital assets can be found in Note 7. Capital asset balances are as follows:

Capital Assets, Net of Accumulated Depreciation
September 30
(In millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
Land and improvements	$ 233	195	280	270	513	465
Other assets not depreciated	18	18	1	1	19	19
Building and improvements	260	226	1,402	1,355	1,662	1,581
Equipment	33	26	2,546	2,270	2,579	2,296
Vehicles	32	36	37	36	69	72
Infrastructure	1,009	919	--	--	1,009	919
Completed assets not classified	120	95	180	320	300	415
Construction work in progress	327	354	680	661	1,007	1,015
Nuclear fuel, net of amortization	--	--	18	22	18	22
Plant held for future use	--	--	31	31	31	31
Total net assets	$ 2,032	1,869	5,175	4,966	7,207	6,835

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

- Governmental capital assets increased $163 million. Included in this increase were $90 million in infrastructure additions, $27 million in Parkland purchases and improvements, $6 million for the St. John's Joint Use Facility and $6 million for the City's investment in the Combined Emergency Center.
- Business-type activities purchased or completed construction on capital assets of $357 million. The Electric Fund added $291 million in plant and equipment expansions or improvements to existing facilities, including the Sandhill combined cycle plant competed for $169 million. The Water and Wastewater Fund increased capital assets by $46 million, including approximately $28 million of costs associated with the Austin Clean Water Program.

OTHER INFORMATION, continued

c -- Debt Administration

At the end of the current fiscal year, the City reported $4.3 billion in outstanding debt. The table below reflects the outstanding debt at September 30. Additional information can be found in Note 10.

Outstanding Debt
General Obligation and Revenue Debt
(in millions)

	Governmental Activities		Business-Type Activities		Total	
	2004	2003	2004	2003	2004	2003
General obligation bonds and other tax supported debt, net	$ 863	830	104	79	967	909
Commercial paper notes	--	--	316	128	316	128
Revenue notes	--	--	28	28	28	28
Revenue bonds, net	--	--	2,983	3,218	2,983	3,218
Capital lease obligations	1	1	13	15	14	16
Total	$ 864	831	3,444	3,468	4,308	4,299

During fiscal year 2004, the City's total outstanding debt increased by $9 million. The City issued new debt and refinanced portions of existing debt to take advantage of lower borrowing costs. Debt issues include the following:

- Bond debt for governmental activities increased $33 million, and will be used primarily for street improvements, right of way acquisition and utility relocation, parks and recreation facilities, emergency centers and a court settlement agreement.
- Outstanding debt for business-type functions decreased $24 million due to the payment of existing debt. In 2004, new debt was issued primarily for the Convention Center garage; closed landfill remediation; communications technology upgrades; and capital equipment and vehicles. The City issued Water and Wastewater separate lien refunding bonds to refund commercial paper; Airport prior lien revenue refunding bonds were issued to refund revenue bonds; and Convention Center hotel occupancy tax revenue refunding bonds were issued to refund revenue bonds. In addition Electric, Water and Wastewater reduced both utilities' long-term debt through a defeasance of combined utility system revenue bonds.

The general obligation bond ratings remained unchanged while the revenue bond ratings were upgraded during the year. Ratings at September 30, 2004 of the City's obligations for various debt instruments are as follows:

Debt	Moody's Investors Service, Inc	Standard and Poor's	Fitch, Inc.
General obligation bonds and other tax supported debt	Aa2	AA+	AA+
Commercial paper notes	P-1	A-1	F1+
Utility revenue bonds - prior lien	A2	A+	A+
Utility revenue bonds - subordinate lien	A2	A	A+
Utility revenue bonds - separate lien:			
Electric	A3	A	A+
Water and Wastewater	A2	A	A+
Airport system revenue bonds	NUR (1)	A-	NUR (1)
Airport variable rate bonds	P-1	NUR (1)	NUR (1)

(1) No underlying rating

OTHER INFORMATION, continued

d -- Economic Factors and Next Year's Budget and Rates

The local economy appears to have turned the corner, with job growth and local sales tax revenues increasing after a long decline. The forecast for the upcoming year indicates the City is poised to continue its trend of economic improvement, as consumer spending, tourism and job growth are predicted to show continuing increases over the next several years. Nationwide, the U.S. economy continues to grow with a steady increase in the Gross Domestic Product occurring for each quarter during 2004. Predictions indicate that the U.S. economy will continue to improve.

Due to the economic downturn in 2002 and 2003, the City has emerged as a smaller organization than the previous year. New service models were developed during the budget reduction years to maintain current service levels with reduced resources. Examples include the One Stop Shop and 311 Call Center. Structural soundness was achieved in the General Fund in fiscal year 2004, due to revenues exceeding expenditures; i.e., more resources came in than were spent. This was due to a continued policy of cost containment, better than expected revenue and City management's continuing initiative of managing current and future cost drivers.

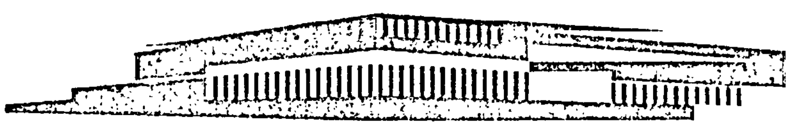
For the upcoming 2005 budget, the City will continue to leverage and develop efficiencies in the manner it delivers services to citizens. It will be a continual challenge to maintain the level of service citizens are accustomed to receiving, in addition to managing the demand and expectations of service enhancements as economic conditions begin to improve. Although indications are favorable that the Austin area economy will continue to improve, several key factors could have a significant impact to the economic climate. A downturn in the U.S. economy, including higher-than anticipated inflation or fast-rising oil and fuel prices, could have a significant negative impact to the local economy. The City will continue to monitor the State legislative budget process to assess the impact of any enacted legislative laws that could adversely affect the City. City management will continue to view the economic recovery in a conservative manner and will be prepared to take any corrective actions to help mitigate unfavorable economic events.

The assessed valuation within the City increased by 2% for fiscal year 2005. The property tax rate for fiscal year 2005 is 44.3 cents per $100 valuation, which is the effective tax rate of 50.65 cents reduced by 6.35 cents for the services transferred from the City to the Travis County Hospital District. The tax rate consists of 27.47 cents for the General Fund, 16.83 cents for debt service. Each 1 cent of the property tax rate is equivalent to $4,994,185 of tax levy, as compared to $4,896,428 for the previous year. Rate increases for the Water and Wastewater Fund are: 9.2% for Water, 14.7% for Wastewater, for a combined increase of 11.8%.

e -- Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Financial and Administrative Services Department of the City of Austin, P.O. Box 1088, Austin, Texas 78767, or (512) 974-3344 or on the web at http://www.ci.austin.tx.us/controller/.

BASIC FINANCIAL STATEMENTS



(In thousands)

	Governmental Activities	Business-type Activities	2004 Total (†)
ASSETS			
Current assets:			
Cash	$ 111	55	166
Pooled investments and cash	373,013	88,354	461,367
Pooled investments and cash - designated	--	27,591	27,591
Pooled investments and cash - restricted	--	275,255	275,255
Total pooled investments and cash	373,013	391,200	764,213
Investments, at fair value - designated	13,477	105,135	118,612
Investments, at fair value - restricted	--	158,725	158,725
Cash held by trustee	3,781	--	3,781
Cash held by trustee - restricted	--	8,259	8,259
Working capital advances	--	3,456	3,456
Property taxes receivable	11,331	--	11,331
Less allowance for uncollectible taxes	(1,482)	--	(1,482)
Net property taxes receivable	9,849	--	9,849
Accounts and other taxes receivable	158,171	183,979	342,150
Less allowance for doubtful accounts	(84,063)	(8,264)	(92,327)
Net accounts receivable	74,108	175,715	249,823
Receivables from other governments	10,274	1,349	11,623
Receivables from other governments - restricted	--	944	944
Notes receivable, net of allowance	9,890	--	9,890
Internal balances	(3,458)	3,458	--
Internal balances - restricted	(2,907)	2,907	--
Inventories, at cost	2,358	55,441	57,799
Real property held for resale	6,598	--	6,598
Prepaid items	628	3,119	3,747
Other assets	1,271	24,158	25,429
Other receivables - restricted	--	169	169
Total current assets	498,993	934,090	1,433,083
Noncurrent assets:			
Investments, at fair value	--	65,000	65,000
Investments held by trustee - restricted	--	99,372	99,372
Interest receivable - restricted	--	911	911
Capital assets			
Land and other nondepreciable assets	250,649	281,736	532,385
Property, plant and equipment in service	2,061,643	6,470,604	8,532,247
Less accumulated depreciation	(607,422)	(2,305,707)	(2,913,129)
Net property, plant and equipment in service	1,454,221	4,164,897	5,619,118
Construction in progress	327,419	679,559	1,006,978
Nuclear fuel, net of amortization	--	17,933	17,933
Plant held for future use	--	30,745	30,745
Total capital assets	2,032,289	5,174,870	7,207,159
Intangible assets, net of amortization	--	87,602	87,602
Other long-term assets	--	1,354	1,354
Deferred costs and expenses, net of amortization	3,233	369,930	373,163
Total noncurrent assets	2,035,522	5,799,039	7,834,561
Total assets	$ 2,534,515	6,733,129	9,267,644

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

(Continued)

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

(In thousands)

	Governmental Activities	Business-type Activities	2004 Total (†)
LIABILITIES			
Current liabilities:			
Accounts payable	$ 22,855	59,452	82,307
Accounts and retainage payable from restricted assets	--	58,732	58,732
Accrued payroll	14,611	7,157	21,768
Accrued compensated absences	30,719	15,422	46,141
Due to other governments	7,700	3,000	10,700
Claims payable	18,595	--	18,595
Accrued interest payable from restricted assets	--	58,125	58,125
Interest payable on other debt	3,615	1,139	4,754
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	52,666	3,936	56,602
General obligation bonds payable and other tax supported debt payable from restricted assets, net of discount and inclusive of premium	--	5,751	5,751
Revenue bonds payable	--	2,035	2,035
Revenue bonds payable payable from restricted assets	--	141,915	141,915
Capital lease obligations payable	475	3,422	3,897
Customer and escrow deposits payable from restricted assets	--	13,030	13,030
Nuclear fuel expense payable from restricted assets	--	33,403	33,403
Deferred credits and other liabilities	56,594	10,274	66,868
Total current liabilities	207,830	416,793	624,623
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	39,737	4,688	44,425
Claims payable	8,845	--	8,845
Capital appreciation bond interest payable	--	166,868	166,868
Commercial paper notes payable, net of discount	--	315,616	315,616
Revenue notes payable	--	28,000	28,000
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	810,858	94,113	904,971
Revenue bonds payable, net of discount and inclusive of premium	--	2,839,548	2,839,548
Pension obligation payable	3,102	2,804	5,906
Capital lease obligations payable	338	9,331	9,669
Accrued landfill closure and postclosure costs	--	7,612	7,612
Decommissioning expense payable from restricted assets	--	100,019	100,019
Deferred credits and other liabilities	25,293	498,986	524,279
Other liabilities payable from restricted assets	8	5,007	5,015
Total noncurrent liabilities	888,181	4,072,592	4,960,773
Total liabilities	1,096,011	4,489,385	5,585,396
NET ASSETS			
Invested in capital assets, net of related debt	1,333,779	1,569,489	2,903,268
Restricted for:			
Debt service	12,351	108,112	120,463
Capital projects	39,720	66,687	106,407
Renewal and replacement	--	11,415	11,415
Passenger facility charges	--	8,537	8,537
Convention Center operating reserve	--	2,423	2,423
Perpetual Care:			
Expendable	370	--	370
Nonexpendable	1,040	--	1,040
Unrestricted	51,244	477,081	528,325
Total net assets	$ 1,438,504	2,243,744	3,682,248

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

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

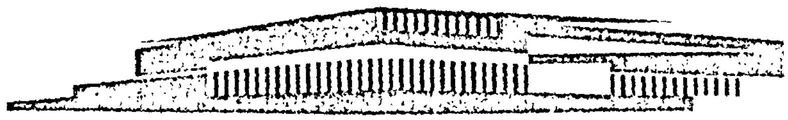
Statement of Activities
For the year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit A-2

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	2004 Total
Governmental activities							
General government	$ 46,607	210	376	--	(46,021)	--	(46,021)
Public safety	292,678	37,071	5,776	--	(249,831)	--	(249,831)
Transportation, planning and sustainability	15,879	5,027	362	439	(10,051)	--	(10,051)
Public health	48,733	7,617	17,720	2,107	(21,289)	--	(21,289)
Public recreation and culture	56,408	2,716	2,904	--	(50,788)	--	(50,788)
Urban growth management	64,631	22,020	24,930	--	(17,681)	--	(17,681)
Unallocated depreciation expense	35,833	--	--	--	(35,833)	--	(35,833)
Interest on debt	40,199	--	--	--	(40,199)	--	(40,199)
Total governmental activities	600,968	74,661	52,068	2,546	(471,693)	--	(471,693)
Business-type activities							
Electric	774,702	829,018	--	4,284	--	58,600	58,600
Water	155,472	119,254	--	19,902	--	(16,316)	(16,316)
Wastewater	137,227	114,710	--	16,593	--	(5,924)	(5,924)
Airport	77,541	75,916	--	6,117	--	4,492	4,492
Convention	52,336	10,404	--	--	--	(41,932)	(41,932)
Other	157,842	130,263	--	674	--	(26,905)	(26,905)
Total business-type activities	1,355,120	1,279,565	--	47,570	--	(27,985)	(27,985)
Total	$ 1,956,088	1,354,226	52,068	50,116	(471,693)	(27,985)	(499,678)

	Governmental Activities	Business-type Activities	2004 Total
General revenues:			
Property tax	240,536	--	240,536
Sales tax	117,725	--	117,725
Franchise fees and gross receipts tax	63,509	--	63,509
Grants and contributions not restricted to specific programs	81,937	--	81,937
Interest and other	26,799	16,582	43,381
Special items - hospital district reserve payment	(7,700)	(3,000)	(10,700)
Transfers	39,264	(39,264)	--
Total general revenues and transfers	562,070	(25,682)	536,388
Change in net assets	90,377	(53,667)	36,710
Beginning net assets	1,348,127	2,297,411	3,645,538
Ending net assets	$ 1,438,504	2,243,744	3,682,248

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



(In thousands)

	2004		
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash	$ 89	5	94
Pooled investments and cash	97,002	187,228	284,230
Investments, at fair value	--	13,477	13,477
Cash held by trustee	--	3,064	3,064
Property taxes receivable	6,936	4,395	11,331
Less allowance for uncollectible taxes	(909)	(573)	(1,482)
Net property taxes receivable	6,027	3,822	9,849
Accounts and other taxes receivable	133,678	22,354	156,032
Less allowance for doubtful accounts	(94,463)	(378)	(94,841)
Net accounts receivable	39,215	21,976	61,191
Receivables from other governments	--	10,274	10,274
Notes receivable, net of allowance	--	9,890	9,890
Due from other funds	--	28,828	28,828
Advances to other funds	--	6,159	6,159
Inventories, at cost	601	--	601
Real property held for resale	--	6,598	6,598
Prepaid items	275	--	275
Other assets	--	1,271	1,271
Total assets	143,209	292,592	435,801
LIABILITIES AND FUND BALANCES			
Accounts payable	3,606	13,679	17,285
Accrued payroll	11,818	61	11,879
Accrued compensated absences	479	4	483
Due to other funds	626	30,005	30,631
Due to other governments	7,700	--	7,700
Deferred revenue	5,762	6,730	12,492
Advances from other funds	1,851	346	2,197
Deposits and other liabilities	5,080	38,863	43,943
Total liabilities	36,922	89,688	126,610
Fund balances			
Reserved:			
Encumbrances	4,658	61,517	66,175
Inventories and prepaid items	876	--	876
Notes receivable	--	9,890	9,890
Advances receivable	--	6,159	6,159
Real property held for resale	--	6,598	6,598
Debt service	--	12,168	12,168
Permanent funds	--	1,040	1,040
Unreserved, designated:			
Emergencies	15,000	--	15,000
Contingencies	4,358	--	4,358
Future use	509	--	509
Budget stabilization	33,000	--	33,000
Special revenue	--	26,010	26,010
Unreserved, undesignated:			
General Fund	47,886	--	47,886
Capital projects	--	79,152	79,152
Permanent funds	--	370	370
Total fund balances	106,287	202,904	309,191
Total liabilities and fund balances	$ 143,209	292,592	435,801

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

Governmental Funds
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit B-1.1

Total fund balances - Governmental funds	$ 309,191
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,991,765
Other long-term assets are not available as current-period resources and are not reported in the funds.	15,026
Long-term liabilities are not payable in the current period and are not reported in the funds.	(930,484)
Internal service funds are used by management to charge the costs of capital project management, employee benefits, fleet maintenance, information systems, liability reserve, support services, wireless communication, and workers' compensation to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.	53,006
Total net assets - Governmental activities	$ 1,438,504

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

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit B-2

		2004	
	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES			
Property taxes	$ 160,049	83,321	243,370
Sales taxes	117,725	--	117,725
Franchise fees and other taxes	32,964	30,545	63,509
Fines, forfeitures and penalties	16,976	4,798	21,774
Licenses, permits and inspections	15,317	--	15,317
Charges for services/goods	15,565	26,714	42,279
Intergovernmental	--	73,428	73,428
Property owners' participation and contributions	--	3,798	3,798
Interest and other	19,168	7,376	26,544
Total revenues	377,764	229,980	607,744
EXPENDITURES			
Current:			
General government	39,605	1,806	41,411
Public safety	273,259	14,893	288,152
Transportation, planning and sustainability	9,690	3,518	13,208
Public health	25,890	23,786	49,676
Public recreation and culture	45,235	5,332	50,567
Urban growth management	11,066	52,515	63,581
Debt service:			
Principal	--	48,862	48,862
Interest	--	40,109	40,109
Fees and commissions	--	14	14
Capital outlay	--	151,768	151,768
Total expenditures	404,745	342,603	747,348
Excess (deficiency) of revenues over expenditures	(26,981)	(112,623)	(139,604)
OTHER FINANCING SOURCES (USES)			
Issuance of tax supported debt	--	70,040	70,040
Bond premiums	--	28	28
Capital leases	634	12	646
Transfers in	95,894	32,980	128,874
Transfers out	(48,766)	(39,782)	(88,548)
Total other financing sources (uses)	47,762	63,278	111,040
Net change in fund balances	20,781	(49,345)	(28,564)
Special items - hospital district reserve payment	(7,700)	--	(7,700)
Net change in fund balances	13,081	(49,345)	(36,264)
Fund balances at beginning of year	93,206	252,249	345,455
Fund balances at end of year	$ 106,287	202,904	309,191

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

Governmental Funds **City of Austin, Texas**
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities **Exhibit B-2.1**
For the Year Ended September 30, 2004
(In thousands)

Net change in fund balances - Governmental funds	$	(36,264)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		94,356
Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.		53,488
Revenues in the governmental funds are recognized when measurable and available, but are deferred in the statement of activities until earned, regardless of when collected.		(12,728)
The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		(21,202)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		1,377
The net revenue of certain activities of internal service funds is reported with governmental activities.		11,350
Change in net assets - Governmental activities	$	90,377

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

Proprietary Funds
Statement of Net Assets
September 30, 2004
(In thousands)

	Electric	Water and Wastewater	Airport
ASSETS			
Current assets:			
Cash	$ 18	11	6
Pooled investments and cash	43,224	8,341	--
Pooled investments and cash - designated	12,350	--	--
Pooled investments and cash - restricted	58,227	42,672	88,286
Total pooled investments and cash	113,801	51,013	88,286
Investments, at fair value - designated	105,135	--	--
Investments, at fair value - restricted	84,855	40,830	27,301
Cash held by trustee	--	--	--
Cash held by trustee - restricted	2,677	5,582	--
Working capital advances	3,332	--	--
Accounts receivable	125,131	38,687	4,759
Less allowance for doubtful accounts	(2,953)	(852)	(150)
Net accounts receivable	122,178	37,835	4,609
Receivables from other governments	--	--	--
Receivables from other governments - restricted	--	--	944
Due from other funds	21	--	--
Due from other funds - restricted	--	33	617
Inventories, at cost	53,858	938	--
Prepaid expenses	2,759	139	73
Other assets	24,158	--	--
Other receivables - restricted	66	99	--
Total current assets	512,858	136,480	121,836
Noncurrent assets:			
Advances to other funds	2,998	--	--
Advances to other funds - restricted	--	161	2,081
Investments, at fair value	65,000	--	--
Investments held by trustee - restricted	99,372	--	--
Interest receivable - restricted	911	--	--
Capital assets			
Land and other nondepreciable assets	37,612	136,737	59,445
Property, plant and equipment in service	3,240,039	2,167,092	622,064
Less accumulated depreciation	(1,374,273)	(707,255)	(102,067)
Net property, plant and equipment in service	1,865,766	1,459,837	519,997
Construction in progress	221,579	371,173	23,476
Nuclear fuel, net of amortization	17,933	--	--
Plant held for future use	30,745	--	--
Total capital assets	2,173,635	1,967,747	602,918
Intangible assets, net of amortization	--	87,602	--
Other long-term assets	1,352	2	--
Deferred costs and expenses, net of amortization	187,181	176,934	2,425
Total noncurrent assets	2,530,449	2,232,446	607,424
Total assets	$ 3,043,307	2,368,926	729,260

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

	Nonmajor Enterprise Funds	2004 Total	Governmental Activities- Internal Service Funds
ASSETS			
Current assets:			
Cash	20	55	17
Pooled investments and cash	36,789	88,354	88,783
Pooled investments and cash - designated	15,241	27,591	--
Pooled investments and cash - restricted	86,070	275,255	--
Total pooled investments and cash	138,100	391,200	88,783
Investments, at fair value - designated	--	105,135	--
Investments, at fair value - restricted	5,739	158,725	--
Cash held by trustee	--	--	717
Cash held by trustee - restricted	--	8,259	--
Working capital advances	124	3,456	--
Accounts receivable	15,402	183,979	1,339
Less allowance for doubtful accounts	(4,309)	(8,264)	(222)
Net accounts receivable	11,093	175,715	1,117
Receivables from other governments	1,349	1,349	--
Receivables from other governments - restricted	--	944	--
Due from other funds	1,164	1,185	410
Due from other funds - restricted	--	650	--
Inventories, at cost	645	55,441	1,757
Prepaid expenses	148	3,119	353
Other assets	--	24,158	--
Other receivables - restricted	4	169	--
Total current assets	158,386	929,560	93,154
Noncurrent assets:			
Advances to other funds	101	3,099	--
Advances to other funds - restricted	15	2,257	--
Investments, at fair value	--	65,000	--
Investments held by trustee - restricted	--	99,372	--
Interest receivable - restricted	--	911	--
Capital assets			
Land and other nondepreciable assets	47,942	281,736	1,737
Property, plant and equipment in service	441,409	6,470,604	55,980
Less accumulated depreciation	(122,112)	(2,305,707)	(22,688)
Net property, plant and equipment in service	319,297	4,164,897	33,292
Construction in progress	63,331	679,559	5,495
Nuclear fuel, net of amortization	--	17,933	--
Plant held for future use	--	30,745	--
Total capital assets	430,570	5,174,870	40,524
Intangible assets, net of amortization	--	87,602	--
Other long-term assets	--	1,354	--
Deferred costs and expenses, net of amortization	3,390	369,930	7
Total noncurrent assets	434,076	5,804,395	40,531
Total assets	592,462	6,733,955	133,685

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

(Continued)

Proprietary Funds
Statement of Net Assets
September 30, 2004
(In thousands)

	Electric	Water and Wastewater	Airport
LIABILITIES			
Current liabilities:			
Accounts payable	$ 49,055	1,482	1,271
Accounts and retainage payable from restricted assets	18,498	26,929	1,384
Accrued payroll	2,959	1,520	570
Accrued compensated absences	6,799	3,435	1,116
Claims payable	--	--	--
Due to other funds	--	--	--
Due to other governments	--	--	--
Accrued interest payable from restricted assets	26,327	18,993	8,063
Interest payable on other debt	107	835	4
General obligation bonds payable and other tax supported debt	--	--	109
General obligation bonds payable and other tax supported debt payable from restricted assets	490	4,347	--
Revenue bonds payable	--	2,035	--
Revenue bonds payable from restricted assets	89,949	40,796	7,650
Capital lease obligations payable	1,983	1,109	173
Customer and escrow deposits payable from restricted assets	7,765	2,042	614
Nuclear fuel expense payable from restricted assets	33,403	--	--
Deferred credits and other liabilities	5,042	3,515	1,269
Total current liabilities	242,377	107,038	22,223
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	2,623	1,280	262
Claims payable	--	--	--
Advances from other funds	--	4,234	--
Capital appreciation bond interest payable	82,337	84,531	--
Commercial paper notes payable, net of discount	94,984	220,632	--
Revenue notes payable	--	--	28,000
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	2,392	19,853	471
Revenue bonds payable, net of discount and inclusive of premium	1,168,752	1,106,769	343,996
Pension obligation payable	1,260	648	229
Capital lease obligations payable	5,203	3,714	321
Accrued landfill closure and postclosure costs	--	--	--
Decommissioning expense payable from restricted assets	100,019	--	--
Deferred credits and other liabilities	71,520	424,999	2,467
Other liabilities payable from restricted assets	--	3,035	1,972
Total noncurrent liabilities	1,529,090	1,869,695	377,718
Total liabilities	1,771,467	1,976,733	399,941
NET ASSETS			
Invested in capital assets, net of related debt	913,447	263,729	224,655
Restricted for:			
Debt service	58,528	21,836	22,009
Capital projects	--	--	56,700
Renewal and replacement	--	--	10,000
Passenger facility charges	--	--	8,537
Convention Center operating reserve	--	--	--
Unrestricted	299,865	106,628	7,418
Total net assets	$ 1,271,840	392,193	329,319
Reconciliation to government-wide Statement of Net Assets			
Adjustment to consolidate internal service activities	2,405	2,341	742
Total net assets - Business-type activities	$ 1,274,245	394,534	330,061

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

	Nonmajor Enterprise Funds	2004 Total	Governmental Activities-Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable	7,644	59,452	5,570
Accounts and retainage payable from restricted assets	11,921	58,732	--
Accrued payroll	2,108	7,157	2,732
Accrued compensated absences	4,072	15,422	5,290
Claims payable	--	--	18,595
Due to other funds	--	--	442
Due to other governments	3,000	3,000	--
Accrued interest payable from restricted assets	4,742	58,125	--
Interest payable on other debt	193	1,139	168
General obligation bonds payable and other tax supported debt	3,827	3,936	2,963
General obligation bonds payable and other tax supported debt payable from restricted assets	914	5,751	--
Revenue bonds payable	--	2,035	--
Revenue bonds payable from restricted assets	3,520	141,915	--
Capital lease obligations payable	157	3,422	161
Customer and escrow deposits payable from restricted assets	2,609	13,030	--
Nuclear fuel expense payable from restricted assets	--	33,403	--
Deferred credits and other liabilities	448	10,274	1,986
Total current liabilities	45,155	416,793	37,907
Noncurrent liabilities, net of current portion:			
Accrued compensated absences	523	4,688	944
Claims payable	--	--	8,845
Advances from other funds	4,226	8,460	858
Capital appreciation bond interest payable	--	166,868	--
Commercial paper notes payable, net of discount	--	315,616	--
Revenue notes payable	--	28,000	--
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	71,397	94,113	24,409
Revenue bonds payable, net of discount and inclusive of premium	220,031	2,839,548	--
Pension obligation payable	667	2,804	--
Capital lease obligations payable	93	9,331	74
Accrued landfill closure and postclosure costs	7,612	7,612	--
Decommissioning expense payable from restricted assets	--	100,019	--
Deferred credits and other liabilities	--	498,986	--
Other liabilities payable from restricted assets	--	5,007	8
Total noncurrent liabilities	304,549	4,081,052	35,138
Total liabilities	349,704	4,497,845	73,045
NET ASSETS			
Invested in capital assets, net of related debt	167,658	1,569,489	18,966
Restricted for:			
Debt service	5,739	108,112	--
Capital projects	9,987	66,687	9,651
Renewal and replacement	1,415	11,415	--
Passenger facility charges	--	8,537	--
Convention Center operating reserve	2,423	2,423	--
Unrestricted	55,536	469,447	32,023
Total net assets	242,758	2,236,110	60,640
Reconciliation to government-wide Statement of Net Assets			
Adjustment to consolidate internal service activities	2,146	7,634	
Total net assets - Business-type activities	244,904	2,243,744	

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

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the year ended September 30, 2004
(In thousands)

	Electric	Water and Wastewater	Airport
OPERATING REVENUES			
Utility services	$ 829,018	233,964	--
User fees and rentals	--	--	65,361
Billings to departments	--	--	--
Employee contributions	--	--	--
Operating revenues from other governments	--	--	--
Other operating revenues	--	--	--
Total operating revenues	829,018	233,964	65,361
OPERATING EXPENSES			
Operating expenses before depreciation	516,857	109,555	38,517
Depreciation and amortization	95,525	52,808	16,054
Total operating expenses	612,382	162,363	54,571
Operating income (loss)	216,636	71,601	10,790
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	12,523	1,006	1,916
Interest on revenue bonds and other debt	(102,274)	(79,296)	(22,497)
Interest capitalized during construction	--	--	953
Passenger facility charges	--	--	10,555
Amortization of bond issue cost	(711)	(534)	(131)
Cost (recovered) to be recovered in future years	(61,707)	(49,996)	--
Other nonoperating revenue (expense)	1,633	(1,682)	(1,577)
Total nonoperating revenues (expenses)	(150,536)	(130,502)	(10,781)
Income (loss) before contributions and transfers	66,100	(58,901)	9
Capital contributions	4,284	36,495	6,117
Transfers in	--	--	--
Transfers out	(76,674)	(22,068)	--
Change in net assets	(6,290)	(44,474)	6,126
Special items - hospital district reserve payment	--	--	--
Net change in net assets	(6,290)	(44,474)	6,126
Total net assets - beginning	1,278,130	436,667	323,193
Total net assets - ending	$ 1,271,840	392,193	329,319
Reconciliation to government-wide Statement of Activities			
Change in net assets	(6,290)	(44,474)	6,126
Adjustment to consolidate internal service activities	739	1,172	282
Change in net assets - Business-type activities	$ (5,551)	(43,302)	6,408

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

	Nonmajor Enterprise Funds	2004 Total	Governmental Activities-Internal Service Funds
OPERATING REVENUES			
Utility services	--	1,062,982	--
User fees and rentals	131,292	196,653	--
Billings to departments	--	--	196,432
Employee contributions	--	--	24,053
Operating revenues from other governments	4,209	4,209	2,090
Other operating revenues	5,166	5,166	8,525
Total operating revenues	140,667	1,269,010	231,100
OPERATING EXPENSES			
Operating expenses before depreciation	159,886	824,815	212,155
Depreciation and amortization	14,111	178,498	2,220
Total operating expenses	173,997	1,003,313	214,375
Operating income (loss)	(33,330)	265,697	16,725
NONOPERATING REVENUES (EXPENSES)			
Interest and other revenues	1,137	16,582	134
Interest on revenue bonds and other debt	(15,637)	(219,704)	(651)
Interest capitalized during construction	2,701	3,654	--
Passenger facility charges	--	10,555	--
Amortization of bond issue cost	(184)	(1,560)	(4)
Cost (recovered) to be recovered in future years	--	(111,703)	--
Other nonoperating revenue (expense)	(24,407)	(26,033)	(2,171)
Total nonoperating revenues (expenses)	(36,390)	(328,209)	(2,692)
Income (loss) before contributions and transfers	(69,720)	(62,512)	14,033
Capital contributions	674	47,570	1,918
Transfers in	61,101	61,101	17
Transfers out	(1,623)	(100,365)	(1,079)
Change in net assets	(9,568)	(54,206)	14,889
Special items - hospital district reserve payment	(3,000)	(3,000)	--
Net change in net assets	(12,568)	(57,206)	14,889
Total net assets - beginning	255,326	2,293,316	45,751
Total net assets - ending	242,758	2,236,110	60,640
Reconciliation to government-wide Statement of Activities			
Change in net assets	(12,568)	(57,206)	
Adjustment to consolidate internal service activities	1,346	3,539	
Change in net assets - Business-type activities	(11,222)	(53,667)	

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

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2004
(In thousands)

	Electric	Water and Wastewater	Airport
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	$ 885,304	231,355	64,639
Cash payments to suppliers for goods and services	(400,113)	(54,867)	(20,073)
Cash payments to employees for services	(97,510)	(51,851)	(18,537)
Cash payments to claimants/beneficiaries	--	--	--
Cash received from other governments	--	--	--
Taxes collected and remitted to other governments	(17,728)	--	--
Net cash provided (used) by operating activities	369,953	124,637	26,029
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	--	--	--
Transfers out	(76,674)	(22,068)	--
Interest paid on revenue notes and other debt	(157)	(140)	--
Increase in deferred assets	867	--	--
Increase in due to other governments	--	--	--
Loans to other funds	(499)	(6)	(46)
Loans from other funds	--	941	617
Loan repayments to other funds	--	--	--
Loan repayments from other funds	--	27	83
Net cash provided (used) by noncapital financing activities	(76,463)	(21,246)	654
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	40,312	146,820	--
Proceeds from the sale of general obligation bonds and other tax supported debt	960	4,112	--
Proceeds from long-term loans	390	--	483
Principal paid on long-term debt	(96,695)	(36,088)	(7,327)
Proceeds from the sale of capital assets	244	--	--
Purchased interest received	2	7	315
Interest paid on revenue bonds and other debt	(82,355)	(67,777)	(22,060)
Passenger facility charges	--	--	10,555
Acquisition and construction of capital assets	(156,761)	(159,273)	(12,051)
Contributions from municipality	--	--	--
Contributions from State and Federal governments	--	--	7,033
Contributions in aid of construction	4,837	13,373	83
Bond issuance costs	--	(1,233)	(736)
Bond discounts	--	(465)	(280)
Bond premiums	--	--	4,550
Cash paid for bond defeasance	(87,928)	(51,693)	--
Bonds issued for advanced refundings of debt	--	132,475	54,250
Cash paid for bond refunding escrow	--	(130,778)	(57,783)
Cash paid for nuclear fuel inventory	(5,756)	--	--
Net cash provided (used) by capital and related financing activities	$ (382,750)	(150,520)	(22,968)

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

	Nonmajor Enterprise Funds	2004 Total	Governmental Activities-Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers	130,348	1,311,646	241,374
Cash payments to suppliers for goods and services	(83,082)	(558,135)	(76,845)
Cash payments to employees for services	(70,477)	(238,375)	(77,981)
Cash payments to claimants/beneficiaries	--	--	(64,864)
Cash received from other governments	3,186	3,186	--
Taxes collected and remitted to other governments	--	(17,728)	--
Net cash provided (used) by operating activities	(20,025)	500,594	21,684
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	61,101	61,101	17
Transfers out	(1,623)	(100,365)	(1,079)
Interest paid on revenue notes and other debt	(6)	(303)	--
Increase in deferred assets	--	867	--
Increase in due to other governments	3,000	3,000	--
Loans to other funds	(833)	(1,384)	--
Loans from other funds	529	2,087	863
Loan repayments to other funds	(383)	(383)	(27)
Loan repayments from other funds	--	110	(394)
Net cash provided (used) by noncapital financing activities	61,785	(35,270)	(620)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Proceeds from the sale of commercial paper notes	--	187,132	--
Proceeds from the sale of general obligation bonds and other tax supported debt	32,386	37,458	14,890
Proceeds from long-term loans	57	930	--
Principal paid on long-term debt	(8,911)	(149,021)	(2,774)
Proceeds from the sale of capital assets	--	244	--
Purchased interest received	350	674	--
Interest paid on revenue bonds and other debt	(14,895)	(187,087)	(640)
Passenger facility charges	--	10,555	--
Acquisition and construction of capital assets	(26,519)	(354,604)	(7,668)
Contributions from municipality	--	--	3,952
Contributions from State and Federal governments	--	7,033	--
Contributions in aid of construction	1,346	19,639	--
Bond issuance costs	(1,016)	(2,985)	--
Bond discounts	(284)	(1,029)	--
Bond premiums	5,120	9,670	--
Cash paid for bond defeasance	--	(139,621)	--
Bonds issued for advanced refundings of debt	52,715	239,440	--
Cash paid for bond refunding escrow	(62,403)	(250,964)	--
Cash paid for nuclear fuel inventory	--	(5,756)	--
Net cash provided (used) by capital and related financing activities	(22,054)	(578,292)	7,760

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2004
(In thousands)

	Electric	Water and Wastewater	Airport
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	$ (358,243)	(184,812)	(48,515)
Proceeds from sale and maturities of investment securities	449,040	230,524	48,319
Interest on investments	23,104	5,524	1,132
Net cash provided by investing activities	113,901	51,236	936
Net increase in cash and cash equivalents	24,641	4,107	4,651
Cash and cash equivalents, October 1	91,855	52,499	83,641
Cash and cash equivalents, September 30	116,496	56,606	88,292
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	216,636	71,601	10,790
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	95,525	50,308	16,054
Amortization	--	2,500	--
Change in assets and liabilities:			
Increase in working capital advances	(576)	--	--
(Increase) decrease in accounts receivable	(9,290)	(1,501)	(715)
Increase (decrease) in allowance for doubtful accounts	639	(214)	--
Decrease in receivables from other governments	--	--	--
(Increase) decrease in inventory	(8,469)	196	--
(Increase) decrease in prepaid expenses and other assets	45,568	(7)	(72)
Decrease in deferred costs and other expenses	9,985	2	--
(Increase) decrease in other long-term assets	559	--	--
Increase (decrease) in accounts payable	4,246	364	(1)
Increase (decrease) in accrued payroll and compensated absences	(202)	(141)	109
Decrease in claims payable	--	--	--
Increase in pension obligations payable	1,260	648	229
Increase (decrease) in deferred credits and other liabilities	13,868	815	(408)
Increase in customer deposits	204	66	43
Total adjustments	153,317	53,036	15,239
Net cash provided (used) by operating activities	$ 369,953	124,637	26,029

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

	Nonmajor Enterprise Funds	2004 Total	Governmental Activities-Internal Service Funds
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchase of investment securities	(34,661)	(626,231)	--
Proceeds from sale and maturities of investment securities	43,230	771,113	--
Interest on investments	1,225	30,985	134
Net cash provided by investing activities	9,794	175,867	134
Net increase in cash and cash equivalents	29,500	62,899	28,958
Cash and cash equivalents, October 1	108,620	336,615	60,559
Cash and cash equivalents, September 30	138,120	399,514	89,517
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:			
Operating income (loss)	(33,330)	265,697	16,725
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	14,111	175,998	2,220
Amortization	--	2,500	--
Change in assets and liabilities:			
Increase in working capital advances	--	(576)	--
(Increase) decrease in accounts receivable	(550)	(12,056)	9,305
Increase (decrease) in allowance for doubtful accounts	436	861	--
Decrease in receivables from other governments	(1,023)	(1,023)	--
(Increase) decrease in inventory	(98)	(8,371)	(28)
(Increase) decrease in prepaid expenses and other assets	(17)	45,472	(95)
Decrease in deferred costs and other expenses	3	9,990	1
(Increase) decrease in other long-term assets	--	559	(1)
Increase (decrease) in accounts payable	2,233	6,842	(989)
Increase (decrease) in accrued payroll and compensated absences	(54)	(288)	(94)
Decrease in claims payable	--	--	(6,465)
Increase in pension obligations payable	668	2,805	--
Increase (decrease) in deferred credits and other liabilities	(2,698)	11,577	1,105
Increase in customer deposits	294	607	--
Total adjustments	13,305	234,897	4,959
Net cash provided (used) by operating activities	(20,025)	500,594	21,684

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

(Continued)

Proprietary Funds
Statement of Cash Flows
For the year ended September 30, 2004
(In thousands)

	Electric	Water and Wastewater	Airport
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Decrease in deferred assets/expenses	$ 73,728	23,017	–
Increase in capital appreciation bond interest payable	6,448	9,448	–
Capital assets contributed from (to) other funds	51	–	18
Increase in contributed facilities	–	25,524	–
Net decrease in the fair value of investments	12,564	4,002	–
Amortization of bond issue costs	(711)	(534)	(131)
Amortization of bond discounts and premiums	(1,998)	(856)	(211)
Amortization of deferred loss on refundings	25,736	3,989	346
Gain (loss) on disposal of assets	2,112	(1,684)	(1,559)
Deferred gain (loss) on bond refunding	12,541	(1,538)	(5,718)
Bond issuance costs, discounts, premiums and accrued interest written off due to refunding	867	2,154	225
Deferred costs (recovered) to be recovered	(61,707)	(49,996)	–
Loss on extinguishment of debt	(16,358)	(9,573)	–
Increase in deferred credits and other liabilities	4,740	19,399	–
Contributions	–	–	–

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

	Nonmajor Enterprise Funds	2004 Total	Governmental Activities-Internal Service Funds
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:			
Decrease in deferred assets/expenses	14,978	111,723	--
Increase in capital appreciation bond interest payable	--	15,896	--
Capital assets contributed from (to) other funds	(629)	(560)	(2,033)
Increase in contributed facilities	--	25,524	--
Net decrease in the fair value of investments	--	16,566	--
Amortization of bond issue costs	(183)	(1,559)	(2)
Amortization of bond discounts and premiums	(99)	(3,164)	(2)
Amortization of deferred loss on refundings	538	30,609	6
Gain (loss) on disposal of assets	(24,449)	(25,580)	(2,459)
Deferred gain (loss) on bond refunding	(2,601)	2,684	--
Bond issue costs, discounts, premiums and accrued interest written off due to refunding	1,158	4,404	--
Deferred costs (recovered) to be recovered	--	(111,703)	--
Loss on extinguishment of debt	--	(25,931)	--
Increase in deferred credits and other liabilities	--	24,139	969
Contributions	3,100	3,100	--

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

(In thousands)

		Private-purpose Trust	Agency
ASSETS			
Pooled investments and cash	$	904	3,192
Other assets		121	--
Total assets		1,025	3,192
LIABILITIES			
Accounts payable		1	35
Due to other governments		--	2,524
Deposits and other liabilities		314	633
Total liabilities		315	3,192
NET ASSETS			
Held in trust		710	
Total net assets	$	710	

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

Fiduciary Funds
Statement of Changes in Fiduciary Net Assets
For the year ended September 30, 2004
(In thousands)

		Private-purpose Trust
ADDITIONS		
Contributions	$	254
Interest and other		15
Total additions		269
DEDUCTIONS		
Deductions		310
Total deductions		310
Change in net assets		(41)
Total net assets - beginning		751
Total net assets - ending	$	710

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

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Austin, Texas (the City) is a municipal corporation incorporated under Article XI, Section 5 of the Constitution of the State of Texas (Home Rule Amendment). The City operates under a Council-Manager form of government. The City Council is composed of a Mayor and six Councilmembers, all of whom are elected at large for three-year staggered terms, and who may serve for a maximum of two consecutive terms. A petition signed by 5% of the registered voters waives the term limit for a councilmember.

The City's major activities or programs include public safety; transportation, planning and sustainability; public health; public recreation and culture; urban growth management; and general government. In addition, the City owns and operates certain major enterprise activities, including an electric utility, water and wastewater utility, airport, convention and other enterprise activities. These activities are included in the accompanying financial statements.

The Charter of the City of Austin requires an annual audit by an independent certified public accountant. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City has implemented GASB Statement No. 1 through Statement No. 41. GASB Statement No. 40 entitled *"Deposit and Investment Risk Disclosures"* was implemented in fiscal year 2004. The more significant accounting and reporting policies and practices used by the City are described below.

As a local government, the City is exempt from federal income taxes, under Internal Revenue Code Section 115, and state sales tax.

a -- Reporting Entity

As required by generally accepted accounting principles (GAAP), these financial statements present the City, the Primary Government, and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and therefore data from these units are combined with data of the City.

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

Related Organizations -- The following paragraph summarizes related organizations to which the City Council appoints board members but the City has no significant financial accountability. The City appoints certain members of the board of the Capital Metropolitan Transit Authority (Capital Metro), but the City's accountability for this organization does not extend beyond making the appointments. City Councilmembers appoint themselves as members of the board of the Austin-Bergstrom International Airport (ABIA) Development Corporation; their function on this board is ministerial rather than substantive. The City Council appoints the members of the board of Austin-Bergstrom Landhost Enterprises, Inc., and Austin Convention Enterprises, Inc.; the functions of these boards are ministerial rather than substantive. The Mayor, with consent of the City Council, appoints the Board of Commissioners for the Urban Renewal Agency, whose primary responsibility is to oversee the implementation and compliance of Urban Renewal Plans adopted by the City Council. The City's presiding officer of the municipality governing body appoints the persons to serve as commissioners of the Austin Housing Authority. All of these entities are separate from the operating activities of the City. Related organizations are not included in the City's reporting entity.

The City retirement plans (described in Note 8) and the City of Austin Deferred Compensation Plan for City employees are not included in the City's reporting entity because the City does not exercise substantial control over the entities.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

b -- Government-wide and Fund Financial Statements

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

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

The fund level statements focus on the governmental, proprietary and fiduciary funds. The accounts of the City are organized on the basis of funds. Each fund was established for the purpose of accounting for specific activities in accordance with applicable regulations, restrictions or limitations. Major funds are determined by criteria specified by GASB; the City has not elected to present additional major funds that do not meet the minimum criteria. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. All other funds are aggregated into governmental or enterprise nonmajor fund groupings.

The City's fiduciary funds are presented in the fund financial statements by type (private-purpose and agency). By definition these assets are held for the benefit of a third party and cannot be used to address activities or obligations of the government, and are therefore not included in the government-wide statements. Reconciliation of the fund financial statements to the government-wide financial statements is provided in the financial statements to explain the differences created by the integrated approach of GASB 34.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they become susceptible to accrual, i.e. both measurable and available. Revenues, other than grants, are considered to be available when they are collectible, within the current period or soon enough thereafter to pay liabilities of the current period (defined by the City as collected within 60 days of year end). Revenues billed under a contractual agreement with another governmental entity, including federal and state grants, are recognized when billed and when all eligibility requirements of the provider have been met and are considered to be available if expected to be collected within one year. Expenditures generally are recorded when a liability is due. However, expenditures related to compensated absences and arbitrage are recorded to the extent they are normally expected to be liquidated with available financial resources. Debt service expenditures are recognized when payment is matured. The reported fund balance of governmental funds is considered a measure of available spendable resources.

Property taxes, sales taxes, franchise taxes, hotel occupancy taxes, vehicle rental taxes, EMS charges, Municipal Court fines and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the City.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

The City reports the following major governmental fund:

General Fund: The primary operating fund of the City. It is used to account for all financial resources, except those required to be accounted for in another fund. It includes the following activities: public safety; transportation, planning and sustainability; public health; public recreation and culture; urban growth management; and general government.

Proprietary and fiduciary fund financial statements are accounted for on the economic resources measurement focus and the accrual basis of accounting. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations, such as providing electric or water-wastewater services. Other revenues or expenses are nonoperating items.

The City reports the following major enterprise funds:

Electric Fund: Accounts for the activities of the City-owned electric utility, doing business as Austin Energy ™.

Water and Wastewater Fund: Accounts for the activities of the City-owned water and wastewater utility, doing business as Austin Water™.

Airport Fund: Accounts for the operations of the Austin-Bergstrom International Airport (ABIA).

In addition, the City reports the following nonmajor governmental funds:

Special Revenue Funds: Account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes, including grant funds.

Debt Service Funds: Account for the accumulation of resources for, and the payment of, general long-term debt and HUD Section 108 loan principal, interest and related costs.

Capital Projects Funds: Account for financial resources for the acquisition or construction of major capital facilities (other than those reported within proprietary funds and private-purpose funds) and funded primarily by general obligation debt, other tax supported debt, interest income and other intergovernmental revenues. A 1981 ordinance requires the establishment of a separate fund for each bond proposition approved in each bond election.

Permanent Funds: Account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the City's programs. Permanent funds account for the public recreation and culture activity.

The City reports the following proprietary and fiduciary funds:

Enterprise Funds: Account for operations that are financed and operated in a manner similar to private business enterprises. Costs are financed or recovered primarily through user charges. The City has elected to follow GASB statements issued after November 30, 1989, rather than statements issued by the Financial Accounting Standards Board (FASB), in accordance with GASB Statement No. 20. The nonmajor enterprise funds account for the operations in a variety of areas: convention center, drainage, golf, hospital (both Brackenridge and Austin Women's Hospital), recreation activities, primary care clinics, solid waste and transportation.

Internal Service Funds: Account for the financing of goods or services provided by one City department or agency to other City departments or agencies or to other governmental units on a cost-reimbursement basis. These activities include, but are not limited to, capital projects management, transportation and emergency communication, employee health benefits, fleet services, information services, liability reserve (city-wide self insurance) services, support services, wireless communication services and workers' compensation coverage.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Fiduciary Funds: Accounts for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governments:

Private-purpose Trust Funds: Account for trust arrangements under which principal and income benefit individuals, private organizations or other governments. Private-purpose trust funds account for various purposes: general government, transportation, public recreation and culture and urban growth management.

Agency Funds: Account for net assets held on behalf of others and are purely custodial (assets equal liabilities).

d -- Budget

The City Manager submits a proposed budget to the City Council no later than thirty days prior to the beginning of the new fiscal year. The City Council holds public hearings, modifies the City Manager's recommendations, and adopts a final budget no later than the twenty-seventh day of September. The City Council passes an appropriation ordinance and a tax levying ordinance.

Annual budgets are legally adopted for the General Fund, certain special revenue funds and debt service funds. Annual budgets are adopted for enterprise and internal service funds, although they are not legally required. Multi-year budgets are adopted for capital projects and grant funds, where appropriations remain authorized for the life of the project, irrespective of fiscal year. Expenditures are appropriated on a modified accrual basis, except that commitments related to purchase orders are treated as expenditures in the year of commitment. Certain charges to ending fund balance are budgeted as nondepartmental expenditures.

Formal budgetary control is employed during the year at the fund and department level as a management control device for annually budgeted funds.

Budgets are modified throughout the year. The City Manager is authorized to transfer appropriation balances within a fund and department of the City. The City Council must approve amendments to the budget and transfers of appropriations from one fund and department to another. The original and final budgets for the General Fund are reported in the required supplementary information. Unencumbered appropriations for annual budgets lapse at fiscal year end.

e -- Financial Statement Elements

Pooled Investments and Cash -- Cash balances of all City funds (except for certain funds shown in Note 5 as having non-pooled investments) are pooled and invested. Investments purchased with pooled cash, consisting primarily of U.S. government obligations and U.S. agency obligations, are stated at fair value. Interest earned on investments purchased with pooled cash is allocated monthly to each participating fund based upon the fund's average daily balance. Funds that incur a negative balance in pooled cash and investments are not allocated interest earnings nor charged interest expense.

Investments -- Certain investments are required to be reported at fair value, based on quoted market prices. Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold. The City carries all of its investments in U.S. government and agency debt securities and money market mutual funds at fair value as of September 30, 2004. Investments in local government investment pools are carried at amortized cost, which approximates fair value. The City has implemented GASB Statement No. 40 entitled "*Deposit and Investment Risk Disclosures*".

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Accounts Receivable -- Balances of accounts receivable, reported on the government-wide statement of net assets, are aggregations of different components such as charges for services, fines, and balances due from taxpayers or other governments. In order to assist the reader, the following information has been provided regarding significant components of receivable balances as of September 30, 2004 (in thousands):

	Charges for Services	Fines	Taxes	Other Governments	Other	Total
Governmental activities						
General Fund	$ 63,583	35,055	26,758	–	9,082	134,478
Nonmajor governmental funds	4,745	37	8,153	8,467	952	22,354
Internal service funds	1,339	–	–	–	–	1,339
Allowance for doubtful accounts	(61,421)	(22,642)	–	–	–	(84,063)
Total	$ 8,246	12,450	34,911	8,467	10,034	74,108

Municipal Court fines in the governmental activities, because of the nature of the fines, have a collection period greater than one year. Fines recognized that will not be collected during the subsequent year are estimated to be approximately $5.4 million.

Business-type activities are primarily comprised of charges for services.

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

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

Interfund Activities -- In the government-wide statement of activities, the effect of interfund activity has generally been removed from the statements. Exceptions include the chargeback of services, such as utilities or vehicle maintenance, and charges for central administrative costs. Elimination of these charges would distort the direct costs and program revenues of the various functions reported. The City recovers indirect costs that are incurred in the Support Services Fund, which is reported as an internal service fund. Indirect costs are calculated in a city-wide cost allocation plan or through indirect cost rates. These amounts are eliminated in the government-wide statement of activities.

Interfund Receivables, Payables -- During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the fund-level statements when they are expected to be liquidated within one year. If receivables or payables are expected to be liquidated after one year, they are classified as "advances to other funds" or "advances from other funds."

Inventories -- Inventories are valued at cost, which is determined as follows:

Fund	Inventory Valuation Method
General Fund	Average cost (predominantly); some first-in, first-out
Electric:	
Fuel oil and coal	Last-in, first-out
Other inventories	Average cost
All others	Average cost

Inventories for all funds use the consumption method and expenditures are recorded when issued. Inventories reported in the General Fund and certain special revenue funds are offset by a fund balance reserve, which indicates that they do not represent "available spendable resources."

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

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

The balance of restricted assets accounts in the enterprise funds are as follows (in thousands):

	Electric	Water and Wastewater	Airport	Nonmajor Enterprise	Total Restricted Assets
Bond reserve	$ 2,001	–	–	–	2,001
Capital projects	16,275	43,470	72,245	80,614	212,604
Customer and escrow deposits	7,765	5,077	615	1,618	15,075
Debt service	84,855	40,830	15,108	5,754	146,547
Federal grants	–	–	3,642	4	3,646
Nuclear decommissioning	101,809	–	–	–	101,809
Nuclear fuel inventory replacement	33,403	–	–	–	33,403
Operating reserve account	–	–	6,901	2,423	9,324
Passenger facility charge account	–	–	10,718	–	10,718
Renewal and replacement account	–	–	10,000	1,415	11,415
	$ 246,108	89,377	119,229	91,828	546,542

Designated assets -- Designated assets are funds that have been appropriated by City Council action and are intended for specific purposes. They are not constrained by creditors, grantors, contributors, or laws or regulations of other governments nor are they constrained by law through constitutional provisions or enabling legislation.

Capital assets -- Capital assets, which include land and improvements, buildings and improvements, equipment, vehicles and infrastructure assets, are reported in the applicable governmental or business-type activity columns of the government-wide statement of net assets, and related depreciation is allocated to programs in the statement of activities. Capital assets are defined as assets with an initial individual cost of $1,000 or more and an estimated useful life of greater than one year. Assets purchased or constructed are capitalized at historical cost. Contributed or annexed capital assets are recorded at estimated fair market value at the time received, or at historical cost, if historical cost is available. Capital outlay is recorded as an expenditure in the General Fund and other governmental funds, and as an asset in the government-wide financial statements and proprietary funds. Maintenance and repairs are charged to operations as incurred, and improvements and betterments that extend the useful lives of capital assets are capitalized.

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

Interest is not capitalized on governmental capital assets. For enterprise funds, except for Electric and Water and Wastewater Utility funds, interest paid on long-term debt in the enterprise funds is capitalized when it can be attributed to a specific project and when it materially exceeds the interest revenue generated by the bond proceeds issued to fund the project. Interest is not capitalized on Electric and Water and Wastewater Utility enterprise fund assets in accordance with FASB Statement No. 71.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Capital assets are depreciated using the straight-line method over the following estimated useful lives (in years):

		Business-type Activities			
Assets	Governmental Activities (1)	Electric	Water and Wastewater	Airport	Nonmajor Enterprise
Buildings	15-40	30-40	40-50	15-40	15-40
Equipment	7-30	7-40	10-50	10-50	7-40
Vehicles	3-20	3-15	3-20	3-15	3-15
Communication equipment	7	7	7	7	7
Furniture and fixtures	12	12	12	12	7-12
Computers and EDP equipment	3-7	3-7	3-7	3-7	3-7
Infrastructure					
Streets and roads	30	–	–	–	–
Bridges	50	–	–	–	–
Drainage systems	50	–	–	–	–
Pedestrian facilities	20	–	–	–	–
Traffic signals	25	–	–	–	–

(1) Includes internal service funds

Depreciation of assets is classified by functional components. The City considers land, arts and treasures and library collections to be inexhaustible; and therefore, these assets are reported as nondepreciable. The true value of arts and treasures and library collections is expected to be maintained over time and, thus, is not depreciated. Unallocated depreciation reported in the government-wide statement of activities consists of depreciation of infrastructure assets ($35.8 million).

In the government-wide and proprietary fund statements, the City recognizes a gain or loss on the disposal of assets when it retires or otherwise disposes of capital assets (other than debt-financed assets of the utility funds, where the gain or loss is deferred in accordance with FASB Statement No. 71).

Intangible Assets -- Proprietary Funds - Intangible assets include the amortized cost of a $100 million contract between the City and the Lower Colorado River Authority (LCRA) for a fifty-year assured water supply agreement, with an option to extend another fifty years. The City and LCRA entered into the contract in 1999, and the asset is being amortized over 40 years.

Deferred Expenses or Credits -- The City's utility systems are reported in accordance with FASB Statement No. 71, *"Accounting for the Effects of Certain Types of Regulation"*. Certain utility expenses that do not currently require funds are deferred to future periods in which they are intended to be recovered by rates. Likewise, certain credits to income are deferred to periods in which they are matched with related costs. These expenses or credits include changes in fair value of investments, contributions and gain or loss on disposition of debt-financed assets. Deferred expenses will be recovered in these future periods by setting rates sufficient to provide funds for the related debt service requirements. If rates being charged will not recover deferred expenses, the deferred expenses will be subject to write off. Retail deregulation of electric rates in the future may affect the City's current accounting treatment of its electric utility revenues, expenses and deferred amounts.

Compensated Absences -- The amounts owed to employees for unpaid vacation and sick leave liabilities, including the City's share of employment-related taxes, are reported on the accrual basis of accounting in the applicable governmental or business-type activity columns of the government-wide statements, and in the enterprise activities of the fund financial statements. The liabilities and expenditures are reported on the modified accrual basis in the governmental fund financial statements; the estimated liability for governmental funds is the amount of sick and vacation paid at termination within 60 days of year-end.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

City policies provide for the following amounts to be paid at termination: accumulated vacation pay with a maximum of six weeks and accumulated sick leave with a maximum of ninety days. Sick leave accumulated in excess of ninety days or by employees hired on or after October 1, 1986 is not payable at termination and is not included in these financial statements.

Long-Term Debt -- The debt service for general obligation bonds and other general obligation debt, including loans, issued to fund general government capital projects is paid from tax revenues, interfund transfers and intergovernmental revenues. Such general obligation debt is reported in the government-wide statements under governmental activities.

The debt service for general obligation bonds and other general obligation debt issued to fund proprietary fund capital projects is normally paid from net revenues of the applicable proprietary fund, although such debt will be repaid from tax revenues if necessary. Such general obligation debt is shown as a specific liability of the applicable proprietary fund, which is appropriate under generally accepted accounting principles and in view of the expectation that the proprietary fund will provide resources to service the debt.

Revenue bonds that have been issued to finance capital projects of certain enterprise funds are to be repaid from net revenues of these funds. Such debt is recorded in the funds. Operating revenues and interest income that are used as security for revenue bonds are reported separately from other revenues.

The City has certain contractual commitments with several municipal utility districts (MUDs) for the construction of additions and improvements to the City's water and wastewater system that serve the MUDs and surrounding areas. These additions and improvements are funded by City contract revenue bonds, whose principal and interest are payable primarily from the net revenues of Austin Water Utility.

The City defers and amortizes gains or losses realized by proprietary funds on refundings of debt and for governmental activities in the government-wide financial statements, and reports both the new debt liability and the related deferred amount on the funds' statement of net assets. The City recognizes gains or losses on debt defeasance when funds from current operations are used.

Other Long-Term Liabilities -- Capital appreciation bonds are recorded at net accreted value. Annual accretion of the bonds is recorded as interest expense during the life of the bonds. The cumulative accretion of capital appreciation bonds, net of interest payments on the bonds, is recorded as capital appreciation bond interest payable.

Landfill Closure and Postclosure Care Costs -- The City reports municipal solid waste landfill costs in accordance with GASB Statement No. 18, *"Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs"*. The liability for landfill closure and postclosure costs is reported in the Solid Waste Services Fund, a nonmajor enterprise fund.

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

Electric Fund	$	7,732
Water and Wastewater Fund		1,199
Airport		19
Nonmajor Enterprise Funds		1,361

Electric, water and wastewater revenue is recorded when earned. Customers' electric and water meters are read and bills are rendered on a cycle basis by billing district. Electric rate schedules include fuel cost adjustment clauses that permit recovery of fuel costs in the month incurred. The City reported fuel costs on the same basis as it recognized revenue in 2003 and prior years. Austin Energy recorded unbilled revenue as earned based upon taking each day's power generation and using the billing district read dates to estimate what percentage was billed as of September 30, 2004 and what percentage will be billed thereafter over the days since the last meter read, on a billing cycle basis. The amount of unbilled revenue recorded as of September 30, 2004 for Austin Energy was $38.2 million. Austin Water recorded unbilled revenue as earned based upon an extrapolation of customer usage from the prior year, over the days since the last meter read, on an aggregate basis. The amount of unbilled revenue recorded as of September 30, 2004 for Austin Water was $16.3 million.

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Interfund Revenues, Expenses and Transfers -- Transactions between funds that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved, such as billing for utility services. Transactions between funds that constitute reimbursements for expenditures or expenses are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed. Transfers between funds are reported in the operations of governmental and proprietary funds.

Intergovernmental Revenues, Receivables and Liabilities -- Intergovernmental revenues and related receivables arise primarily through funding received from Federal and State grants. These revenues and receivables are earned through expenditure of money for grant purposes. Intergovernmental liabilities arise primarily from funds held in an agency capacity for other local governmental units.

Federal and State Grants, Entitlements and Shared Revenues -- Grants, entitlements and shared revenues may be accounted for within any City fund. The purpose and requirements of each grant, entitlement, or shared revenue are analyzed to determine the appropriate fund statement and revenue category in which to report the related transactions. Grants, entitlements and shared revenues received for activities normally recorded in a particular fund may be accounted for in that fund, provided that applicable legal restrictions can be satisfied.

Revenues received for activities normally recorded in other governmental funds are accounted for within the nonmajor governmental fund groupings: Federal grant funds, State grant funds, and other special revenue grant funds. Capital grants restricted for capital acquisitions or construction, other than those associated with proprietary type funds, are accounted for in the applicable capital projects funds. Revenues received for operating activities of proprietary funds or revenues that may be used for either operations or capital expenditures at the discretion of the City are recognized in the applicable proprietary fund.

Restricted Resources -- When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first and then unrestricted resources as they are needed.

Reservations of Fund Equity -- Reservation of fund balances of the governmental funds indicate that portion of fund equity which is not available for appropriation for expenditure or is legally restricted by outside parties for use for a specific purpose. Designations of fund balance are the representations of management for the utilization of resources in future periods.

Cash and Cash Equivalents -- For purposes of the statement of cash flows, the City considers cash and cash equivalents to be currency on hand, cash held by trustee, demand deposits with banks, and all amounts included in pooled investments and cash accounts.

Pension Costs -- State law governs pension contribution requirements and benefits. Pension costs are composed of normal cost and, where applicable, amortization of unfunded actuarial accrued liability and of unfunded prior service cost (see Note 8).

Special Items -- These are significant transactions or events within the control of the City that are either unusual in nature or infrequent in occurrence. On September 13, 2004, the City Council approved a transfer in the amount of $10.7 million to the Travis County Hospital District as a portion of an initial reserve established by the District. Although the cash was transferred on October 1, 2004, the special item and associated liability were recognized in fiscal year 2004. The total $10.7 million consists of $7.7 million from the General Fund and $3 million from Primary Care (which is reported as a nonmajor enterprise fund).

Risk Management -- The City is exposed to employee-related risks for health benefits and workers' compensation, as well as to various risks of loss related to torts, including medical malpractice; theft of, damage to, or destruction of assets; errors and omissions; and natural disasters. The City continues to be self-insured for liabilities for most health benefits, third-party and workers' compensation claims.

The City purchases commercial insurance for coverage for property loss or damage, commercial crime, fidelity bonds and airport operations. In addition, the City purchases a broad range of insurance coverage for contractors working at selected capital improvement project sites. The City does not participate in a risk pool. The City complies with GASB Statement No. 10, *"Accounting and Reporting for Risk Financing and Related Insurance Issues"* (see Note 14).

1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, continued

Austin Energy has established an energy risk management program. This program was authorized by City Council and led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, options, and swaps for the purpose of reducing exposure to natural gas and energy price risk. The City complies with GASB Technical Bulletin No. 2003-1, *"Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets"* (see Note 14).

f -- Comparative Data

Governments are required to present comparative data only in connection with Management's Discussion and Analysis (MD&A). Comparative data has been utilized within the MD&A to more fully understand the City's financial statements for the current period.

g -- Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

a -- Explanation of differences between the governmental fund balance sheet and the government-wide statement of net assets

Total fund balances of the City's governmental funds, $309 million, differ from the net assets of governmental activities, $1,439 million, reported in the statement of net assets. The differences result from the long-term economic focus in the government-wide statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The differences are shown below (in thousands):

Total fund balances - Governmental funds		$ 309,191
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Governmental capital assets	2,576,499	
Less: accumulated depreciation	(584,734)	
Total		1,991,765
Other long-term assets are not available as current-period resources and are not reported in the funds.		
Accounts and other taxes receivable	11,800	
Deferred costs and expenses	3,226	
Total		15,026
Long-term liabilities are not payable in the current period and are not reported in the funds.		
Bonds and other tax supported debt payable, net	(836,152)	
Pension obligation payable	(3,102)	
Capital lease obligations payable	(578)	
Compensated absences	(63,739)	
Interest payable	(3,447)	
Deferred credits and other liabilities	(23,466)	
Total		(930,484)
Internal service funds		53,006
Total net assets - Governmental activities		$ 1,438,504

2 – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS, continued

b -- Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

The net change in fund balances of governmental funds, $36 million deficit, differs from the change in net assets for governmental activities, $90 million, reported in the statement of activities. The differences result from the long-term economic focus in the government-wide statement of net assets versus the current financial resources focus of the governmental fund balance sheets. The differences are shown below (in thousands):

Net change in fund balances - Governmental funds		$ (36,264)
Governmental funds report capital outlay as expenditures. In the statement of activities, the cost of those assets are depreciated over the estimated useful life of the asset.		
Capital outlay	157,140	
Depreciation expense	(61,112)	
Loss on disposal of capital assets	(1,672)	
Total		94,356
Revenues in the statement of activities that do not provide current available financial resources are not reported as revenues in the funds.		
Property taxes	(3,357)	
Charges for services	(6,553)	
Capital assets contribution	63,398	
Total		53,488
Revenues in the governmental funds are recognized when measurable and available, but are deferred in the statement of activities until earned, regardless of when collected.		
Intergovernmental revenue	(12,728)	
Total		(12,728)
Costs associated with the issuance of long-term debt are reported as expenditures in the governmental funds, but are deferred and amortized throughout the period during which the related debt is outstanding in the statement of activities. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Issuance of long-term debt	(70,040)	
Principal repayment on long-term debt	48,862	
Deferral of debt issue costs	(24)	
Total		(21,202)
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.		
Compensated absences	(1,924)	
Pension obligation	(3,102)	
Interest and other	6,403	
Total		1,377
Internal services. The net revenue (expense) of the internal service funds is reported with the governmental activities.		11,350
Change in net assets - Governmental activities		$ 90,377

3 – DEFICITS IN FUND BALANCES AND NET ASSETS

At September 30, 2004, the following funds reported deficits in fund balances or net assets. Management intends to recover these deficits through future operating revenues, transfers or debt issues.

Nonmajor Governmental	Deficit (in thousands)		Deficit (in thousands)
Special Revenue Funds:		**Internal Service Funds:**	
Fiscal Surety - Land Development	$ 77	CTECC	384
		Liability Reserve	775
Capital Projects Funds:			
Energy improvements - city facilities	82		
Parks/Old Bakery	184		
Police facilities	14		
Radio Trunking	5,820		
Parks - 1992	225		
Build Austin	25		
Central City Entertainment Center	1		
Capital reserve	965		
Public Works	19		
City Hall, plaza, parking garage	2,913		
Interest income fund	595		

4 – POOLED INVESTMENTS AND CASH

The following summarizes the amounts of pooled investments and cash by fund at September 30, 2004 (in thousands):

	Pooled Investments and Cash	
	Unrestricted	Restricted
General Fund	$ 97,002	--
Nonmajor governmental funds	187,228	--
Electric	55,574	58,227
Water and Wastewater	8,341	42,672
Airport	--	88,286
Nonmajor enterprise funds	52,030	86,070
Internal service funds	88,783	--
Fiduciary funds	4,096	--
Subtotal pooled investments and cash	493,054	275,255
Total pooled investments and cash	$ 768,309	

5 – INVESTMENTS AND DEPOSITS

a -- Investments

Chapter 2256 of the Texas Government Code (the Public Funds Investment Act) authorizes the City of Austin to invest its funds under a written investment policy (the "Investment Policy") that primarily emphasizes safety of principal and liquidity, addresses investment diversification, yield, and maturity and addresses the quality and capability of investment personnel. The investment policy defines what constitutes the legal list of investments allowed under the policy, which excludes certain investment instruments allowed under chapter 2256 of the Texas Government Code.

5 – INVESTMENTS AND DEPOSITS, continued

The City's deposits and investments are invested pursuant to the Investment Policy, which is approved annually by the City Council. The Investment Policy includes a list of authorized investment instruments, a maximum allowable stated maturity of any individual investment and the maximum average dollar weighted maturity allowed for pooled fund groups. In addition it includes an "Investment Strategy Statement" that specifically addresses each fund's investment options and describes the priorities of suitability of investment type, preservation and safety of principal, liquidity, marketability, diversification and yield. Additionally, the soundness of financial institutions in which the City will deposit funds is addressed.

The City Treasurer submits an investment report each quarter to the Investment Committee and City Council. The report details the investment position of the City and the compliance of the investment portfolio as it relates to both the adopted investment strategy statements and Texas State law.

The City is authorized to invest in the following investment instruments provided that they meet the guidelines of the investment policy:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the State of Texas;
3. Other obligations, the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States or its agencies and instrumentalities;
4. Obligations of other states, cities, counties or other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent;
5. Bankers' acceptances so long as each such acceptance has a stated maturity of 270 days or less from the date of its issuance, will be liquidated in full at maturity, is eligible collateral for borrowing from a Federal Reserve Bank and is accepted by a domestic bank whose short-term obligations are rated at least A-1, P-1, or the equivalent by a nationally recognized credit rating agency or which is the largest subsidiary of a bank holding company whose short-term obligations are so rated;
6. Commercial paper with a stated maturity of 270 days or less from the date of its issuance that is either rated not less than A-1, P-1 or the equivalent by at least two nationally recognized credit rating agencies or is rated at least A-1, P-1 or the equivalent by at least one nationally recognized credit rating agency and is fully secured by an irrevocable letter of credit issued by a bank organized and existing under the laws of the United States or any state thereof;
7. Collateralized repurchase agreements having a defined termination date and described in more detail in the Investment Policy;
8. Certificates of deposit issued by state and national banks domiciled in Texas that are guaranteed or insured by the Federal Deposit Insurance Corporation or its successor or as further described in the Investment Policy;
9. Certificates of deposit issued by savings banks domiciled in Texas;
10. Share Certificates issued by a state or federal credit unions domiciled in Texas;
11. Money market mutual funds; and
12. Local government investment pools (LGIPs).

The City participates in two Local Government Investment Pools: TexPool and TexasDAILY. The State Comptroller oversees TexPool, with Lehman Brothers and Federated Investors managing the daily operations of the pool under a contract with the State Comptroller. Although there is no regulatory oversight over TexasDAILY, an advisory board consisting of participants or their designees, maintains oversight responsibility for TexasDAILY. Public Financial Management Asset Management LLC manages the daily operations of the pool under a contract with the advisory board.

The City invests in TexPool and TexasDAILY to provide its liquidity needs. TexPool and TexasDAILY are local government investment pools that were established in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Code. TexPool and TexasDAILY are 2(a)7 like funds, meaning that they are structured similar to a money market mutual fund. Such funds allow shareholders the ability to deposit or withdraw funds on a daily basis. Interest rates are also adjusted on a daily basis. Such funds seek to maintain a constant net asset value of $1.00, although this cannot be fully guaranteed. TexPool and TexasDAILY are rated AAAm and must maintain a dollar weighted average maturity not to exceed 60 days, which is the limit. At September 30, 2004 TexPool and TexasDAILY had a weighted average maturity of 23 days and 43 days, respectively. Although the TexPool and TexasDAILY portfolios had a weighted average maturity of 23 days and 43 days, respectively, the City considers the holdings in these funds to have a one day weighted average maturity. This is due to the fact that the share position can usually be redeemed each day at the discretion of the shareholder, unless there has been a significant change in value.

5 – INVESTMENTS AND DEPOSITS, continued

The City did not participate in any reverse repurchase agreements or security lending agreements during fiscal year 2004.

All of the City's investments are insured, registered, or the City's agent holds the securities in the City's name; therefore, the City is not exposed to custodial credit risk.

The following table includes the portfolio balances of all non-pooled and pooled investment types of the City at September 30, 2004 (in thousands).

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Non-pooled investments:				
Local Government Investment Pools	$ 13,477	143,848	–	157,325
US Agency Discount Notes	–	14,883	–	14,883
US Treasury Notes	–	98,275	–	98,275
US Agency Bonds	–	169,225	–	169,225
US Agency Bonds-Step	–	2,001	–	2,001
Total non-pooled investments	13,477	428,232	–	441,709
Pooled investments:				
Local Government Investment Pools	123,517	129,454	1,356	254,327
US Agency Discount Notes	36,257	38,025	398	74,680
US Treasury Notes	9,660	10,132	106	19,898
US Agency Bonds	205,346	213,375	2,234	420,955
US Agency Bonds-Step	2,421	2,539	26	4,986
Total pooled investments (1)	377,201	393,525	4,120	774,846
Total investments	$ 390,678	821,757	4,120	1,216,555

(1) A difference of $6.5 million exists between the investment portfolio balance and book balance, primarily due to deposits in transit offset by outstanding checks.

b – Investment categories

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

1. Operating Funds excluding Special Projects or Special Purpose funds;
2. Debt Service Funds;
3. Special Projects Funds or Special Purpose Funds;

The City's investment policy seeks to control credit risk. Such risk shall be controlled by investing in compliance with the City's investment policy, qualifying the broker and financial institution with whom the City will transact, sufficient collateralization, portfolio diversification, and limiting maturity.

5 – INVESTMENTS AND DEPOSITS, continued

Operating Funds (excluding Special Projects or Special Purpose Funds)

As of September 30, 2004, the City of Austin's operating funds (excluding Special Projects or Special Purpose Funds) had the following investments:

	Fair Value (in thousands)				
Investment Type	Governmental Activities	Business-type Activities	Fiduciary Funds	Total	Weighted Average Maturity (days)
Local Government Invest Pools (LGIPs)	$ 123,517	129,454	1,356	254,327	1
US Agency Discount Notes	36,257	38,025	398	74,680	78
US Treasury Notes	9,660	10,132	106	19,898	329
US Agency Bonds	205,346	213,375	2,234	420,955	544
US Agency Bonds-Step	2,421	2,539	26	4,986	565
	$ 377,201	393,525	4,120	774,846	315

Credit Risk

As of September 30, 2004, the LGIPs (which represent approximately 33% of the portfolio) are rated AAAm by Standard and Poor's. The US Agency Discount Notes (which represent approximately 10% of the portfolio) are rated A-1+ by Standard and Poor's. The US Agency Bonds and US Agency Step Bonds (which represent approximately 55% of the portfolio) are rated AAA by Standard and Poor's. Approximately 2% of the portfolio consists of direct obligations of the US government.

Interest Rate Risk

As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy requires that investment maturities will not exceed the lesser of a dollar weighted average maturity of 365 days or the anticipated cash flow requirements of the funds. Quality short-to-medium term securities should be purchased, which complement each other in a structured manner that minimizes risk and meets the City's cash flow requirements. Three years is the maximum period of time before maturity.

At September 30, 2004, nearly a third of the Investment Pool was invested in AAAm rated LGIPs (2(a)-7 like pools), with the remainder invested in short-to-medium term US Agency and Treasury obligations. Term limits on individual maturities did not exceed three years from the purchase date. The dollar weighted average maturity for all securities was 315 days, which was less than the threshold of 365 days.

5 – INVESTMENTS AND DEPOSITS, continued

Debt Service Funds

As of September 30, 2004, the City of Austin's debt service funds had the following investments:

	Fair Value (in thousands)		
	Governmental Activities	Business-type Activities	Final Maturity
General Obligation Debt Service			
TexPool (LGIPs)	$ 13,392	–	N/A
TexasDAILY(LGIPs)	85	–	N/A
Subtotal	13,477	–	
Enterprise-Utility (1)			
TexPool (LGIPs)	–	120,697	N/A
Fannie Mae Discount Notes (FNDN)	–	4,988	11/15/2004
Subtotal	–	125,685	
Enterprise-Airport			
TexPool (LGIPs)	–	15,108	N/A
Nonmajor Enterprise-Convention Center			
TexPool (LGIPs)	–	5,739	N/A
Total	$ 13,477	146,532	

(1) Includes combined pledge debt service

Credit Risk

As of September 30, 2004, TexPool and TexasDAILY are rated AAAm by Standard and Poor's, and the Fannie Mae Agency Discount Notes are rated A-1+ by Standard and Poor's.

Interest Rate Risk

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

At September 30, 2004, portfolios in this category held investments in AAAm rated LGIPs and US Agencies with final maturities matching anticipated debt service requirements in October and/or November 2004.

Special Projects Funds

As of September 30, 2004, the City of Austin's Special Projects Funds had the following investments:

	Fair Value (in thousands)		
Capital Project Construction	Governmental Activities	Business-type Activities	Final Maturity
TexPool (LGIPs)	$ 80	–	N/A
Federal Home Loan Bank (FHLB) 2.315% of 04/28/06	1,890	–	04/28/2006
Subtotal	1,970	–	
Airport Construction			
TexPool (LGIPs)	–	2,298	N/A
Freddie Mac Discount Notes (FMCDN) of 04/05/05	–	9,895	04/05/2005
Subtotal	–	12,193	
Total special projects funds	$ 1,970	12,193	

Credit Risk

As of September 30, 2004, TexPool is rated AAAm by Standard and Poor's. The Freddie Mac Discount Notes are rated A-1+ by Standard and Poor's, and the Federal Home Loan Bank Agency Bonds are rated AAA by Standard and Poor's.

5 – INVESTMENTS AND DEPOSITS, continued

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

At September 30, 2004, the portfolios held investments in a AAAm rated LGIP and US Agencies with maturities that meet anticipated cash flow requirements.

Special Purpose Funds
Austin Energy Debt Management Fund
As of September 30, 2004, the City of Austin's Special Purpose Fund (Austin Energy Debt Management Fund) had the following investments:

Business-type Activities	Fair Value (in thousands)	Weighted Average Maturity (days)
TexPool (LGIPs)	$ 6	1
US Treasuries	70,990	790
US Agencies	99,139	787
Total	$ 170,135	788

Credit Risk
At September 30, 2004, the Electric Utility Department Debt Management Fund had a minimal investment in TexPool, an LGIP rated AAAm by Standard and Poor's, with the remainder invested in short-to-medium term US Agency and Treasury obligations. The US Agency Bonds are rated AAA by Standard and Poor's. The remaining securities are direct obligations of the US government.

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

At September 30, 2004, the portfolios held investments in TexPool (AAAm rated LGIP), US Treasuries and US Agencies with maturities that meet anticipated cash flow requirements and an overall dollar weighted average maturity of 788 days (2.16 years).

Austin Energy Nuclear Decommissioning Trust Funds
As of September 30, 2004, the Austin Energy's Special Purpose Fund (Nuclear Decommissioning Trust Funds, NDTF) had the following investments:

Business-type Activities	Fair Value (in thousands)	Weighted Average Maturity (years)
US Treasuries	$ 27,285	2.47
US Agencies	70,086	2.39
US Agencies-Step	2,001	4.58
Total	$ 99,372	2.46

Credit Risk
As of September 30, 2004, the US Agency Bonds and US Agency Step Bonds are rated AAA by Standard and Poor's. The remaining securities are direct obligations of the US government.

Interest Rate Risk
As a means of minimizing risk of loss due to interest rate fluctuations, the Investment Policy for the Decommissioning Trust Fund portfolios requires that the dollar weighted average maturity, using final stated maturity dates, shall not exceed seven years, although the portfolio's weighted average maturity may be substantially shorter if market conditions so dictate. At September 30, 2004, the dollar weighted average maturity was 2.46 years.

5 – INVESTMENTS AND DEPOSITS, continued

Investments and deposits at September 30, 2004 are as follows (in thousands):

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Non-pooled investments and deposits	$ 17,369	436,546	–	453,915
Pooled investments and deposits	379,226	395,647	4,142	779,015
Total investments and deposits	396,595	832,193	4,142	1,232,930
Unrestricted deposits	3,892	55	–	3,947
Restricted deposits	–	8,259	–	8,259
Pooled deposits	2,025	2,122	22	4,169
Investments	390,678	821,757	4,120	1,216,555
Total investments and deposits	$ 396,595	832,193	4,142	1,232,930

A difference of $10.7 million exists between bank balance and book balance, primarily due to deposits in transit offset by outstanding checks.

c – Deposits

The September 30, 2004 carrying amount of deposits is as follows (in thousands):

	Governmental Activities	Business-Type Activities	Fiduciary Funds	Total
Cash				
Unrestricted	$ 111	55	–	166
Cash held by trustee				
Unrestricted	3,781	–	–	3,781
Restricted	–	8,259	–	8,259
Pooled cash	2,025	2,122	22	4,169
Total deposits	$ 5,917	10,436	22	16,375

All bank accounts were either insured or collateralized with securities held by the City or by its agent in the City's name at September 30, 2004.

6 – PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. The adjusted assessed value for the roll as of January 1, 2003, upon which the 2004 levy was based, was $48,964,275,008.

Taxes are due by January 31 following the October 1 levy date. During the year ended September 30, 2004, 99.06% of the current tax levy (October 1, 2003) was collected. The statutory lien date is January 1.

The methods of property assessment and tax collection are determined by Texas statute. The statutes provide for a property tax code, county-wide appraisal districts, a State property tax board, and certain exemptions from taxation, such as intangible personal property, household goods, and family-owned automobiles.

6 – PROPERTY TAXES, continued

The appraisal of property within the City is the responsibility of the Travis Central Appraisal District and the Williamson County Appraisal District. The appraisal districts are required under the Property Tax Code to assess all real and personal property within the appraisal district on the basis of 100% of its appraised value and are prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may require more frequent reviews of appraised values at its own expense. The Travis Central Appraisal District has chosen to review the value of property every two years, while the Williamson County Appraisal District has chosen to review the value of property on an annual basis. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The City is authorized to set tax rates on property within the City limits. However, if the effective tax rate, excluding tax rates for bonds, certificates of obligation, and other contractual obligations, as adjusted for new improvements and revaluation, exceeds the rate for the previous year by more than 8%, State statute allows qualified voters of the City to petition for an election to determine whether to limit the tax rate increase to no more than 8%.

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Under the City Charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at $1.00 per $100 assessed valuation. A practical limitation on taxes levied for debt service of $1.50 per $100 of assessed valuation is established by State Statute and City Charter limitations. Through contractual arrangements, Travis and Williamson counties bill and collect property taxes for the City.

The tax rate to finance general governmental functions, other than the payment of principal and interest on general obligation long-term debt, for the year ended September 30, 2004, was $.3236 per $100 assessed valuation. The City has a tax margin for general governmental purposes of $.6764 per $100 assessed valuation, and could levy approximately $331,194,356 in additional taxes from the assessed valuation of $48,964,275,008 before the legislative limit is reached.

The City has reserved a portion of the taxes collected for lawsuits filed by certain taxpayers against the appraisal districts challenging assessed values in the government-wide financial statements.

7 – CAPITAL ASSETS AND INFRASTRUCTURE

The City anticipates the need for numerous additional utility-related projects over the next several years. However, specific projects and related funding have not been identified or authorized.

The City has recorded capitalized interest for fiscal year 2004 in the following funds related to the construction of various enterprise fund capital improvement projects (in thousands):

Major fund:		
Airport	$	953
Nonmajor enterprise funds:		
Convention Center		1,390
Drainage		1,113
Golf		67
Solid Waste Services		131

Interest is not capitalized on governmental capital assets.

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Components of capital assets (in thousands)

	Governmental Activities	Business-type Activities	Total
Capital assets not depreciated			
Land and improvements	$ 232,953	280,377	513,330
Arts and treasures	4,811	1,359	6,170
Library collections	12,885	–	12,885
Total	250,649	281,736	532,385
Depreciable property, plant and equipment in service			
Building and improvements	355,580	1,959,528	2,315,108
Equipment	63,405	4,234,261	4,297,666
Vehicles	75,635	87,543	163,178
Infrastructure	1,435,360	–	1,435,360
Completed assets not classified	131,663	189,272	320,935
Total	2,061,643	6,470,604	8,532,247
Less accumulated depreciation for			
Building and improvements	(95,008)	(557,904)	(652,912)
Equipment	(30,520)	(1,688,281)	(1,718,801)
Vehicles	(43,851)	(50,633)	(94,484)
Infrastructure	(426,668)	–	(426,668)
Completed assets not classified	(11,375)	(8,889)	(20,264)
Total	(607,422)	(2,305,707)	(2,913,129)
Net property, plant and equipment in service	1,454,221	4,164,897	5,619,118
Other capital assets not depreciated			
Construction in progress	327,419	679,559	1,006,978
Nuclear fuel, net of amortization	–	17,933	17,933
Plant held for future use	–	30,745	30,745
Total capital assets	$ 2,032,289	5,174,870	7,207,159

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Governmental Activities

Capital asset activity for the year ended September 30, 2004 was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 195,274	37,679	–	232,953
Arts and treasures	4,785	26	–	4,811
Library collections	12,880	5	–	12,885
Total	212,939	37,710	–	250,649
Depreciable property, plant and equipment in service				
Building and improvements	310,174	45,406	–	355,580
Equipment	50,253	14,251	(1,099)	63,405
Vehicles	74,447	4,461	(3,273)	75,635
Infrastructure	1,308,273	127,087	–	1,435,360
Completed assets not classified	108,595	31,383	(8,315)	131,663
Total	1,851,742	222,588	(12,687)	2,061,643
Less accumulated depreciation for				
Building and improvements	(84,558)	(10,450)	–	(95,008)
Equipment	(23,938)	(7,398)	816	(30,520)
Vehicles	(38,791)	(8,152)	3,092	(43,851)
Infrastructure	(389,336)	(37,332)	–	(426,668)
Completed assets not classified	(13,299)	–	1,924	(11,375)
Total	(549,922)	(63,332) (2)	5,832	(607,422)
Net property, plant and equipment in service	1,301,820	159,256	(6,855)	1,454,221
Other capital assets not depreciated				
Construction in progress	353,951	154,798	(181,330)	327,419
Total capital assets	$ 1,868,710	351,764	(188,185)	2,032,289

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

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

Governmental activities:	
General government	$ 2,043
Public safety	9,966
Transportation, planning and sustainability	3,293
Public health	1,428
Public recreation and culture	7,181
Urban growth management	1,368
Unallocated depreciation expense - infrastructure	35,833
Internal service funds	2,220
Total accumulated depreciation	$ 63,332

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Electric Fund

Capital asset activity for the year ended September 30, 2004 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 34,942	2,670	–	37,612
Total	34,942	2,670	–	37,612
Depreciable property, plant and equipment in service				
Building and improvements	601,793	19,795	–	621,588
Equipment	2,302,680	286,217	(12,330)	2,576,567
Vehicles	19,319	1,791	(679)	20,431
Completed assets not classified	27,617	866	(7,030)	21,453
Total	2,951,409	308,669	(20,039)	3,240,039
Less accumulated depreciation for				
Building and improvements	(250,556)	(17,861)	–	(268,417)
Equipment	(1,020,307)	(76,631)	9,750	(1,087,188)
Vehicles	(14,919)	(661)	679	(14,901)
Completed assets not classified	(2,893)	(874)	–	(3,767)
Total	(1,288,675)	(96,027) (1)	10,429	(1,374,273)
Net property, plant and equipment in service	1,662,734	212,642	(9,610)	1,865,766
Other capital assets not depreciated				
Construction in progress	359,749	160,070	(298,240)	221,579
Nuclear fuel, net of amortization	21,805	–	(3,872)	17,933
Plant held for future use	31,379	–	(634)	30,745
Total capital assets	$ 2,110,609	375,382	(312,356)	2,173,635

(1) Components of accumulated depreciation increases:	
Current year depreciation	$ 95,525
Adjustment to accumulated depreciation	502
Total accumulated depreciation	$ 96,027

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Water and Wastewater Fund

Capital asset activity for the year ended September 30, 2004 was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 136,173	1,007	(443)	136,737
Total	136,173	1,007	(443)	136,737
Depreciable property, plant and equipment in service				
Building and improvements	343,874	42,300	–	386,174
Equipment	1,508,381	106,480	(423)	1,614,438
Vehicles	20,988	609	(820)	20,777
Completed assets not classified	248,413	–	(102,710)	145,703
Total	2,121,656	149,389	(103,953)	2,167,092
Less accumulated depreciation for				
Building and improvements	(103,580)	(8,533)	–	(112,113)
Equipment	(536,353)	(40,623)	418	(576,558)
Vehicles	(13,611)	(1,152)	819	(13,944)
Completed assets not classified	(4,640)	–	–	(4,640)
Total	(658,184)	(50,308) (2)	1,237	(707,255)
Net property, plant and equipment in service	1,463,472	99,081	(102,716)	1,459,837
Other capital assets not depreciated				
Construction in progress	232,170	161,901	(22,898)	371,173
Total capital assets	$ 1,831,815	261,989	(126,057)	1,967,747

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

(2) Components of accumulated depreciation increases:

Current year depreciation	
Water	$ 24,412
Wastewater	25,896
Total accumulated depreciation	$ 50,308

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Airport Fund

Capital asset activity for the year ended September 30, 2004 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 58,690	–	–	58,690
Arts and treasures	459	296	–	755
Total	59,149	296	–	59,445
Depreciable property, plant and equipment in service				
Building and improvements	575,013	24,439	–	599,452
Equipment	14,704	1,413	(387)	15,730
Vehicles	3,722	377	(37)	4,062
Completed assets not classified	21,796	–	(18,976)	2,820
Total	615,235	26,229	(19,400)	622,064
Less accumulated depreciation for				
Building and improvements	(78,768)	(14,794)	–	(93,562)
Equipment	(5,523)	(927)	210	(6,240)
Vehicles	(1,969)	(333)	37	(2,265)
Completed assets not classified	(323)	–	323	–
Total	(86,583)	(16,054) (1)	570	(102,067)
Net property, plant and equipment in service	528,652	10,175	(18,830)	519,997
Other capital assets not depreciated				
Construction in progress	19,368	11,883	(7,775)	23,476
Total capital assets	$ 607,169	22,354	(26,605)	602,918

(1) Components of accumulated depreciation increases:	
Current year depreciation	$ 16,054
Total accumulated depreciation	$ 16,054

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities: Nonmajor Enterprise Funds

Capital asset activity for the year ended September 30, 2004 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 40,795	6,601	(58)	47,338
Arts and treasures	268	336	–	604
Total	41,063	6,937	(58)	47,942
Depreciable property, plant and equipment in service				
Building and improvements	341,862	11,077	(625)	352,314
Equipment	22,762	4,970	(207)	27,525
Vehicles	40,390	3,986	(2,102)	42,274
Completed assets not classified	30,611	21	(11,336)	19,296
Total	435,625	20,054	(14,270)	441,409
Less accumulated depreciation for				
Building and improvements	(75,093)	(8,721)	2	(83,812)
Equipment	(16,585)	(1,804)	94	(18,295)
Vehicles	(17,844)	(3,617)	1,938	(19,523)
Completed assets not classified	(760)	–	278	(482)
Total	(110,282)	(14,142) (1)	2,312	(122,112)
Net property, plant and equipment in service	325,343	5,912	(11,958)	319,297
Other capital assets not depreciated				
Construction in progress	49,870	28,457	(14,996)	63,331
Nuclear fuel, net of amortization	–	–	(0)	(0)
Plant held for future use	–	–	0	0
Total capital assets	$ 416,276	41,306	(27,012)	430,570

(1) Components of accumulated depreciation increases:

Current year depreciation	
Convention Center	$ 6,445
Other nonmajor enterprise funds	7,666
Adjustment to accumulated depreciation	31
Total accumulated depreciation	$ 14,142

7 – CAPITAL ASSETS AND INFRASTRUCTURE, continued

Business-type Activities

Capital asset activity for the year ended September 30, 2004 was as follows (in thousands):

	Beginning Balance	Increases (1)	Decreases (1)	Ending Balance
Capital assets not depreciated				
Land and improvements	$ 270,600	10,278	(501)	280,377
Arts and treasures	727	632	–	1,359
Total	271,327	10,910	(501)	281,736
Depreciable property, plant and equipment in service				
Building and improvements	1,862,542	97,611	(625)	1,959,528
Equipment	3,848,527	399,145	(13,411)	4,234,261
Vehicles	84,419	6,763	(3,639)	87,543
Completed assets not classified	328,437	887	(140,052)	189,272
Total	6,123,925	504,406	(157,727)	6,470,604
Less accumulated depreciation for				
Building and improvements	(507,997)	(49,909)	2	(557,904)
Equipment	(1,578,768)	(119,985)	10,472	(1,688,281)
Vehicles	(48,343)	(5,763)	3,473	(50,633)
Completed assets not classified	(8,616)	(874)	601	(8,889)
Total	(2,143,724)	(176,531) (2)	14,548	(2,305,707)
Net property, plant and equipment in service	3,980,201	327,875	(143,179)	4,164,897
Other capital assets not depreciated				
Construction in progress	661,157	362,311	(343,909)	679,559
Nuclear fuel, net of amortization	21,805	–	(3,872)	17,933
Plant held for future use	31,379	–	(634)	30,745
Total capital assets	$ 4,965,869	701,096	(492,095)	5,174,870

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

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

Business-type activities:	
Electric	$ 95,525
Water	24,412
Wastewater	25,896
Airport	16,054
Convention Center	6,445
Other nonmajor enterprise funds	7,666
Total business-type activities depreciation expense	175,998
Adjustment to accumulated depreciation	533
Total increases in accumulated depreciation	$ 176,531

8 – RETIREMENT PLANS

a -- Description

The City participates in funding three contributory, defined benefit retirement plans: City of Austin Employees' Retirement and Pension Fund, City of Austin Police Officers' Retirement and Pension Fund, and Fire Fighters' Relief and Retirement Fund of Austin, Texas. An independent board of trustees administers each plan. These plans are City-wide single employer funded plans that cover substantially all full-time employees. The fiscal year of each pension fund ends December 31. The most recently available financial statements of the pension funds are for the year ended December 31, 2003. Membership in the plans at December 31, 2003 is as follows:

	City Employees	Police Officers	Fire Fighters	Total
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	3,619	338	392	4,349
Current employees	7,432	1,406	969	9,807
Total	11,051	1,744	1,361	14,156

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

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

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

8 – RETIREMENT PLANS, continued

b -- Funding Policy

	City of Austin Employees' Retirement and Pension Fund	City of Austin Police Officers' Retirement and Pension Fund	Fire Fighters' Relief and Retirement Fund
Authority establishing contributions obligation	State Legislation	State Legislation	State Legislation
Frequency of contribution	Biweekly	Biweekly	Biweekly
Employee's contribution (percent of earnings)	8.0%	9.0%	13.7% until June 2003; 15.7% thereafter
City's contribution (percent of earnings)	8.0% (1)	18.0%	18.05%

(1) The City contributes two-thirds of the cost of prior service benefit payments.

While the contribution requirements are not actuarially determined, state law requires that a qualified actuary approve each plan of benefits adopted. The actuary for the Police Officers and Fire Fighters plan has certified that the contribution commitment by the participants and the City provides an adequate financing arrangement. Contributions for fiscal year ended September 30, 2004, are as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
City	$ 25,268	14,358	9,835	49,461
Employees	25,218	7,179	8,554	40,951
Total contributions	$ 50,486	21,537	18,389	90,412

c -- Annual Pension Cost and Net Pension Obligation

The City's annual pension cost of $55,367,000 for fiscal year ended September 30, 2004, was $5,906,000 more than the City's actual contributions. Three-year trend information is as follows (in thousands):

	City Employees	Police Officers	Fire Fighters	Total
City's Annual Pension Cost (APC):				
2002	$ 25,986	12,160	9,089	47,235
2003	26,093	13,626	9,608	49,327
2004	31,174	14,358	9,835	55,367
Percentage of APC contributed:				
2002	100%	100%	100%	N/A
2003	100%	100%	100%	N/A
2004	81%	100%	100%	N/A
Net Pension Obligation:				
2002	$ –	–	–	–
2003	–	–	–	–
2004	5,906	–	–	5,906

8 – RETIREMENT PLANS, continued

The latest actuarial valuations were completed as of December 31, 2003. The actuarial cost method and significant assumptions underlying the actuarial calculations are as follows:

	City Employees	Police Officers	Fire Fighters
Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method	Entry Age Actuarial Cost Method
Asset Valuation Basis	5-year smoothed market	5-year smoothed market	5-year smoothed market
Inflation Rate	3.5%	4%	4.5%
Projected Annual Salary Increases	4% to 14%	6.8% average	6.0%
Post retirement benefit increase	None	None	1%
Assumed Rate of Return on Investments	7.75%	8%	8%
Amortization method	Level percent of projected pay, open	Level percent of projected pay, open	Level percent of projected pay, open
Remaining Amortization Period	Infinite	28.6 years	33.7 years

d – Trend Information (Unaudited)

Information pertaining to the latest actuarial valuations for each Plan is as follows (in thousands):

Valuation Date, December 31st	Actuarial Value of Assets	Actuarial Accrued Liability	UAAL(1)	Funded Ratio	Annual Covered Payroll	Percentage of UAAL to Covered Payroll
City Employees						
1995	$ 707,300	623,000	(84,300)	113.5%	221,000	(38.1%)
1997	856,423	832,140	(24,283)	102.9%	219,208	(11.1%)
1999	1,105,100	1,044,500	(60,600)	105.8%	244,500	(24.8%)
2001	1,311,288	1,360,270	48,982	96.4%	316,793	15.5%
2002	1,250,851	1,440,199	189,348	86.9%	322,008	58.8%
2003	1,348,800	1,551,800	203,000	86.9%	312,800	64.9%
Police Officers						
1995	$ 127,572	164,865	37,293	77.4%	36,211	103.0%
1997	168,602	222,703	54,101	75.7%	47,189	114.6%
1999	226,913	257,850	30,937	88.0%	54,695	56.6%
2001	284,761	347,548	62,787	81.9%	69,707	90.1%
2002	298,782	384,992	86,210	77.6%	79,236	108.8%
2003	320,354	413,965	93,611	77.4%	80,959	115.6%
Fire Fighters						
1995	$ 213,403	236,994	23,591	90.0%	32,496	72.6%
1997	268,241	279,472	11,231	96.0%	35,130	32.0%
1999	341,593	317,223	(24,370)	107.7%	38,690	(63.0%)
2001	395,371	406,266	10,895	97.3%	49,726	21.9%
2003	421,136	452,669	31,533	93.0%	55,939	56.4%

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

9 – SELECTED REVENUES

a -- Governmental Funds - General Fund

Hospital lease payments
Effective October 1, 1995, the City entered into a long-term lease arrangement with the Daughters of Charity Health Services of Austin ("Seton") to operate City-owned Brackenridge Hospital. This lease agreement qualifies as an operating lease for accounting purposes.

The lease agreement specifies a minimum lease payment in addition to a supplemental rent payment based on approximately 46% of net disproportionate share revenue proceeds. In fiscal year 2004, General Fund revenues included minimum lease payments of $1.3 million and additional rent of $12.2 million.

In March 2004, the Austin Women's Hospital began operations. The facility is a separately licensed facility located on the 5th floor of Brackenridge Hospital. The City has entered into an agreement with the University of Texas Medical Branch at Galveston to operate the facility. Total construction costs were approximately $9.3 million; approximately $6.8 million of these costs were related to enhancing the capacity of OB services related to Brackenridge, in addition to providing certain reproductive services that Seton is not capable of performing. The remaining $2.5 million of costs were related to licensing requirements. Construction costs will be amortized over the remaining life of the original lease agreement with Seton, which has approximately twenty-two years remaining. For further information, please refer to the Subsequent Events Note (Note 16).

b -- Major enterprise funds

Electric and Water and Wastewater
The Texas Public Utility Commission has jurisdiction over electric utility wholesale transmission rates. The City Council has jurisdiction over all other electric utility rates and over all water and wastewater utility rates and other services. The Council determines electric utility and water and wastewater utility rates based on the cost of operations and a debt service coverage approach.

Under a bill passed by the Texas Legislature in 1999, municipally-owned electric utilities such as the City's utility system have the option of offering retail competition after January 1, 2002. At September 30, City management had decided not to enter the retail market, as allowed by State law. Because the effects of entering retail competition are uncertain, a change in accounting policy is not warranted at this time.

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

Airport
The City has entered into certain lease agreements as lessor for concessions at the Airport. These lease agreements qualify as operating leases for accounting purposes. In fiscal year 2004, the Airport Fund revenues included minimum concession guarantees of $8,251,503.

9 – SELECTED REVENUES, continued

The following is a schedule by year of minimum future rentals on noncancelable operating leases for terms of up to thirty years for the Airport Fund as of September 30, 2004 (in thousands):

Fiscal Year Ended September 30	Enterprise Airport Lease Payments
2005	$ 7,609
2006	7,194
2007	7,021
2008	6,719
2009	4,533
2010-2014	811
2015-2019	392
2020-2024	392
2025-2029	392
2030-2034	65
Totals	$ 35,128

10 – DEBT AND NON-DEBT LIABILITIES

a -- Long-Term Liabilities

The following is a summary of long-term liabilities. Balances at September 30, 2004 are (in thousands):

Description	Governmental Activities	Business-Type Activities	Total
Long-term obligations			
General obligation bonds	$ 738,533	20,240	758,773
Certificates of obligation	91,021	58,616	149,637
Contractual obligations	33,970	14,575	48,545
Other tax supported debt	–	10,369	10,369
General obligation bonds and other tax supported debt total	863,524	103,800	967,324
Commercial paper notes	–	315,616	315,616
Revenue notes	–	28,000	28,000
Revenue bonds	–	2,969,758	2,969,758
Contract revenue bonds	–	13,740	13,740
Capital lease obligations	813	12,753	13,566
Debt service requirements total	864,337	3,443,667	4,308,004
Other long-term obligations			
Accrued compensated absences	70,456	20,110	90,566
Claims payable	27,440	–	27,440
Accrued landfill closure and postclosure costs	–	7,612	7,612
Decommissioning expense payable	–	100,019	100,019
Pension obligation payable	3,102	2,804	5,906
Deferred credits and other liabilities	81,895	527,297	609,192
	182,893	657,842	840,735
Total long-term obligations	$ 1,047,230	4,101,509	5,148,739

This schedule excludes short-term liabilities of $48,781 for governmental activities and $221,008 for business-type activities and long-term interest payable of $166,868 for business-type activities.

Payments on bonds payable for governmental activities will be made in the General Obligation Debt Service Funds. Accrued compensated absences that pertain to governmental activities will be liquidated by the General Fund and Special Revenue Funds. Claims payable will be liquidated by Internal Service Funds. Deferred credits and other liabilities that pertain to governmental activities will be liquidated by the General Fund, Special Revenue Funds, and General Government Capital Improvement Projects Funds.

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all limitations and restrictions.

Internal Service Funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included in governmental activities.

10 – DEBT AND NON-DEBT LIABILITIES, continued

The following is a summary of changes in long-term obligations. Certain long-term obligations provide financing to both governmental and business-type activities. Balances at September 30, 2004 are (in thousands):

Description	September 30, 2003	Increases	Decreases	September 30, 2004	Amounts Due Within One Year
Governmental activities (1)					
General obligation bonds, net	$ 708,200	70,293	(39,960)	738,533	41,470
Certificates of obligation	95,328	600	(4,907)	91,021	5,034
Contractual obligations	26,230	13,950	(6,210)	33,970	6,162
General obligation bonds and other tax supported debt total	829,758	84,843	(51,077)	863,524	52,666
Capital lease obligations	793	343	(323)	813	475
Debt service requirements total	830,551	85,186	(51,400)	864,337	53,141
Other long-term obligations					
Accrued compensated absences	69,243	2,878	(1,665)	70,456	30,719
Claims payable	34,748	12,653	(19,961)	27,440	18,595
Pension obligation payable	--	3,102	--	3,102	--
Deferred credits and other liabilities	75,923	44,094	(38,122)	81,895	56,594
Governmental activities total	1,010,465	147,913	(111,148)	1,047,230	159,049
Business-type activities:					
Electric activities					
General obligation bonds	1,326	--	(6)	1,320	5
Contractual obligations	2,001	--	(439)	1,562	485
General obligation bonds and other tax supported debt total	3,327	--	(445)	2,882	490
Commercial paper notes	54,672	40,312	--	94,984	--
Revenue bonds, net	1,410,965	--	(152,264)	1,258,701	89,949
Capital lease obligations	9,107	127	(2,048)	7,186	1,983
Debt service requirements total	1,478,071	40,439	(154,757)	1,363,753	92,422
Other long-term obligations					
Accrued compensated absences	9,766	1,228	(1,572)	9,422	6,799
Decommissioning expense payable	90,687	9,332	--	100,019	--
Pension obligation payable	--	1,260	--	1,260	--
Deferred credits and other liabilities	86,613	14,043	(16,329)	84,327	12,807
Electric activities total	1,665,137	66,302	(172,658)	1,558,781	112,028
Water and Wastewater activities					
General obligation bonds, net	7,504	--	(1,460)	6,044	1,473
Contractual obligations	5,639	3,780	(1,632)	7,787	1,779
Other tax supported debt, net	11,527	--	(1,158)	10,369	1,095
General obligation bonds and other tax supported debt total	24,670	3,780	(4,250)	24,200	4,347
Commercial paper notes	73,812	146,820	--	220,632	--
Revenue bonds, net	1,199,630	124,931	(188,701)	1,135,860	40,796
Contract revenue bonds, net	16,177	--	(2,437)	13,740	2,035
Capital lease obligations	5,796	62	(1,035)	4,823	1,109
Debt service requirements total	1,320,085	275,593	(196,423)	1,399,255	48,287
Other long-term obligations					
Accrued compensated absences	4,863	393	(541)	4,715	3,435
Pension obligation payable	--	648	--	648	--
Deferred credits and other liabilities	410,889	23,875	(1,173)	433,591	5,557
Water and Wastewater activities total	1,735,837	300,509	(198,137)	1,838,209	57,279

(1) Internal Service Funds predominately serve the governmental funds. Accordingly, long-term liabilities for these funds are included in governmental activities.

10 – DEBT AND NON-DEBT LIABILITIES, continued

Business-type activities (continued):

Description	September 30, 2003	Increases	Decreases	September 30, 2004	Amounts Due Within One Year
Airport activities					
General obligation bonds, net	529	–	(64)	465	45
Contractual obligations	183	–	(68)	115	64
General obligation bonds and other tax supported debt total	712	–	(132)	580	109
Revenue notes	28,000	–	–	28,000	–
Revenue bonds, net	357,262	52,802	(58,418)	351,646	7,650
Capital lease obligations	22	483	(11)	494	173
Debt service requirements total	385,996	53,285	(58,561)	380,720	7,932
Other long-term obligations					
Accrued compensated absences	1,362	222	(206)	1,378	1,116
Pension obligation payable	–	229	–	229	–
Deferred credits and other liabilities	7,136	–	(814)	6,322	1,883
Airport activities total	394,494	53,736	(59,581)	388,649	10,931
Nonmajor activities					
General obligation bonds, net	13,660	–	(1,249)	12,411	1,650
Certificates of obligation, net	34,701	25,491	(1,576)	58,616	2,371
Contractual obligations	1,817	4,100	(806)	5,111	720
General obligation bonds and other tax supported debt total	50,178	29,591	(3,631)	76,138	4,741
Revenue bonds, net	234,046	53,859	(64,354)	223,551	3,520
Capital lease obligations	240	142	(132)	250	157
Debt service requirements total	284,464	83,592	(68,117)	299,939	8,418
Other long-term obligations					
Accrued compensated absences	4,928	636	(969)	4,595	4,072
Accrued landfill closure and postclosure costs	7,370	242	–	7,612	–
Pension obligation payable	–	667	–	667	–
Deferred credits and other liabilities	2,657	403	(3)	3,057	3,057
Nonmajor activities total	299,419	85,540	(69,089)	315,870	15,547
Total business-type activities					
General obligation bonds, net	23,019	–	(2,779)	20,240	3,173
Certificates of obligation, net	34,701	25,491	(1,576)	58,616	2,371
Contractual obligations	9,640	7,880	(2,945)	14,575	3,048
Other tax supported debt, net	11,527	–	(1,158)	10,369	1,095
General obligation bonds and other tax supported debt total	78,887	33,371	(8,458)	103,800	9,687
Commercial paper notes	128,484	187,132	–	315,616	–
Revenue notes	28,000	–	–	28,000	–
Revenue bonds, net	3,201,903	231,592	(463,737)	2,969,758	141,915
Contract revenue bonds	16,177	–	(2,437)	13,740	2,035
Capital lease obligations	15,165	814	(3,226)	12,753	3,422
Debt service requirements total	3,468,616	452,909	(477,858)	3,443,667	157,059
Other long-term obligations					
Accrued compensated absences	20,919	2,479	(3,288)	20,110	15,422
Accrued landfill closure and postclosure costs	7,370	242	–	7,612	–
Decommissioning expense payable	90,687	9,332	–	100,019	–
Pension obligation payable	–	2,804	–	2,804	–
Deferred credits and other liabilities	507,295	38,321	(18,319)	527,297	23,304
Business-type activities total	4,094,887	506,087	(499,465)	4,101,509	195,785
Total long-term liabilities	$ 5,105,352	654,000	(610,613)	5,148,739	354,834

This schedule excludes short-term liabilities of $48,781 for governmental activities and $221,008 for business-type activities and long-term interest payable of $166,868 for business-type activities.

10 – DEBT AND NON-DEBT LIABILITIES, continued

b – Governmental Activities Long-Term Liabilities

General Obligation Bonds - General obligation debt is collateralized by the full faith and credit of the City. The City intends to retire its general obligation debt, plus interest, from future ad valorem tax levies, and is required by ordinance to create from such tax revenues a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. General obligation debt issued to finance capital assets of enterprise funds is reported as an obligation of these enterprise funds, although the funds are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the enterprise funds to meet the debt service requirements from program revenues.

The following table summarizes significant facts about general obligation bonds, certificates of obligation, contractual obligations, and assumed municipal utility district (MUD) bonds outstanding at September 30, 2004, including those reported in certain proprietary funds (in thousands):

	Date Issued	Original Issue	*Amount* Outstanding at September 30, 2004	*Aggregate Interest* Requirements at September 30, 2004	Interest Rates *of Debt* Outstanding at September 30, 2004	*Maturity Dates* of Serial Debt
Series 1993	February 1993	$ 71,600	39,255	6,045 (1)	5.60 - 5.75%	9/1/2005-2009
Series 1995	October 1995	30,250	1,885	138 (1)	7.30%	9/1/2005
Series 1995	October 1995	8,660	420	20 (1)	4.75%	9/1/2005
Series 1996	October 1996	30,550	8,160	1,791 (1)	5.00 - 6.00%	9/1/2005-2009
Series 1997	October 1997	29,295	28,215	12,773 (1)	5.00 - 5.75%	9/1/2005-2017
Series 1997	October 1997	13,975	1,155	26 (2)	4.50%	11/1/2004
Series 1997	October 1997	2,120	1,610	637 (1)	4.60 - 5.25%	9/1/2005-2017
Series 1998	January 1998	110,300	104,590	34,000 (1)	4.60 - 5.25%	9/1/2005-2016
Assumed MUD Debt	December 1997	33,680	12,037	5,892 (3)	4.40 - 10.50%	11/15/2004-2018
Series 1998	October 1998	13,430	13,030	5,871 (1)	4.40 - 7.13%	9/1/2005-2018
Series 1998	October 1998	22,770	18,455	7,291 (1)	4.10 - 4.75%	9/1/2005-2018
Series 1998	October 1998	14,975	4,340	177 (2)	4.00%	11/1/2004-2005
Series 1999	October 1999	51,100	50,390	29,410 (1)	4.50- 5.75%	9/1/2005-2019
Series 1999	October 1999	10,335	4,130	299 (2)	4.75%	11/1/2004-2006
Series 1999	October 1999	5,590	4,670	2,263 (1)	5.00 - 6.00%	9/1/2005-2019
Series 2000	October 2000	52,930	51,045	32,178 (1)	4.40 - 6.00%	9/1/2005-2020
Series 2000	October 2000	6,060	5,320	2,715 (1)	5.00 - 5.38%	9/1/2005-2020
Series 2001	June 2001	123,445	62,995	16,040 (1)	4.75 - 5.50%	9/1/2005-2022
Series 2001	October 2001	79,650	78,685	41,089 (1)	4.00 - 5.25%	9/1/2005-2021
Series 2001	October 2001	2,650	1,825	173 (2)	3.00 - 3.88%	11/1/2004-2008
Series 2001	October 2001	65,335	56,750	22,013 (1)	4.38 - 5.25%	9/1/2005-2021
Series 2002	July 2002	12,190	12,190	4,507 (1)	3.00 - 5.00%	3/1/2005-2017
Series 2002	July 2002	2,495	2,130	258 (1)	4.00 - 5.00%	3/1/2005-2009
Series 2002	September 2002	99,615	99,100	48,053 (1)	2.50 - 5.00%	9/1/2005-2022
Series 2002	September 2002	8,690	7,130	690 (2)	2.50 - 4.00%	11/1/2004-2009
Series 2002	September 2002	34,095	31,950	15,822 (1)	2.50 - 5.38%	9/1/2005-2022
Series 2003	June 2003	62,585	58,150	10,743 (1)	2.25 - 5.00%	9/1/2006-2013
Series 2003	September 2003	68,855	68,555	37,677 (1)	2.00 - 5.00%	9/1/2006-2023
Series 2003A	September 2003	2,530	2,325	623 (1)	4.00 - 5.00%	9/1/2005-2013
Series 2003	September 2003	4,450	4,310	2,183 (1)	4.00 - 4.80%	9/1/2005-2023
Series 2003	September 2003	8,610	8,135	833 (2)	2.00 - 3.38%	11/1/2004-2010
Series 2004	September 2004	67,835	67,835	37,244 (1)	3.00 - 5.00%	9/1/2007-2024
Series 2004A	September 2004	2,430	2,430	724 (1)	4.00 - 4.75%	9/1/2006-2014
Series 2004	September 2004	25,000	25,000	14,462 (1)	2.00 - 5.00%	9/1/2005-2024
Series 2004	September 2004	21,830	21,830	2,622 (2)	1.85 - 3.35%	5/1/2005-2011
			$ 960,032			

(1) Interest is paid semiannually on March 1 and September 1.
(2) Interest is paid semiannually on May 1 and November 1.
(3) Interest is paid four times a year on March 1, May 15, September 1, and November 15.

10 – DEBT AND NON-DEBT LIABILITIES, continued

In September 2004, the City issued Public Improvement and Refunding Bonds, Series 2004, in the amount of $67,835,000. The proceeds from the issue will be used as follows: street improvements ($35,503,000); right of way acquisition and utility relocation ($15,000,000); parks and recreation facilities ($11,532,000); libraries ($2,875,000); and to refund a court settlement ($2,925,000). These bonds will be amortized serially on September 1 of each year from 2007 to 2024. Certain of these bonds are callable beginning September 1, 2014. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2005. Total interest requirements for these bonds, at rates ranging from 3% to 5%, are $37,244,485.

In September 2004, the City issued Public Improvement Refunding Bonds, Taxable Series 2004A, in the amount of $2,430,000. Proceeds from the issue will be used to finance certain payment obligations relating to the City's liability under a settlement agreement. These bonds will be amortized serially on September 1 of each year from 2006 to 2014. These bonds are not subject to optional redemption prior to maturity. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2005. Total interest requirements for these bonds, at rates ranging from 4% to 4.75%, are $723,615.

In September 2004, the City issued Certificates of Obligation, Series 2004, in the amount of $25,000,000. The proceeds from the issue will be used as follows: convention center garage ($16,400,000); School for the Deaf renovation ($600,000); and closed landfill remediation at Mabel Davis Park ($8,000,000). These certificates of obligation will be amortized serially on September 1 of each year from 2005 to 2024. Certain of these obligations are callable beginning September 1, 2014. Interest is payable on March 1 and September 1 of each year, commencing March 1, 2005. Total interest requirements for these obligations, at rates ranging from 2% to 5%, are $14,462,050.

In September 2004, the City issued Public Property Finance Contractual Obligations, Series 2004, in the amount of $21,830,000. The proceeds from the issue will be used as follows: systems backup and enhancements ($500,000); communications technology upgrades ($11,420,000); public works capital equipment ($2,100,000); Solid Waste Services capital equipment ($2,000,000); fire capital equipment ($2,030,000); and capital equipment vehicles ($3,780,000). These contractual obligations will be amortized serially on May 1 and November 1 of each year from 2005 to 2011. Interest is payable on May 1 and November 1 of each year, commencing May 1, 2005. These contractual obligations are not subject to optional redemption prior to maturity. The total interest requirements for these obligations, at rates ranging from 1.85% to 3.35%, are $2,622,163.

General obligation bonds authorized and unissued amounted to $123,275,000 at September 30, 2004. Bond ratings at September 30, 2004, were Aa2 (Moody's Investor Services, Inc.), AA+ (Standard & Poor's) and AA+ (Fitch).

c -- Business -Type Activities Long-Term Liabilities

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

Combined Utility Systems Debt -- General - The City's Electric Fund and Water and Wastewater Fund comprise the Combined Utility Systems, which issue Combined Utility Systems revenue bonds to finance Electric Fund and Water and Wastewater Fund capital projects. Principal and interest on these bonds are payable solely from the combined net revenues of the Electric Fund and Water and Wastewater Fund.

The total Combined Utility Systems revenue bond obligations at September 30, 2004, exclusive of discounts, premiums and loss on refundings consist of $929,104,135 prior lien bonds and $253,444,512 subordinate lien bonds. Aggregate interest requirements for all prior lien and subordinate lien bonds are $862,408,727 at September 30, 2004. Revenue bonds authorized and unissued amount to $1,492,642,660 at that date. Bond ratings at September 30, 2004 for the prior lien and subordinate lien bonds were, respectively, A2 and A2 (Moody's Investor Services, Inc.), A+ and A (Standard & Poor's), and A+ and A+ (Fitch).

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

10 – DEBT AND NON-DEBT LIABILITIES, continued

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

The net proceeds of each of the refunding bond issuances were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service. As a result, the refunded bonds are considered to be legally defeased and the liability for the refunded bonds has been removed from the financial statements. The accounting gains and losses due to the advance refunding of debt have been deferred and are being amortized over the life of the refunding bonds by the straight-line method. However, a gain or loss on refunded bonds is recognized when funds from current operations are used.

Combined Utility Systems Debt -- Bonds Issued and Outstanding - The following schedule shows the original and refunding revenue bonds outstanding at September 30, 2004 (in thousands):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 2004
1990B Refunding	February 1990	$ 236,009	3,668
1992 Refunding	March 1992	265,806	30,116
1992A Refunding	May 1992	351,706	108,111
1993 Refunding	February 1993	203,166	88,841
1993A Refunding	June 1993	263,410	35,029
1994 Refunding	October 1994	142,559	26,894
1995 Refunding	June 1995	151,770	4,000
1996AB Refunding	September 1996	249,235	227,940
1997 Refunding	August 1997	227,215	218,210
1998 Refunding	August 1998	180,000	169,575
1998A Refunding	August 1998	123,020	16,720
1998 Refunding	November 1998	139,965	139,730
1998A Refunding	November 1998	105,350	105,350
1998B	November 1998	10,000	8,365
			$ 1,182,549

Combined Utility Systems Debt -- Commercial Paper Notes - The City is authorized by ordinance to issue commercial paper notes in an aggregate principal amount not to exceed $350,000,000 outstanding at any one time. Proceeds from the notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2004 were P-1 (Moody's Investor Services, Inc.), A-1 (Standard & Poor's), and F1+ (Fitch). The notes will be in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the notes are payable from the combined net revenues of the City's Electric Fund and Water and Wastewater Fund.

At September 30, 2004, the Electric Fund had outstanding commercial paper notes of $94,984,000 and the Water and Wastewater Fund had $220,632,000, of commercial paper notes outstanding. Interest rates on the notes range from 1.11% to 1.64%, adjusted daily, and subsequent issues cannot exceed the maximum rate of 15%. The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

10 – DEBT AND NON-DEBT LIABILITIES, continued

Combined Utility Systems Debt -- Taxable Commercial Paper Notes - The City is authorized by ordinance to issue taxable commercial paper notes, (the "taxable notes"), in an aggregate principal amount not to exceed $50,000,000 outstanding at any one time. Proceeds from the taxable notes are used to provide interim financing for capital project costs for additions, improvements, and extensions to the City's electric system and the City's water and wastewater system and to refinance, renew, or refund maturing notes and other obligations of the systems. Note ratings at September 30, 2004 were P-1 (Moody's Investor Services, Inc.), A-1+ (Standard & Poor's), and F1+ (Fitch).

The taxable notes will be in denominations of $100,000 or more and mature not more than 270 days from the date of issuance. Principal and interest on the taxable notes are payable from the combined net revenues of the City's Electric Fund and Water and Wastewater Fund.

At September 30, 2004, the Electric Fund and the Water and Wastewater Fund had no taxable notes outstanding.

Electric Utility System Revenue Debt -- General - The City is authorized by ordinance to issue electric utility system revenue obligations. Proceeds from these obligations are used only to fund electric capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Electric Fund.

Electric Utility System Revenue Debt -- Revenue Bond Defeasance - In August 2004 the City defeased $84,328,789 of the City's outstanding Combined Utility System Prior Lien Revenue Refunding Bonds, Series 1993 and Series 1993A issued for the Electric Utility System. A total of $87,928,103 was placed in an irrevocable escrow account and used to purchase U.S. government obligations to provide for all future debt service payments on the defeased bonds. The City is legally released from the obligations for the defeased debt and the liability has been removed from the financial statements. The City recognized an accounting loss of $17,008,036 on this defeasance.

Bond ratings at September 30, 2004 were A3 (Moody's Investor Services, Inc.), A (Standard & Poor's), and A (Fitch).

Electric Utility System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all electric system original and refunding revenue bonds outstanding at September 30, 2004 (in thousands):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 2004
2001 Refunding	February 2001	$ 126,700	126,200
2002 Refunding	March 2002	74,750	74,750
2002A Refunding	August 2002	172,880	159,085
2003 Refunding	March 2003	182,100	182,100
			$ 542,135

Water and Wastewater System Revenue Debt -- General - The City is authorized by ordinance to issue water and wastewater system revenue obligations. Proceeds from these obligations are used only to fund water and wastewater capital projects or to refund debt issued to fund these capital projects. Principal and interest on these obligations are payable solely from the net revenues of the Water and Wastewater Fund.

Water and Wastewater System Revenue Debt -- Revenue Bond Refunding Issues - In August 2004, the City issued Water and Wastewater System Variable Rate Revenue Refunding Bonds, Series 2004, in an aggregate principal amount of $132,475,000. Proceeds from the variable rate bond refunding were used to refund $126,605,000 of the City's outstanding Combined Utility System Revenue Refunding Bonds, Series 1993, Series 1993A, Series 1994, and Subordinate Lien Revenue Bonds, Series 1994 issued for the Water and Wastewater Utility System. The debt service requirements on the variable rate refunding bonds were $187,919,782 with interest calculated using a constant rate of 3.66%. During fiscal year 2004, interest rates on the bonds ranged from 1.30% to 1.70%, adjusted weekly at market rates, and subsequent rates changes cannot exceed the maximum rate of 12%. The City realized an economic gain of $17,385,292 on this transaction. The change in net cash flows that resulted was a decrease of $21,137,829. An accounting loss of $7,080,369, which will be deferred and amortized in accordance with Statement of Financial Accounting Standards No. 71, was recognized on this refunding.

10 – DEBT AND NON-DEBT LIABILITIES, continued

Water and Wastewater System Revenue Debt -- Revenue Bond Defeasance - In August 2004, the City defeased $46,446,211 of the City's outstanding Combined Utility System Prior Lien Revenue Refunding Bonds, Series 1992A, Series 1993 and Series 1993A issued for the Water and Wastewater Utility System. A total of $51,693,235 was placed in an irrevocable escrow account and used to purchase U.S. government obligations to provide for all future debt service payments on the defeased bonds. The City is legally released from the obligations for the defeased debt and the liability has been removed from the financial statements. The City recognized an accounting loss of $10,035,826 on this defeasance.

Bond ratings at September 30, 2004 were A2 (Moody's Investor Services, Inc.), A (Standard & Poor's), and A+ (Fitch).

Water and Wastewater System Revenue Debt -- Bonds Issued and Outstanding - The following table summarizes all water and wastewater system original and refunding revenue bonds outstanding at September 30, 2004 (in thousands):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 2004
Maple Run MUD, 1992	May 1992	$ 17,955	9,130
Tanglewood Forest MUD, 1993	December 1993	1,350	145
North Austin MUD #1, 2003 RFD	August 2003	4,510	4,510
2000 Refunding	June 2000	100,000	98,500
2001A Refunding	June 2001	152,180	149,680
2001B Refunding	June 2001	73,200	72,000
2001C Refunding	December 2001	95,380	80,980
2002A Refunding	August 2002	139,695	132,400
2003 Refunding	March 2003	121,500	121,500
2004 Refunding	August 2004	132,475	132,475
			$ 801,320

Airport -- Revenue Bonds - The City's Airport Fund issues Airport System revenue bonds to fund Airport Fund capital projects. Principal and interest on these bonds are payable solely from the net revenues of the Airport Fund. At September 30, 2004 the total Airport System obligation for prior lien bonds is $360,125,000 exclusive of discounts, premiums and loss on refundings. Aggregate interest requirements for all prior lien bonds are $287,431,616 at September 30, 2004. Revenue bonds authorized and unissued amount to $735,795,000 at that date.

Airport System Revenue Debt -- Revenue Bond Refunding Issues - In December 2003, the City issued Airport System Prior Lien Revenue Refunding Bonds, Series 2003, in an aggregate principal amount of $54,250,000. Proceeds from the prior lien bond refunding were used to refund $52,290,000 of the City's outstanding Airport System Prior Lien Revenue Bonds, Series 1995A. The debt service requirements on the prior lien refunding bonds were $85,899,110. The City realized an economic gain of $3,132,423 on this transaction. The change in net cash flows that resulted was a decrease of $3,418,051. An accounting loss of $5,717,945, which will be deferred and amortized in accordance with GASB Statement No. 23, was recognized on this refunding. These bonds are callable beginning November 15, 2013.

Bond ratings at September 30, 2004 for the prior lien bonds were NUR (Moody's Investor Services, Inc.), A- (Standard & Poor's), and NUR (Fitch).

The following table summarizes all airport system original and refunding revenue bonds outstanding at September 30, 2004 (in thousands):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 2004
1989	September 1989	$ 30,000	1,000
1995A	August 1995	362,205	276,700
1995B Refunding	August 1995	31,040	28,175
2003	December 2003	54,250	54,250
			$ 360,125

10 – DEBT AND NON-DEBT LIABILITIES, continued

Airport Debt -- Variable Rate Revenue Notes - The City is authorized to issue Airport System variable rate revenue notes, pursuant to Ordinance No. 950817B, as amended and restated by Ordinance 980205A, adopted by the City Council on February 5, 1998. At September 30, 2004, the Airport System had outstanding variable rate revenue notes of $28,000,000. The debt service fund required by the bond ordinance held assets of $384,941, including accrued interest, at September 30, 2004 and was restricted within the Airport System. During fiscal year 2004, interest rates on the notes ranged from 0.90% to 1.73%, adjusted weekly at market rates, and subsequent rates changes cannot exceed the maximum rate of 15%. Principal and interest on the notes are payable from the net revenues of the Airport System.

The bond rating at September 30, 2004 for the airport variable rate notes was P-1 (Moody's Investor Services, Inc.).

Nonmajor fund:
Convention Center -- Prior and Subordinate Lien Revenue Bonds - The City's Convention Center Fund issues Convention Center revenue bonds and Hotel Occupancy Tax revenue bonds to fund Convention Center Fund capital projects. Principal and interest on these bonds are payable solely from pledged hotel occupancy tax revenues and the special motor vehicle rental tax revenues. At September 30, 2004 the total Convention Center obligation for prior and subordinate lien bonds is $228,140,000, exclusive of discounts, premiums and loss on refundings. Aggregate interest requirements for all prior and subordinate lien bonds are $186,899,903 at September 30, 2004. Revenue bonds authorized and unissued amount to $760,000 at September 30, 2004.

Convention Center Revenue Debt -- Revenue Bond Refunding Issues - In February 2004, the City issued Hotel Occupancy Tax Revenue Refunding Bonds, Series 2004, in an aggregate principal amount of $52,715,000. Proceeds from the prior lien bond refunding were used to refund $60,960,000 of the City's outstanding Convention Center Prior Lien Revenue Bonds, Series 1993A. The debt service requirements on the revenue bonds were $79,004,526. The City realized an economic gain of $3,717,537 on this transaction. The change in net cash flows that resulted was a decrease of $11,462,427. An accounting loss of $2,601,339, which will be deferred and amortized in accordance with GASB Statement No. 23, was recognized on this refunding. These bonds are callable beginning November 15, 2013.

Bond ratings at September 30, 2004 for the revenue bonds were NUR (Moody's Investor Services, Inc.), NUR (Standard & Poor's), and NUR (Fitch).

The following table summarizes all Convention Center original and refunding revenue bonds outstanding at September 30, 2004 (in thousands):

Series	Bonds Dated	Original Amount Issued	Outstanding at September 30, 2004
1999 Refunding	June 1999	$ 6,445	2,205
1999A	June 1999	25,000	24,570
1999 Refunding	September 1999	110,000	109,000
1999	November 1999	40,000	39,650
2004 Refunding	February 2004	52,715	52,715
			$ 228,140

10 – DEBT AND NON-DEBT LIABILITIES, continued

d – Debt Service Requirements

Governmental Activities (in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Certificates of Obligation Principal	Certificates of Obligation Interest	Contractual Obligations Principal	Contractual Obligations Interest
2005	$ 41,470	35,346	5,034	4,335	6,162	844
2006	48,593	33,355	5,175	4,109	5,961	756
2007	48,539	30,963	5,456	3,877	4,766	597
2008	45,706	28,590	5,733	3,602	4,455	483
2009	43,553	26,423	6,053	3,330	4,538	360
2010-2014	224,725	99,701	31,133	12,063	8,088	353
2015-2019	186,712	48,623	23,516	5,659	–	–
2020-2024	90,723	10,192	8,921	777	–	–
	730,021	313,193	91,021	37,752	33,970	3,393
Less: Unamortized bond discounts	(382)	–	–	–	–	–
Unamortized gain(loss) on bond refundings	(1,041)	–	–	–	–	–
Add: Unamortized bond premiums	9,935	–	–	–	–	–
Net debt service requirements	738,533	313,193	91,021	37,752	33,970	3,393

Fiscal Year Ended September 30	Capital Lease Obligations Principal	Capital Lease Obligations Interest	Total Governmental Debt Service Requirements Principal	Total Governmental Debt Service Requirements Interest	Total Governmental Debt Service Requirements Total
2005	475	9	53,141	40,534	93,675
2006	286	6	60,015	38,226	98,241
2007	52	–	58,813	35,437	94,250
2008	–	–	55,894	32,675	88,569
2009	–	–	54,144	30,113	84,257
2010-2014	–	–	263,946	112,117	376,063
2015-2019	–	–	210,228	54,282	264,510
2020-2024	–	–	99,644	10,969	110,613
	813	15	855,825	354,353	1,210,178
Less: Unamortized bond discounts	–	–	(382)	–	(382)
Unamortized gain(loss) on bond refundings	–	–	(1,041)	–	(1,041)
Add: Unamortized bond premiums	–	–	9,935	–	9,935
Net debt service requirements	$ 813	15	864,337	354,353	1,218,690

10 – DEBT AND NON-DEBT LIABILITIES, continued

d – Debt Service Requirements, continued

Electric Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Contractual Obligations		Commercial Paper Notes (1)	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 5	69	485	47	94,984	91
2006	5	68	358	30	–	–
2007	53	68	202	19	–	–
2008	88	65	140	14	–	–
2009	98	60	146	11	–	–
2010-2014	588	222	231	8	–	–
2015-2019	483	57	–	–	–	–
Net debt service requirements	1,320	609	1,562	129	94,984	91

Fiscal Year Ended September 30	Revenue Bonds		Capital Lease Obligations		Total Electric Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2005	89,949	67,906	1,983	457	187,406	68,570	255,976
2006	75,905	63,057	1,960	332	78,228	63,487	141,715
2007	101,312	58,866	2,003	202	103,570	59,155	162,725
2008	87,063	59,036	29	61	87,320	59,176	146,496
2009	75,650	75,666	31	60	75,925	75,797	151,722
2010-2014	428,579	292,981	178	274	429,576	293,485	723,061
2015-2019	204,147	102,612	229	224	204,859	102,893	307,752
2020-2024	144,025	51,898	294	159	144,319	52,057	196,376
2025-2029	108,267	17,839	377	75	108,644	17,914	126,558
2030-2034	18,500	938	102	4	18,602	942	19,544
	1,333,397	790,799	7,186	1,848	1,438,449	793,476	2,231,925
Less: Unamortized bond discounts	(8,750)	–	–	–	(8,750)	–	(8,750)
Unamortized gain(loss) on bond refundings	(104,386)	–	–	–	(104,386)	–	(104,386)
Add: Unamortized bond premiums	38,440	–	–	–	38,440	–	38,440
Net debt service requirements	$ 1,258,701	790,799	7,186	1,848	1,363,753	793,476	2,157,229

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

10 – DEBT AND NON-DEBT LIABILITIES, continued

d -- Debt Service Requirements, continued

Water and Wastewater Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds Principal	General Obligation Bonds Interest	Contractual Obligations Principal	Contractual Obligations Interest	Tax Supported Debt Principal	Tax Supported Debt Interest
2005	$ 1,473	413	1,779	207	1,095	1,223
2006	854	340	1,671	170	864	1,189
2007	1,143	296	1,059	120	642	430
2008	789	237	853	93	594	401
2009	524	196	784	69	532	374
2010-2014	2,531	527	1,641	80	3,321	1,427
2015-2019	578	93	–	–	3,360	406
2020-2024	88	7	–	–	–	–
	7,980	2,109	7,787	739	10,408	5,450
Less: Unamortized bond discounts	(28)	–	–	–	(67)	–
Unamortized gain(loss) on bond refundings	(2,283)	–	–	–	–	–
Add: Unamortized bond premiums	375	–	–	–	28	–
Net debt service requirements	6,044	2,109	7,787	739	10,369	5,450

Fiscal Year Ended September 30	Commercial Paper Notes (1) Principal	Commercial Paper Notes (1) Interest	Revenue Bonds Principal	Revenue Bonds Interest	Municipal Utility District Contract Revenue Bonds Principal	Municipal Utility District Contract Revenue Bonds Interest
2005	220,632	222	40,796	54,053	2,035	670
2006	–	–	42,584	52,019	2,025	573
2007	–	–	44,095	50,378	2,170	466
2008	–	–	50,992	50,951	2,325	345
2009	–	–	47,567	58,673	2,475	216
2010-2014	–	–	260,858	277,273	2,755	75
2015-2019	–	–	269,391	259,816	–	–
2020-2024	–	–	215,497	87,440	–	–
2025-2029	–	–	171,042	34,082	–	–
2030-2034	–	–	36,000	2,709	–	–
	220,632	222	1,178,822	927,394	13,785	2,345
Less: Unamortized bond discounts	–	–	(10,264)	–	(26)	–
Unamortized gain(loss) on bond refundings	–	–	(56,652)	–	(55)	–
Add: Unamortized bond premiums	–	–	23,954	–	36	–
Net debt service requirements	$ 220,632	222	1,135,860	927,394	13,740	2,345

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

10 – DEBT AND NON-DEBT LIABILITIES, continued

d -- Debt Service Requirements, continued

Water and Wastewater Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	Capital Lease Obligations		Total Water and Wastewater Debt Service Requirements		
	Principal	Interest	Principal	Interest	Total
2005	$ 1,109	335	268,919	57,123	326,042
2006	1,164	249	49,162	54,540	103,702
2007	1,225	155	50,334	51,845	102,179
2008	1,325	54	56,878	52,081	108,959
2009	--	--	51,882	59,528	111,410
2010-2014	--	--	271,106	279,382	550,488
2015-2019	--	--	273,329	260,315	533,644
2020-2024	--	--	215,585	87,447	303,032
2025-2029	--	--	171,042	34,082	205,124
2030-2034	--	--	36,000	2,709	38,709
	4,823	793	1,444,237	939,052	2,383,289
Less: Unamortized bond discounts	--	--	(10,385)	--	(10,385)
Unamortized gain(loss) on bond refundings	--	--	(58,990)	--	(58,990)
Add: Unamortized bond premiums	--	--	24,393	--	24,393
Net debt service requirements	$ 4,823	793	1,399,255	939,052	2,338,307

10 – DEBT AND NON-DEBT LIABILITIES, continued

d -- Debt Service Requirements, continued

Airport Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Contractual Obligations		Revenue Notes (1)	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 45	23	64	4	–	484
2006	18	21	40	2	–	484
2007	49	20	11	–	–	484
2008	36	17	–	–	–	484
2009	31	16	–	–	–	484
2010-2014	168	52	–	–	–	2,420
2015-2019	95	12	–	–	28,000	1,699
2020-2024	6	1	–	–	–	–
	448	162	115	6	28,000	6,539
Less: Unamortized bond discounts	(1)	–	–	–	–	–
Unamortized gain(loss) on bond refundings	9	–	–	–	–	–
Add: Unamortized bond premiums	9	–	–	–	–	–
Net debt service requirements	465	162	115	6	28,000	6,539

Fiscal Year Ended September 30	Revenue Bonds		Capital Lease Obligations		Total Airport Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2005	7,650	21,169	173	13	7,932	21,693	29,625
2006	8,415	20,659	170	9	8,643	21,175	29,818
2007	7,720	20,180	151	4	7,931	20,688	28,619
2008	9,965	19,710	–	–	10,001	20,211	30,212
2009	10,535	19,167	–	–	10,566	19,667	30,233
2010-2014	63,100	85,875	–	–	63,268	88,347	151,615
2015-2019	88,530	63,915	–	–	116,625	65,626	182,251
2020-2024	111,835	33,501	–	–	111,841	33,502	145,343
2025-2029	52,375	3,256	–	–	52,375	3,256	55,631
	360,125	287,432	494	26	389,182	294,165	683,347
Less: Unamortized bond discounts	(6,022)	–	–	–	(6,023)	–	(6,023)
Unamortized gain(loss) on bond refundings	(6,790)	–	–	–	(6,781)	–	(6,781)
Add: Unamortized bond premiums	4,333	–	–	–	4,342	–	4,342
Net debt service requirements	$ 351,646	287,432	494	26	380,720	294,165	674,885

(1) These are variable rate notes with 1.73% interest.

10 – DEBT AND NON-DEBT LIABILITIES, continued

d -- Debt Service Requirements, continued

Nonmajor Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 1,650	639	2,371	2,624	720	103
2006	1,636	563	2,150	2,539	730	116
2007	994	480	2,259	2,466	647	99
2008	1,261	433	2,372	2,378	641	85
2009	1,106	369	2,497	2,286	672	67
2010-2014	5,162	949	14,542	9,722	1,701	84
2015-2019	977	95	17,994	5,920	–	–
2020-2024	40	4	13,278	1,718	–	–
	12,826	3,532	57,463	29,653	5,111	554
Less: Unamortized bond discounts	(35)	–	–	–	–	–
Unamortized gain(loss) on bond refundings	(921)	–	–	–	–	–
Add: Unamortized bond premiums	541	–	1,153	–	–	–
Net debt service requirements	12,411	3,532	58,616	29,653	5,111	554

Fiscal Year Ended September 30	Revenue Bonds		Capital Lease Obligations		Total Nonmajor Debt Service Requirements		
	Principal	Interest	Principal	Interest	Principal	Interest	Total
2005	3,520	12,284	157	3	8,418	15,653	24,071
2006	3,830	12,077	80	1	8,426	15,296	23,722
2007	3,525	11,878	13	–	7,438	14,923	22,361
2008	5,815	11,669	–	–	10,089	14,565	24,654
2009	7,210	11,406	–	–	11,485	14,128	25,613
2010-2014	41,280	51,634	–	–	62,685	62,389	125,074
2015-2019	53,465	39,059	–	–	72,436	45,074	117,510
2020-2024	44,885	24,928	–	–	58,203	26,650	84,853
2025-2029	52,245	11,603	–	–	52,245	11,603	63,848
2030-2034	12,365	362	–	–	12,365	362	12,727
	228,140	186,900	250	4	303,790	220,643	524,433
Less: Unamortized bond discounts	(1,182)	–	–	–	(1,217)	–	(1,217)
Unamortized gain(loss) on bond refundings	(7,745)	–	–	–	(8,666)	–	(8,666)
Add: Unamortized bond premiums	4,338	–	–	–	6,032	–	6,032
Net debt service requirements	$ 223,551	186,900	250	4	299,939	220,643	520,582

10 – DEBT AND NON-DEBT LIABILITIES, continued

d -- Debt Service Requirements, continued

Business-Type Activities
(in thousands)

Fiscal Year Ended September 30	General Obligation Bonds		Certificates of Obligation		Contractual Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 3,173	1,144	2,371	2,624	3,048	361
2006	2,513	992	2,150	2,539	2,799	318
2007	2,239	864	2,259	2,466	1,919	238
2008	2,174	752	2,372	2,378	1,634	192
2009	1,759	641	2,497	2,286	1,602	147
2010-2014	8,449	1,750	14,542	9,722	3,573	172
2015-2019	2,133	257	17,994	5,920	–	–
2020-2024	134	12	13,278	1,718	–	–
	22,574	6,412	57,463	29,653	14,575	1,428
Less: Unamortized bond discounts	(64)	–	–	–	–	–
Unamortized gain(loss) on bond refundings	(3,195)	–	–	–	–	–
Add: Unamortized bond premiums	925	–	1,153	–	–	–
Net debt service requirements	20,240	6,412	58,616	29,653	14,575	1,428

Fiscal Year Ended September 30	Tax Supported Debt		Commercial Paper Notes (1)		Revenue Notes (2)	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	1,095	1,223	315,616	313	–	484
2006	864	1,189	–	–	–	484
2007	642	430	–	–	–	484
2008	594	401	–	–	–	484
2009	532	374	–	–	–	484
2010-2014	3,321	1,427	–	–	–	2,420
2015-2019	3,360	406	–	–	28,000	1,699
	10,408	5,450	315,616	313	28,000	6,539
Less: Unamortized bond discounts	(67)	–	–	–	–	–
Add: Unamortized bond premiums	28	–	–	–	–	–
Net debt service requirements	$ 10,369	5,450	315,616	313	28,000	6,539

(1) The City intends to refinance maturing commercial paper notes by issuing additional commercial paper notes or by issuing long-term debt.

(2) These are variable rate notes with 1.73% interest.

10 – DEBT AND NON-DEBT LIABILITIES, continued

d -- Debt Service Requirements, continued

Business-Type Activities (in thousands)

Fiscal Year Ended September 30	Revenue Bonds		Municipal Utility District Contract Revenue Bonds		Capital Lease Obligations	
	Principal	Interest	Principal	Interest	Principal	Interest
2005	$ 141,915	155,412	2,035	670	3,422	808
2006	130,734	147,812	2,025	573	3,374	591
2007	156,652	141,302	2,170	466	3,392	361
2008	153,835	141,366	2,325	345	1,354	115
2009	140,962	164,912	2,475	216	31	60
2010-2014	793,817	707,763	2,755	75	178	274
2015-2019	615,533	465,402	–	–	229	224
2020-2024	516,242	197,767	–	–	294	159
2025-2029	383,929	66,780	–	–	377	75
2030-2034	66,865	4,009	–	–	102	4
	3,100,484	2,192,525	13,785	2,345	12,753	2,671
Less: Unamortized bond discounts	(26,218)	–	(26)	–	–	–
Unamortized gain(loss) on bond refundings	(175,573)	–	(55)	–	–	–
Add: Unamortized bond premiums	71,065	–	36	–	–	–
Net debt service requirements	2,969,758	2,192,525	13,740	2,345	12,753	2,671

Fiscal Year Ended September 30	Total Business-Type Activities Debt Service Requirements		
	Principal	Interest	Total
2005	472,675	163,039	635,714
2006	144,459	154,498	298,957
2007	169,273	146,611	315,884
2008	164,288	146,033	310,321
2009	149,858	169,120	318,978
2010-2014	826,635	723,603	1,550,238
2015-2019	667,249	473,908	1,141,157
2020-2024	529,948	199,656	729,604
2025-2029	384,306	66,855	451,161
2030-2034	66,967	4,013	70,980
	3,575,658	2,247,336	5,822,994
Less: Unamortized bond discounts	(26,375)	–	(26,375)
Unamortized gain(loss) on bond refundings	(178,823)	–	(178,823)
Add: Unamortized bond premiums	73,207	–	73,207
Net debt service requirements	$ 3,443,667	2,247,336	5,691,003

11 – CONDUIT DEBT

The City has issued several series of housing and industrial development revenue bonds to provide for low cost housing and for acquisition and construction of industrial and commercial facilities. These bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Prior to September 30, 1997 the City issued several series of bonds; the aggregate principal amount payable of these bonds could not be determined; however, their original issue amounts totaled $310.2 million. Since 1997, the City has issued various series of bonds, with the original issues totaling $84.4 million; and $83.6 million is outstanding at September 30, 2004.

The City has issued various facility revenue bonds to provide for facilities located at the airport and convention center. These bonds are special limited obligations, payable solely from and secured by a pledge of revenue to be received from agreements between the City and various third parties. The original issues totaled $367.4 million, with $360.5 million outstanding at September 30, 2004.

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

12 – INTERFUND BALANCES AND TRANSFERS

Interfund receivables and payables at September 30, 2004, are as follows (in thousands):

Receivable Fund	Payable Fund	Amount Current	Amount Long-Term
Governmental funds:			
Nonmajor governmental funds	General Fund	$ 9	–
	Nonmajor governmental funds	28,819	–
	Water and Wastewater	–	4,234
	Nonmajor enterprise funds	–	1,647
	Internal service funds	–	278
Business-type funds:			
Electric	Internal service funds	21	419
	Nonmajor enterprise funds	–	2,579
Water and Wastewater (restricted)	Internal service funds	27	161
	Nonmajor governmental funds	6	–
Airport (restricted)	General Fund	617	1,851
	Nonmajor governmental funds	–	230
Nonmajor enterprise funds	Nonmajor governmental funds	1,164	116
Internal service funds	Nonmajor governmental funds	16	–
	Internal service funds	394	–
		$ 31,073	11,515

Interfund receivables and payables reflect temporary loans between funds. Of the above current amount, $13.4 million is an interfund loan from the Fiscal Surety Fund, a special revenue fund, to other special revenue funds (primarily grant funds) to cover deficit pooled investments and cash.

Interfund transfers during fiscal year 2004 were as follows (in thousands):

Transfers Out	Transfers In: General Fund	Nonmajor Governmental	Nonmajor Enterprise	Internal Service Funds	Total
General Fund	$ –	11,413	37,353	–	48,766
Nonmajor governmental funds	–	16,092	23,690	–	39,782
Electric	76,674	–	–	–	76,674
Water and Wastewater	19,220	2,848	–	–	22,068
Nonmajor enterprise funds	–	1,565	58	–	1,623
Internal service funds	–	1,062	–	17	1,079
Total transfers out	$ 95,894	32,980	61,101	17	189,992

12 – INTERFUND BALANCES AND TRANSFERS, continued

Interfund operating transfers are authorized through City Council approval. Significant transfers include the Electric and Water and Wastewater transfers to the General Fund, which are comparable to a return on investment to owners.

13 – LITIGATION

A number of claims against the City are pending with respect to various matters arising in the normal course of the City's operations. Legal counsel and City management are of the opinion that settlement of these claims and pending litigation will not have a material effect on the City's financial statements. The City has accrued liabilities in the Liability Reserve Fund for claims payable at September 30, 2004. These liabilities include amounts for lawsuits settled subsequent to year-end, which are reported in the government-wide statement of net assets.

14 – COMMITMENTS AND CONTINGENCIES

a -- Fayette Power Project

Austin Energy's coal-fired electric generating units are located at the Fayette Power Project (FPP) and operate pursuant to a participation agreement with the Lower Colorado River Authority (LCRA, Project Manager). Austin Energy has an undivided 50 percent interest in Units 1 and 2, and LCRA wholly owns Unit 3. Austin Energy's investment is financed with City funds, and its pro-rata share of operations is recorded as if wholly owned. Austin Energy's equity in FPP was $43.3 million as of September 30, 2004. The equity interest in the FPP is calculated pursuant to the participation agreement and is reported in various asset and liability accounts within the City's financial statements.

The original cost of the Austin Energy's share of FPP's generation and transmission facilities is recorded in the utility plant accounts of the City in accordance with its accounting policies. Each participant issued its own debt to finance its portion of construction costs. The City's portion was financed through utility revenue bonds. In addition, each participant has the obligation to finance its portion of any operating and capital costs, as well as its deficits.

A management committee of four members governs FPP; each participant administratively appoints two members. As managing partner, LCRA is responsible for the operation of the project and appoints project management.

b -- South Texas Project

Austin Energy is one of four participants in the South Texas Project (STP), which consists of two 1,250-megawatt nuclear generating units in Matagorda County, Texas. The other participants in the STP are Texas Genco LP, formerly known as Reliant Energy, American Electric Power, formerly known as Central Power and Light Company, and City Public Service of San Antonio. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. Austin Energy's 16 percent ownership in the STP represents 400 megawatts of plant capacity. At September 30, 2004, Austin Energy's investment in the STP was approximately $564 million, net of accumulated depreciation.

Effective November 17, 1997, the Participation Agreement among the owners of STP was amended and restated and the STP Nuclear Operating Company (STPNOC), a Texas non-profit non-member corporation created by the participants, assumed responsibility as the licensed operator of STP. The participants share costs in proportion to ownership interests, including all liabilities and expenses of STPNOC. Each participant is responsible for its own funding for STP. The City's portion is financed through operations, revenue bonds or commercial paper, which are repaid by the Electric Fund (see Note 10). In addition, each participant has the obligation to finance any deficits that may occur.

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

14 – COMMITMENTS AND CONTINGENCIES, continued

c – South Texas Project Decommissioning

The South Texas Project (STP) is subject to regulation by the Nuclear Regulatory Commission (NRC). The NRC requires that each holder of a nuclear plant-operating license submit information to the NRC indicating the minimum funding required to decommission the plant. In addition, reasonable assurance must be demonstrated that sufficient funds are being accumulated to provide the minimum requirement for decommissioning. This amount must be adjusted annually as required by the NRC. At September 30, 2004, Austin Energy funded its share of the estimated decommissioning liability as follows:

	2004
Estimated cost to decommission STP	$ 245,191,822
Restricted decommissioning fund assets	101,808,700

Austin Energy and other STP participants have provided the required information to the NRC and have been collecting decommissioning funds through rates since 1989. Austin Energy has established an external irrevocable trust for collecting sufficient funds for its share of the estimated decommissioning costs. For fiscal year 2004, Austin Energy collected $4,958,221 for decommissioning expenses.

d – Energy Risk Management Program

In an effort to mitigate the financial and market risk associated with the purchase of natural gas and energy price volatility, Austin Energy has established an Energy Risk Management Program. This program was authorized by the Austin City Council and is led by the Risk Oversight Committee. Under this program, Austin Energy enters into futures contracts, options, and swaps for the purpose of reducing exposure to natural gas and energy price risk. Use of these types of instruments for the purpose of reducing exposure to price risk is performed as a hedging activity. These contracts may be settled in cash or delivery of certain commodities. Austin Energy typically settles these contracts in cash.

Austin Energy has entered into brokerage agreements with the following organizations to execute the exchange traded instruments for Austin Energy's risk management activities:

Brokerage	Credit Rating
Citigroup Global Market Holding Inc.	AA-
Man Group	A3

The hedging related contracts are reported at cost on the statement of net assets. The gains and losses related to these transactions are netted to fuel expense in the period realized. As of September 30, 2004, Austin Energy's options, futures, and basis swaps, valued at mark-to-market, netted to an unrealized loss of $58,022. This reflects the difference between the cost and the fair market value of these contracts at September 30, 2004. Initial margins are flat fees per contract and are paid in cash. Fair market values are calculated by multiplying the number of outstanding contracts by the forward prices as quoted by the New York Mercantile Exchange. The unrealized gain/loss refers to the difference between the cost and fair market value of the contracts, which is not included in the financial statements at September 30, 2004.

Futures	
Contracts effective date	August 2004
Contracts maturity date	Through January 2006
Initial margin	$ 135,000
Cost	2,680,000
Fair market value	2,826,000
Unrealized Gain/(Loss)	146,000

Options	
Contracts effective date	June through September 2004
Contracts maturity date	Through December 2007
Fair Value	$ (259,382)
Unrealized Gain/(Loss)	(1,662,082)

14 – COMMITMENTS AND CONTINGENCIES, continued

The options and future contracts expose Austin Energy to a minimal amount of credit risk. In the event of default or nonperformance by brokers or the exchange, the operations of Austin Energy will not be materially affected. However, Austin Energy does not expect the brokerages to fail to meet their obligations given their high credit rating and the strict and deep credit requirements upheld by the New York Mercantile Exchange of which these brokerage houses are members. Termination risk for exchange traded instruments is greatly reduced by the strict rules and guidelines set up by the exchange, which is governed by the Commodity Futures Trade Commission.

Swaps	
Contracts effective date	August through September 2004
Contracts maturity date	Through September 2007
Cost	$ 9,126,500
Fair market value	10,584,560
Unrealized Gain/(Loss)	1,458,060

The swap agreements expose Austin Energy to credit, termination, and non-performance risk. However, Austin Energy does not expect the swap counterparty to fail to meet its obligation given its high credit rating of A by S&P, and A3 by Moody's. Austin Energy's exposure to termination and non-performance risk is minimal due to the high credit rating of the counterparty, and the contractual provisions under the ISDA (International Swaps and Derivatives Association) agreement applied to the swaps.

e -- Derivative Instruments

Swap for the Water & Wastewater System

Objective of the swap. In order to lower its borrowing costs, on July 2, 2004 the City entered into a swap in connection with its Series 2004 Water and Wastewater System Variable Rate Revenue Refunding Bonds (the "Series 2004 Bonds"). The variable rate bonds were issued to advance refund various outstanding Combined Utility System Revenue Refunding Bonds. The swap was used to hedge the interest rate on the variable rate refunding bonds to a fixed rate and the synthetic fixed rate refunding produces a lower expected interest rate cost to the City. The swap had closing costs of $561,302.

Terms, fair values, and credit risk. The terms, including the counterparty credit ratings of the outstanding swap, as of September 30, 2004, are included in the table below. The City's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds. The Series 2004 Bonds were issued on August 27, 2004 with a principal amount of $132,475,000. The swap was structured to match the principal amortization structure and dates of the Series 2004 Bonds. The counterparty to the swap is JPMorgan Chase Bank. The table below contains a summary of the terms and fair value of the swap.

Related Bonds	Maturity	Counterparty	CP Rating by Moody's/S&P/Fitch	Variable Rate Received	Fixed Rate Paid	Market Value
Water & Wastewater Variable Rate Revenue Refunding Bonds, Series 2004	May 15, 2024	JP Morgan	Aa2/AA-/AA-	68% of 1-month LIBOR	3.657%	$ (5,161,263)

The combination of variable rate bonds and a floating-to-fixed swap creates synthetic fixed-rate debt for the City. The transaction allowed the City to create a synthetic fixed rate on the Bonds in advance of issuance, protecting the City against *potential* increases in long-term interest rates.

Fair value. The swap had a negative fair value as of September 30, 2004 of $(5,161,263). This fair value takes into consideration the prevailing interest rate, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the London InterBank Offered Rate (LIBOR) swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap.

14 – COMMITMENTS AND CONTINGENCIES, continued

Credit risk. As of September 30, 2004, the City was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, should interest rates change and the fair value of the swap becomes positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to credit risk in the amount of the derivative's fair value. This amount may become positive if interest rates increase in the future. However, if interest rates decline and the fair value of the swap were to remain negative, the City would not be exposed to credit risk. The current credit ratings of the JPMorgan Chase Bank are Aa2/AA-/AA- by Moody's/Standard & Poor's/Fitch, respectively. The City will be exposed to interest rate risk only if the counterparty defaults or if the swap is terminated.

The swap agreement contains a collateral agreement with the counterparty. Collateralization of the fair value of the swap is required should the counterparty's credit rating fall below the applicable thresholds in the agreement. The City purchased insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/S&P.

Basis risk. Basis risk is the risk that the interest rate paid by the City on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. Basis risk exists since the City receives a percentage of LIBOR to offset the actual variable bond rate the City pays on its bonds. Exposure to basis risk may occur should the floating rate be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

Tax risk. Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the City's underlying variable-rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds, e.g. a tax cut that results in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 68% of LIBOR (a taxable index) on the swap and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Termination risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the respective contracts. If the swap is terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. The additional termination events in the agreement are limited to credit related events only and the ratings triggers are substantially below the current credit rating of the City. Additionally, the City purchased insurance to mitigate the possibility of termination risk.

Swap payments and associated debt. As of September 30, 2004, debt service requirements of the variable-rate debt and net swap payments, assuming current interest rates remain the same, for their term were as follows. As rates vary, variable-rate bond interest payments and net swap payments will vary.

Fiscal Year Ended September 30	Water and Wastewater Variable-Rate Bonds (in thousands) Principal	Interest	Interest Rate Swaps, Net	Total
2005	$ 5,900	2,180	2,510	4,690
2006	3,000	2,123	2,444	4,567
2007	7,000	2,029	2,335	4,364
2008	1,200	1,975	2,273	4,248
2009	–	1,961	2,258	4,219
2010-2014	26,095	9,229	10,624	19,853
2015-2019	53,740	4,461	5,134	9,595
2020-2024	35,540	1,704	1,962	3,666
Total	$ 132,475	25,662	29,540	55,202

14 – COMMITMENTS AND CONTINGENCIES, continued

Swap for the Airport System

Objective of the swap. In order to lower its borrowing costs, on July 2, 2004 the City entered into an interest rate swap in connection with its Airport System Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2005 (the "Series 2005 Bonds"). The variable rate bonds will be issued to forward refund various outstanding bonds of the airport. The swap was used to hedge the interest rate on the variable rate refunding bonds to a fixed rate and the synthetic fixed rate refunding produces a lower expected interest rate cost to the City.

Terms, fair values, and credit risk. The terms, including the counterparty credit ratings of the outstanding swaps, as of September 30, 2004, are included below. The City's swap agreement contains scheduled reductions to outstanding notional amounts that are expected to follow scheduled reductions in the associated bonds. The Series 2005 Bonds will be issued on August 17, 2005 with a principal amount of $306,225,000. The swap was structured to match the likely principal amortization structure and dates of the Series 2005 Bonds. The counterparty to the swap is Morgan Stanley Capital Services, Inc ("Morgan Stanley") with a guarantee from Morgan Stanley. The table below contains a summary of the terms and fair value of the swap.

Related Bonds	Maturity	Counterparty	CP Rating by Moody's/S&P/Fitch	Variable Rate Received	Fixed Rate Paid	Market Value
Airport System Subordinate Lien Variable Rate Revenue Refunding Bonds, Series 2005	Nov 15, 2025	Morgan Stanley	Aa3/A+/AA-	71% of 1-month LIBOR	4.051%	$ (11,507,263)

The combination of variable rate bonds and a floating-to-fixed swap creates synthetic fixed-rate debt for the City. The transaction allowed the City to create a synthetic fixed rate on the Bonds in advance of issuance, protecting the City against *potential* increases in long-term interest rates. Other than the aforementioned swap agreement, there are no other monetary fees for the swap transaction.

Fair value. The swap had a negative fair value as of September 30, 2004 of $(11,507,263). This fair value takes into consideration the prevailing interest rate environment, the specific terms and conditions of a given transaction and any upfront payments that may have been received. The fair value was estimated using the zero-coupon discounting method. This method calculates the future payments required by the swap, assuming that the current forward rates implied by the LIBOR swap yield curve are the market's best estimate of future spot interest rates. These payments are then discounted using the spot rates implied by the current yield curve for a hypothetical zero-coupon rate bond due on the date of each future net settlement on the swap.

Credit risk. As of September 30, 2004, the City was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, should interest rates change and the fair values of the swap become positive, the City would be exposed to credit risk in the amount of the swap's fair value. The City is exposed to credit risk in the amount of the derivative's fair value. This amount may become positive if interest rates increase in the future. However, if interest rates decline and the fair value of the swap were to remain negative, the City would not be exposed to credit risk. The City will be exposed to interest rate risk only if the counterparty to the swap defaults or if the swap is terminated.

The swap agreement contains a collateral agreement with the counterparty. The swap requires collateralization of the fair value of the swap should the counterparty's credit rating fall below the applicable thresholds in the agreement. The City purchased swap insurance to mitigate the need to post collateral as long as the insurer, Financial Security Assurance, maintains a credit rating above A2/A by Moody's/S&P.

Basis risk. Basis risk is the risk that the interest rate paid by the City on underlying variable rate bonds to bondholders temporarily differs from the variable swap rate received from the applicable counterparty. Basis risk exists since the City receives a percentage of LIBOR to offset the actual variable bond rate the City pays on its bonds. The City may be exposed to basis risk should the floating rate that it receives on a swap be less than the actual variable rate the City pays on the bonds. Depending on the magnitude and duration of any basis risk shortfall, the expected cost of the basis risk may vary.

14 – COMMITMENTS AND CONTINGENCIES, continued

Tax risk. Tax risk is a specific type of basis risk. Tax risk is a permanent mismatch between the interest rate paid on the City's underlying variable-rate bonds and the rate received on the swap caused by a reduction or elimination in the benefits of the tax exemption for municipal bonds, e.g. a tax cut that results in an increase in the ratio of tax-exempt to taxable yields. The City is receiving 71% of LIBOR (a taxable index) on the swap and would experience a shortfall relative to the rate paid on its bonds if marginal income tax rates decrease relative to expected levels, thus increasing the overall cost of its synthetic fixed rate debt.

Termination risk. The City or the counterparty may terminate the swap if the other party fails to perform under the terms of the respective contracts. If the swap is terminated, the associated variable-rate bonds would no longer be hedged to a fixed rate. If at the time of termination the swap has a negative fair value, the City would be liable to the counterparty for a payment equal to the swap's fair value. The additional termination events in the agreement are limited to non-issuance of the Series 2005 Bonds and credit related events only and the ratings triggers are substantially below the current credit rating of the City. Additionally, the City purchased insurance to mitigate the possibility of termination risk.

Market-access risk. Market access risk describes the possibility that the City may not be able to access the debt market efficiently on the anticipated issuance date. This outcome is estimated to be very unlikely.

f – Certificates of Participation

The City has entered into several capital lease arrangements through the issuance of Certificates of Participation as follows:

$ 23,060,000 Certificates of Participation, City of Austin, Texas Electric Utility Office Project, Series 1987

$ 14,000,000 Certificates of Participation, City of Austin, Texas Water and Wastewater Utility Office Project, Series 1987

The certificates represent proportionate interests in lease payments to be made by the City to a third-party lessor. The City has title to the office projects, pursuant to general warranty deeds; however, the trustee maintains a vendor's lien and superior title to the properties until all sums due are paid in full.

The City's obligations under the lease agreements are subject to and dependent upon annual appropriations by the City Council and do not obligate the City to levy or pledge any form of taxation. Thus, the certificates are treated as capital lease obligations rather than as long-term bonds and are recorded as a liability in the respective utility's funds.

The following table presents information regarding these certificates:

Description	Electric Fund Office Project (1)	Water and Wastewater Fund Office Project (1)
Date issued	February 1987	August 1987
Amount issued	$ 23,060,000	$ 14,000,000
Interest rates	4.00% - 7.00%	5.25% - 8.00%
Interest payable on	March 15 and September 15	May 15 and November 15
Maturity dates	September 15 1988 - 2007	November 15 1989 - 2007
Present value of lease payments	$ 5,600,493	$ 4,890,980
Reserve Fund (2)	$ 2,000,000	$ 1,250,000

(1) Subject to mandatory redemption upon the occurrence of certain events.
(2) Held by trustee, to be used to make final payments.

14 – COMMITMENTS AND CONTINGENCIES, continued

g – Federal and State Financial Assistance Programs

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

h – Arbitrage Rebate Payable

The City's financial advisor has determined that the City has earned interest revenue on unused bond proceeds in excess of amounts allowed by applicable Federal regulations. The City will be required to rebate funds to the federal government. The estimated amounts payable at September 30, 2004 are as follows (in thousands):

	Business-type Activities			
Governmental Activities	Electric	Water and Wastewater	Nonmajor	Total
$ 244	1,320	406	20	$ 1,990

i – Capital Improvement Plan

As required by the City Charter, the City has a *Five Year Capital Improvement Plan* (Capital Budget) that is an anticipated spending plan for projects in the upcoming and future years. The City's 2005 Capital Budget includes new appropriations of $231.9 million for the City's enterprise funds and $56.8 million for general government projects. The City has substantial contractual commitments relating to its capital improvement plan.

The key projects in progress include parks development and improvements, financial and administrative, transportation improvements, electric system improvements, water and wastewater system improvements and annexations and airport improvements as shown below (in thousands). Remaining commitments represent current unspent budget and future costs required to complete projects.

Project	Spent-to-Date	Remaining Commitment
Governmental activities:		
Parks development and improvements	$ 107,159	13,672
Financial and administrative	37,007	11,187
Transportation improvements	367,144	80,405
Other governmental	132,143	27,207
Business-type activities:		
Electric system improvements	1,225,334	180,971
Water and wastewater system improvements and annexations	1,263,028	703,268
Airport improvements	96,139	129,786
Nonmajor enterprise	142,443	222,458
Total	$ 3,370,397	1,368,954

j – Operating Lease with Daughters of Charity Health Services of Austin

Effective October 1, 1995, the City entered into a long-term lease arrangement with the Daughters of Charity Health Services of Austin ("Seton"). Under the terms of the lease, Seton will operate City-owned Brackenridge Hospital and will provide all necessary medical services for residents of Austin regardless of their ability to pay. The City will reimburse Seton for services provided through three programs. Under the Charity Care Program, the City will reimburse Seton a maximum of $5.6 million annually for providing medical care to the medically indigent; provided however, that Seton must first provide charity care in the amount of 4% of net revenues as required by State law. Under the Medical Assistance Program (MAP), the City paid Seton approximately $10.6 million in fiscal year 2004 for patients enrolled in this program. Under the Physician Services Program, the City paid Seton approximately $5.8 million during fiscal year 2004 for providing physician services to patients in the first two programs.

14 – COMMITMENTS AND CONTINGENCIES, continued

In May 2003, the City amended the lease agreement to accommodate capacity issues related to the Children's Hospital at Brackenridge. In order to meet future community needs for pediatric medical services, the City Council approved moving the Children's Hospital to the former site of Robert Mueller Airport. The new Children's Hospital will be owned and operated by Seton. Other provisions of the amendment include lengthening the lease term from an original term of 30 years to 60 years (with an optional 30 year extension), increasing the breach of contract penalty from $5 million to $50 million, and adding a requirement that Seton spend a minimum of $50 million for capital improvements at Brackenridge over the next 20 years; of which $30 million must be spent within the next 10 years. The lease amendment also strengthens financial provisions related to the operation of the Austin Women's Hospital. The cost of the leased assets as of September 30, 2004 is as follows (in thousands):

	Cost	Accumulated Depreciation
Land and other nondepreciable assets	$ 745	--
Property, plant and equipment in service	73,977	(38,499)

Due to the creation of the Travis County Hospital District, assets associated with Brackenridge Hospital, Children's Hospital and the Austin Women's Hospital will convey to the Travis County Hospital District. For further information, please refer to the Subsequent Events Note (Note 16).

k -- Landfill Closure and Postclosure Liability

State and federal regulations require the City to place a final cover on the City of Austin landfill site (located on FM 812) when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports in the Solid Waste Services Fund, a nonmajor enterprise fund, a portion of these closure and postclosure care costs as an operating expense in each period, based on landfill capacity used as of each balance sheet date. The $7.6 million reported as accrued landfill closure and postclosure costs at September 30, 2004, represents the cumulative amount reported to date based on the use of 82.3% of the estimated capacity of the landfill. The Solid Waste Services Fund will recognize the remaining estimated cost of closure and postclosure care of $1.6 million as the remaining estimated capacity is filled over the next eight years. The total estimated costs of $9.2 million include costs of closure in 2012 of $2.3 million and postclosure costs over the subsequent thirty years of $6.9 million. These amounts are based on what it would cost to perform all closure and postclosure care in 2004. Actual costs may be higher due to inflation, changes in technology or changes in regulations. State and federal laws require owners to demonstrate financial assurance for closure, postclosure, and/or corrective action. The City complies with the financial and public notice components of the local government financial test and government-guarantee of the test.

l -- Risk-Related Contingencies

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

Fund name	Description
Employee Benefits	City employees and retirees may choose between a self-insured PPO or an HMO. Approximately 27% of City employees and 55% of retirees use the HMO option; approximately 73% of City employees and 45% of retirees use the PPO. Costs are charged to City funds through a charge per employee per pay period.
Liability Reserve	This self-insured program includes losses and claims related to liability for bodily injury, property damage, professional liability and certain employment liability. Excludes losses and claims related to health benefits or workers' compensation. Premiums are charged to other City funds each year based on historical costs.
Workers' Compensation	This self-insured program charges premiums to other City funds each year based on historical costs.

14 – COMMITMENTS AND CONTINGENCIES, continued

The City purchases stop loss insurance for the City's PPO. This stop loss insurance covers individual claims that exceed $500,000 per calendar year beginning in calendar year 2002 and $150,000 per calendar year prior to calendar year 2002, up to a maximum of $1 million. During fiscal year 2004, no claims exceeded the stop loss limit of $500,000; During fiscal year 2003, one claim exceeded the stop loss limit of $500,000; and no claims exceeded the stop loss limit of $500,000 in fiscal year 2002. City coverage is limited to $1 million in lifetime benefits. The City does not purchase stop loss insurance for workers' compensation claims.

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

Liabilities are reported when it is probable that a loss has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The City utilizes actuarial information and historical claim settlement trends to determine the claim liabilities for the Employee Benefits Fund and Workers' Compensation Fund; liabilities for the Liability Reserve Fund are calculated based on outstanding claims. The amount to be paid out ultimately may be more or less than the amount accrued at September 30, 2004. The possible range of loss is $27.4 to $41.2 million. The City contributes amounts to an internal service fund based on an estimate of anticipated costs for claims each year.

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

	Employee Benefits		Liability Reserve		Workers' Compensation	
	2004	2003	2004	2003	2004	2003
Liability balances, beginning of year	$ 5,541	4,618	20,080	21,899	9,127	6,864
Claims and changes in estimates	4,460	5,328	3,601	9,586	4,592	6,587
Claim payments	(5,061)	(4,405)	(10,523)	(11,405)	(4,377)	(4,324)
Liability balances, end of year	$ 4,940	5,541	13,158	20,080	9,342	9,127

The Liability Reserve Fund claims liability balance at fiscal year end includes liabilities of $4.4 million discounted at 4.78% in 2004 and $4.9 million discounted at 5.02% in 2003.

In fiscal year 2004, the City reached a settlement agreement in a litigation matter with Christopher Ochoa in the amount of $4.8 million. This amount is included in the financial statements as presented.

m – Environmental Remediation Contingencies

The Electric Fund may incur costs for environmental remediation of certain sites including the Holly and Seaholm Power Plants. The financial statements include a liability of $11.5 million at September 30, 2004. This amount includes the cost of penalties associated with an Environmental Protection Agency (EPA) PCB inspection and estimated remaining costs for the remediation of the contaminated sites. The Electric Fund anticipates payment of these costs in 2005 and future years.

The EPA issued an Administrative Order to the Water and Wastewater Utility on April 29, 1999. The Administrative Order requires the Utility perform a series of activities designed to result in an improved system free from sanitary sewer overflows. These activities include Infiltration/Inflow, Sanitary Sewer Evaluation Studies, as well as subsequent design and construction of necessary improvements to the wastewater collection system to eliminate overflows by December 2007. Construction costs are estimated to be $150 million and the Utility is on schedule to comply with the Administrative Order.

The Airport Fund may also incur costs for the environmental remediation of certain sites and has recorded an estimated liability of $1.5 million in the financial statements.

14 – COMMITMENTS AND CONTINGENCIES, continued

n – Other Commitments and Contingencies

The City is committed under various leases for building and office space, tracts of land and rights of way, and various equipment. These leases are considered operating leases for accounting purposes. Lease expense for the year ended September 30, 2004 was $19.2 million. The City expects these leases to be replaced with similar leases in the ordinary course of business. Future minimum lease payments for these leases will remain approximately the same.

The City has entered into certain lease agreements, including the certificates of participation, as lessee for financing equipment purchases for Electric and Water and Wastewater Utilities and for financing personal computers for both governmental and business-type departments. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of the future minimum lease payments at their inception date. Refer to Note 10 for the debt service requirements on these leases.

The following summarizes assets recorded at September 30, 2004, under capital lease obligations (in thousands):

		Business-type Activities				
Assets	Governmental Activities	Electric	Water and Wastewater	Airport	Nonmajor	Total
Building and improvements	$ –	21,604	12,750	–	–	34,354
Equipment	2,289	1,334	284	917	652	3,187
Accumulated depreciation	(1,157)	(10,169)	(4,432)	(59)	(300)	(14,960)
Net assets	$ 1,132	12,769	8,602	858	352	22,581

15 – OTHER POST-EMPLOYMENT BENEFITS

In addition to making contributions to the three pension systems, the City provided certain other post-employment benefits to its retirees. Other post-employment benefits include access to medical and dental insurance for the retiree and the retiree's family and $1,000 of life insurance on the retiree only.

All retirees who are eligible to receive pension benefits under any of the City's three pension systems are eligible for other post-employment benefits. Retirees may also enroll eligible dependents under the medical and dental plan(s) in which they participate. Eligible dependents of the retiree include a legally married spouse, unmarried children under age 25 who are dependent upon the retiree for support, including natural children, stepchildren, legally adopted children, children for whom the retiree has obtained court-ordered guardianship/conservatorship, qualified children placed pending adoption, and grandchildren who qualify as a dependent on the retiree's or retiree's spouse's federal income tax return, and eligible disabled children beyond 25 years of age if covered prior to age 25. A surviving spouse of a deceased retiree may continue medical coverage until the date the surviving spouse remarries. A surviving spouse of a deceased retiree may continue dental coverage for 36 months by paying the entire premium plus a 2 percent administrative fee. Other surviving dependents of a deceased retiree may continue medical and dental coverage for 36 months by paying the entire premium plus a 2 percent administrative fee.

The City is under no obligation, statutory or otherwise, to offer other post-employment benefits or to pay any portion of the cost of other post-employment benefits to any retirees. Allocation of City funds to pay other post-employment benefits or to make other post-employment benefits available is determined on an annual basis by the City Council as part of the budget process.

The City pays a portion of the retiree's medical insurance premium and a portion of the retiree's dependents' medical insurance premium. The portion paid by the City varies according to age, coverage selection and years of service. The percentage of the medical insurance premium paid by the City ranges as follows:

Years of Service	Retiree only	Dependent only
Less than 5 years	14% - 16%	8% - 15%
5 to 9 years	22% - 24%	13% - 23%
10 to 14 years	38% - 40%	23% - 38%
15 to 20 years	55% - 56%	33% - 53%
Greater than 20 years	79% - 80%	49% - 75%

15 – OTHER POST-EMPLOYMENT BENEFITS, continued

The City pays 100% of the retiree's life insurance premium. Group dental coverage is available to retirees and their eligible dependents. The retiree pays the full cost of the dental premium.

Other post-employment benefits are expensed and funded on a pay-as-you-go basis. The City recognizes the cost of providing these benefits as payroll expense/expenditure in an operating fund with corresponding revenue in the Employee Benefits Fund. Medical and dental premiums and claims and life insurance premiums are reported in the Employee Benefits Fund. The estimated cost of providing these benefits for 2,443 retirees was $13.7 million in 2004, and $12.5 million in 2003 for 2,298 retirees.

As more fully described in Note 14, the City is a participant in the South Texas Project Nuclear Operating Company (STPNOC) and as such is liable for certain post-employment benefits for STPNOC employees. At December 31, 2003, the City's portion of this obligation, $7,883,039, is not reflected in the financial statements of the Electric Fund.

16 – SUBSEQUENT EVENTS

a – Water and Wastewater System Revenue Bond Refunding Issue

In October 2004, the City issued $165,145,000 of Water and Wastewater System Revenue Refunding Bonds, Series 2004A. Proceeds from the bonds were used to refund $175,000,000 of the City's outstanding Tax-Exempt Commercial Paper issued for the Water and Wastewater System. The refunding resulted in future interest requirements to service the debt of $134,342,208. No change in net cash flows resulted from this transaction, and no accounting gain or loss was recognized on this refunding.

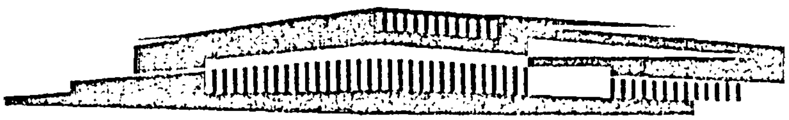
b – Travis County Hospital District

In May 2004, voters in Travis County approved the creation of the Travis County Hospital District. In August 2004, the City and Travis County appointed members to serve on the Board of the District, which is comprised of nine members. The Board consists of four appointees from the City, four from Travis County, and one selected jointly. The District budget, which is required to be approved by the Travis County Commissioner's Court, was approved for operations beginning on October 1, 2004.

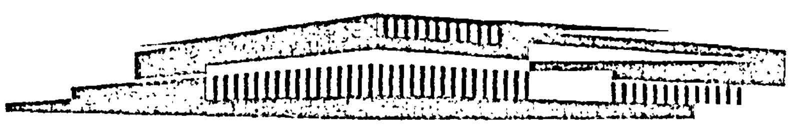
On October 1, 2004, the City transferred $10.7 million to the District to fund a significant portion of a financial reserve fund. Of this amount, $3 million was transferred from remaining operating and capital reserves that existed in the Primary Care Fund at the end of fiscal year 2004. The City's General Fund transferred the remaining amount of $7.7 million.

Certain City assets, obligations and rights will transfer to the District, including title to the land and buildings of Brackenridge Hospital, Children's Hospital and the Austin Women's Hospital. In addition, upon federal approval related to transfer of the federally-qualified status of the Community Health Center, assets associated with the City's Federally Qualified Health Centers will also transfer to the District. On November 22, 2004, the Board approved the conveyance of land, buildings, and equipment pertaining to Brackenridge Hospital, Children's Hospital and Austin Women's Hospital.

The District has assumed the rights and obligations related to the lease with Seton to operate Brackenridge Hospital and the Children's Hospital. The assumption of the lease includes provisions for the District to continue funding certain indigent healthcare costs previously funded by the City. The District has also assumed the agreement with the University of Texas Medical Branch at Galveston to operate Austin Women's Hospital. An interlocal agreement approved by the District allows the City to operate the Federally Qualified Health Centers and administer the City and County Medical Assistance Programs.



REQUIRED SUPPLEMENTARY INFORMATION



General Fund | **City of Austin, Texas**
Schedule of Revenues, Expenditures and Changes in Fund Balances--Budget and Actual-Budget Basis | **RSI-1**
For the year ended September 30, 2004
(In thousands)

	2004					
	Actual	Adjustments (1) (2)	Actual-Budget Basis	Budget Original	Budget Final	Variance Positive (Negative) (3)
REVENUES						
Taxes	$ 281,720	--	281,720	273,751	273,751	7,969
Franchise fees	29,018	--	29,018	27,132	27,132	1,886
Fines, forfeitures and penalties	16,976	--	16,976	17,317	17,317	(341)
Licenses, permits and inspections	15,317	--	15,317	16,884	16,884	(1,567)
Charges for services/goods	15,565	(1,185)	14,380	15,239	15,239	(859)
Interest and other	19,168	(475)	18,693	13,167	13,167	5,526
Total revenues	377,764	(1,660)	376,104	363,490	363,490	12,614
EXPENDITURES						
General government						
Municipal Court	8,199	32	8,231	8,713	8,613	382
Public safety						
Police	159,344	(1,652)	157,692	161,445	162,745	5,053
Fire	82,786	(14)	82,772	84,089	84,089	1,317
Emergency Medical Services	19,956	(437)	19,519	20,058	20,058	539
Transportation, planning and sustainability						
Transportation, Planning and Sustainability	8,493	311	8,804	9,277	9,277	473
Street lighting	176	--	176	160	160	(16)
Public health:						
Health	15,728	(244)	15,484	16,362	16,362	878
Social services management	9,579	505	10,084	10,293	10,293	209
Public recreation and culture						
Parks and Recreation	26,952	(271)	26,681	26,788	26,788	107
Austin Public Library	16,303	(116)	16,187	16,587	16,587	400
Urban growth management						
Neighborhood Planning and Zoning	3,088	6	3,094	3,413	3,413	319
Development Services and Watershed Protection	7,158	(220)	6,938	7,433	7,433	495
General city responsibilities (4)	46,983	(32,823)	14,160	12,705	12,705	(1,455)
Total expenditures	404,745	(34,923)	369,822	377,323	378,523	8,701
Excess (deficiency) of revenues over expenditures	(26,981)	33,263	6,282	(13,833)	(15,033)	21,315
OTHER FINANCING SOURCES (USES)						
Capital leases	634	(634)	--	--	--	--
Transfers in	95,894	1,725	97,619	97,619	97,619	--
Transfers out	(48,766)	(36,968)	(85,734)	(83,786)	(83,886)	(1,848)
Total other financing sources (uses)	47,762	(35,877)	11,885	13,833	13,733	(1,848)
Excess (deficiency) of revenues and other sources over expenditures and other uses	20,781	(2,614)	18,167	--	(1,300)	19,467
Special items - hospital district reserve payment	(7,700)	7,700	--	--	--	--
Fund balance at beginning of year	93,206	(58,854)	34,352	34,245	34,245	107
Fund balance at end of year	$ 106,287	(53,768)	52,519	34,245	32,945	19,574

(1) Includes adjustments to expenditures for current year encumbrances, payments against prior year encumbrances, accrued payroll, compensated absences, and amounts budgeted as operating transfers.
(2) Includes adjustments to revenues/transfers required for adjusted budget basis presentation.
(3) Variance is actual-budget basis to final budget.
(4) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs, budgeted payroll accrual, and amounts budgeted as fund-level expenditures.

BUDGET BASIS REPORTING

a -- General

The City of Austin prepares its annual operating budget based on cash and available resources (budget basis) which differs from generally accepted accounting principles (GAAP basis). In governmental funds, encumbrances constitute the equivalent of expenditures for budgetary purposes. In order to provide a meaningful comparison of actual results to the budget, the Schedule of Revenues, Expenditures and Changes in Fund Balances -- Budget and Actual-Budget Basis for the General Fund presents the actual and actual-budget basis amounts in comparison with original and final budgets.

b -- Reconciliation of GAAP Basis and Budget Basis Amounts

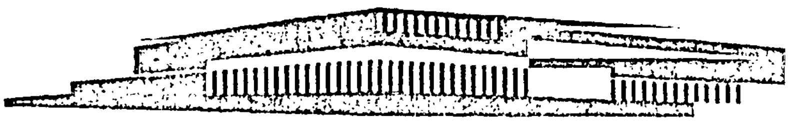
The primary differences between GAAP-basis and budget reporting for the General Fund are the reporting of encumbrances and the reporting of certain operating transfers. General Fund accrued payroll is recorded at the department level on a GAAP basis and as an expenditure in the general city responsibilities activity on the budget basis. Adjustments necessary to convert the excess revenues and other sources over expenditures and other uses on a GAAP basis to a budget basis for the General Fund are provided, as follows (in thousands):

	General Fund
Excess (deficiency) of revenues and other sources over expenditures and other uses - GAAP basis	$ 20,781
Adjustments - increases (decreases) due to:	
Unbudgeted revenues	(475)
Net compensated absences accrual	(126)
Outstanding encumbrances established in current year	(4,247)
Payments against prior year encumbrances	2,550
Advance from Airport Fund	(450)
Other	134
Excess (deficiency) of revenues and other sources over expenditures and other uses - budget basis	$ 18,167

c -- Budget Amendments

The original budget of the General Fund was amended twice during fiscal year 2004 for increased public safety costs and an increase in transfers out offset by a decrease in expenditures for Municipal Court.

The original and amended budget is presented in the accompanying financial statements. The General Fund budget includes other revenues and requirements, which are presented in the general city responsibilities category. The amended expenditure budget for these general city requirements includes the following: tuition reimbursement ($85,000), accrued payroll ($1,435,000), expenditures for workers' compensation ($7,146,683), liability reserve ($2,500,000) and public safety ($1,538,700).



COMBINING FINANCIAL STATEMENTS AND SUPPLEMENTAL INFORMATION

GENERAL FUND

General Fund
Schedule of Revenues - Budget and Actual-Budget Basis
For the year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit E-1

	2004				
	Actual	Adjustments (1)	Actual-Budget Basis	Budget	Variance-Positive (Negative)
Taxes					
Property taxes:					
Current	$ 157,716	–	157,716	157,617	99
Delinquent	1,390	–	1,390	450	940
Penalty and interest	943	–	943	713	230
Sales taxes	117,725	–	117,725	111,255	6,470
Other taxes	3,946	–	3,946	3,716	230
Total taxes	281,720	–	281,720	273,751	7,969
Franchise fees	29,018	–	29,018	27,132	1,886
Fines, forfeitures and penalties					
Library fines	547	–	547	535	12
Traffic fines	7,424	–	7,424	7,948	(524)
Parking violations	2,398	–	2,398	2,793	(395)
Weights and measures	132	–	132	112	20
Other	6,475	–	6,475	5,929	546
Total fines, forfeitures and penalties	16,976	–	16,976	17,317	(341)
Licenses, permits and inspections					
Parking meters	2,335	–	2,335	2,975	(640)
Alarm permits	1,416	–	1,416	1,505	(89)
Commercial solid waste	785	–	785	786	(1)
Public health	1,900	–	1,900	1,679	221
Development	1,711	–	1,711	1,753	(42)
Building safety	6,669	–	6,669	7,719	(1,050)
Beer and wine permits	288	–	288	241	47
Other	213	–	213	226	(13)
Total licenses, permits and inspections	15,317	–	15,317	16,884	(1,567)
Charges for services/goods					
Recreation and culture	2,168	–	2,168	2,350	(182)
Public health	1,309	–	1,309	1,246	63
Emergency medical services	9,994	–	9,994	10,755	(761)
General government	2,094	(1,185)	909	888	21
Total charges for services/goods	15,565	(1,185)	14,380	15,239	(859)
Interest and other					
Interest	2,876	–	2,876	2,481	395
Rental income	15,008	(473)	14,535	9,439	5,096
Sale of property	179	–	179	113	66
Other	1,105	(2)	1,103	1,134	(31)
Total interest and other	19,168	(475)	18,693	13,167	5,526
Total revenues	$ 377,764	(1,660)	376,104	363,490	12,614

(1) Adjustments and actual-budget basis include amounts budgeted as fund-level revenues.

(In thousands)

	2004				
	Actual	Adjustments (1)	Actual-Budget Basis	Budget	Variance-Positive (Negative)
Administration					
Municipal Court:					
Salaries and fringe benefits	$ 6,738	(52)	6,686	6,835	149
Contractual services	1,394	50	1,444	1,578	134
Commodities	174	(3)	171	158	(13)
Expense refunds	(107)	–	(107)	(2)	105
Capital outlay	–	37	37	44	7
Total administration	8,199	32	8,231	8,613	382
Public safety					
Police:					
Salaries and fringe benefits	148,947	(1,615)	147,332	150,414	3,082
Contractual services	13,145	(36)	13,109	13,700	591
Commodities	2,808	82	2,890	4,491	1,601
Expense refunds	(7,153)	(1)	(7,154)	(7,522)	(368)
Capital outlay	1,597	(82)	1,515	1,662	147
	159,344	(1,652)	157,692	162,745	5,053
Fire:					
Salaries and fringe benefits	81,613	(531)	81,082	82,236	1,154
Contractual services	4,152	93	4,245	4,148	(97)
Commodities	1,135	102	1,237	1,425	188
Indirect cost	238	–	238	245	7
Expense refunds	(4,384)	–	(4,384)	(4,321)	63
Capital outlay	32	322	354	356	2
	82,786	(14)	82,772	84,089	1,317
Emergency Medical Services:					
Salaries and fringe benefits	17,075	(449)	16,626	16,821	195
Contractual services	2,002	47	2,049	2,065	16
Commodities	1,094	40	1,134	1,148	14
Expense refunds	(419)	–	(419)	(270)	149
Capital outlay	204	(75)	129	294	165
	19,956	(437)	19,519	20,058	539
Total public safety	262,086	(2,103)	259,983	266,892	6,909
Transportation, planning, and sustainability					
Public Works and Transportation:					
Street lighting	176	–	176	160	(16)
	176	–	176	160	(16)
Transportation, Planning and Sustainability:					
Salaries and fringe benefits	8,532	10	8,542	9,034	492
Contractual services	1,921	174	2,095	2,086	(9)
Commodities	404	42	446	624	178
Indirect cost	374	–	374	385	11
Expense refunds	(2,839)	–	(2,839)	(3,086)	(247)
Capital outlay	101	85	186	234	48
	8,493	311	8,804	9,277	473
Total transportation, planning and sustainability	$ 8,669	311	8,980	9,437	457

(Continued)

(In thousands)

	2004				
	Actual	Adjustments (1)	Actual-Budget Basis	Budget	Variance-Positive (Negative)
Other public health					
Salaries and fringe benefits	$ 12,162	40	12,202	12,091	(111)
Contractual services	2,900	22	2,922	3,513	591
Commodities	1,037	(141)	896	1,071	175
Expense refunds	(770)	--	(770)	(554)	216
Capital outlay	399	(165)	234	241	7
Other public health	15,728	(244)	15,484	16,362	878
Total public health	15,728	(244)	15,484	16,362	878
Public recreation and culture					
Parks and Recreation:					
Salaries and fringe benefits	20,693	(151)	20,542	20,309	(233)
Contractual services	6,687	(3)	6,684	6,987	303
Commodities	1,558	(58)	1,500	1,878	378
Indirect cost	223	--	223	420	197
Expense refunds	(2,374)	--	(2,374)	(2,921)	(547)
Capital outlay	165	(59)	106	115	9
	26,952	(271)	26,681	26,788	107
Austin Public Library:					
Salaries and fringe benefits	12,601	(64)	12,537	12,646	109
Contractual services	1,945	70	2,015	2,201	186
Commodities	1,706	(334)	1,372	1,427	55
Expense refunds	(219)	--	(219)	(169)	50
Capital outlay	270	212	482	482	--
	16,303	(116)	16,187	16,587	400
Total public recreation and culture	$ 43,255	(387)	42,868	43,375	507

(Continued)

(In thousands)

	2004				
	Actual	Adjustments (1)	Actual-Budget Basis	Budget	Variance-Positive (Negative)
Urban growth management					
Neighborhood Planning & Zoning:					
Salaries and fringe benefits	$ 2,479	(38)	2,441	2,576	135
Contractual services	589	23	612	761	149
Commodities	20	1	21	45	24
Capital outlay	--	20	20	31	11
	3,088	6	3,094	3,413	319
Development Services and Watershed Protection:					
Salaries and fringe benefits	6,728	(164)	6,564	6,898	334
Contractual services	1,284	(18)	1,266	1,631	365
Commodities	84	7	91	108	17
Expense refunds	(985)	--	(985)	(1,230)	(245)
Capital outlay	47	(45)	2	26	24
	7,158	(220)	6,938	7,433	495
Total urban growth management	10,246	(214)	10,032	10,846	814
Social services management	9,579	505	10,084	10,293	209
General city responsibilities (2)	46,983	(32,823)	14,160	12,705	(1,455)
Total expenditures	404,745	(34,923)	369,822	378,523	8,701
General fund expenditures					
Salaries	317,568	(3,014)	314,554	319,860	5,306
Contractuals	36,019	422	36,441	38,670	2,229
Commodities	10,020	(262)	9,758	12,375	2,617
Indirect cost	835	--	835	1,050	215
Expense refunds	(19,250)	(1)	(19,251)	(20,075)	(824)
Capital outlay	2,815	250	3,065	3,485	420
Street lighting	176	--	176	160	(16)
Social services management	9,579	505	10,084	10,293	209
General city responsibilities	46,983	(32,823)	14,160	12,705	(1,455)
Total expenditures	$ 404,745	(34,923)	369,822	378,523	8,701

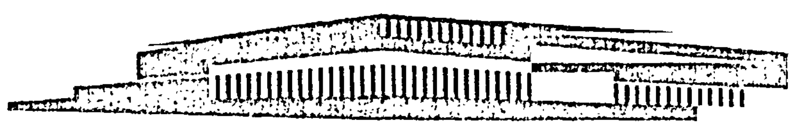
(1) Includes adjustments for current year encumbrances, payments against prior year encumbrances, accrued payroll, compensated absences and amounts budgeted as operating transfers or fund-level expenditures.

(2) Actual expenditures include employee training costs and amounts budgeted as fund-level expenditures or operating transfers. Actual-budget basis expenditures include employee training costs, budgeted payroll accrual, and amounts budgeted as fund-level expenditures.

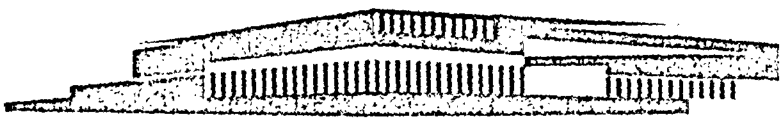
General Fund
Schedule of Transfers - Budget and Actual-Budget Basis
For the year ended September 30, 2004
(In thousands)

	2004				
	Actual	**Adjustments (1)**	**Actual-Budget Basis**	**Budget**	**Variance-Positive (Negative)**
Transfers in					
General fund:					
Non-recurring reserve	$ --	540	540	540	--
Enterprise funds:					
Electric	76,674	--	76,674	76,674	--
Water and Wastewater	19,220	1,185	20,405	20,405	--
Total transfers in	95,894	1,725	97,619	97,619	--
Transfers out					
General fund:					
Non-recurring reserve	--	540	540	--	(540)
Special revenue funds:					
Neighborhood Housing and Conservation	1,165	--	1,165	1,165	--
Barton Springs Conservation	45	--	45	45	--
Sustainability Fund	3,381	--	3,381	3,381	--
Tax Increment Finance	100	--	100	100	--
Tourism and Promotion	125	--	125	125	--
Capital project funds	6,597	--	6,597	4,562	(2,035)
Enterprise funds:					
Airport	--	700	700	700	--
Drainage	299	--	299	299	--
Primary Care	36,576	--	36,576	37,355	779
Solid Waste Services	478	--	478	478	--
Internal service funds:					
Capital Projects Management	--	1,756	1,756	1,756	--
CTECC	--	5,672	5,672	5,672	--
Fleet Maintenance	--	2,386	2,386	2,386	--
Information Systems	--	12,227	12,227	12,227	--
Support Services	--	12,723	12,723	12,823	100
Wireless Communication	--	812	812	812	--
Fiduciary funds:					
Voluntary Utility Assistance	--	152	152	--	(152)
Total transfers out	48,766	36,968	85,734	83,886	(1,848)
Net transfers	$ 47,128	(35,243)	11,885	13,733	(1,848)

(1) Includes adjustments to actual transfers required for adjusted budget basis presentation.



NONMAJOR GOVERNMENTAL FUNDS



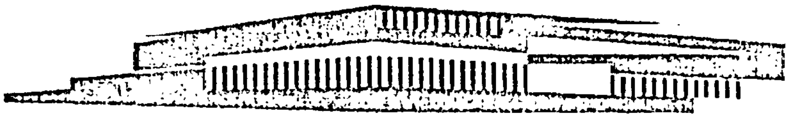
(In thousands)

	Special Revenue	Debt Service	Capital Projects	Permanent Funds	Total
ASSETS					
Cash	$ 5	--	--	--	5
Pooled investments and cash	49,671	199	135,948	1,410	187,228
Investments, at fair value	--	13,477	--	--	13,477
Cash held by trustee	3,064	--	--	--	3,064
Property taxes receivable	--	4,395	--	--	4,395
Less allowance for uncollectible taxes	--	(573)	--	--	(573)
Net property taxes receivable	--	3,822	--	--	3,822
Accounts and other taxes receivable	14,517	--	7,837	--	22,354
Less allowance for doubtful accounts	(247)	--	(131)	--	(378)
Net accounts receivable	14,270	--	7,706	--	21,976
Receivables from other governments	10,274	--	--	--	10,274
Notes receivable, net of allowance	9,890	--	--	--	9,890
Due from other funds	13,456	--	15,372	--	28,828
Advances to other funds	--	6,159	--	--	6,159
Real property held for resale	6,598	--	--	--	6,598
Other assets	759	--	512	--	1,271
Total assets	107,987	23,657	159,538	1,410	292,592
LIABILITIES AND FUND BALANCES					
Accounts payable	5,364	--	8,315	--	13,679
Accrued payroll	61	--	--	--	61
Accrued compensated absences	4	--	--	--	4
Due to other funds	13,447	1,186	15,372	--	30,005
Deferred revenue	2,835	3,798	97	--	6,730
Advances from other funds	--	346	--	--	346
Deposits and other liabilities	38,186	--	677	--	38,863
Total liabilities	59,897	5,330	24,461	--	89,688
Fund balances					
Reserved:					
Encumbrances	5,592	--	55,925	--	61,517
Notes receivable	9,890	--	--	--	9,890
Advances receivable	--	6,159	--	--	6,159
Real property held for resale	6,598	--	--	--	6,598
Debt service	--	12,168	--	--	12,168
Permanent funds	--	--	--	1,040	1,040
Unreserved, designated:					
Special revenue	26,010	--	--	--	26,010
Unreserved, undesignated:					
Capital projects	--	--	79,152	--	79,152
Permanent funds	--	--	--	370	370
Total fund balances	48,090	18,327	135,077	1,410	202,904
Total liabilities and fund balances	$ 107,987	23,657	159,538	1,410	292,592

Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit E-5

	Special Revenue	Debt Service	Capital Projects	Permanent Funds	Total
REVENUES					
Property taxes	$ --	83,321	--	--	83,321
Franchise fees and other taxes	30,545	--	--	--	30,545
Fines, forfeitures and penalties	4,275	523	--	--	4,798
Charges for services/goods	26,714	--	--	--	26,714
Intergovernmental	58,070	--	15,358	--	73,428
Property owners' participation and contributions	3,168	--	527	103	3,798
Interest and other	837	5,069	1,449	21	7,376
Total revenues	123,609	88,913	17,334	124	229,980
EXPENDITURES					
Current:					
General government	1,806	--	--	--	1,806
Public safety	14,893	--	--	--	14,893
Transportation, planning and sustainability	3,518	--	--	--	3,518
Public health	23,786	--	--	--	23,786
Public recreation and culture	5,265	--	--	67	5,332
Urban growth management	52,515	--	--	--	52,515
Debt service:					
Principal	--	48,862	--	--	48,862
Interest	--	40,109	--	--	40,109
Fees and commissions	--	14	--	--	14
Capital outlay	--	--	151,768	--	151,768
Total expenditures	101,783	88,985	151,768	67	342,603
Excess (deficiency) of revenues over expenditures	21,826	(72)	(134,434)	57	(112,623)
OTHER FINANCING SOURCES (USES)					
Issuance of tax supported debt	--	--	70,040	--	70,040
Bond premiums	--	28	--	--	28
Capital leases	12	--	--	--	12
Transfers in	17,079	1,060	14,841	--	32,980
Transfers out	(35,304)	--	(4,478)	--	(39,782)
Total other financing sources (uses)	(18,213)	1,088	80,403	--	63,278
Net change in fund balances	3,613	1,016	(54,031)	57	(49,345)
Fund balances at beginning of year	44,477	17,311	189,108	1,353	252,249
Fund balances at end of year	$ 48,090	18,327	135,077	1,410	202,904



SPECIAL REVENUE FUNDS

Special revenue funds are used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes. Included in the special revenue funds are:

Federal, State, and other special revenue grant funds;
Other special revenue funds - see below for descriptions of the individual funds;
Housing Assistance fund - provides housing assistance to the citizens of Austin.

Other Special Revenue Funds

General Government

Municipal Court:

Municipal Court Building Security Fund - Provides funding to enhance courthouse security.

Municipal Court Technology Fund - Provides funding for technological enhancements to Municipal Court operations.

Public Safety

Police:

APD Incident Management Fund - Accounts for funds from Capital Metro to the Austin Police Dept. to establish a traffic command center within the APD.

Auto Theft Interdiction Fund - Accounts for funds seized related to current auto theft investigations.

Aviation Asset Forfeiture Fund - Accounts for the redistribution of proceeds generated by airport police enforcement activities.

Police Benefit Fund - Accounts for donations received for the benefit and improvement of the Police Department.

Police Federal Seized Funds Fund - Records all federal seized funds generated by police enforcement activities per State Code of Criminal Procedures (Chapter 59).

Police Seized Money Fund - Accounts for the redistribution of proceeds generated by police enforcement activities.

Fire:

Fire Miscellaneous Fund - Accounts for contributions for "The Firehouse," a public safety awareness exhibit, which is transported to different sites throughout Austin.

Emergency Medical Services:

EMS Travis County Reimbursed Fund - Accounts for expenses incurred in providing for expanded emergency medical services to the citizens of Travis County located outside the City of Austin and the corresponding reimbursements from Travis County.

Transportation, Planning and Sustainability

Public Works and Transportation:

Fiscal Surety - Land Development Fund - Escrow funds received from contractors for hydromulch and erosion control.

Office of Emergency Management Miscellaneous Fund - Accounts for contributions for public safety awareness.

Recycle Bins Fund - Accounts for donations from citizens and businesses to help defray cost of purchasing recycle bins/containers.

RMD Conservation Fund - Monies contributed by the Electric Fund to be used for energy loans and rebates/incentives to customers.

RMD Loan Fund - Accounts for energy loans to customers.

Transportation, Planning, and Sustainability:

Austin Transportation Study Fund - Accounts for a transportation study regarding the Austin Metropolitan roadways, bicycle areas, and pedestrian walkways.

Child Safety Fund - Accounts for certain fines and fees used to provide school crossing guards at City schools.

Environmental Remediation Fund - Accounts for remediation of sites affecting ground and surface water quality or public health and safety.

Pavement Life Recovery Fund - Collection of fees associated with pavement life recovery costs.

Railroad Right of Way Fund - Accounts for the City's management of the Austin and Northwestern Railroad right of way.

Subdivision Participation Fund - Escrow account for funds received from contractors for construction and installation of streets, sidewalks, drainage facilities, etc.

Public Health

Health and Human Services:

Disproportionate Share Fund - Used to purchase medical equipment and fund structural changes for the clinic system of the Austin/Travis County Health Department in order to serve indigent patients.

Health and Human Services Travis County Reimbursed Fund - Accounts for expenses incurred by the City on behalf of Travis County and the corresponding reimbursement from Travis County for Health and Human Services and Federally Qualified Health Center programs.

Health Miscellaneous Fund - Accounts for contributions for Strategic Intervention for High Risk Youth.

Medicaid Administrative Claims Fund - Holds additional Medicaid proceeds.

Other Public Health:

Animal Services Fund - Accounts for donations to fund animal services activities.

Animal Shelter Building Fund - Accounts for donations to improve the Town Lake Animal Shelter.

Other Special Revenue Funds

Public Recreation and Culture

Austin Public Library:

Austin History Center Fund - Accounts for contributions to be used for the Austin-Travis County Collection.

Julia Cousins Trust Fund - Accounts for funds received from the estate of Julia Cousins to purchase books for the public library.

Miscellaneous Library Fund - Accounts for miscellaneous deposits primarily related to Massie Library.

Special Library Trust Fund - Accounts for donations received to purchase books or special equipment.

Parks and Recreation:

Adaptive Programs Fund - Accounts for various revenues and fees generated by programs and activities sponsored by the Parks and Recreation Dept.

Austin Creeks and Trails Fund - Accounts for donations received for the upkeep of Austin's creeks and trails.

Balcones Canyonlands Fund - Accounts for an endowment to be used for long-term monitoring and management of the Bohls tract.

Friends of East Austin Youth Fund - Accounts for donations from the Friends of East Austin Youth Golf Tournament to fund programs benefiting the youth of East Austin.

PARD Cultural Projects Fund - Records activities for cultural project purposes. Funded by a portion of the bed tax.

PARD Miscellaneous Fund - Accounts for miscellaneous deposits and revenues to be used for specified purposes.

PARD Police Asset Forfeiture Fund - Accounts for the redistribution of proceeds generated by PARD police enforcement activities.

Planting for the Future Fund - Accounts for donations received for plantings in the City of Austin.

Republic Square Fund - Accounts for donations for the improvement and beautification of Republic Square.

Rifle Class Fund - Accounts for fee revenue received from individuals for instruction, materials, and supplies for rifle classes.

Senior Citizen Nutrition Fund - Accounts for donations received at various senior citizen luncheon sites around the City.

Summer Musical Fund - Accounts for funds for the annual summer musical production that is administered by the Parks and Recreation Department.

Teen Activity Fund - Accounts for contributions received to provide leisure activities for teenagers.

Tennis League Fund - Accounts for tournament fees received from participants of Austin Tennis League activities and tournaments.

Town Lake Beautification Fund - Accounts for donations for the beautification of Town Lake.

Urban Growth Management

Neighborhood Housing & Community Development:

Housing Miscellaneous Fund - Accounts for donations to the Housing program to be used for specific purposes.

Housing Trust Social Equity Fund - Accounts for housing funds set aside for SMART Housing Initiative.

Neighborhood Housing and Conservation Fund - Established in 1996 to lead economic development, affordable housing, and neighborhood revitalization efforts.

Development Services and Watershed Protection:

Austin Industrial Development Corporation Fund (AIDC) - Accounts for the administrative costs related to the Corporation.

Austin Inner City Redevelopment Corporation Fund - Accounts for the activity of this entity.

Energy Conservation Rebates and Incentives Fund - Used for energy loans and rebates/incentives to customers; funded primarily by Electric Fund.

Fee Waiver Fund - Accounts for funds provided to allow for payment of fees waived by Council through City Ordinance.

Planning, Environmental Conservation Services Fund - Accounts for energy and water conservation services and environmental protection activities; funding provided by transfers from General, Electric, Water and Wastewater and other funds.

Public Improvement District Fund - Accounts for the downtown public improvement district, which will provide services, security, and improvements for the downtown Austin area.

Urban Forest Replenishment Fund - Assists in planting replacement trees, saving blocks of natural areas, providing a maintenance program for trees to be retained, requiring special construction techniques, and/or transplanting existing trees.

Other:

Austin Clean Water Program Fund - Accounts for improvements to the wastewater collections system to eliminate system overflows in accordance with the EPA administrative order.

Barton Springs Conservation Fund - Accounts for habitat conservation in Barton Springs.

Cable TV Fund - Accounts for payments from cable companies and disbursements to Austin Access Television.

Downtown Development Fund - Accounts for the relocation of music venue facilities.

Hotel-Motel Occupancy Tax Fund - Accounts for hotel/motel occupancy tax revenues and transfers of these revenues to participating funds.

I-35 Parking Program Fund - Accounts for revenue, operations and maintenance requirements for two parking lots located under the I-35 overpass. These state-owned lots fall under the City's control through a 1963 lease arrangement.

Music Loan Program Fund - Provides resources for one-time music projects.

One Texas Center Fund - Accounts for the revenues and debt service requirements of the One Texas Center building.

RMMA Reimbursement Fund - Accounts for the expenses incurred by the City for the redevelopment of the former Robert Mueller Municipal Airport (RMMA) site and the corresponding reimbursements by the Catellus Development Corp

Strategic Planning Investment Fund - Accounts for costs related to managing and planning for growth by the City of Austin.

Sustainability Fund - Provides resources for one-time projects that will help the City of Austin build a sustainable economic, environmental, and equitable infrastructure.

Tax Increment Finance Fund - Accounts for maintaining the plazas, streetscapes and other public improvements installed on specific downtown blocks.

Tourism and Promotion Fund - Accounts for the promotion of tourism in Austin as both a leisure and business destination. Funded by a portion of bed tax receipts.

Vehicle Rental Tax Fund - Accounts for the levy of a short-term motor vehicle rental tax.

Wildland Conservation Fund - Accounts for the City and county's management of preserve systems.

Special Revenue Funds
Combining Balance Sheet
September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit E-6

	Federal, State, and Other Special Revenue Grants	Other Special Revenue Funds	Housing Assistance	2004 Total
ASSETS				
Cash	$ --	5	--	5
Pooled investments and cash	4,254	41,510	3,907	49,671
Cash held by trustee	3,064	--	--	3,064
Accounts and other taxes receivable	--	11,952	2,565	14,517
Less allowance for doubtful accounts	--	--	(247)	(247)
Net accounts receivable	--	11,952	2,318	14,270
Receivables from other governments	10,274	--	--	10,274
Notes receivable, net of allowance	--	--	9,890	9,890
Due from other funds	--	13,456	--	13,456
Real property held for resale	--	--	6,598	6,598
Other assets	95	561	103	759
Total assets	17,687	67,484	22,816	107,987
LIABILITIES AND FUND BALANCES				
Accounts payable	1,501	3,104	759	5,364
Accrued payroll	--	61	--	61
Accrued compensated absences	--	4	--	4
Due to other funds	10,571	2,876	--	13,447
Deferred revenue	--	--	2,835	2,835
Deposits and other liabilities	5,615	31,885	686	38,186
Total liabilities	17,687	37,930	4,280	59,897
Fund balances				
Reserved:				
Encumbrances	--	5,592	--	5,592
Notes receivable	--	--	9,890	9,890
Real property held for resale	--	--	6,598	6,598
Unreserved, designated:				
Special revenue	--	23,962	2,048	26,010
Total fund balances	--	29,554	18,536	48,090
Total liabilities and fund balances	$ 17,687	67,484	22,816	107,987

(In thousands)

	Federal, State, and Other Special Revenue Grants	Other Special Revenue Funds	Housing Assistance	2004 Total
REVENUES				
Franchise fees and other taxes	$ --	30,545	--	30,545
Fines, forfeitures and penalties	--	4,275	--	4,275
Charges for services/goods	--	26,714	--	26,714
Intergovernmental	45,659	--	12,411	58,070
Property owners' participation and contributions	--	3,168	--	3,168
Interest and other	--	152	685	837
Total revenues	45,659	64,854	13,096	123,609
EXPENDITURES				
Current:				
General government	376	1,430	--	1,806
Public safety	5,774	9,119	--	14,893
Transportation, planning and sustainability	801	2,717	--	3,518
Public health	19,633	4,153	--	23,786
Public recreation and culture	1,692	3,573	--	5,265
Urban growth management	17,383	25,297	9,835	52,515
Total expenditures	45,659	46,289	9,835	101,783
Excess of revenues over expenditures	--	18,565	3,261	21,826
OTHER FINANCING SOURCES (USES)				
Capital leases	--	12	--	12
Transfers in	--	17,079	--	17,079
Transfers out	--	(35,304)	--	(35,304)
Total other financing sources (uses)	--	(18,213)	--	(18,213)
Net change in fund balances	--	352	3,261	3,613
Fund balances at beginning of year	--	29,202	15,275	44,477
Fund balances at end of year	$ --	29,554	18,536	48,090

Special Revenue Funds
Combining Balance Sheet - All Special Revenue Grants
September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit E-8

	Assets					Liabilities and Fund Balances					
	Pooled Investments and Cash	Cash held by trustee	Receivables from Other Governments	Other Assets	Total Assets	Accounts Payable	Due to Other Funds	Other Liabilities	Total Liabilities	Fund Balances	Total Liabilities and Fund Balances
Federal grants											
U.S. Department of Agriculture	$ 3	–	916	7	926	9	914	3	926	–	926
Environmental Protection Agency	–	–	–	–	–	–	–	–	–	–	–
Equal Employment Opportunity Commission	–	–	–	–	–	–	–	–	–	–	–
U.S. Department of Justice	313	–	2,042	–	2,355	169	1,978	208	2,355	–	2,355
U.S. Department of Labor	14	–	42	–	56	–	42	14	56	–	56
U.S. Department of Transportation	26	–	536	–	562	–	534	28	562	–	562
U.S. Federal Emergency Management	20	–	31	–	51	6	31	14	51	–	51
U.S. Health & Human Services	1,623	–	3,499	12	5,134	805	2,671	1,658	5,134	–	5,134
U.S. Department of Homeland Security	–	–	152	–	152	66	86	–	152	–	152
U.S. Housing/Urban Development	1,995	3,064	1,632	20	6,711	318	2,958	3,435	6,711	–	6,711
U.S. National Foundation on the Arts and Humanities	12	–	521	56	589	67	509	13	589	–	589
U.S. Department of Veterans Affairs	43	–	–	–	43	–	–	43	43	–	43
Total federal grants	4,049	3,064	9,580	95	16,788	1,455	9,917	5,416	16,788	–	16,788
State grants											
Texas Governor's Office Criminal Justice Division	–	–	138	–	138	29	109	–	138	–	138
Texas Health Department	24	–	160	–	184	1	157	26	184	–	184
Office of the Attorney General	–	–	4	–	4	–	4	–	4	–	4
Texas Commission of the Arts	12	–	–	–	12	–	–	12	12	–	12
Texas Comptroller of Public Accounts	63	–	–	–	63	15	–	48	63	–	63
Texas Health and Human Services Commission	1	–	7	–	8	–	7	1	8	–	8
Texas Parks and Wildlife	–	–	5	–	5	–	5	–	5	–	5
Texas Department of Transportation	–	–	71	–	71	–	71	–	71	–	71
The University of Texas at Austin Center of Criminology	1	–	–	–	1	–	–	1	1	–	1
Texas State Library and Archives Commission	–	–	51	–	51	1	50	–	51	–	51
Texas Water Development Board	–	–	58	–	58	–	58	–	58	–	58
State Energy Conservation Office	1	–	14	–	15	–	7	8	15	–	15
Total state grants	102	–	508	–	610	46	468	96	610	–	610
Other special revenue grants	103	–	186	–	289	–	186	103	289	–	289
Total all grants	$ 4,254	3,064	10,274	95	17,687	1,501	10,571	5,615	17,687	–	17,687

Special Revenue Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - All Special Revenue Grants
For the year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit E-9

	Revenues Inter-governmental	Expenditures Special Projects	Excess (Deficiency) Of Revenues Over Expenditures	Fund Balances at Beginning of Year	Fund Balances at End of Year
Federal grants					
U.S. Department of Agriculture	$ 3,714	3,714	--	--	--
Corporation for National and Community Service	272	272	--	--	--
Environmental Protection Agency	4	4	--	--	--
Equal Employment Opportunity Commission	158	158	--	--	--
U.S. Department of Justice	2,912	2,912	--	--	--
U.S. Department of Labor	324	324	--	--	--
U.S. Department of Transportation	1,274	1,274	--	--	--
U.S. Federal Emergency Management	326	326	--	--	--
U.S. Health & Human Services	11,621	11,621	--	--	--
U.S. Department of Homeland Security	417	417	--	--	--
U.S. Housing/Urban Development	20,704	20,704	--	--	--
U.S. National Foundation on the Arts and Humanities	1,258	1,258	--	--	--
U.S. Department of Veterans Affairs	107	107	--	--	--
Total federal grants	43,091	43,091	--	--	--
State grants					
Texas Governor's Office Criminal Justice Division	358	358	--	--	--
Texas Health Department	997	997	--	--	--
Office of the Attorney General	70	70	--	--	--
Texas Commission of the Arts	--	--	--	--	--
Texas Comptroller of Public Accounts	177	177	--	--	--
Texas Health and Human Services Commission	7	7	--	--	--
Texas Parks and Wildlife	--	--	--	--	--
Texas Department of Transportation	295	295	--	--	--
The University of Texas at Austin Center of Criminology	--	--	--	--	--
Texas State Library and Archives Commission	100	100	--	--	--
Texas Water Development Board	58	58	--	--	--
State Energy Conservation Office	77	77	--	--	--
Total state grants	2,139	2,139	--	--	--
Other special revenue grants	429	429	--	--	--
Total all grants	$ 45,659	45,659	--	--	--

Special Revenue Funds
Combining Schedule of Expenditures - All Special Revenue Grants
From Inception to September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit E-10

	Total Expenditures at Beginning of Year			Current Year		Total Expenditures at End of Year			Budget		
	Grant	In-Kind Match	Total	Grant	In-Kind Match	Grant	In-Kind Match	Total	Grant	In-Kind Match	Total
Federal grants											
U.S. Department of Agriculture	$ 6,475	–	6,475	3,714	–	10,189	–	10,189	9,312	11	9,323
Corporation for National and Community Service	258	86	344	272	80	530	166	696	748	166	914
Environmental Protection Agency	–	–	–	4	–	4	–	4	5	–	5
Equal Employment Opportunity Commission	77	–	77	158	–	235	–	235	331	–	331
U.S. Department of Justice	4,282	1,264	5,546	2,912	1,889	7,194	3,153	10,347	9,317	7,275	16,592
U.S. Department of Labor	78	28	106	324	15	402	43	445	656	43	699
U.S. Department of Transportation	5,323	1,736	7,059	1,274	173	6,597	1,909	8,506	19,108	4,688	23,796
U.S. Federal Emergency Management	471	666	1,137	326	28	797	694	1,491	883	419	1,302
U.S. Health & Human Services	20,299	1,145	21,444	11,621	56	31,920	1,201	33,121	42,794	2,469	45,263
U.S. Department of Homeland Security	–	–	–	417	–	417	–	417	2,755	–	2,755
U.S. Housing/Urban Development	132,092	961	133,053	20,704	345	152,796	1,306	154,102	173,139	1,679	174,818
U.S. National Foundation on the Arts and Humanities	2,474	–	2,474	1,258	–	3,732	–	3,732	4,855	–	4,855
U.S. Department of Veterans Affairs	194	–	194	107	–	301	–	301	329	–	329
Total federal grants	172,023	5,886	177,909	43,091	2,586	215,114	8,472	223,586	264,232	16,750	280,982
State grants											
Texas Governor's Office Criminal Justice Division	659	137	796	358	92	1,017	229	1,246	1,324	245	1,569
Texas Health Department	2,565	95	2,660	997	–	3,562	95	3,657	4,139	–	4,139
Office of the Attorney General	183	–	183	70	–	253	–	253	274	–	274
Texas Commission of the Arts	–	–	–	–	–	–	–	–	12	–	12
Texas Comptroller of Public Accounts	612	–	612	177	–	789	–	789	814	–	814
Texas Health and Human Services Commission	329	–	329	7	–	336	–	336	756	–	756
Texas Parks and Wildlife	101	35	136	–	–	101	35	136	100	25	125
Texas Department of Transportation	1,850	1,073	2,923	295	529	2,145	1,602	3,747	3,158	2,241	5,399
The University of Texas at Austin Center of Criminology	10	–	10	–	–	10	–	10	10	–	10
Texas State Library and Archives Commission	231	–	231	100	–	331	–	331	429	–	429
Texas Water Development Board	–	–	–	58	101	58	101	159	399	200	599
State Energy Conservation Office	139	19	158	77	–	216	19	235	234	19	253
Total state grants	6,679	1,359	8,038	2,139	722	8,818	2,081	10,899	11,649	2,730	14,379
Other special revenue grants	1,307	25	1,332	429	–	1,736	25	1,761	2,059	40	2,099
Total all grants	$ 180,009	7,270	187,279	45,659	3,308	225,668	10,578	236,246	277,940	19,520	297,460

Special Revenue Funds - Other
Combining Balance Sheet
September 30, 2004
(In thousands)

	Assets					
	Cash	Pooled Investments and Cash	Net Accounts Receivable	Due from Other Funds	Other Assets	Total Assets
General government						
Municipal Court:						
Municipal Court Building Security	$ --	206	--	--	--	206
Municipal Court Technology	--	1,636	--	--	--	1,636
Total general government	--	1,842	--	--	--	1,842
Public safety						
Police:						
APD Incident Management	--	77	--	--	--	77
Auto Theft Interdiction	--	25	--	--	--	25
Aviation Asset Forfeiture	--	172	--	--	--	172
Police Benefit	--	36	--	--	--	36
Police Federal Seized Funds	4	1,589	--	--	--	1,593
Police Seized Money	--	378	--	--	--	378
Total Police	4	2,277	--	--	--	2,281
Fire:						
Fire Miscellaneous	--	22	--	--	--	22
Total Fire	--	22	--	--	--	22
Emergency Medical Services:						
EMS Travis County Reimbursed	--	--	644	9	--	653
Total Emergency Medical Services	--	--	644	9	--	653
Total public safety	4	2,299	644	9	--	2,956
Transportation, planning and sustainability						
Public Works and Transportation:						
Fiscal Surety - Land Development	--	15,006	--	13,447	--	28,453
Office of Emergency Management Miscellaneous	--	1	--	--	--	1
Recycle Bins	--	5	--	--	--	5
RMD Conservation	--	97	--	--	--	97
RMD Loan	--	864	--	--	113	977
Total Public Works and Transportation	--	15,973	--	13,447	113	29,533
Transportation, Planning and Sustainability:						
Austin Transportation Study	--	--	1,007	--	--	1,007
Child Safety	--	407	--	--	2	409
Environmental Remediation	--	116	--	--	--	116
Pavement Life Recovery	--	42	37	--	--	79
Railroad Right of Way	--	5	--	--	--	5
Subdivision Participation	--	4,460	--	--	--	4,460
Total Transportation, Planning and Sustainability	--	5,030	1,044	--	2	6,076
Total transportation, planning and sustainability	$ --	21,003	1,044	13,447	115	35,609

Liabilities						Fund Balances				
		Accrued Compen-sated	Due to Other	Deposits and Other		Reserved for Encum-	Unreserved		Total Fund	Total Liabilities and Fund
Accounts Payable	Accrued Payroll	Absences	Funds	Liabilities	Total Liabilities	brances	Designated	Undesig-nated	Balances	Balances
27	13	--	--	--	40	1	165	--	166	206
271	--	--	--	--	271	1,338	27	--	1,365	1,636
298	13	--	--	--	311	1,339	192	--	1,531	1,842
2	--	--	--	--	2	45	30	--	75	77
--	--	--	--	23	23	--	2	--	2	25
1	--	--	--	--	1	1	170	--	171	172
2	--	--	--	--	2	1	33	--	34	36
4	--	--	--	--	4	15	1,574	--	1,589	1,593
5	--	--	--	--	5	1	372	--	373	378
14	--	--	--	23	37	63	2,181	--	2,244	2,281
--	--	--	--	1	1	--	21	--	21	22
--	--	--	--	1	1	--	21	--	21	22
3	--	4	643	--	650	4	--	(1)	3	653
3	--	4	643	--	650	4	--	(1)	3	653
17	--	4	643	24	688	67	2,202	(1)	2,268	2,956
1	--	--	--	28,529	28,530	--	--	(77)	(77)	28,453
--	--	--	--	--	--	1	--	--	1	1
--	--	--	--	--	--	--	5	--	5	5
--	--	--	--	--	--	--	97	--	97	97
118	--	--	--	--	118	--	859	--	859	977
119	--	--	--	28,529	28,648	1	961	(77)	885	29,533
6	--	--	942	59	1,007	--	--	--	--	1,007
4	41	--	--	--	45	5	359	--	364	409
1	--	--	--	49	50	--	66	--	66	116
--	--	--	--	--	--	--	79	--	79	79
--	--	--	--	--	--	--	5	--	5	5
--	--	--	--	1,443	1,443	--	3,017	--	3,017	4,460
11	41	--	942	1,551	2,545	5	3,526	--	3,531	6,076
130	41	--	942	30,080	31,193	6	4,487	(77)	4,416	35,609

(Continued)

Special Revenue Funds - Other
Combining Balance Sheet
September 30, 2004
(In thousands)

	Assets					
	Cash	Pooled Investments and Cash	Net Accounts Receivable	Due from Other Funds	Other Assets	Total Assets
Public health						
Health and Human Services:						
Disproportionate Share	$ --	128	--	--	--	128
Health and Human Services Travis County Reimbursed	--	178	1,276	--	2	1,456
Health Miscellaneous	--	94	--	--	--	94
Medicaid Administrative Claims	--	809	--	--	--	809
Total Health and Human Services	--	1,209	1,276	--	2	2,487
Other public health:						
Animal Services Fund	--	281	--	--	--	281
Animal Shelter Building	--	12	--	--	--	12
Total other public health	--	293	--	--	--	293
Total public health	--	1,502	1,276	--	2	2,780
Public recreation and culture						
Austin Public Library:						
Austin History Center	--	155	--	--	--	155
Julia Cousins Trust	--	1	--	--	--	1
Miscellaneous Library	--	1	--	--	--	1
Special Library	--	183	--	--	--	183
Total Austin Public Library	--	340	--	--	--	340
Parks and Recreation:						
Adaptive Programs	--	50	--	--	--	50
Austin Creeks and Trails	--	21	--	--	--	21
Balcones Canyonlands	--	75	--	--	--	75
Friends of East Austin Youth	--	10	--	--	--	10
PARD Cultural Projects	--	230	--	--	--	230
PARD Miscellaneous	--	651	--	--	--	651
PARD Police Asset Forfeitures	--	2	--	--	--	2
Planting for the Future	--	349	--	--	--	349
Republic Square	--	2	--	--	--	2
Rifle Class	--	1	--	--	--	1
Senior Nutrition	--	10	--	--	--	10
Summer Musical	--	433	--	--	--	433
Teen Activity	--	180	--	--	--	180
Tennis League	--	5	--	--	--	5
Town Lake Beautification	--	419	--	--	--	419
Total Parks and Recreation	--	2,438	--	--	--	2,438
Total public recreation and culture	$ --	2,778	--	--	--	2,778

Liabilities						Fund Balances				
							Unreserved			
Accounts Payable	Accrued Payroll	Accrued Compen-sated Absences	Due to Other Funds	Deposits and Other Liabilities	Total Liabilities	Reserved for Encum-brances	Designated	Undesig-nated	Total Fund Balances	Total Liabilities and Fund Balances
1	--	--	--	--	1	127	--	--	127	128
40	--	--	899	2	941	105	410	--	515	1,456
--	--	--	--	60	60	--	34	--	34	94
--	--	--	--	715	715	--	94	--	94	809
41	--	--	899	777	1,717	232	538	--	770	2,487
3	--	--	--	96	99	--	182	--	182	281
--	--	--	--	--	--	--	12	--	12	12
3	--	--	--	96	99	--	194	--	194	293
44	--	--	899	873	1,816	232	732	--	964	2,780
--	--	--	--	--	--	--	155	--	155	155
--	--	--	--	--	--	--	1	--	1	1
--	--	--	--	--	--	--	1	--	1	1
1	--	--	--	--	1	11	171	--	182	183
1	--	--	--	--	1	11	328	--	339	340
--	--	--	--	--	--	--	50	--	50	50
--	--	--	--	--	--	--	21	--	21	21
--	--	--	--	--	--	--	75	--	75	75
--	--	--	--	--	--	--	10	--	10	10
17	--	--	--	--	17	315	--	(102)	213	230
11	--	--	--	--	11	11	629	--	640	651
--	--	--	--	--	--	--	2	--	2	2
--	--	--	--	--	--	--	349	--	349	349
--	--	--	--	--	--	--	2	--	2	2
--	--	--	--	--	--	--	1	--	1	1
--	--	--	--	10	10	--	--	--	--	10
--	--	--	--	--	--	--	433	--	433	433
4	--	--	--	--	4	--	176	--	176	180
--	--	--	--	--	--	--	5	--	5	5
11	--	--	--	--	11	18	390	--	408	419
43	--	--	--	10	53	344	2,143	(102)	2,385	2,438
44	--	--	--	10	54	355	2,471	(102)	2,724	2,778

(Continued)

Special Revenue Funds - Other
Combining Balance Sheet
September 30, 2004
(In thousands)

	Assets					
	Cash	Pooled Investments and Cash	Net Accounts Receivable	Due from Other Funds	Other Assets	Total Assets
Urban growth management						
Neighborhood Housing & Community Development:						
Housing Miscellaneous	$ --	42	--	--	--	42
Housing Trust Social Equity	--	1,502	--	--	--	1,502
Neighborhood Housing and Conservation	1	1,442	--	--	--	1,443
Total Neighborhood Housing & Community Development	1	2,986	--	--	--	2,987
Development Services and Watershed Protection:						
Austin Industrial Development Corporation (AIDC)	--	151	--	--	--	151
Austin Inner City Redevelopment Corporation	--	2	--	--	--	2
Energy Conservation Rebates and Incentives	--	2,964	--	--	19	2,983
Fee Waiver	--	25	--	--	--	25
Planning, Environmental Conservation Services	--	108	--	--	--	108
Public Improvement District	--	1,083	14	--	--	1,097
Urban Forest Replenishment	--	283	--	--	--	283
Total Development Services and Watershed Protection	--	4,616	14	--	19	4,649
Other:						
Austin Clean Water Program	--	126	--	--	--	126
Barton Springs Conservation	--	19	--	--	--	19
Cable TV	--	182	--	--	--	182
Downtown Development	--	187	--	--	--	187
Hotel-Motel Occupancy Tax	--	18	6,835	--	--	6,853
I-35 Parking Program	--	136	--	--	--	136
Music Loan Program	--	245	--	--	--	245
One Texas Center	--	995	--	--	--	995
RMMA Reimbursement	--	--	952	--	--	952
Strategic Planning Investment	--	22	--	--	--	22
Sustainability	--	570	--	--	--	570
Tax Increment Finance	--	279	--	--	--	279
Tourism and Promotion	--	--	--	--	425	425
Vehicle Rental Tax	--	--	1,187	--	--	1,187
Wildland Conservation	--	1,705	--	--	--	1,705
Total other	--	4,484	8,974	--	425	13,883
Total urban growth management	1	12,086	8,988	--	444	21,519
2004 Total	$ 5	41,510	11,952	13,456	561	67,484

Liabilities						Fund Balances				
Accounts Payable	Accrued Payroll	Accrued Compen-sated Absences	Due to Other Funds	Deposits and Other Liabilities	Total Liabilities	Reserved for Encum-brances	Unreserved Designated	Unreserved Undesig-nated	Total Fund Balances	Total Liabilities and Fund Balances
--	--	--	--	--	--	--	42	--	42	42
--	--	--	--	--	--	--	1,502	--	1,502	1,502
117	7	--	--	758	882	110	451	--	561	1,443
117	7	--	--	758	882	110	1,995	--	2,105	2,987
--	--	--	--	--	--	--	151	--	151	151
--	--	--	--	--	--	--	2	--	2	2
829	--	--	--	--	829	1,312	842	--	2,154	2,983
--	--	--	--	--	--	--	25	--	25	25
--	--	--	--	--	--	3	105	--	108	108
--	--	--	--	--	--	674	423	--	1,097	1,097
--	--	--	--	--	--	--	283	--	283	283
829	--	--	--	--	829	1,989	1,831	--	3,820	4,649
--	--	--	--	--	--	--	126	--	126	126
--	--	--	--	--	--	--	19	--	19	19
22	--	--	--	--	22	--	160	--	160	182
--	--	--	--	--	--	--	187	--	187	187
--	--	--	--	18	18	--	6,835	--	6,835	6,853
12	--	--	--	122	134	1	1	--	2	136
--	--	--	--	--	--	--	245	--	245	245
902	--	--	--	--	902	288	--	(195)	93	995
305	--	--	149	--	454	652	--	(154)	498	952
--	--	--	--	--	--	--	22	--	22	22
228	--	--	--	--	228	247	95	--	342	570
--	--	--	--	--	--	53	226	--	279	279
156	--	--	243	--	399	--	26	--	26	425
--	--	--	--	--	--	--	1,187	--	1,187	1,187
--	--	--	--	--	--	253	1,452	--	1,705	1,705
1,625	--	--	392	140	2,157	1,494	10,581	(349)	11,726	13,883
2,571	7	--	392	898	3,868	3,593	14,407	(349)	17,651	21,519
3,104	61	4	2,876	31,885	37,930	5,592	24,491	(529)	29,554	67,484

Special Revenue Funds - Other
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended September 30, 2004
(In thousands)

	Revenues					
	Gross Receipts Taxes	Fines, Forfeitures and Penalties	Charges for Services/ Goods	Contributions	Interest and Other	Total Revenues
General government						
Municipal Court:						
Municipal Court Building Security	$ --	438	--	--	3	441
Municipal Court Technology	--	578	--	--	31	609
Total general government	--	1,016	--	--	34	1,050
Public safety						
Police:						
APD Incident Management	--	--	--	--	173	173
Auto Theft Interdiction	--	--	--	--	--	--
Aviation Asset Forfeiture	--	10	--	--	3	13
Police Benefit	--	--	--	2	--	2
Police Federal Seized Funds	--	1,476	--	--	14	1,490
Police Seized Money	--	102	--	--	10	112
Total Police	--	1,588	--	2	200	1,790
Fire:						
Fire Miscellaneous	--	--	30	--	2	32
Total Fire	--	--	30	--	2	32
Emergency Medical Services:						
EMS Travis County Reimbursed	--	--	7,614	--	--	7,614
Total Emergency Medical Services	--	--	7,614	--	--	7,614
Total public safety	--	1,588	7,644	2	202	9,436
Transportation, planning and sustainability						
Public Works and Transportation:						
Fiscal Surety - Land Development	--	--	--	--	(460)	(460)
Office of Emergency Management Miscellaneous	--	--	11	--	--	11
Recycle Bins	--	--	--	--	--	--
RMD Conservation	--	--	--	--	--	--
RMD Loan	--	--	--	--	9	9
Total Public Works and Transportation	--	--	11	--	(451)	(440)
Transportation, Planning and Sustainability:						
Austin Transportation Study	--	--	1,219	--	--	1,219
Child Safety	--	1,367	--	--	6	1,373
Environmental Remediation	--	--	--	--	6	6
Pavement Life Recovery	--	95	--	--	2	97
Railroad Right of Way	--	--	--	--	--	--
Subdivision Participation	--	--	--	--	73	73
Total Transportation, Planning and Sustainability	--	1,462	1,219	--	87	2,768
Total transportation, planning and sustainability	$ --	1,462	1,230	--	(364)	2,328

(1) Expenditures include capital outlay of $1,381.

Expenditures (1)	Excess (Deficiency) Of Revenues Over Expenditures	Other Financing Sources (Uses) Capital Leases	Transfers In	Transfers Out	Net Change In Fund Balances	Fund Balances at Beginning of Year	Fund Balances at End of Year
408	33	--	--	--	33	133	166
1,022	(413)	--	--	--	(413)	1,778	1,365
1,430	(380)	--	--	--	(380)	1,911	1,531
458	(285)	--	--	--	(285)	360	75
--	--	--	--	--	--	2	2
28	(15)	--	--	--	(15)	186	171
16	(14)	--	--	--	(14)	48	34
688	802	--	--	--	802	787	1,589
148	(36)	--	--	--	(36)	409	373
1,338	452	--	--	--	452	1,792	2,244
15	17	--	--	--	17	4	21
15	17	--	--	--	17	4	21
7,766	(152)	--	--	--	(152)	155	3
7,766	(152)	--	--	--	(152)	155	3
9,119	317	--	--	--	317	1,951	2,268
--	(460)	--	--	--	(460)	383	(77)
11	--	--	--	--	--	1	1
--	--	--	--	--	--	5	5
--	--	--	--	--	--	97	97
--	9	--	--	--	9	850	859
11	(451)	--	--	--	(451)	1,336	885
1,219	--	--	--	--	--	--	--
1,479	(106)	--	--	--	(106)	470	364
8	(2)	--	725	(978)	(255)	321	66
--	97	--	--	(180)	(83)	162	79
--	--	--	--	--	--	5	5
--	73	--	--	--	73	2,944	3,017
2,706	62	--	725	(1,158)	(371)	3,902	3,531
2,717	(389)	--	725	(1,158)	(822)	5,238	4,416

(Continued)

Special Revenue Funds - Other
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended September 30, 2004
(In thousands)

	Revenues					
	Gross Receipts Taxes	Fines, Forfeitures and Penalties	Charges for Services/ Goods	Contributions	Interest and Other	Total Revenues
Public health						
Health and Human Services:						
Disproportionate Share	$ --	--	--	--	--	--
Health and Human Services Travis County Reimbursed	--	--	4,408	--	--	4,408
Health Miscellaneous	--	--	--	9	4	13
Medicaid Administrative Claims	--	--	--	--	13	13
Total Health and Human Services	--	--	4,408	9	17	4,434
Other public health:						
Animal Services Fund	--	--	--	185	1	186
Animal Shelter Building	--	--	--	--	--	--
Total other public health	--	--	--	185	1	186
Total public health	--	--	4,408	194	18	4,620
Public recreation and culture						
Austin Public Library:						
Austin History Center	--	--	--	3	--	3
Julia Cousins Trust	--	--	--	--	--	--
Miscellaneous Library	--	--	--	--	--	--
Special Library	--	--	--	149	--	149
Total Austin Public Library	--	--	--	152	--	152
Parks and Recreation:						
Adaptive Programs	--	--	--	--	--	--
Austin Creeks and Trails	--	--	--	2	--	2
Balcones Canyonlands	--	--	--	--	--	--
Friends of East Austin Youth	--	--	--	--	--	--
PARD Cultural Projects	--	--	--	--	3	3
PARD Miscellaneous	--	--	1	49	14	64
PARD Police Asset Forfeitures	--	--	--	--	--	--
Planting for the Future	--	--	--	392	--	392
Republic Square	--	--	--	--	--	--
Rifle Class	--	--	--	--	--	--
Summer Musical	--	--	--	344	--	344
Teen Activity	--	--	--	26	--	26
Tennis League	--	--	--	--	--	--
Town Lake Beautification	--	--	--	144	--	144
Total Parks and Recreation	--	--	1	957	17	975
Total public recreation and culture	$ --	--	1	1,109	17	1,127

Expenditures (1)	Excess (Deficiency) Of Revenues Over Expenditures	Other Financing Sources (Uses) Capital Leases	Transfers In	Transfers Out	Net Change In Fund Balances	Fund Balances at Beginning of Year	Fund Balances at End of Year
7	(7)	--	--	--	(7)	134	127
4,131	277	--	--	--	277	238	515
11	2	--	--	--	2	32	34
--	13	--	--	--	13	81	94
4,149	285	--	--	--	285	485	770
4	182	--	--	--	182	--	182
--	--	--	--	--	--	12	12
4	182	--	--	--	182	12	194
4,153	467	--	--	--	467	497	964
1	2	--	--	--	2	153	155
--	--	--	--	--	--	1	1
--	--	--	--	--	--	1	1
95	54	--	--	--	54	128	182
96	56	--	--	--	56	283	339
--	--	--	--	--	--	50	50
--	2	--	--	--	2	19	21
--	--	--	--	--	--	75	75
--	--	--	--	--	--	10	10
3,041	(3,038)	--	2,962	--	(76)	289	213
11	53	--	--	--	53	587	640
--	--	--	--	--	--	2	2
130	262	--	--	--	262	87	349
--	--	--	--	--	--	2	2
--	--	--	--	--	--	1	1
11	333	--	--	--	333	100	433
57	(31)	--	--	--	(31)	207	176
--	--	--	--	--	--	5	5
227	(83)	--	--	--	(83)	491	408
3,477	(2,502)	--	2,962	--	460	1,925	2,385
3,573	(2,446)	--	2,962	--	516	2,208	2,724

(Continued)

Special Revenue Funds - Other
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended September 30, 2004
(In thousands)

	Revenues					
	Gross Receipts Taxes	Fines, Forfeitures and Penalties	Charges for Services/ Goods	Contributions	Interest and Other	Total Revenues
Urban growth management						
Neighborhood Housing & Community Development:						
Housing Miscellaneous	$ --	--	--	--	1	1
Housing Trust Social Equity	--	--	--	--	116	116
Neighborhood Housing and Conservation	--	--	--	--	31	31
Total Neighborhood Housing & Community Development	--	--	--	--	148	148
Development Services and Watershed Protection:						
Austin Industrial Development Corporation (AIDC)	--	--	--	--	2	2
Austin Inner City Redevelopment Corporation	--	--	--	--	--	--
Energy Conservation Rebates and Incentives	--	--	10,024	--	--	10,024
Fee Waiver	--	--	--	--	--	--
Planning, Environmental Conservation Services	--	--	--	--	--	--
Public Improvement District	--	--	1,248	--	31	1,279
Urban Forest Replenishment	--	--	--	156	3	159
Total Development Services and Watershed Protection	--	--	11,272	156	36	11,464
Other:						
Austin Clean Water Program	--	--	--	125	1	126
Barton Springs Conservation	--	--	--	--	1	1
Cable TV	--	--	635	--	2	637
Downtown Development	--	--	--	--	3	3
Hotel-Motel Occupancy Tax	26,082	25	--	--	--	26,107
I-35 Parking Program	--	--	75	--	1	76
Music Loan Program	--	--	--	--	4	4
One Texas Center	--	--	1,449	--	--	1,449
RMMA Reimbursement	--	--	--	1,582	2	1,584
Strategic Planning Investment	--	--	--	--	1	1
Sustainability	--	--	--	--	--	--
Tax Increment Finance	--	--	--	--	4	4
Tourism and Promotion	--	--	--	--	1	1
Vehicle Rental Tax	4,463	--	--	--	16	4,479
Wildland Conservation	--	184	--	--	25	209
Total other	30,545	209	2,159	1,707	61	34,681
Total urban growth management	30,545	209	13,431	1,863	245	46,293
2004 Total	$ 30,545	4,275	26,714	3,168	152	64,854

Expenditures (1)	Excess (Deficiency) Of Revenues Over Expenditures	Other Financing Sources (Uses) Capital Leases	Transfers In	Transfers Out	Net Change In Fund Balances	Fund Balances at Beginning of Year	Fund Balances at End of Year
--	1	--	--	--	1	41	42
719	(603)	--	800	--	197	1,305	1,502
1,637	(1,606)	12	1,165	--	(429)	990	561
2,356	(2,208)	12	1,965	--	(231)	2,336	2,105
--	2	--	--	--	2	149	151
--	--	--	--	--	--	2	2
9,322	702	--	--	--	702	1,452	2,154
--	--	--	--	--	--	25	25
--	--	--	--	--	--	108	108
1,461	(182)	--	150	--	(32)	1,129	1,097
--	159	--	--	--	159	124	283
10,783	681	--	150	--	831	2,989	3,820
--	126	--	--	--	126	--	126
284	(283)	--	45	--	(238)	257	19
639	(2)	--	--	--	(2)	162	160
--	3	--	--	--	3	184	187
--	26,107	--	--	(25,378)	729	6,106	6,835
74	2	--	--	--	2	--	2
--	4	--	--	--	4	241	245
1,917	(468)	--	--	(983)	(1,451)	1,544	93
1,510	74	--	--	--	74	424	498
4	(3)	--	--	--	(3)	25	22
3,532	(3,532)	--	6,918	(3,401)	(15)	357	342
15	(11)	--	100	--	89	190	279
4,168	(4,167)	--	4,214	--	47	(21)	26
--	4,479	--	--	(4,384)	95	1,092	1,187
15	194	--	--	--	194	1,511	1,705
12,158	22,523	--	11,277	(34,146)	(346)	12,072	11,726
25,297	20,996	12	13,392	(34,146)	254	17,397	17,651
46,289	18,565	12	17,079	(35,304)	352	29,202	29,554

(In thousands)

	Fund Balances at Beginning of Year	Revenues	Expenditures	Other Financing Sources (Uses) Transfer In	Other Financing Sources (Uses) Transfer Out	Excess of Sources Over Uses	Fund Balances at End of Year
General government							
Municipal Court:							
Municipal Court Building Security							
Actual-budget basis	$ 73	441	411	--	--	30	103
Budget	(280)	421	429	--	--	(8)	(288)
Variance	353	20	18	--	--	38	391
Municipal Court Technology							
Actual-budget basis	1,700	609	2,061	--	--	(1,452)	248
Budget	(1,072)	561	2,062	--	--	(1,501)	(2,573)
Variance	2,772	48	1	--	--	49	2,821
Public safety							
Police:							
Aviation Asset Forfeiture							
Actual-budget basis	175	13	29	--	--	(16)	159
Budget	(389)	15	115	--	--	(100)	(489)
Variance	564	(2)	86	--	--	84	648
Police Federal Seized Funds							
Actual-budget basis	704	1,490	699	--	--	791	1,495
Budget	(694)	386	700	--	--	(314)	(1,008)
Variance	1,398	1,104	1	--	--	1,105	2,503
Police Seized Money							
Actual-budget basis	382	112	132	--	--	(20)	362
Budget	(170)	144	250	--	--	(106)	(276)
Variance	552	(32)	118	--	--	86	638
Emergency Medical Services:							
EMS Travis County Reimbursed							
Actual-budget basis	$ 93	7,614	7,746	--	--	(132)	(39)
Budget	(171)	7,757	7,757	--	--	--	(171)
Variance	264	(143)	11	--	--	(132)	132

(Continued)

(In thousands)

	Fund Balances at Beginning of Year	Revenues	Expenditures	Other Financing Sources (Uses) Transfer In	Transfer Out	Excess of Sources Over Uses	Fund Balances at End of Year
Transportation, planning and sustainability							
Transportation, planning and sustainability							
Child Safety							
Actual-budget basis	$ 371	1,373	1,485	--	--	(112)	259
Budget	(424)	1,470	1,652	--	--	(182)	(606)
Variance	795	(97)	167	--	--	70	865
Environmental Remediation							
Actual-budget basis	315	6	8	725	978	(255)	60
Budget	29	20	50	725	978	(283)	(254)
Variance	286	(14)	42	--	--	28	314
Public health							
Health and Human Services Travis County Reimbursed							
Actual-budget basis	(409)	4,408	4,145	--	--	263	(146)
Budget	(1,863)	5,699	5,699	--	--	--	(1,863)
Variance	1,454	(1,291)	1,554	--	--	263	1,717
Public recreation and culture							
PARD Cultural Projects							
Actual-budget basis	(23)	3	3,227	2,962	--	(262)	(285)
Budget	(254)	2	3,232	3,194	--	(36)	(290)
Variance	231	1	5	(232)	--	(226)	5
PARD Police Asset Forfeiture							
Actual-budget basis	$ 2	--	--	--	--	--	2
Budget	(12)	--	2	--	--	(2)	(14)
Variance	14	--	2	--	--	2	16

(Continued)

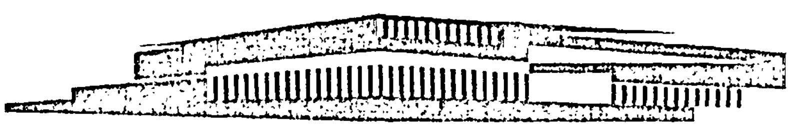
(In thousands)

	Fund Balances at Beginning of Year	Revenues	Expenditures	Other Financing Sources (Uses) Transfer In	Other Financing Sources (Uses) Transfer Out	Excess of Sources Over Uses	Fund Balances at End of Year
Urban growth management							
Neighborhood Planning and Zoning:							
Neighborhood Housing and Conservation							
Actual-budget basis	$ 784	31	1,553	1,165	88	(445)	339
Budget	(1,276)	20	2,003	1,165	88	(906)	(2,182)
Variance	2,060	11	450	--	--	461	2,521
Development Services and Watershed Protection:							
Energy Conservation Rebates and Incentives							
Actual-budget basis	(773)	10,024	9,808	--	--	216	(557)
Budget	(796)	10,638	11,004	--	--	(366)	(1,162)
Variance	23	(614)	1,196	--	--	582	605
Public Improvement District							
Actual-budget basis	342	1,279	1,349	150	--	80	422
Budget	575	--	1,349	--	--	(1,349)	(774)
Variance	(233)	1,279	--	150	--	1,429	1,196
Other							
Hotel-Motel Occupancy Tax							
Actual-budget basis	--	25,378	--	--	25,378	--	--
Budget	--	27,376	--	--	27,376	--	--
Variance	--	(1,998)	--	--	1,998	--	--
I-35 Parking Program							
Actual-budget basis	--	76	75	--	--	1	1
Budget	--	225	225	--	--	--	--
Variance	--	(149)	150	--	--	1	1
One Texas Center							
Actual-budget basis	$ 1,544	1,449	2,205	--	983	(1,739)	(195)
Budget	615	1,336	1,500	--	983	(1,147)	(532)
Variance	929	113	(705)	--	--	(592)	337

(Continued)

(In thousands)

	Fund Balances at Beginning of Year	Revenues	Expenditures	Other Financing Sources (Uses) Transfer In	Transfer Out	Excess of Sources Over Uses	Fund Balances at End of Year
Sustainability							
Actual-budget basis	$ (11)	--	3,483	6,918	3,401	34	23
Budget	--	--	3,517	6,918	3,401	--	--
Variance	(11)	--	34	--	--	34	23
Tourism and Promotion							
Actual-budget basis	(5)	1	4,168	4,214	--	47	42
Budget	(610)	35	4,539	4,536	--	32	(578)
Variance	605	(34)	371	(322)	--	15	620
Vehicle Rental Tax							
Actual-budget basis	(2,190)	4,384	--	--	4,384	--	(2,190)
Budget	(5,107)	4,887	--	--	4,887	--	(5,107)
Variance	2,917	(503)	--	--	503	--	2,917
Wildland Conservation							
Actual-budget basis	1,430	209	250	--	--	(41)	1,389
Budget	(469)	250	250	--	--	--	(469)
Variance	1,899	(41)	--	--	--	(41)	1,858
Total							
Actual-budget basis	$ 4,504	58,900	42,834	16,134	35,212	(3,012)	1,492
Budget	(12,368)	61,242	46,335	16,538	37,713	(6,268)	(18,636)
Variance	16,872	(2,342)	3,501	(404)	2,501	3,256	20,128



DEBT SERVICE FUNDS

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt. The two debt service funds are as follows:

The General Obligation Debt Service Fund - used for payments of principal, interest and related costs of general obligation and other tax-supported debt;

The HUD Section 108 Loans Fund - used to account for HUD loans for construction costs.

Debt Service Funds
Combining Balance Sheet
September 30, 2004
(In thousands)

		General Obligation	HUD Section 108 Loans	2004 Total
ASSETS				
Pooled investments and cash	$	199	--	199
Investments, at fair value		13,477	--	13,477
Property taxes receivable		4,395	--	4,395
Less allowance for uncollectible taxes		(573)	--	(573)
Net property taxes receivable		3,822	--	3,822
Advances to other funds		6,159	--	6,159
Total assets		23,657	--	23,657
LIABILITIES AND FUND BALANCES				
Due to other funds		1,186	--	1,186
Deferred revenue		3,798	--	3,798
Advances from other funds		346	--	346
Total liabilities		5,330	--	5,330
Fund balances				
Reserved:				
Advances receivable		6,159	--	6,159
Debt service		12,168	--	12,168
Total fund balances		18,327	--	18,327
Total liabilities and fund balances	$	23,657	--	23,657

(In thousands)

	General Obligation	HUD Section 108 Loans	2004 Total
REVENUES			
Property taxes	$ 83,321	--	83,321
Fines, forfeitures and penalties	523	--	523
Interest and other	3,178	1,891	5,069
Total revenues	87,022	1,891	88,913
EXPENDITURES			
Debt service:			
Principal	48,022	840	48,862
Interest	39,058	1,051	40,109
Fees and commissions	14	--	14
Total expenditures	87,094	1,891	88,985
Excess (deficiency) of revenues over expenditures	(72)	--	(72)
OTHER FINANCING SOURCES (USES)			
Bond premiums	28	--	28
Transfers in	1,060	--	1,060
Total other financing sources (uses)	1,088	--	1,088
Net change in fund balances	1,016	--	1,016
Fund balances at beginning of year	17,311	--	17,311
Fund balances at end of year	$ 18,327	--	18,327

Combining Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual-Budget Basis
For the year ended September 30, 2004
(In thousands)

	General Obligation			HUD Section 108 Loans			
	Actual-Budget Basis	Budget	Variance-Positive (Negative)	Actual-Budget Basis	Budget	Variance-Positive (Negative)	2004 Actual-Budget Basis Total
REVENUES							
General property taxes	$ 82,852	83,270	(418)	--	--	--	82,852
Interest	627	509	118	--	--	--	627
Other revenue	3,697	3,680	17	1,891	1,706	185	5,588
Total revenues	87,176	87,459	(283)	1,891	1,706	185	89,067
EXPENDITURES							
Principal retirement	57,699	57,989	290	840	618	(222)	58,539
Interest and other	42,903	44,443	1,540	1,051	1,076	25	43,954
Fees and commissions	14	15	1	--	12	12	14
Total expenditures	100,616	102,447	1,831	1,891	1,706	(185)	102,507
Excess (deficiency) of revenues over expenditures	(13,440)	(14,988)	1,548	--	--	--	(13,440)
OTHER FINANCING SOURCES (USES)							
Bond premiums	28	--	28	--	--	--	28
Transfers in	12,034	12,061	(27)	--	--	--	12,034
Total other financing sources (uses)	12,062	12,061	1	--	--	--	12,062
Excess (deficiency) of revenues and other sources over expenditures and other uses	(1,378)	(2,927)	1,549	--	--	--	(1,378)
Fund balances at beginning of year	12,812	13,172	(360)	--	--	--	12,812
Fund balances at end of year	$ 11,434	10,245	1,189	--	--	--	11,434

CAPITAL PROJECTS FUNDS

Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities other than those financed by proprietary funds and trust funds. There are eight major groups of funds that account for the activities related to the capital improvement projects:

Prior to 1984: Funds authorized prior to 1981, for various purposes;

Funds authorized August 29, 1981, for street and drainage, fire stations, and emergency medical service projects;

Funds authorized September 11, 1982, for various purposes;

Funds authorized October 22, 1983, for Jollyville Road Improvements;

1984: Funds authorized September 8, 1984, for various purposes;

1985: Funds authorized January 19, 1985, for cultural arts;

Funds authorized July 26, 1985, for parks and recreation;

Funds authorized September 26, 1985, for art in public places;

Funds authorized December 14, 1985, for parks and recreation;

1987: Funds authorized September 3, 1987, for street improvements;

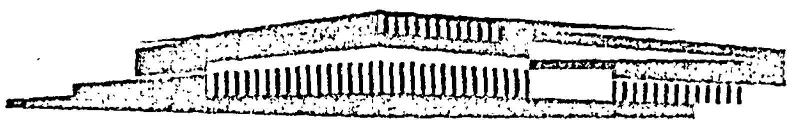
1992: Funds authorized August 10, 1992, for various purposes;

1997: Funds authorized May 3, 1997, for radio trunking;

1998: Funds authorized November 3, 1998, for various purposes;

2000: Funds authorized November 7, 2000, for transportation mobility and land acquisition; and

Other: Other funds established for various purposes.



Capital Projects Funds
Balance Sheet
September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit E-17

		2004
ASSETS		
Pooled investments and cash	$	135,948
Accounts and other taxes receivable		7,837
Less allowance for doubtful accounts		(131)
Net accounts receivable		7,706
Due from other funds		15,372
Other assets		512
Total assets		159,538
LIABILITIES AND FUND BALANCES		
Accounts payable		8,315
Due to other funds		15,372
Deferred revenue		97
Deposits and other liabilities		677
Total liabilities		24,461
Fund balances		
Reserved:		
Encumbrances		55,925
Unreserved, undesignated:		
Capital projects		79,152
Total fund balances		135,077
Total liabilities and fund balances	$	159,538

Capital Projects Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit E-18

		2004
REVENUES		
Intergovernmental	$	15,358
Property owners' participation and contributions		527
Interest and other		1,449
Total revenues		17,334
EXPENDITURES		
Capital outlay		151,768
Total expenditures		151,768
Excess (deficiency) of revenues over expenditures		(134,434)
OTHER FINANCING SOURCES (USES)		
Issuance of tax supported debt		70,040
Transfers in		14,841
Transfers out		(4,478)
Total other financing sources (uses)		80,403
Net change in fund balances		(54,031)
Fund balances at beginning of year		189,108
Fund balances at end of year	$	135,077

Capital Projects Funds
Combining Balance Sheet
September 30, 2004
(In thousands)

	Assets						
	Pooled Investments and Cash	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable	Due from Other Funds	Other Assets	Total Assets
Funds Authorized Prior to 1981							
Parks and recreation	$ 121	--	--	--	56	--	177
Police and courts	2	--	--	--	--	--	2
Street improvements	57	--	--	--	--	--	57
Library	7	--	--	--	--	--	7
	187	--	--	--	56	--	243
Funds Authorized August 29, 1981							
Street and drainage	3	--	--	--	--	--	3
Fire stations	24	--	--	--	--	--	24
EMS buildings	293	--	--	--	--	--	293
	320	--	--	--	--	--	320
Funds Authorized September 11, 1982							
Flood prevention	106	--	--	--	--	--	106
Parks--various	133	--	--	--	--	--	133
Environmental resources	2	--	--	--	--	--	2
Fire/EMS building	43	--	--	--	--	--	43
	284	--	--	--	--	--	284
Funds Authorized October 22, 1983							
Jollyville road improvements	--	--	--	--	27	--	27
Energy improvements - city facilities	--	--	--	--	--	--	--
	--	--	--	--	27	--	27
Total Prior to 1984	791	--	--	--	83	--	874
Funds Authorized September 8, 1984							
PARD pools	5	--	--	--	--	--	5
Parkland acquisition	2	--	--	--	--	--	2
Parks/Old Bakery	--	--	--	--	--	--	--
Drainage and flood improvements	4,210	--	--	--	198	--	4,408
Street improvements	1,879	13	--	13	--	--	1,892
Fire improvements	11	--	--	--	--	--	11
Libraries	1	--	--	--	--	--	1
Police facilities	--	--	--	--	--	--	--
Traffic signals	4	--	--	--	--	--	4
EMS/Fire facility	3	--	--	--	--	--	3
	$ 6,115	13	--	13	198	--	6,326

Liabilities					Fund Balances			
Accounts Payable	Due to Other Funds	Deferred Revenue	Other Liabilities	Total Liabilities	Reserved for Encumbrances	Unreserved, Undesignated (Deficit)	Total Fund Balances	Total Liabilities and Fund Balances
--	--	--	--	--	--	177	177	177
--	--	--	--	--	--	2	2	2
--	--	--	--	--	--	57	57	57
--	--	--	--	--	--	7	7	7
--	--	--	--	--	--	243	243	243
--	--	--	--	--	--	3	3	3
--	--	--	--	--	--	24	24	24
--	--	--	--	--	12	281	293	293
--	--	--	--	--	12	308	320	320
--	--	--	--	--	--	106	106	106
--	--	--	--	--	38	95	133	133
--	--	--	--	--	--	2	2	2
--	--	--	--	--	--	43	43	43
--	--	--	--	--	38	246	284	284
--	--	--	--	--	--	27	27	27
--	82	--	--	82	5	(87)	(82)	--
--	82	--	--	82	5	(60)	(55)	27
--	82	--	--	82	55	737	792	874
--	--	--	--	--	--	5	5	5
--	--	--	--	--	--	2	2	2
--	184	--	--	184	23	(207)	(184)	--
--	--	--	--	--	188	4,220	4,408	4,408
--	--	--	--	--	541	1,351	1,892	1,892
--	--	--	--	--	--	11	11	11
--	--	--	--	--	--	1	1	1
--	14	--	--	14	--	(14)	(14)	--
--	--	--	--	--	--	4	4	4
--	--	--	--	--	--	3	3	3
--	198	--	--	198	752	5,376	6,128	6,326

(Continued)

Capital Projects Funds
Combining Balance Sheet
September 30, 2004
(In thousands)

	Assets						
	Pooled Investments and Cash	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable	Due from Other Funds	Other Assets	Total Assets
Funds Authorized January 19, 1985							
Cultural arts	$ 1,359	--	--	--	--	413	1,772
Downtown art museum	168	--	--	--	--	--	168
	1,527	--	--	--	--	413	1,940
Funds Authorized July 26, 1985							
Neighborhood park and recreation	5,396	--	--	--	--	--	5,396
Funds Authorized September 26, 1985							
Art in public places	13	--	--	--	--	--	13
Funds Authorized December 14, 1985							
Senior activity center	3	--	--	--	--	--	3
South Austin parkland	11	--	--	--	--	--	11
Parks Oak Hill	2	--	--	--	--	--	2
	16	--	--	--	--	--	16
Total Funds Authorized In 1985	6,952	--	--	--	--	413	7,365
Funds Authorized September 3, 1987							
Street resurfacing	160	131	(131)	--	--	--	160
***Funds Authorized* August 10, 1992**							
EMS facility	49	--	--	--	--	--	49
Fire stations	12	--	--	--	--	--	12
Police substations	114	--	--	--	--	--	114
Asbestos abatement/ADA compliance/ East Austin health clinic	802	--	--	--	--	--	802
Erosion & flood control	2,499	--	--	--	--	--	2,499
Street & traffic signals	246	--	--	--	--	--	246
Neighborhood sidewalks	44	--	--	--	--	--	44
Parks and recreation facilities	538	--	--	--	--	--	538
Libraries	30	--	--	--	--	--	30
Balcones Canyonlands Conservation Plan	3	--	--	--	--	--	3
Barton Creek greenway	325	--	--	--	--	--	325
	4,662	--	--	--	--	--	4,662
Funds Authorized May 3, 1997							
Radio Trunking	--	1,727	--	1,727	--	--	1,727
	$ --	1,727	--	1,727	--	--	1,727

Liabilities					Fund Balances			
Accounts Payable	Due to Other Funds	Deferred Revenue	Other Liabilities	Total Liabilities	Reserved for Encumbrances	Unreserved, Undesignated (Deficit)	Total Fund Balances	Total Liabilities and Fund Balances
--	--	--	--	--	3	1,769	1,772	1,772
--	--	--	--	--	--	168	168	168
--	--	--	--	--	3	1,937	1,940	1,940
28	--	--	--	28	138	5,230	5,368	5,396
--	--	--	--	--	--	13	13	13
--	--	--	--	--	--	3	3	3
--	--	--	--	--	--	11	11	11
--	--	--	--	--	--	2	2	2
--	--	--	--	--	--	16	16	16
28	--	--	--	28	141	7,196	7,337	7,365
--	--	--	--	--	--	160	160	160
--	--	--	--	--	--	49	49	49
--	--	--	--	--	2	10	12	12
--	--	--	--	--	87	27	114	114
15	--	--	--	15	117	670	787	802
61	--	--	--	61	1,635	803	2,438	2,499
--	--	--	--	--	49	197	246	246
--	--	--	--	--	33	11	44	44
2	--	--	--	2	978	(442)	536	538
--	--	--	--	--	17	13	30	30
--	--	--	--	--	3	--	3	3
--	--	--	--	--	4	321	325	325
78	--	--	--	78	2,925	1,659	4,584	4,662
24	7,426	97	--	7,547	361	(6,181)	(5,820)	1,727
24	7,426	97	--	7,547	361	(6,181)	(5,820)	1,727

(Continued)

Capital Projects Funds
Combining Balance Sheet
September 30, 2004
(In thousands)

	Assets						
	Pooled Investments and Cash	Accounts Receivable	Allowance for Doubtful Accounts	Net Accounts Receivable	Due from Other Funds	Other Assets	Total Assets
Funds Authorized							
November 3, 1998							
Cultural arts and land	$ 14,000	--	--	--	--	--	14,000
Drainage and flood control	1,108	--	--	--	--	--	1,108
Traffic signals	47,059	63	--	63	--	--	47,122
Public safety facilities	3,695	--	--	--	--	--	3,695
Parks and recreation facilities	23,065	--	--	--	--	--	23,065
	88,927	63	--	63	--	--	88,990
Funds Authorized							
2000							
Transportation Mobility Improvement	866	--	--	--	--	--	866
Open Spaces	2,862	--	--	--	--	--	2,862
	3,728	--	--	--	--	--	3,728
Other funds							
Planning & development improvements	705	--	--	--	--	--	705
TPSD general improvements	1,239	11	--	11	7,371	--	8,621
Parks-1992	--	--	--	--	--	--	--
Library automation system	1,950	--	--	--	--	--	1,950
Fire/EMS/NW Austin MUD #1	629	--	--	--	--	--	629
General government projects	3,870	--	--	--	7,720	--	11,590
Health projects	2,423	--	--	--	--	--	2,423
Build Austin	--	12	--	12	--	--	12
CMTA Mobility	907	1,631	--	1,631	--	--	2,538
Forsythia Drive	3	--	--	--	--	--	3
Central City Entertainment Center	--	--	--	--	--	--	--
Park improvements	2,810	--	--	--	--	--	2,810
Police and courts	146	--	--	--	--	--	146
Neighborhood centers	8	--	--	--	--	--	8
Loan star improvements	331	--	--	--	--	--	331
Fire - general	7,395	--	--	--	--	--	7,395
Capital reserve	--	4,231	--	4,231	--	--	4,231
Public Works	--	--	--	--	--	--	--
One Texas Center	187	--	--	--	--	--	187
Watershed Protection	109	--	--	--	--	--	109
Great Streets	496	--	--	--	--	--	496
City Hall, plaza, parking garage	--	--	--	--	--	--	--
Conservation Land	--	18	--	18	--	--	18
Colony Park	866	--	--	--	--	--	866
Economic Development	539	--	--	--	--	--	539
Interest income fund	--	--	--	--	--	99	99
Total other funds	24,613	5,903	--	5,903	15,091	99	45,706
2004 Totals	$ 135,948	7,837	(131)	7,706	15,372	512	159,538

Liabilities					Fund Balances			
Accounts Payable	Due to Other Funds	Deferred Revenue	Other Liabilities	Total Liabilities	Reserved for Encumbrances	Unreserved, Undesignated (Deficit)	Total Fund Balances	Total Liabilities and Fund Balances
433	--	--	--	433	2,765	10,802	13,567	14,000
--	--	--	--	--	395	713	1,108	1,108
3,472	--	--	--	3,472	14,471	29,179	43,650	47,122
124	--	--	--	124	972	2,599	3,571	3,695
207	--	--	--	207	1,875	20,983	22,858	23,065
4,236	--	--	--	4,236	20,478	64,276	84,754	88,990
--	--	--	--	--	--	866	866	866
--	--	--	--	--	84	2,778	2,862	2,862
--	--	--	--	--	84	3,644	3,728	3,728
--	--	--	--	--	--	705	705	705
66	--	--	--	66	1,120	7,435	8,555	8,621
--	225	--	--	225	7	(232)	(225)	--
66	--	--	--	66	482	1,402	1,884	1,950
--	--	--	--	--	--	629	629	629
77	--	--	412	489	684	10,417	11,101	11,590
51	1,696	--	--	1,747	138	538	676	2,423
2	35	--	--	37	927	(952)	(25)	12
662	--	--	--	662	9,365	(7,489)	1,876	2,538
--	--	--	--	--	--	3	3	3
--	1	--	--	1	--	(1)	(1)	--
26	--	--	--	26	508	2,276	2,784	2,810
--	--	--	--	--	11	135	146	146
--	--	--	--	--	--	8	8	8
--	--	--	--	--	14	317	331	331
104	--	--	--	104	1,550	5,741	7,291	7,395
928	4,268	--	--	5,196	4,630	(5,595)	(965)	4,231
2	17	--	--	19	5,038	(5,057)	(19)	--
--	--	--	--	--	--	187	187	187
29	--	--	--	29	64	16	80	109
--	--	--	--	--	--	496	496	496
1,936	727	--	250	2,913	6,547	(9,460)	(2,913)	--
--	3	--	15	18	--	--	--	18
--	--	--	--	--	44	822	866	866
--	--	--	--	--	--	539	539	539
--	694	--	--	694	--	(595)	(595)	99
3,949	7,666	--	677	12,292	31,129	2,285	33,414	45,706
8,315	15,372	97	677	24,461	55,925	79,152	135,077	159,538

Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
September 30, 2004
(In thousands)

	Revenues				Expenditures
	Inter-governmental Revenues	Property Owners' Participation and Contributions	Interest and Other	Total Revenues	Capital Outlay
Funds Authorized Prior to 1981					
Parks and recreation	$ --	--	--	--	--
Police and courts	--	--	--	--	--
Street improvements	--	--	--	--	--
Library	--	--	--	--	--
	--	--	--	--	--
Funds Authorized August 29, 1981					
Street and drainage	--	--	--	--	--
Fire stations	--	--	--	--	--
EMS buildings	--	--	--	--	(9)
	--	--	--	--	(9)
Funds Authorized September 11, 1982					
Flood prevention	--	--	--	--	--
Parks--various	--	--	--	--	40
Environmental resources	--	--	--	--	--
Fire/EMS building	--	--	--	--	--
	--	--	--	--	40
Funds Authorized October 22, 1983					
Jollyville road improvements	--	--	--	--	--
Energy improvements - city facilities	--	--	--	--	--
	--	--	--	--	--
Total Prior to 1984	--	--	--	--	31
Funds Authorized September 8, 1984					
PARD pools	--	--	--	--	--
Parkland acquisition	--	--	--	--	--
Parks/Old Bakery	--	--	--	--	5
Drainage and flood improvements	--	--	--	--	242
Street improvements	--	--	--	--	730
Fire improvements	--	--	--	--	--
Libraries	--	--	--	--	--
Police facilities	--	--	--	--	--
Traffic signals	--	--	--	--	--
EMS/Fire facility	--	--	--	--	--
	$ --	--	--	--	977

Excess (Deficiency) of Revenues Over Expenditures	Other Financing Sources (Uses): Issuance of Tax Supported Debt	Transfers In	Transfers Out	Total Other Financing Sources (Uses)	Net Change in Fund Balances	Fund Balances at Beginning of Year	Fund Balances at End of Year
--	--	--	--	--	--	177	177
--	--	--	--	--	--	2	2
--	--	--	--	--	--	57	57
--	--	--	--	--	--	7	7
--	--	--	--	--	--	243	243
--	--	--	--	--	--	3	3
--	--	--	--	--	--	24	24
9	--	--	--	--	9	284	293
9	--	--	--	--	9	311	320
--	--	--	--	--	--	106	106
(40)	--	--	--	--	(40)	173	133
--	--	--	--	--	--	2	2
--	--	--	--	--	--	43	43
(40)	--	--	--	--	(40)	324	284
--	--	--	--	--	--	27	27
--	--	--	--	--	--	(82)	(82)
--	--	--	--	--	--	(55)	(55)
(31)	--	--	--	--	(31)	823	792
--	--	--	--	--	--	5	5
--	--	--	--	--	--	2	2
(5)	--	--	--	--	(5)	(179)	(184)
(242)	--	--	--	--	(242)	4,650	4,408
(730)	--	--	--	--	(730)	2,622	1,892
--	--	--	--	--	--	11	11
--	--	--	--	--	--	1	1
--	--	--	--	--	--	(14)	(14)
--	--	--	--	--	--	4	4
--	--	--	--	--	--	3	3
(977)	--	--	--	--	(977)	7,105	6,128

(Continued)

Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
September 30, 2004
(In thousands)

	Revenues				Expenditures
	Inter-governmental Revenues	Property Owners' Participation and Contributions	Interest and Other	Total Revenues	Capital Outlay
Funds Authorized January 19, 1985					
Cultural arts	$ --	--	71	71	5
Downtown art museum	--	--	--	--	--
	--	--	71	71	5
Funds Authorized July 26, 1985					
Neighborhood park and recreation	2	846	44	892	219
Funds Authorized September 26, 1985					
Art in public places	--	--	--	--	--
Funds Authorized December 14, 1985					
Senior activity center	--	--	--	--	--
South Austin parkland	--	--	--	--	--
Parks Oak Hill	--	--	--	--	--
	--	--	--	--	--
Total Funds Authorized in 1985	2	846	115	963	224
Funds Authorized September 3, 1987					
Street resurfacing	--	13	3	16	2
Funds Authorized August 10, 1992					
EMS facility	--	--	--	--	--
Fire stations	--	--	--	--	--
Police substations	--	--	--	--	27
Asbestos abatement/ADA compliance/ East Austin health clinic	--	--	--	--	739
Erosion & flood control	--	--	--	--	2,310
Street & traffic signals	--	--	--	--	6
Neighborhood sidewalks	--	--	--	--	17
Parks and recreation facilities	--	--	--	--	142
Libraries	--	--	--	--	12
Balcones Canyonlands Conservation Plan	--	--	--	--	--
Barton Creek greenway	--	--	--	--	--
	--	--	--	--	3,253
Funds Authorized May 3, 1997					
Radio Trunking	--	1,066	--	1,066	9,716
	$ --	1,066	--	1,066	9,716

Excess (Deficiency) of Revenues Over Expenditures	Other Financing Sources (Uses): Issuance of Tax Supported Debt	Other Financing Sources (Uses): Transfers In	Other Financing Sources (Uses): Transfers Out	Other Financing Sources (Uses): Total Other Financing Sources(Uses)	Net Change In Fund Balances	Fund Balances at Beginning of Year	Fund Balances at End of Year
66	--	--	(71)	(71)	(5)	1,777	1,772
--	--	--	--	--	--	168	168
66	--	--	(71)	(71)	(5)	1,945	1,940
673	--	830	(830)	--	673	4,695	5,368
--	--	--	--	--	--	13	13
--	--	--	--	--	--	3	3
--	--	--	--	--	--	11	11
--	--	--	--	--	--	2	2
--	--	--	--	--	--	16	16
739	--	830	(901)	(71)	668	6,669	7,337
14	--	--	--	--	14	146	160
--	--	--	--	--	--	49	49
--	--	--	--	--	--	12	12
(27)	--	--	--	--	(27)	141	114
(739)	--	--	--	--	(739)	1,526	787
(2,310)	--	--	--	--	(2,310)	4,748	2,438
(6)	--	--	--	--	(6)	252	246
(17)	--	--	--	--	(17)	61	44
(142)	--	--	--	--	(142)	678	536
(12)	--	--	--	--	(12)	42	30
--	--	--	--	--	--	3	3
--	--	--	--	--	--	325	325
(3,253)	--	--	--	--	(3,253)	7,837	4,584
(8,650)	--	--	--	--	(8,650)	2,830	(5,820)
(8,650)	--	--	--	--	(8,650)	2,830	(5,820)

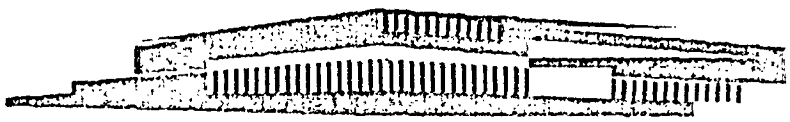
(Continued)

Capital Projects Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
September 30, 2004
(In thousands)

	Revenues				Expenditures
	Inter-governmental Revenues	Property Owners' Participation and Contributions	Interest and Other	Total Revenues	Capital Outlay
Funds Authorized November 3, 1998					
Cultural arts and land	$ --	--	--	--	6,209
Drainage and flood control	--	--	--	--	883
Traffic signals	--	--	--	--	33,551
Public safety facilities	--	--	--	--	6,050
Parks and recreation facilities	--	--	1	1	3,600
	--	--	1	1	50,293
Funds Authorized 2000					
Transportation Mobility Improvement	--	--	--	--	14,052
Open Spaces	--	--	--	--	4,943
	--	--	--	--	18,995
Other funds					
Planning & development improvements	--	--	--	--	45
TPSD general improvements	--	34	--	34	2,003
Parks-1992	--	--	--	--	52
Library automation system	--	--	3	3	403
Fire/EMS/NW Austin MUD #1	--	--	10	10	--
General government projects	--	--	--	--	6,102
Health projects	1,881	--	--	1,881	2,716
Build Austin	48	--	--	48	48
CMTA Mobility	11,514	--	55	11,569	18,120
Forsythia Drive	--	--	--	--	--
Central City Entertainment Center	--	--	--	--	11
Park improvements	1,286	1,000	--	2,286	6,437
Police and courts	--	--	--	--	--
Neighborhood centers	--	--	--	--	--
Loan star improvements	--	--	--	--	--
Fire - general	--	--	--	--	1,182
Capital reserve	--	(2,432)	--	(2,432)	5,992
Public Works	627	--	--	627	625
One Texas Center	--	--	--	--	--
Watershed Protection	--	--	--	--	632
Great Streets	--	--	1	1	--
City Hall, plaza, parking garage	--	--	--	--	21,079
Conservation Land	--	--	1	1	--
Colony Park	--	--	--	--	2,830
Economic Development	--	--	--	--	--
Interest income fund	--	--	1,260	1,260	--
Total other funds	15,356	(1,398)	1,330	15,288	68,277
2004 Totals	$ 15,358	527	1,449	17,334	151,768

(Continued)

	Other Financing Sources (Uses)						
Excess (Deficiency) of Revenues Over Expenditures	Issuance of Tax Supported Debt	Transfers In	Transfers Out	Total Other Financing Sources(Uses)	Net Change In Fund Balances	Fund Balances at Beginning of Year	Fund Balances at End of Year
(6,209)	2,875	--	--	2,875	(3,334)	16,901	13,567
(883)	--	--	--	--	(883)	1,991	1,108
(33,551)	35,503	--	--	35,503	1,952	41,698	43,650
(6,050)	--	--	--	--	(6,050)	9,621	3,571
(3,599)	11,532	--	--	11,532	7,933	14,925	22,858
(50,292)	49,910	--	--	49,910	(382)	85,136	84,754
(14,052)	15,000	--	--	15,000	948	(82)	866
(4,943)	--	--	--	--	(4,943)	7,805	2,862
(18,995)	15,000	--	--	15,000	(3,995)	7,723	3,728
(45)	--	--	--	--	(45)	750	705
(1,969)	--	1,257	--	1,257	(712)	9,267	8,555
(52)	--	--	--	--	(52)	(173)	(225)
(400)	--	1,414	--	1,414	1,014	870	1,884
10	--	--	--	--	10	619	629
(6,102)	500	1,274	--	1,774	(4,328)	15,429	11,101
(835)	600	415	--	1,015	180	496	676
--	--	--	--	--	--	(25)	(25)
(6,551)	--	--	--	--	(6,551)	8,427	1,876
--	--	--	--	--	--	3	3
(11)	--	--	--	--	(11)	10	(1)
(4,151)	--	2,800	--	2,800	(1,351)	4,135	2,784
--	--	--	--	--	--	146	146
--	--	--	--	--	--	8	8
--	--	--	--	--	--	331	331
(1,182)	2,030	--	--	2,030	848	6,443	7,291
(8,424)	2,000	1,985	--	3,985	(4,439)	3,474	(965)
2	--	--	--	--	2	(21)	(19)
--	--	--	--	--	--	187	187
(632)	--	--	--	--	(632)	712	80
1	--	495	(1,077)	(582)	(581)	1,077	496
(21,079)	--	2,500	--	2,500	(18,579)	15,666	(2,913)
1	--	--	--	--	1	(1)	--
(2,830)	--	1,800	--	1,800	(1,030)	1,896	866
--	--	--	--	--	--	539	539
1,260	--	71	(2,500)	(2,429)	(1,169)	574	(595)
(52,989)	5,130	14,011	(3,577)	15,564	(37,425)	70,839	33,414
(134,434)	70,040	14,841	(4,478)	80,403	(54,031)	189,108	135,077



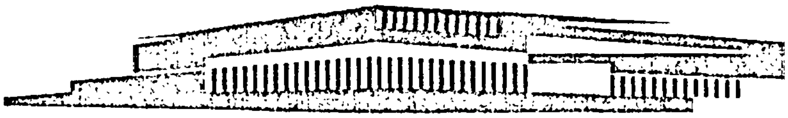
PERMANENT FUNDS

Permanent funds are used to account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry.

3M Maintenance Endowment - Purpose is to account for 3M Mitigation Land Endowment.

Ellis Library Trust - Purpose is to account for principal and interest income earned on the principal from the Ellis estate. This income is used for purchasing books on the subject of mental health.

Perpetual Care - Accounts for revenues to be used for maintenance and care of cemeteries.



Permanent Funds
Combining Balance Sheet
September 30, 2004
(In thousands)

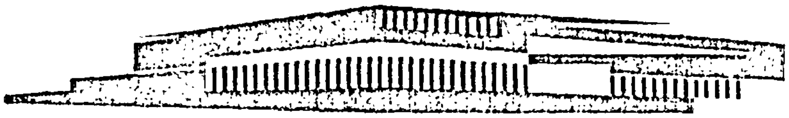
City of Austin, Texas
Exhibit E-21

	3M Maintenance Endowment	Ellis Library Trust	Perpetual Care	2004 Total
ASSETS				
Pooled investments and cash	$ 50	23	1,337	1,410
Total assets	50	23	1,337	1,410
LIABILITIES AND FUND BALANCES				
Fund balances				
Reserved:				
Permanent funds	50	9	981	1,040
Unreserved, undesignated:				
Permanent funds	--	14	356	370
Total fund balances	50	23	1,337	1,410
Total liabilities and fund balances	$ 50	23	1,337	1,410

Permanent Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit E-22

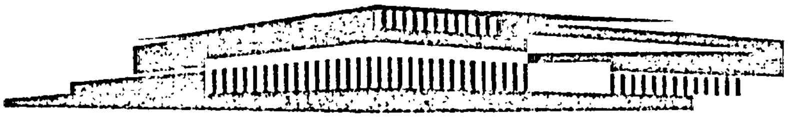
	3M Maintenance Endowment	Ellis Library Trust	Perpetual Care	2004 Total
REVENUES				
Property owners' participation and contributions	$ --	--	103	103
Interest and other	--	--	21	21
Total revenues	--	--	124	124
EXPENDITURES				
Public recreation and culture	--	--	67	67
Total expenditures	--	--	67	67
Net change in fund balances	--	--	57	57
Fund balances at beginning of year	50	23	1,280	1,353
Fund balances at end of year	$ 50	23	1,337	1,410



NONMAJOR ENTERPRISE FUNDS

Enterprise funds account for the acquisition, operations and maintenance of the City's facilities and services that are entirely or predominantly supported by user charges or those for which the City has decided that periodic determination of the revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. All activities necessary to provide services are accounted for in these funds, including, but not limited to, administration, operations, and maintenance. The nonmajor enterprise funds are as follows:

The Austin Women's Hospital Fund;
The Convention Center Fund;
The Drainage Fund;
The Golf Fund;
The Hospital Fund;
The Parks and Recreation Fund;
The Primary Care Fund;
The Solid Waste Services Fund; and
The Transportation Fund



Nonmajor Enterprise Funds
Combining Statement of Net Assets
September 30, 2004
(In thousands)

	Austin Women's Hospital	Convention Center	Drainage	Golf	Hospital
ASSETS					
Current assets:					
Cash	$ --	10	3	1	--
Pooled investments and cash	--	8,667	5,273	68	89
Pooled investments and cash - designated	--	15,232	--	--	--
Pooled investments and cash - restricted	--	34,615	34,536	721	--
Total pooled investments and cash	--	58,514	39,809	789	89
Investments, at fair value - restricted	--	5,739	--	--	--
Working capital advances	--	124	--	--	--
Accounts receivable	--	791	3,198	--	3,308
Less allowance for doubtful accounts	--	(4)	(292)	--	(3,095)
Net accounts receivable	--	787	2,906	--	213
Receivables from other governments	--	--	--	--	--
Due from other funds	--	778	--	--	--
Inventories, at cost	--	--	--	--	--
Prepaid expenses	--	31	58	--	--
Other receivables - restricted	--	--	4	--	--
Total current assets	--	65,983	42,780	790	302
Noncurrent assets:					
Advances to other funds	--	--	101	--	--
Advances to other funds - restricted	--	--	--	15	--
Capital assets					
Land and other nondepreciable assets	--	26,650	5,009	324	745
Property, plant and equipment in service	--	239,174	48,295	14,679	73,977
Less accumulated depreciation	--	(36,364)	(9,274)	(4,249)	(38,499)
Net property, plant and equipment in service	--	202,810	39,021	10,430	35,478
Construction in progress	--	29,812	26,944	167	--
Total capital assets	--	259,272	70,974	10,921	36,223
Deferred costs and expenses, net of amortization	--	3,349	1	12	--
Total noncurrent assets	--	262,621	71,076	10,948	36,223
Total assets	$ --	328,604	113,856	11,738	36,525

	Parks and Recreation	Primary Care	Solid Waste Services	Trans-portation	2004 Total
ASSETS					
Current assets:					
Cash	--	2	3	1	20
Pooled investments and cash	115	4,606	10,616	7,355	36,789
Pooled investments and cash - designated	--	--	9	--	15,241
Pooled investments and cash - restricted	--	--	14,220	1,978	86,070
Total pooled investments and cash	115	4,606	24,845	9,333	138,100
Investments, at fair value - restricted	--	--	--	--	5,739
Working capital advances	--	--	--	--	124
Accounts receivable	--	1,494	4,886	1,725	15,402
Less allowance for doubtful accounts	--	(40)	(173)	(705)	(4,309)
Net accounts receivable	--	1,454	4,713	1,020	11,093
Receivables from other governments	--	1,349	--	--	1,349
Due from other funds	--	--	383	3	1,164
Inventories, at cost	--	342	--	303	645
Prepaid expenses	--	30	29	--	148
Other receivables - restricted	--	--	--	--	4
Total current assets	115	7,783	29,973	10,660	158,386
Noncurrent assets:					
Advances to other funds	--	--	--	--	101
Advances to other funds - restricted	--	--	--	--	15
Capital assets					
Land and other nondepreciable assets	--	--	15,214	--	47,942
Property, plant and equipment in service	164	1,941	49,678	13,501	441,409
Less accumulated depreciation	(59)	(725)	(25,888)	(7,054)	(122,112)
Net property, plant and equipment in service	105	1,216	23,790	6,447	319,297
Construction in progress	--	143	6,265	--	63,331
Total capital assets	105	1,359	45,269	6,447	430,570
Deferred costs and expenses, net of amortization	--	--	28	--	3,390
Total noncurrent assets	105	1,359	45,297	6,447	434,076
Total assets	220	9,142	75,270	17,107	592,462

(Continued)

Nonmajor Enterprise Funds
Combining Statement of Net Assets
September 30, 2004
(In thousands)

	Austin Women's Hospital	Convention Center	Drainage	Golf	Hospital
LIABILITIES					
Current liabilities:					
Accounts payable	$ --	423	2,145	98	68
Accounts and retainage payable from restricted assets	--	3,432	460	2	--
Accrued payroll	--	228	460	71	5
Accrued compensated absences	--	366	1,101	168	11
Due to other governments	--	--	--	--	--
Accrued interest payable from restricted assets	--	4,742	--	--	--
Interest payable on other debt	--	--	54	32	--
General obligation bonds payable and other tax supported debt	--	--	622	824	--
General obligation bonds payable and other tax supported debt payable from restricted assets	--	914	--	--	--
Revenue bonds payable from restricted assets	--	3,520	--	--	--
Capital lease obligations payable	--	41	71	--	--
Customer and escrow deposits payable from restricted assets	--	1,618	676	--	--
Deferred credits and other liabilities	--	14	--	5	20
Total current liabilities	--	15,298	5,589	1,200	104
Noncurrent liabilities, net of current portion:					
Accrued compensated absences	--	145	212	34	2
Advances from other funds	--	2,579	--	--	--
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	--	25,616	13,115	7,063	--
Revenue bonds payable, net of discount and inclusive of premium	--	220,031	--	--	--
Pension obligation payable	--	90	200	29	--
Capital lease obligations payable	--	28	48	1	--
Accrued landfill closure and postclosure costs	--	--	--	--	--
Total noncurrent liabilities	--	248,489	13,575	7,127	2
Total liabilities	--	263,787	19,164	8,327	106
NET ASSETS					
Invested in capital assets, net of related debt	--	37,691	57,654	3,070	36,223
Restricted for:					
Debt service	--	5,739	--	--	--
Capital projects	--	--	9,987	--	--
Renewal and replacement	--	1,415	--	--	--
Convention Center operating reserve	--	2,423	--	--	--
Unrestricted	--	17,549	27,051	341	196
Total net assets	$ --	64,817	94,692	3,411	36,419

	Parks and Recreation	Primary Care	Solid Waste Services	Trans-portation	2004 Total
LIABILITIES					
Current liabilities:					
Accounts payable	42	1,541	806	2,521	7,644
Accounts and retainage payable from restricted assets	--	--	8,027	--	11,921
Accrued payroll	57	496	523	268	2,108
Accrued compensated absences	41	694	1,024	667	4,072
Due to other governments	--	3,000	--	--	3,000
Accrued interest payable from restricted assets	--	--	--	--	4,742
Interest payable on other debt	--	--	102	5	193
General obligation bonds payable and other tax supported debt	--	--	2,217	164	3,827
General obligation bonds payable and other tax supported debt payable from restricted assets	--	--	--	--	914
Revenue bonds payable from restricted assets	--	--	--	--	3,520
Capital lease obligations payable	4	--	28	13	157
Customer and escrow deposits payable from restricted assets	--	--	315	--	2,609
Deferred credits and other liabilities	--	115	294	--	448
Total current liabilities	144	5,846	13,336	3,638	45,155
Noncurrent liabilities, net of current portion:					
Accrued compensated absences	--	--	78	52	523
Advances from other funds	--	--	1,647	--	4,226
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	--	--	23,600	2,003	71,397
Revenue bonds payable, net of discount and inclusive of premium	--	--	--	--	220,031
Pension obligation payable	3	--	206	139	667
Capital lease obligations payable	5	--	5	6	93
Accrued landfill closure and postclosure costs	--	--	7,612	--	7,612
Total noncurrent liabilities	8	--	33,148	2,200	304,549
Total liabilities	152	5,846	46,484	5,838	349,704
NET ASSETS					
Invested in capital assets, net of related debt	95	1,359	25,326	6,240	167,658
Restricted for:					
Debt service	--	--	--	--	5,739
Capital projects	--	--	--	--	9,987
Renewal and replacement	--	--	--	--	1,415
Convention Center operating reserve	--	--	--	--	2,423
Unrestricted	(27)	1,937	3,460	5,029	55,536
Total net assets	68	3,296	28,786	11,269	242,758

Nonmajor Enterprise Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the year ended September 30, 2004
(In thousands)

	Austin Women's Hospital	Convention Center	Drainage	Golf	Hospital
OPERATING REVENUES					
User fees and rentals	$ --	10,404	37,953	5,246	492
Operating revenues from other governments	--	--	--	--	--
Other operating revenues	2,066	--	--	--	--
Total operating revenues	2,066	10,404	37,953	5,246	492
OPERATING EXPENSES					
Operating expenses before depreciation	2,033	18,192	25,813	4,637	533
Depreciation and amortization	1	6,444	1,705	459	1,143
Total operating expenses	2,034	24,636	27,518	5,096	1,676
Operating income (loss)	32	(14,232)	10,435	150	(1,184)
NONOPERATING REVENUES (EXPENSES)					
Interest and other revenues	6	35	616	13	5
Interest on revenue bonds and other debt	--	(13,772)	(606)	(401)	--
Interest capitalized during construction	--	1,390	1,113	67	--
Amortization of bond issue cost	--	(175)	(5)	(1)	--
Other nonoperating revenue (expense)	--	(15,291)	(439)	(168)	(65)
Total nonoperating revenues (expenses)	6	(27,813)	679	(490)	(60)
Income (loss) before contributions and transfers	38	(42,045)	11,114	(340)	(1,244)
Capital contributions	(637)	--	1,220	83	--
Transfers in	58	22,712	299	--	--
Transfers out	--	(75)	(630)	--	--
Change in net assets	(541)	(19,408)	12,003	(257)	(1,244)
Special items - hospital district reserve payment	--	--	--	--	--
Net change in net assets	(541)	(19,408)	12,003	(257)	(1,244)
Total net assets - beginning	541	84,225	82,689	3,668	37,663
Total net assets - ending	$ --	64,817	94,692	3,411	36,419

	Parks and Recreation	Primary Care	Solid Waste Services	Trans-portation	2004 Total
OPERATING REVENUES					
User fees and rentals	3,709	8,815	42,201	22,472	131,292
Operating revenues from other governments	--	4,209	--	--	4,209
Other operating revenues	--	3,100	--	--	5,166
Total operating revenues	3,709	16,124	42,201	22,472	140,667
OPERATING EXPENSES					
Operating expenses before depreciation	3,743	49,854	35,270	19,811	159,886
Depreciation and amortization	10	161	3,072	1,116	14,111
Total operating expenses	3,753	50,015	38,342	20,927	173,997
Operating income (loss)	(44)	(33,891)	3,859	1,545	(33,330)
NONOPERATING REVENUES (EXPENSES)					
Interest and other revenues	3	58	296	105	1,137
Interest on revenue bonds and other debt	--	--	(852)	(6)	(15,637)
Interest capitalized during construction	--	--	131	--	2,701
Amortization of bond issue cost	--	--	(3)	--	(184)
Other nonoperating revenue (expense)	(13)	34	(8,283)	(182)	(24,407)
Total nonoperating revenues (expenses)	(10)	92	(8,711)	(83)	(36,390)
Income (loss) before contributions and transfers	(54)	(33,799)	(4,852)	1,462	(69,720)
Capital contributions	--	--	--	8	674
Transfers in	--	36,576	1,456	--	61,101
Transfers out	--	(58)	(651)	(209)	(1,623)
Change in net assets	(54)	2,719	(4,047)	1,261	(9,568)
Special items - hospital district reserve payment	--	(3,000)	--	--	(3,000)
Net change in net assets	(54)	(281)	(4,047)	1,261	(12,568)
Total net assets - beginning	122	3,577	32,833	10,008	255,326
Total net assets - ending	68	3,296	28,786	11,269	242,758

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the year ended September 30, 2004
(In thousands)

	Austin Women's Hospital	Convention Center	Drainage	Golf	Hospital
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 2,066	10,377	37,559	5,246	512
Cash payments to suppliers for goods and services	(1,965)	(9,328)	(10,070)	(2,112)	(335)
Cash payments to employees for services	(76)	(8,500)	(15,266)	(2,573)	(166)
Cash received from other governments	--	--	--	--	--
Net cash provided (used) by operating activities	25	(7,451)	12,223	561	11
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	58	22,712	299	--	--
Transfers out	--	(75)	(630)	--	--
Interest paid on revenue notes and other debt	--	--	--	--	--
Due to other governments	--	--	--	--	--
Loans to other funds	--	(778)	(60)	8	--
Loans from other funds	--	58	--	--	--
Loan repayments to other funds	--	--	--	--	--
Net cash provided (used) by noncapital financing activities	58	21,917	(391)	8	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the sale of general obligation bonds and other tax-supported debt	--	16,400	3,874	1	--
Proceeds from long-term loans	--	48	--	--	--
Principal paid on long-term debt	--	(5,639)	(651)	(497)	--
Purchased interest received	--	305	17	--	--
Interest paid on revenue bonds and other debt	--	(12,941)	(645)	(403)	--
Acquisition and construction of capital assets	(178)	(9,660)	(8,786)	(160)	--
Contributions in aid of construction	--	--	1,267	79	--
Bond issuance costs	--	(1,016)	--	--	--
Bond discounts	--	(284)	--	--	--
Bond premiums	--	4,762	--	--	--
Bonds issued for advanced refundings of debt	--	52,715	--	--	--
Cash paid for bond refunding escrow	--	(62,403)	--	--	--
Net cash provided (used) by capital and related financing activities	$ (178)	(17,713)	(4,924)	(980)	--

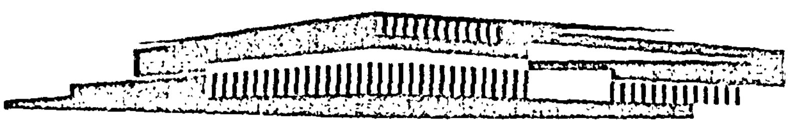
	Parks and Recreation	Primary Care	Solid Waste Services	Trans-portation	2004 Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	3,709	6,583	41,922	22,374	130,348
Cash payments to suppliers for goods and services	(1,496)	(30,589)	(17,864)	(9,323)	(83,082)
Cash payments to employees for services	(2,238)	(15,470)	(16,857)	(9,331)	(70,477)
Cash received from other governments	--	3,186	--	--	3,186
Net cash provided (used) by operating activities	(25)	(36,290)	7,201	3,720	(20,025)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:					
Transfers in	--	36,576	1,456	--	61,101
Transfers out	--	(58)	(651)	(209)	(1,623)
Interest paid on revenue notes and other debt	--	--	(6)	--	(6)
Due to other governments	--	3,000	--	--	3,000
Loans to other funds	--	--	--	(3)	(833)
Loans from other funds	--	--	471	--	529
Loan repayments to other funds	--	--	(383)	--	(383)
Net cash provided (used) by noncapital financing activities	--	39,518	887	(212)	61,785
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:					
Proceeds from the sale of general obligation bonds and other tax-supported debt	--	--	10,000	2,111	32,386
Proceeds from long-term loans	9	--	--	--	57
Principal paid on long-term debt	(1)	--	(1,983)	(140)	(8,911)
Purchased interest received	--	--	25	3	350
Interest paid on revenue bonds and other debt	(4)	--	(891)	(11)	(14,895)
Acquisition and construction of capital assets	(9)	(972)	(5,181)	(1,573)	(26,519)
Contributions in aid of construction	--	--	--	--	1,346
Bond issuance costs	--	--	--	--	(1,016)
Bond discounts	--	--	--	--	(284)
Bond premiums	--	--	358	--	5,120
Bonds issued for advanced refundings of debt	--	--	--	--	52,715
Cash paid for bond refunding escrow	--	--	--	--	(62,403)
Net cash provided (used) by capital and related financing activities	(5)	(972)	2,328	390	(22,054)

(Continued)

Nonmajor Enterprise Funds
Combining Statement of Cash Flows
For the year ended September 30, 2004
(In thousands)

	Austin Women's Hospital	Convention Center	Drainage	Golf	Hospital
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investment securities	$ --	(34,661)	--	--	--
Proceeds from sale and maturities of investment securities	--	43,230	--	--	--
Interest on investments	6	123	616	13	5
Net cash provided by investing activities	6	8,692	616	13	5
Net increase (decrease) in cash and cash equivalents	(89)	5,445	7,524	(398)	16
Cash and cash equivalents, October 1	89	53,079	32,288	1,188	73
Cash and cash equivalents, September 30	--	58,524	39,812	790	89
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	32	(14,232)	10,435	150	(1,184)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	1	6,444	1,705	459	1,143
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	--	(313)	(571)	--	(1)
Increase in allowance for doubtful accounts	--	--	177	--	1
Decrease in receivable from other governments	--	--	--	--	--
(Increase) decrease in inventory	--	--	--	--	--
(Increase) in prepaid expenses and other assets	--	--	(7)	--	--
Decrease in deferred costs and other expenses	--	--	--	--	--
Increase (decrease) in accounts payable	(8)	259	290	5	19
Increase (decrease) in accrued payroll and compensated absences	--	2	(6)	(82)	13
Increase in pension obligations payable	--	90	200	29	--
Increase (decrease) in deferred credits and other liabilities	--	14	--	--	20
Increase in customer deposits	--	285	--	--	--
Total adjustments	(7)	6,781	1,788	411	1,195
Net cash provided (used) by operating activities	$ 25	(7,451)	12,223	561	11
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Decrease in deferred assets/expenses	$ --	14,978	--	--	--
Capital assets contributed from (to) other funds	(637)	--	--	--	--
Amortization of bond issue costs	--	(175)	(4)	(1)	--
Amortization of bond discounts and premiums	--	36	(3)	(66)	--
Amortization of deferred loss on refundings	--	519	(1)	(27)	--
Gain (loss) on disposal of assets	--	(15,293)	(439)	(206)	(65)
Deferred gain (loss) on bond refunding	--	(2,601)	--	--	--
Bond issuance costs, discounts, premiums and accrued interest written off due to refunding	--	1,158	--	--	--
Contributions	--	--	--	--	--

	Parks and Recreation	Primary Care	Solid Waste Services	Trans-portation	2004 Total
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchase of investment securities	--	--	--	--	(34,661)
Proceeds from sale and maturities of investment securities	--	--	--	--	43,230
Interest on investments	3	58	296	105	1,225
Net cash provided by investing activities	3	58	296	105	9,794
Net increase (decrease) in cash and cash equivalents	(27)	2,314	10,712	4,003	29,500
Cash and cash equivalents, October 1	142	2,294	14,136	5,331	108,620
Cash and cash equivalents, September 30	115	4,608	24,848	9,334	138,120
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:					
Operating income (loss)	(44)	(33,891)	3,859	1,545	(33,330)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	10	161	3,072	1,116	14,111
Change in assets and liabilities:					
(Increase) decrease in accounts receivable	--	742	(310)	(97)	(550)
Increase in allowance for doubtful accounts	--	--	19	239	436
Decrease in receivable from other governments	--	(1,023)	--	--	(1,023)
(Increase) decrease in inventory	--	7	--	(105)	(98)
(Increase) in prepaid expenses and other assets	--	(1)	(9)	--	(17)
Decrease in deferred costs and other expenses	--	--	3	--	3
Increase (decrease) in accounts payable	8	601	108	951	2,233
Increase (decrease) in accrued payroll and compensated absences	(2)	88	2	(69)	(54)
Increase in pension obligations payable	3	--	206	140	668
Increase (decrease) in deferred credits and other liabilities	--	(2,974)	242	--	(2,698)
Increase in customer deposits	--	--	9	--	294
Total adjustments	19	(2,399)	3,342	2,175	13,305
Net cash provided (used) by operating activities	(25)	(36,290)	7,201	3,720	(20,025)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:					
Decrease in deferred assets/expenses	--	--	--	--	14,978
Capital assets contributed from (to) other funds	--	--	--	8	(629)
Amortization of bond issue costs	--	--	(3)	--	(183)
Amortization of bond discounts and premiums	--	--	(66)	--	(99)
Amortization of deferred loss on refundings	--	--	47	--	538
Gain (loss) on disposal of assets	(13)	34	(8,285)	(182)	(24,449)
Deferred gain (loss) on bond refunding	--	--	--	--	(2,601)
Bond issuance costs, discounts, premiums and accrued interest written off due to refunding	--	--	--	--	1,158
Contributions	--	3,100	--	--	3,100

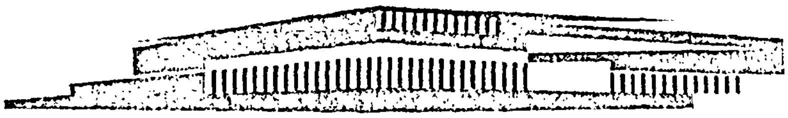


INTERNAL SERVICE FUNDS

Internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City and other agencies on a cost-reimbursement basis.

The internal service funds are as follows:

- The Capital Projects Management Fund, which manages the City's capital improvement projects;
- The Combined Transportation, Emergency and Communication Center Fund (CTECC), which supports the operation of shared critical emergency communications and transportation management for the region;
- The Employee Benefits Fund, which includes activities related to the health, dental, and life insurance costs of City employees;
- The Fleet Maintenance Fund, which accounts for City vehicle and equipment services;
- The Information Systems Fund, which includes activities of the Information Systems Department;
- The Liability Reserve Fund, which provides coverage of the City's major claims liabilities;
- The Support Services Fund, which accounts for the activities of the various support service departments;
- The Wireless Communication Fund, which accounts for communication support activities; and
- The Workers' Compensation Fund, which accounts for workers' compensation costs.



Internal Service Funds
Combining Statement of Net Assets
September 30, 2004
(In thousands)

	Capital Projects Management	CTECC	Employee Benefits	Fleet Maintenance
ASSETS				
Current assets:				
Cash	$ 2	--	--	3
Pooled investments and cash	6,731	--	16,247	6,620
Cash held by trustee	--	--	717	--
Accounts receivable	292	712	--	276
Less allowance for doubtful accounts	--	--	--	(222)
Net accounts receivable	292	712	--	54
Due from other funds	--	--	--	--
Inventories, at cost	--	--	--	1,619
Prepaid expenses	68	--	--	--
Total current assets	7,093	712	16,964	8,296
Noncurrent assets:				
Capital assets				
Land and other nondepreciable assets	--	--	--	1,251
Property, plant and equipment in service	1,226	2	--	28,474
Less accumulated depreciation	(366)	--	--	(13,771)
Net property, plant and equipment in service	860	2	--	14,703
Construction in progress	--	--	--	137
Total capital assets	860	2	--	16,091
Deferred costs and expenses, net of amortization	--	--	--	5
Total noncurrent assets	860	2	--	16,096
Total assets	$ 7,953	714	16,964	24,392

Information Systems	Liability Reserve	Support Services	Wireless Communication	Workers' Compensation	2004 Total
--	--	11	1	--	17
18,846	12,601	11,956	1,584	14,198	88,783
--	--	--	--	--	717
--	--	4	55	--	1,339
--	--	--	--	--	(222)
--	--	4	55	--	1,117
410	--	--	--	--	410
--	--	--	138	--	1,757
29	--	256	--	--	353
19,285	12,601	12,227	1,778	14,198	93,154
--	--	486	--	--	1,737
19,485	--	6,190	603	--	55,980
(5,022)	--	(3,261)	(268)	--	(22,688)
14,463	--	2,929	335	--	33,292
5,358	--	--	--	--	5,495
19,821	--	3,415	335	--	40,524
1	--	1	--	--	7
19,822	--	3,416	335	--	40,531
39,107	12,601	15,643	2,113	14,198	133,685

(Continued)

Internal Service Funds
Combining Statement of Net Assets
September 30, 2004
(In thousands)

	Capital Projects Management	CTECC	Employee Benefits	Fleet Maintenance
LIABILITIES				
Current liabilities:				
Accounts payable	$ 218	42	2,410	1,198
Accrued payroll	434	73	--	287
Accrued compensated absences	932	141	--	615
Claims payable	--	--	4,940	--
Due to other funds	--	415	--	--
Interest payable on other debt	--	--	--	52
General obligation bonds payable and other tax supported debt	--	--	--	675
Capital lease obligations payable	28	--	--	17
Deferred credits and other liabilities	--	--	618	--
Total current liabilities	1,612	671	7,968	2,844
Noncurrent liabilities, net of current portion:				
Accrued compensated absences	353	--	--	--
Claims payable	--	--	--	--
Advances from other funds	--	419	--	163
General obligation bonds payable and other tax supported debt, net of discount and inclusive of premium	--	--	--	7,089
Capital lease obligations payable	13	--	--	3
Other liabilities payable from restricted assets	--	8	--	--
Total noncurrent liabilities	366	427	--	7,255
Total liabilities	1,978	1,098	7,968	10,099
NET ASSETS				
Invested in capital assets, net of related debt	819	2	--	6,924
Restricted for:				
Capital projects	--	--	--	3,113
Unrestricted (deficit)	5,156	(386)	8,996	4,256
Total net assets	$ 5,975	(384)	8,996	14,293

Information Systems	Liability Reserve	Support Services	Wireless Communication	Workers' Compensation	2004 Total
236	218	1,024	44	180	5,570
545	--	1,340	53	--	2,732
941	--	2,587	74	--	5,290
--	9,476	--	--	4,179	18,595
27	--	--	--	--	442
113	--	3	--	--	168
2,209	--	79	--	--	2,963
60	--	50	6	--	161
--	--	94	1,274	--	1,986
4,131	9,694	5,177	1,451	4,359	37,907
264	--	293	34	--	944
--	3,682	--	--	5,163	8,845
161	--	115	--	--	858
16,743	--	577	--	--	24,409
21	--	33	4	--	74
--	--	--	--	--	8
17,189	3,682	1,018	38	5,163	35,138
21,320	13,376	6,195	1,489	9,522	73,045
8,705	--	2,191	325	--	18,966
6,538	--	--	--	--	9,651
2,544	(775)	7,257	299	4,676	32,023
17,787	(775)	9,448	624	4,676	60,640

Internal Service Funds
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
For the year ended September 30, 2004
(In thousands)

	Capital Projects Management	CTECC	Employee Benefits	Fleet Maintenance
OPERATING REVENUES				
Billings to departments	$ 16,827	5,672	64,076	25,725
Employee contributions	--	--	24,053	--
Operating revenues from other governments	--	1,784	--	--
Other operating revenues	2,893	--	--	111
Total operating revenues	19,720	7,456	88,129	25,836
OPERATING EXPENSES				
Operating expenses before depreciation	18,038	7,844	86,114	24,074
Depreciation and amortization	86	--	--	843
Total operating expenses	18,124	7,844	86,114	24,917
Operating income (loss)	1,596	(388)	2,015	919
NONOPERATING REVENUES (EXPENSES)				
Interest and other revenues	88	3	--	(333)
Interest on revenue bonds and other debt	--	--	--	(343)
Amortization of bond issue cost	--	--	--	(2)
Other nonoperating revenue (expense)	237	--	--	(172)
Total nonoperating revenues (expenses)	325	3	--	(850)
Income (loss) before contributions and transfers	1,921	(385)	2,015	69
Capital contributions	--	1	--	64
Transfers in	--	--	--	--
Transfers out	(11)	--	--	--
Change in net assets	1,910	(384)	2,015	133
Total net assets - beginning	4,065	--	6,981	14,160
Total net assets - ending	$ 5,975	(384)	8,996	14,293

Information Systems	Liability Reserve	Support Services	Wireless Communication	Workers' Compensation	2004 Total
22,377	4,500	42,210	2,836	12,209	196,432
--	--	--	--	--	24,053
--	--	--	306	--	2,090
166	5,355	--	--	--	8,525
22,543	9,855	42,210	3,142	12,209	231,100
19,509	4,587	39,576	3,055	9,358	212,155
803	--	427	61	--	2,220
20,312	4,587	40,003	3,116	9,358	214,375
2,231	5,268	2,207	26	2,851	16,725
86	--	274	16	--	134
(267)	--	(41)	--	--	(651)
--	--	(2)	--	--	(4)
(1,772)	--	(464)	--	--	(2,171)
(1,953)	--	(233)	16	--	(2,692)
278	5,268	1,974	42	2,851	14,033
1,756	--	97	--	--	1,918
--	--	--	17	--	17
(985)	--	(83)	--	--	(1,079)
1,049	5,268	1,988	59	2,851	14,889
16,738	(6,043)	7,460	565	1,825	45,751
17,787	(775)	9,448	624	4,676	60,640

Internal Service Funds
Combining Statement of Cash Flows
For the year ended September 30, 2004
(In thousands)

	Capital Projects Management	CTECC	Employee Benefits	Fleet Maintenance
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	$ 19,721	6,744	88,550	25,867
Cash payments to suppliers for goods and services	(3,904)	(5,225)	(37,717)	(13,946)
Cash payments to employees for services	(14,117)	(2,355)	--	(9,757)
Cash payments to claimants/beneficiaries	--	--	(48,729)	--
Net cash provided (used) by operating activities	1,700	(836)	2,104	2,164
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Transfers in	--	--	--	--
Transfers out	(11)	--	--	--
Loans from other funds	--	834	--	--
Loan repayments to other funds	--	--	--	--
Loan repayments from other funds	--	--	--	--
Net cash provided (used) by noncapital financing activities	(11)	834	--	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from the sale of general obligation bonds and other tax supported debt	--	--	--	--
Principal paid on long-term debt	(69)	--	--	(621)
Interest paid on revenue bonds and other debt	--	--	--	(348)
Acquisition and construction of capital assets	6	(2)	--	(4,528)
Contributions from municipality	--	1	--	2,200
Net cash used by capital and related financing activities	$ (63)	(1)	--	(3,297)

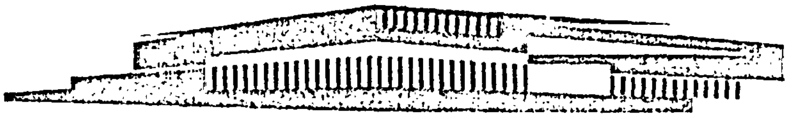
	Information Systems	Liability Reserve	Support Services	Wireless Communication	Workers' Compensation	2004 Total
	22,543	18,945	42,687	4,108	12,209	241,374
	(5,134)	(1,009)	(4,901)	(1,391)	(3,618)	(76,845)
	(14,249)	--	(35,849)	(1,654)	--	(77,981)
	--	(10,512)	--	--	(5,623)	(64,864)
	3,160	7,424	1,937	1,063	2,968	21,684
	--	--	--	17	--	17
	(985)	--	(83)	--	--	(1,079)
	--	--	29	--	--	863
	(27)	--	--	--	--	(27)
	(394)	--	--	--	--	(394)
	(1,406)	--	(54)	17	--	(620)
	14,890	--	--	--	--	14,890
	(1,828)	--	(242)	(14)	--	(2,774)
	(250)	--	(42)	--	--	(640)
	(3,036)	--	(108)	--	--	(7,668)
	1,751	--	--	--	--	3,952
	11,527	--	(392)	(14)	--	7,760

(Continued)

Internal Service Funds
Combining Statement of Cash Flows
For the year ended September 30, 2004
(In thousands)

	Capital Projects Management	CTECC	Employee Benefits	Fleet Maintenance
CASH FLOWS FROM INVESTING ACTIVITIES:				
Interest on investments	$ 88	3	--	(333)
Net cash provided by investing activities	88	3	--	(333)
Net increase (decrease) in cash and cash equivalents	1,714	--	2,104	(1,466)
Cash and cash equivalents, October 1	5,019	--	14,860	8,089
Cash and cash equivalents, September 30	6,733	--	16,964	6,623
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:				
Operating income (loss)	1,596	(388)	2,015	919
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation	86	--	--	843
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	1	(712)	421	31
Decrease in inventory	--	--	--	(25)
Increase in prepaid expenses and other assets	(48)	--	--	--
Decrease in deferred costs and other expenses	--	--	--	--
(Increase) in other long-term assets	--	--	--	(1)
Increase (decrease) in accounts payable	72	42	(704)	449
Increase (decrease) in accrued payroll and compensated absences	(7)	214	--	(52)
Increase (decrease) in claims payable	--	--	242	--
Increase (decrease) in deferred credits and other liabilities	--	8	130	--
Total adjustments	104	(448)	89	1,245
Net cash provided (used) by operating activities	$ 1,700	(836)	2,104	2,164
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Capital assets contributed from (to) other funds	$ --	1	--	(2,136)
Amortization of bond issue costs	--	--	--	(2)
Amortization of bond discounts and premiums	--	--	--	(1)
Amortization of deferred loss on refundings	--	--	--	3
(Loss) on disposal of assets	(51)	--	--	(172)
Increase in deferred credits and other liabilities	--	--	--	--

Information Systems	Liability Reserve	Support Services	Wireless Communication	Workers' Compensation	2004 Total
86	--	274	16	--	134
86	--	274	16	--	134
13,367	7,424	1,765	1,082	2,968	28,958
5,479	5,177	10,202	503	11,230	60,559
18,846	12,601	11,967	1,585	14,198	89,517
2,231	5,268	2,207	26	2,851	16,725
803	--	427	61	--	2,220
--	9,090	477	(3)	--	9,305
--	--	--	(3)	--	(28)
(29)	--	(18)	--	--	(95)
1	--	--	--	--	1
--	--	--	--	--	(1)
(168)	(12)	(602)	32	(98)	(989)
322	--	(552)	(19)	--	(94)
--	(6,922)	--	--	215	(6,465)
--	--	(2)	969	--	1,105
929	2,156	(270)	1,037	117	4,959
3,160	7,424	1,937	1,063	2,968	21,684
5	--	97	--	--	(2,033)
--	--	--	--	--	(2)
--	--	(1)	--	--	(2)
--	--	3	--	--	6
(1,772)	--	(464)	--	--	(2,459)
--	--	--	969	--	969



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 private-purpose trust funds and agency funds.

Private-purpose trust funds accounts are used to report trust arrangements under which principal and interest income benefits individuals, private organizations, or other governments.

Agency funds are purely custodial and thus do not involve measurement of results of operations.

See next page for descriptions of the individual funds.

Private-Purpose Trust Funds

Barbara Jordan Memorial Fund - Purpose is to account for donations for a future memorial.

Science Fest - Purpose is to account for all contributions, registration fees and other donations received for the Regional Science Festival.

COA Customer Service - Purpose is to hold donations solicited to help pay utility bills (part of Plus One Program). Funded by businesses that can use the donation as a tax deduction.

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

Leveraged Loan Pool - Purpose is to hold funds used to leverage private capital and state or federal resources to stimulate business investments.

Library City Literacy Program - Purpose is to account for fundraising efforts to help fund the City's Workplace Literacy Program.

Telecommunity Partnership Fund - Purpose is to account for addressing the training needs of the Austin community and creating opportunities for individuals through partnerships with local employers.

Unclaimed Property - Purpose is to account for unclaimed City of Austin checks.

Voluntary Utility Assistance - Purpose is to account for contributions for the benefit of indigent utility customers. Contributions are received with electric bill payments.

Agency Funds

BCCP Permit Fund - Purpose is to hold BCCP Permit fees collected on behalf of Travis County.

Campaign Financing Fund - Purpose is to account for donations and fees for the Austin Fair Campaign Ordinance.

Municipal Court Fund - Purpose is to record service fees collected at Municipal Court that will be remitted to the State Comptroller of Public Accounts.

Neighborhood Revitalization Funds - Purpose is to account for escrow deposits and payments to loan recipients.

Combining Statement of Fiduciary Net Assets
September 30, 2004
(In thousands)

	Assets			Liabilities			Net
	Pooled Investments and Cash	Other Assets	Total Assets	Accounts Payable	Other Liabilities	Total Liabilities	Net Assets Held in Trust
General government							
Unclaimed Property	$ 318	--	318	--	314	314	4
Total general government	318	--	318	--	314	314	4
Transportation, planning and sustainability							
COA Customer Service	1	--	1	--	--	--	1
Voluntary Utility Assistance	120	--	120	--	--	--	120
Total transportation, planning and sustainability	121	--	121	--	--	--	121
Public recreation and culture							
Science Fest	30	--	30	--	--	--	30
Barbara Jordan Memorial	1	--	1	--	--	--	1
First Step - A Community Project	52	--	52	1	--	1	51
Library City Literacy Program	3	--	3	--	--	--	3
Total public recreation and culture	86	--	86	1	--	1	85
Urban growth management							
Leveraged Loan Pool	366	121	487	--	--	--	487
Telecommunity Partnership	13	--	13	--	--	--	13
Total urban growth management	379	121	500	--	--	--	500
2004 Total	$ 904	121	1,025	1	314	315	710

Fiduciary Funds
Private-purpose Trust Funds
Combining Statement of Changes in Fiduciary Net Assets
For the year ended September 30, 2004
(In thousands)

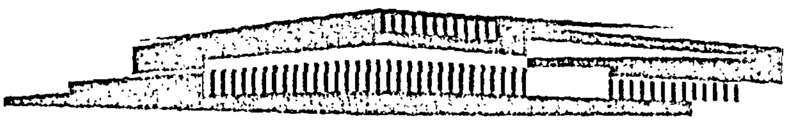
City of Austin, Texas
Exhibit H-2

	Additions					Net	Net
	Contributions	Interest and Other	Total Additions	Deductions	Net Increase (Decrease)	Net Assets at Beginning of Year	Net Assets at End of Year
General government							
Unclaimed Property	$ --	5	5	9	(4)	8	4
Total general government	--	5	5	9	(4)	8	4
Transportation, planning and sustainability							
COA Customer Service	1	--	1	--	1	--	1
Voluntary Utility Assistance	193	2	195	191	4	116	120
Total transportation, planning and sustainability	194	2	196	191	5	116	121
Public recreation and culture							
Science Fest	60	--	60	30	30	--	30
Barbara Jordan Memorial	--	--	--	--	--	1	1
First Step - A Community Project	--	2	2	80	(78)	129	51
Library City Literacy Program	--	--	--	--	--	3	3
Total public recreation and culture	60	2	62	110	(48)	133	85
Urban growth management							
Leveraged Loan Pool	--	6	6	--	6	481	487
Telecommunity Partnership	--	--	--	--	--	13	13
Total urban growth management	--	6	6	--	6	494	500
2004 Total	$ 254	15	269	310	(41)	751	710

Fiduciary Funds
Agency Funds
Combining Statement of Changes in Assets and Liabilities
For the year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit H-3

	Balance at Beginning of Year	Additions	Deductions	Balance at End of Year
BCCP Permit Fund				
Assets				
Pooled investments and cash	$ 99	492	470	121
Total Assets	99	492	470	121
Liabilities				
Accounts payable	3	–	3	–
Due to other governments	48	121	48	121
Deposits and other liabilities	48	–	48	–
Total Liabilities	99	121	99	121
Campaign Financing Fund				
Assets				
Pooled investments and cash	61	17	1	77
Total Assets	61	17	1	77
Liabilities				
Deposits and other liabilities	61	16	–	77
Total Liabilities	61	16	–	77
Municipal Courts				
Assets				
Pooled investments and cash	1,877	10,389	9,538	2,728
Total Assets	1,877	10,389	9,538	2,728
Liabilities				
Accounts payable	48	785	798	35
Due to other governments	1,505	14,068	13,170	2,403
Deposits and other liabilities	324	362	396	290
Total Liabilities	1,877	15,215	14,364	2,728
Neighborhood Revitalization				
Assets				
Pooled investments and cash	260	43	37	266
Total Assets	260	43	37	266
Liabilities				
Deposits and other liabilities	260	139	133	266
Total Liabilities	260	139	133	266
Total Agency Funds				
Assets				
Pooled investments and cash	2,297	10,941	10,046	3,192
Total Assets	2,297	10,941	10,046	3,192
Liabilities				
Accounts payable	51	785	801	35
Due to other governments	1,553	14,189	13,218	2,524
Deposits and other liabilities	693	517	577	633
Total Liabilities	$ 2,297	15,491	14,596	3,192



SUPPLEMENTAL SCHEDULES

Enterprise Related Grants
Combining Balance Sheet
September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit I-1

	Assets			Liabilities and Fund Balances				
	Pooled Investments and Cash	Receivables from Other Governments	Total Assets	Advanced Pooled Investments and Cash	Other Liabilities	Total Liabilities	Fund Balances	Total Liabilities and Fund Balances
ELECTRIC RELATED								
U.S. Department of Energy	$ 209	1	210	1	209	210	–	210
Public Utility Commission of Texas	383	1	384	1	383	384	–	384
ICLEI USA, Inc.	–	–	–	–	–	–	–	–
Total Electric	592	2	594	2	592	594	–	594
WATER AND WASTEWATER RELATED								
U.S. Environmental Protection Agency	–	–	–	–	–	–	–	–
U.S. Fish and Wildlife	–	7	7	7	–	7	–	7
Texas On-Site Wastewater Treatment Research Council	–	–	–	–	–	–	–	–
Total Water and Wastewater Related	–	7	7	7	–	7	–	7
AIRPORT RELATED								
U.S. Department of Transportation	–	945	945	945	–	945	–	945
Federal Bureau of Investigation	–	7	7	7	–	7	–	7
Internal Revenue Service	–	1	1	1	–	1	–	1
Propane Education and Research Council	9	–	9	–	9	9	–	9
American Heart Association	–	–	–	–	–	–	–	–
Texas Comptroller of Public Accounts	10	–	10	–	10	10	–	10
Total Airport	19	953	972	953	19	972	–	972
DRAINAGE RELATED								
U.S. Environmental Protection Agency	–	4	4	4	–	4	–	4
Total Drainage	–	4	4	4	–	4	–	4
COMMUNITY CARE								
U.S. Health and Human Services	100	489	589	392	197	589	–	589
Texas Department of Health	26	–	26	–	26	26	–	26
Reach Out and Read National Center	4	–	4	–	4	4	–	4
Total Community Care	130	489	619	392	227	619	–	619
Total grants, enterprise related	$ 741	1,455	2,196	1,358	838	2,196	–	2,196

NOTE: These grants have been reported in the enterprise fund financial statements.

Enterprise Related Grants
Combining Schedule of Expenditures
From Inception to September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit I-2

	Total Expenditures at Beginning of Year			Current Year		Total Expenditures at End of Year			Budget		
	Grant	In-Kind Match	Total	Grant	In-Kind Match	Grant	In-Kind Match	Total	Grant	In-Kind Match	Total
ELECTRIC RELATED											
U.S. Department of Energy	$ 466	780	1,246	10	–	476	780	1,256	868	800	1,668
Public Utility Comission of Texas	167	–	167	–	–	167	–	167	644	–	644
ICLEI USA, Inc.	21	–	21	–	–	21	–	21	42	35	77
Total Electric	654	780	1,434	10	–	664	780	1,444	1,554	835	2,389
WATER AND WASTEWATER RELATED											
U.S. Environmental Protection Agency	9,832	–	9,832	–	–	9,832	–	9,832	10,000	–	10,000
U.S. Fish and Wildlife	13	–	13	–	–	13	–	13	31	8	39
Texas On-Site Wastewater Treatment Research Council	14	–	14	–	–	14	–	14	20	–	20
Total Water and Wastewater Related	9,859	–	9,859	–	–	9,859	–	9,859	10,051	8	10,059
AIRPORT RELATED											
U.S. Department of Transportation	6,069	1,238	7,307	6,677	1,670	12,746	2,908	15,654	44,230	12,191	56,421
Federal Bureau of Investigation	5	–	5	10	–	15	–	15	22	–	22
Internal Revenue Service	–	–	–	1	–	1	–	1	1	–	1
Propane Education and Research Council	155	–	155	138	–	293	–	293	300	–	300
American Heart Association	–	–	–	9	–	9	–	9	17	–	17
Texas Comptroller of Public Accounts	19	–	19	3	–	22	–	22	23	–	23
Total Airport	6,248	1,238	7,486	6,838	1,670	13,086	2,908	15,994	44,593	12,191	56,784
DRAINAGE RELATED											
U.S. Environmental Protection Agency	210	–	210	67	–	277	–	277	850	–	850
Total Drainage	210	–	210	67	–	277	–	277	850	–	850
PRIMARY CARE											
U.S. Health and Human Services	1,685	–	1,685	1,175	–	2,860	–	2,860	4,563	–	4,563
Texas Department of Health	–	–	–	74	–	74	–	74	100	–	100
Reach Out and Read National Center	2	–	2	–	–	2	–	2	6	–	6
Total Primary Care	1,687	–	1,687	1,249	–	2,936	–	2,936	4,669	–	4,669
Total grants, enterprise related	$ 18,658	2,018	20,676	8,164	1,670	26,822	3,688	30,510	61,717	13,034	74,751

NOTE: These grants have been reported in the enterprise fund financial statements.

Schedule of General Obligation Bonds
Authorized and Unissued
Year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit I-3

Date Authorized	Purpose		Original Authorized	Previously Issued (1)	Issued During Current Year	Unissued September 30, 2004
10-22-83	Brackenridge 2000	$	50,000	40,785	–	9,215
09-08-84	Parks improvements		9,975	9,648	–	327
01-19-85	Cultural arts		20,285	14,890	–	5,395
11-03-98	Traffic signals		152,000	116,497	35,503	–
11-03-98	Parks and recreation facilities		75,925	54,725	11,532	9,668
11-03-98	Cultural arts and land acquisition		46,390	34,845	2,875	8,670
11-07-00	Street improvements		150,000	45,000	15,000	90,000
		$	504,575	316,390	64,910	123,275

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.

Schedule of Revenue Bonds Authorized,
Deauthorized and Unissued
Year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit I-4

Date Authorized	Purpose	Original Authorized	Deauthorized	Previously Issued (1)	Issued During Current Year	Unissued September 30, 2004
ELECTRIC UTILITY						
10-22-83	Hydrogeneration power plant and electric system	$ 39,000	--	10,620	--	28,380
03-01-84	Electric system, South Texas Nuclear Project	605,000	--	315,232	--	289,768
09-08-84	Electric improvements (gas turbines)	32,775	--	31,237	--	1,538
09-08-84	Electric improvements (western coal plant)	47,725	--	31,199	--	16,526
09-08-84	Electric transmission and reliability improvements	39,945	--	20,040	--	19,905
12-14-85	Transmission lines and substations	175,130	--	96,017	--	79,113
12-14-85	Overhead and underground distribution	76,055	--	46,845	--	29,210
12-14-85	Miscellaneous	25,891	--	10,443	--	15,448
08-10-92	Electrical distribution and street lighting	82,500	--	--	--	82,500
Total Electric Utility		1,124,021	--	561,633	--	562,388
WATER UTILITY						
09-11-82	Green water treatment plant, water lines and reservoir	40,300	--	28,885	--	11,415
09-11-82	Ullrich water treatment plant, water lines and reservoir	49,100	--	42,210	--	6,890
09-11-82	Davis water treatment plant, water lines and reservoir	40,800	--	32,274	--	8,526
09-11-82	Waterworks system rehabilitation and improvements	12,800	--	9,164	--	3,636
09-08-84	Waterworks north central, northeast, and east service area	39,385	17,000	3,990	--	18,395
09-08-84	Waterworks northwest service area	14,970	--	11,430	--	3,540
09-08-84	Water improvements in north central and northwest service area	14,470	--	2,745	--	11,725
09-08-84	Waterworks system improvements	141,110	--	36,513	--	104,597
09-08-84	Ullrich water treatment plant improvements to South Austin	47,870	--	23,245	--	24,625
09-08-84	Water lines, reservoir improvements to south corridor area	12,570	--	6,585	--	5,985
09-08-84	Water lines, pump station improvements to North Austin area	7,945	--	7,765	--	180
09-08-84	Waterworks system rehabilitation and improvements	26,500	--	3,665	--	22,835
12-14-85	Northeast area improvements	37,950	10,000	7,493	--	20,457
12-14-85	South/southeast area improvements	42,090	14,000	6,035	--	22,055
12-14-85	Improvements/extensions	9,775	--	3,689	--	6,086
08-10-92	Improvements to meet EPA safe drinking water act	23,000	--	--	--	23,000
08-10-92	Improvements and replacement of deteriorated water system facilities	5,000	--	--	--	5,000
08-10-92	General utility relocation	2,000	--	--	--	2,000
05-03-97	Improvements/extensions to City's waterworks and wastewater system	35,000	--	--	--	35,000
05-06-98	Improvements/extensions to City's waterworks and wastewater system	65,000	--	--	--	65,000
11-03-98	Water improvements, upgrade, replace	64,900	--	--	--	64,900
11-03-98	Water expansion and improvement	49,940	--	--	--	49,940
11-03-98	Water improvements and extensions	19,800	--	--	--	19,800
Total Water Utility		$ 802,275	41,000	225,688	--	535,587

(Continued)

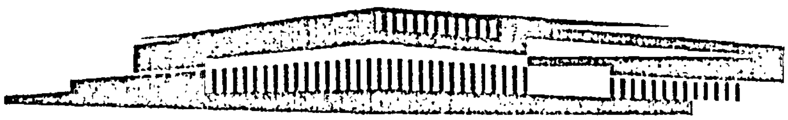
(1) This schedule displays only those previously issued bonds which relate to bond authorizations included herein. It does not display all debt previously issued and still outstanding, refunding bonds, or commercial paper.

Schedule of Revenue Bonds Authorized,
Deauthorized and Unissued
Year ended September 30, 2004
(In thousands)

City of Austin, Texas
Exhibit I-4
(Continued)

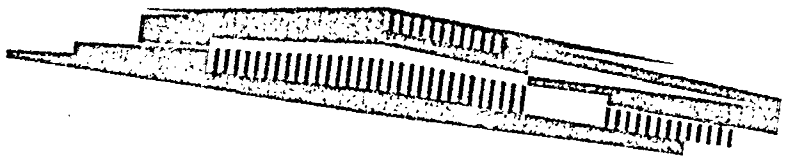
Date Authorized	Purpose	Original Authorized	Deauthorized	Previously Issued (1)	Issued During Current Year	Unissued September 30, 2004
WASTEWATER UTILITY						
11-20-76	Sewer system improvements	$ 46,920	--	38,920	--	8,000
09-11-82	Govalle sewage treatment plant, sewer lines and improvements to Canterbury lift station	28,300	--	24,658	--	3,642
09-11-82	Onion Creek sewage treatment plant and sewer lines	57,000	--	49,345	--	7,655
09-11-82	Sewer lines for north central and northwest Austin	20,700	--	17,975	--	2,725
09-11-82	Walnut Creek sewage treatment plant additions	20,400	--	17,971	--	2,429
09-11-82	Sewer system rehabilitation and improvements	4,800	--	3,930	--	870
09-08-84	Sewer system rehabilitation and improvements	43,515	--	36,950	--	6,565
09-08-84	Onion Creek and Walnut Creek sewage treatment plant improvements	44,795	--	42,284	--	2,511
09-08-84	Sewer system rehabilitation and improvements	46,230	--	14,925	--	31,305
05-06-85	Sewer system improvements	54,000	--	33,106	--	20,894
12-14-85	Advanced wastewater treatment	34,500	--	--	--	34,500
12-14-85	Northeast area improvements	47,035	32,300	1,857	--	12,878
12-14-85	Southeast area improvements	9,200	4,200	757	--	4,243
12-14-85	Improvements/extensions	24,725	--	12,621	--	12,104
12-14-85	Walnut Creek WWTP expansion	46,000	--	13,717	--	32,283
12-14-85	Bear Creek interceptor	1,840	1,511	265	--	64
08-10-92	Improvement to Hornsby Bend beneficial re-use program	11,000	--	--	--	11,000
08-10-92	Replacement and rehabilitation of deteriorated wastewater facilities	3,000	--	--	--	3,000
11-03-98	Wastewater improvements, upgrades and replacements	77,000	--	--	--	77,000
11-03-98	Wastewater improvements and expansion	121,000	--	--	--	121,000
Total Wastewater Utility		741,960	38,011	309,281	--	394,668
Total Utility		2,668,256	79,011	1,096,602	--	1,492,643
AIRPORT						
11-03-87	Relocation/construction of new airport	728,000	--	30,000	--	698,000
05-01-93	Construction of new municipal airport at Bergstrom AFB site	400,000	--	362,205	--	37,795
Total Airport		1,128,000	--	392,205	--	735,795
CONVENTION CENTER						
07-29-89	New convention center	69,000	--	68,240	--	760
Total Convention Center		69,000	--	68,240	--	760
Total revenue bonds		$3,865,256	79,011	1,557,047	--	2,229,198

Source: Bond sale official statements



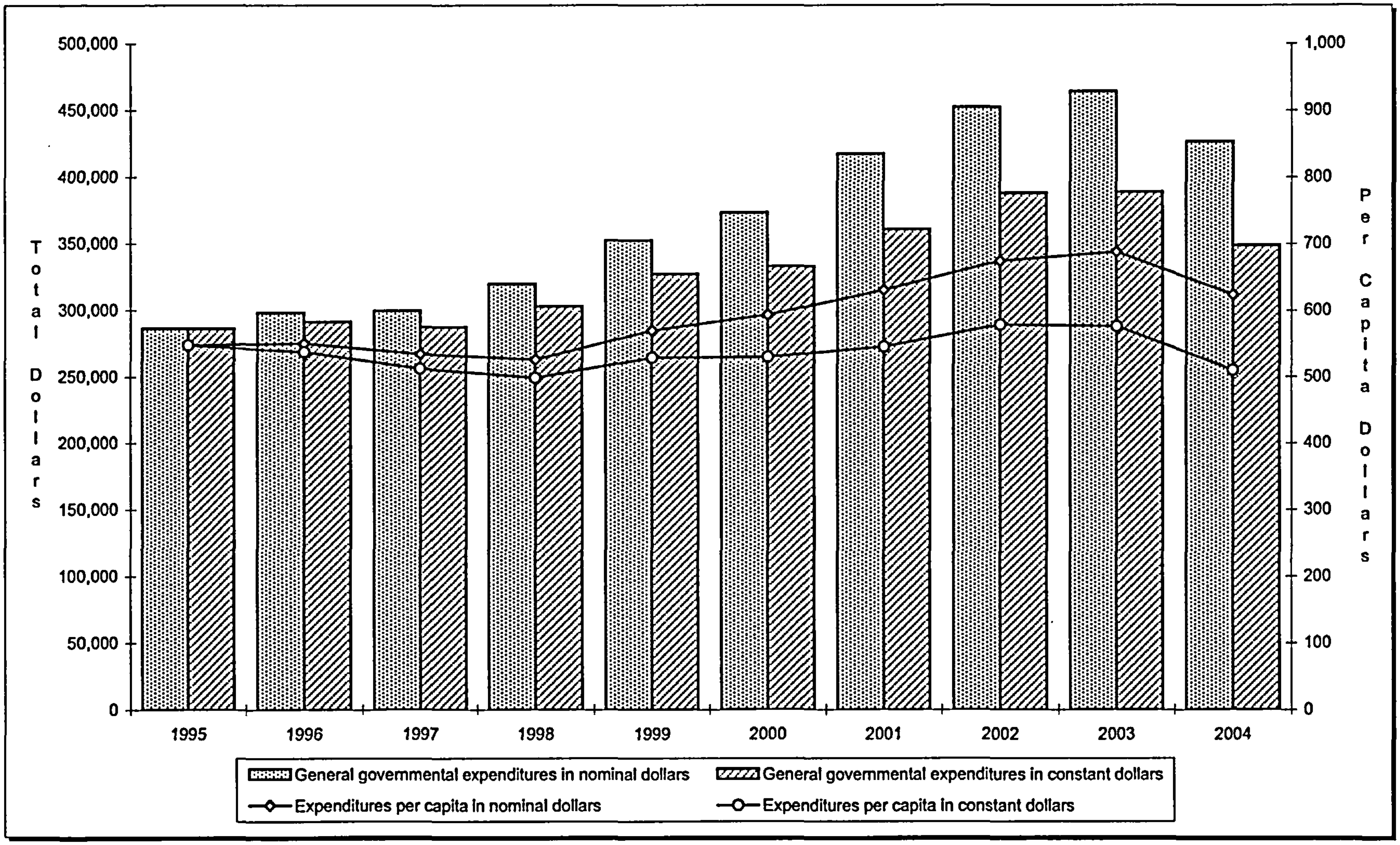
STATISTICAL SECTION - UNAUDITED

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.



General Governmental Total Expenditures and Expenditures per Capita
1995-2004 (In thousands)
In nominal and constant 1995 dollars

City of Austin, Texas
Exhibit 1

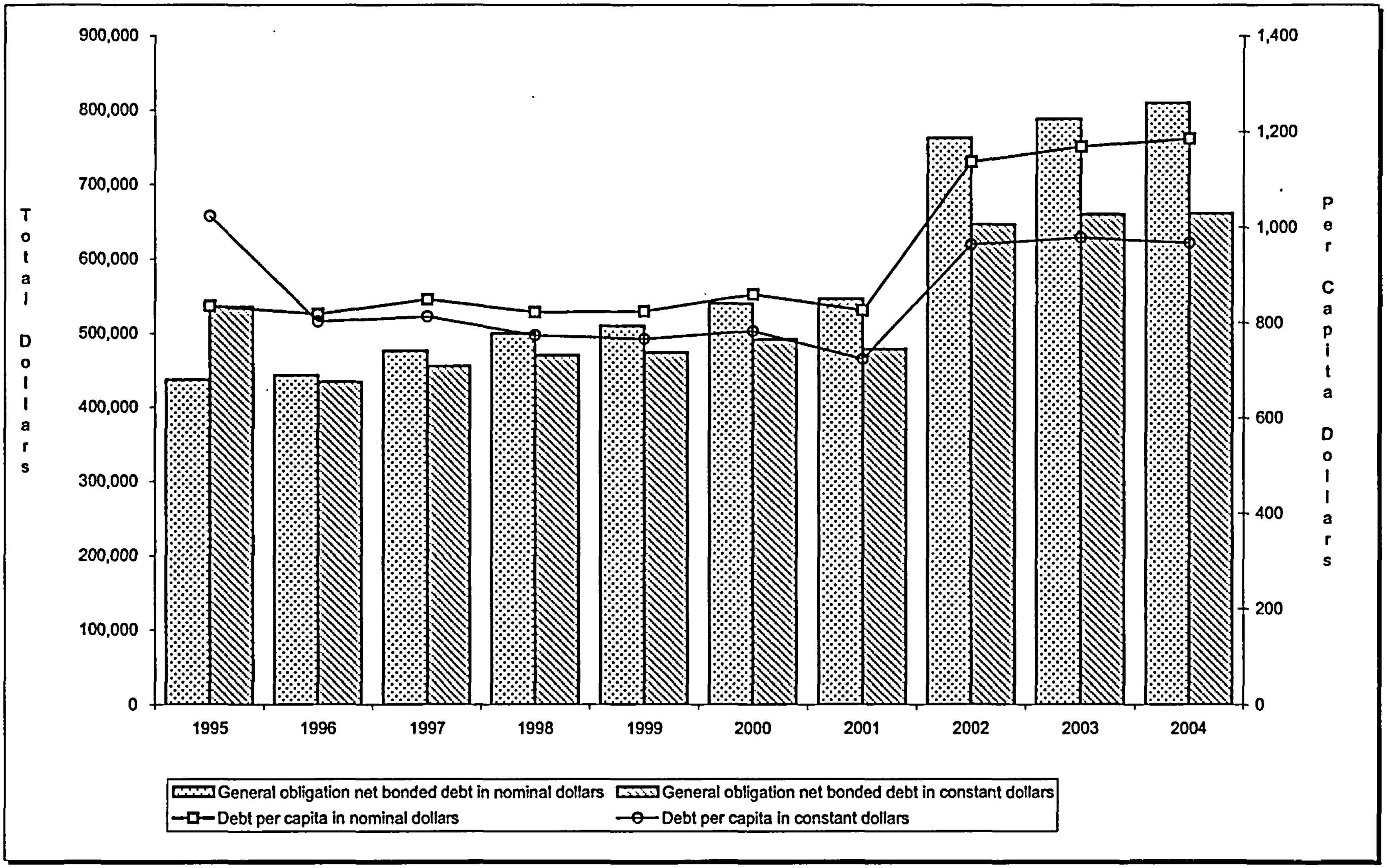


Population	523	542	561	608	619	629	662	671	675	684

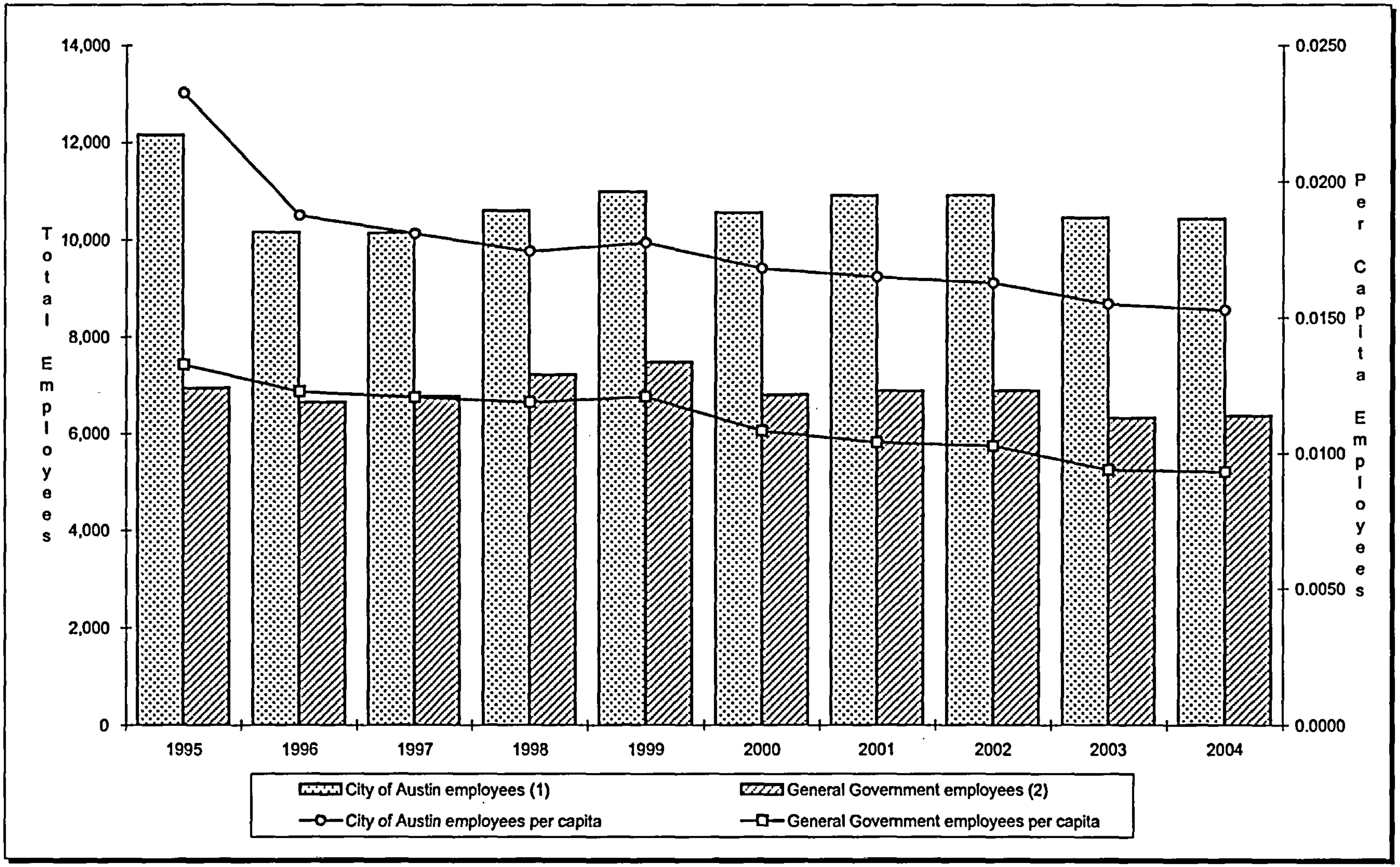
Note: General governmental includes the General Fund and two internal service funds, Computer Technology Management and Support Services.

General Obligation Net Debt and Net Debt per Capita
1995-2004 (In thousands)
In nominal and constant 1995 dollars

City of Austin, Texas
Exhibit 2



Population	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
	523	542	561	608	619	629	662	671	675	684



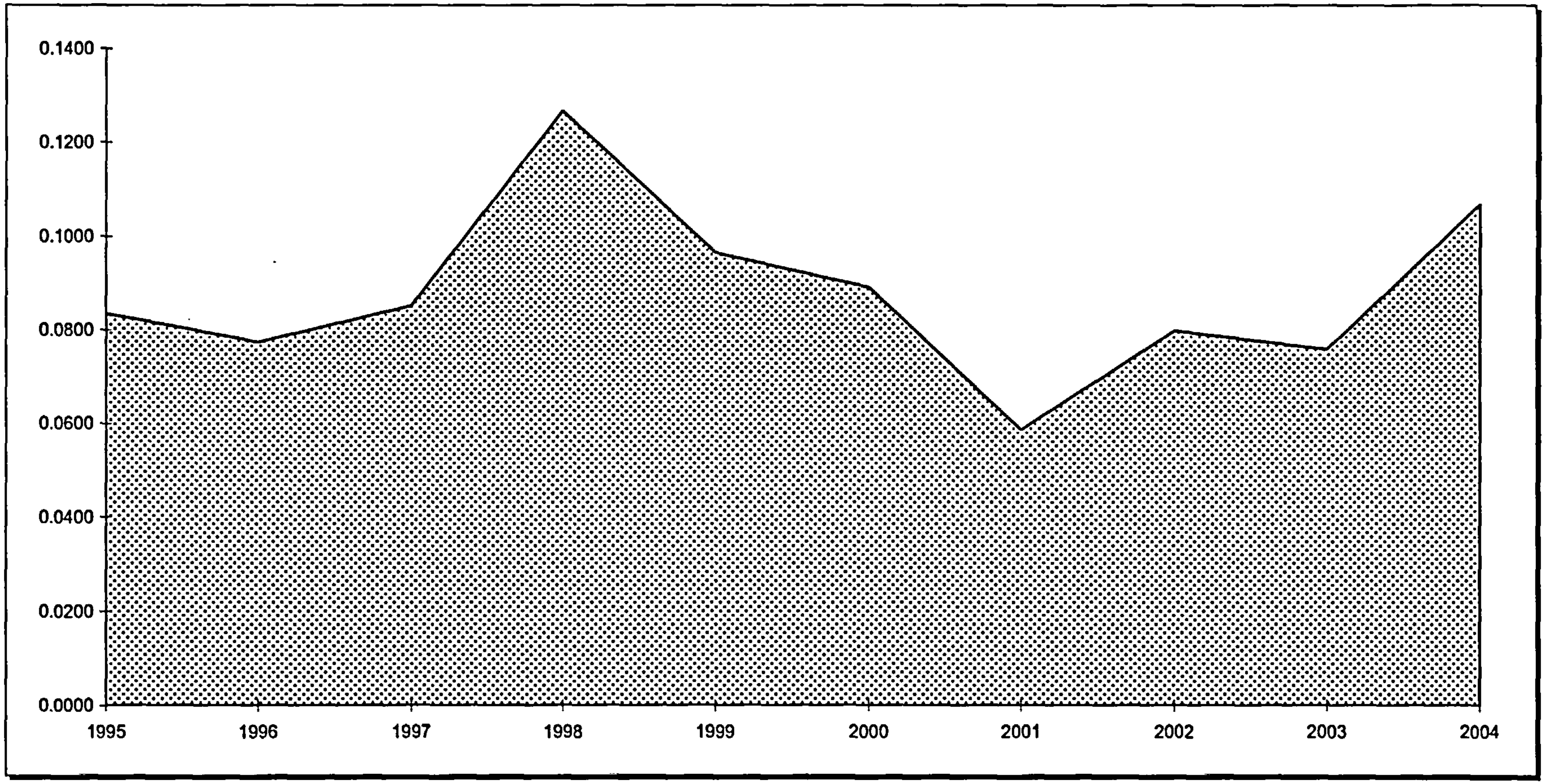
Population	523,000	542,000	561,000	608,000	619,000	629,000	662,000	671,000	675,000	684,000

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

Ratio of General Fund Unreserved Ending Balance to General Governmental Annual Expenditures 1995-2004 (In thousands)

City of Austin, Texas
Exhibit 4

		1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Unreserved fund balance	$	23,929	23,083	25,501	40,502	34,029	33,243	24,457	36,078	35,196	45,638
Annual expenditures	$	286,528	298,416	299,845	319,902	352,697	373,258	417,494	452,487	464,379	427,402



Note: General governmental includes the General Fund and two internal service funds, Computer Technology Management and Support Services.

1995-2004 (In thousands)

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	Support Services	Urban Growth Management	General City Responsibilities
							Parks	Libraries				
	$	$	$	$	$	$	$	$	$	$	$	$
1995	286,528	9,186	12,499	131,743	15,550	40,432	19,258	10,617	7,335	20,451	11,402	8,055
1996	298,416	10,530	15,420	141,141	11,904	43,647	19,411	10,681	7,286	21,357	10,567	6,472
1997	299,845	10,661	16,250	144,288	9,676	43,190	21,283	11,481	6,739	22,513	7,501	6,263
1998	319,902	10,923	16,567	162,733	10,128	37,060	23,066	12,795	8,205	24,304	8,380	5,741
1999	352,697	13,045	19,628	173,963	11,099	40,678	26,028	14,901	8,627	29,993	9,129	5,606
2000	373,258	15,555	21,175	191,591	6,098	41,032	27,994	16,211	9,387	30,117	10,189	3,909
2001	417,494	18,152	20,779	210,281	9,520	41,437	30,369	17,091	8,071	41,076	11,569	9,149
2002	452,487	18,750	20,115	237,590	9,191	43,655	29,563	17,133	10,448	42,613	10,882	12,547
2003	464,379	18,030	21,785	254,684	9,380	46,061	28,170	17,023	9,985	38,910	11,638	8,713
2004	427,402	15,065	18,697	262,086	8,669	15,728	26,952	16,303	9,579	33,522	10,246	10,555

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

Note: General governmental includes the General Fund and two internal service funds, Information Systems and Support Services.

Reconciliation of Internal Service Fund expenses and General Fund expenditures

	Administration	Fiscal Management	Support Services	Total
Internal Service Fund expenses				
Mayor/Council	$ 529			529
Management Services	2,946			2,946
City Clerk	2,357			2,357
Public Information Office	1,034			1,034
Office of the City Auditor		1,354		1,354
Financial Services		17,343		17,343
Information Systems			19,509	19,509
Human Resources			5,817	5,817
Small and Minority Business Resources			1,657	1,657
City Attorney			5,992	5,992
Other requirements			547	547
Total Support Services Fund	$ 6,866	18,697	33,522	59,085
General Government total expenses by function				427,402
Plus budget-basis adjustment for transfers (see Exhibit E-3)				36,428
Less Internal Service Fund expenses				(59,085)
Total General Fund expenditures (see Exhibit E-2)				$ 404,745

(Continued)

1995-2004 (In thousands)

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	Support Services	Urban Growth Management	General City Responsibilities
							Parks	Libraries				
	%	%	%	%	%	%	%	%	%	%	%	%
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
2002	100.00	4.14	4.45	52.51	2.03	9.65	6.53	3.79	2.31	9.42	2.40	2.77
2003	100.00	3.88	4.69	54.83	2.03	9.91	6.08	3.66	2.15	8.38	2.51	1.88
2004	100.00	3.52	4.37	61.33	2.03	3.68	6.31	3.81	2.24	7.84	2.40	2.47

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

Note: General governmental includes the General Fund and two internal service funds, Information Systems and Support Services.

The table on the facing page shows by function internal service funds expenses that are included above in 2004.

General Governmental Expenditures by Function
1995-2004 (In thousands)
In constant 1995 dollars

City of Austin, Texas
Table 2

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
	$	$	$	$	$	$	$	$	$	$
Administration	9,186	10,285	10,226	10,352	12,109	13,887	15,698	16,084	15,102	12,321
Fiscal management	12,499	15,060	15,588	15,701	18,220	18,904	17,970	17,254	18,247	15,292
Public safety	131,743	137,848	138,406	154,228	161,484	171,044	181,856	203,802	213,323	214,117
Public services and utilities	15,550	11,626	9,281	9,599	10,303	5,444	8,233	7,884	7,857	7,038
Public health	40,432	42,629	41,429	35,123	37,760	36,632	35,836	37,447	38,581	12,717
Parks	19,258	18,958	20,416	21,861	24,161	24,992	26,264	25,359	23,595	22,007
Libraries	10,617	10,432	11,013	12,127	13,833	14,473	14,780	14,696	14,258	13,321
Social services management	7,335	7,116	6,464	7,776	8,008	8,380	6,980	8,962	8,363	7,834
Support services	20,451	20,859	21,595	23,034	27,842	26,887	35,524	36,553	32,591	27,417
Urban growth management	11,402	10,321	7,195	7,942	8,474	9,096	10,006	9,334	9,748	8,343
General city responsibilities	8,055	6,321	6,008	5,441	5,204	3,490	7,913	10,763	7,298	8,633
Total (1)	286,528	291,455	287,621	303,184	327,398	333,229	361,060	388,138	388,963	349,040

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

Note: General governmental includes the General Fund and two internal service funds, Computer Technology Management and Support Services.

The table below shows by function internal service funds expenses that are included above in 2004:

	Administration	Fiscal Management	Support Services	Total
Department				
Mayor/Council	$ 433			433
Management Services	2,411			2,411
City Clerk	1,928			1,928
Public Information Office	846			846
Office of the City Auditor		1,107		1,107
Financial Services		14,184		14,184
Information Systems			15,956	15,956
Human Resources			4,758	4,758
Small and Minority Business Resources			4,901	4,901
City Attorney			1,355	1,355
Other requirements			447	447
Total Support Services Fund	$ 5,618	15,291	27,417	48,326

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

1995-2004 (In thousands)

REVENUES AND OTHER FINANCING SOURCES

Fiscal Year Ended Sept. 30	Total	Operating Transfers In: Utility System Funds	Operating Transfers In: Other Funds	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
	$	$	$	$	$	$	$	$	$	$	$	$
1995	270,534	71,111	203	199,220	66,253	80,475	1,928	12,417	10,966	13,074	8,021	6,086
1996	288,328	73,583	342	214,403	74,441	83,681	2,042	13,579	12,159	14,311	8,175	6,015
1997	298,031	71,450	256	226,325	80,529	88,150	2,187	14,987	12,570	12,888	9,427	5,587
1998	333,903	72,721	–	261,182	90,775	97,581	2,354	17,101	14,493	15,541	10,261	13,076
1999	361,115	74,204	–	286,911	106,233	106,839	2,585	19,900	16,206	17,252	11,534	6,362
2000	398,096	78,352	–	319,744	115,328	122,157	2,972	23,905	16,040	18,174	11,758	9,410
2001	429,685	85,824	459	343,402	124,931	123,218	3,407	31,646	17,000	17,631	14,985	10,584
2002	482,844	88,924	48,160	345,760	143,056	115,441	3,448	29,834	17,704	14,670	15,579	6,028
2003	452,811	92,417	–	360,394	150,378	110,454	3,466	29,175	16,966	14,737	15,403	19,815
2004	473,658	95,894	–	377,764	160,049	117,725	3,946	29,018	16,976	15,317	15,565	19,168

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

Fiscal Year Ended Sept. 30	Total	Operating Transfers In: Utility System Funds	Operating Transfers In: Other Funds	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
	%	%	%	%	%	%	%	%	%	%	%	%
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
2002	100.00	18.42	9.97	71.61	29.62	23.91	0.71	6.18	3.67	3.04	3.23	1.25
2003	100.00	20.41	–	79.59	33.21	24.39	0.77	6.44	3.75	3.25	3.40	4.38
2004	100.00	20.25	–	79.75	33.79	24.85	0.83	6.13	3.58	3.23	3.29	4.05

Assessed Valuation, Estimated Market Value, Tax Rates, Tax Levies, and Tax Collections 1995-2005

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
		%	$	$	%	$	$	$
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	2001	100	47,782,873,096	47,782,873,096	15.4	0.3041	0.1556	0.4597
2003	2002	100	50,759,650,668	50,759,650,668	6.2	0.2969	0.1628	0.4597
2004	2003	100	48,964,275,008	48,964,275,008	(3.5)	0.3236	0.1692	0.4928
2005 (1) (2)	2004	100	49,941,849,675	49,941,849,675	2.0	0.2747	0.1683	0.4430

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
		$	$	%	$	$	%	$	%
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	2001	219,657,867	217,043,867	98.81	927,864	217,971,731	99.23	7,435,974	3.39
2003	2002	233,342,114	230,629,853	98.84	1,774,736	232,404,589	99.60	7,990,337	3.42
2004	2003	241,295,947	239,017,055	99.06	(366,274)	238,650,781	98.90	8,297,267	3.44
2005 (1) (2)	2004	221,242,394	**	**	**	**	**	**	**

** Information not yet available for tax year 2004

(1) Assessed valuation for valuation date, January 1, 2004, is subject to change pending additional exemptions and appeals. Accordingly, the tax levy represents an estimate.
(2) Tax rate decreased by 6.35 cents per $100 valuation for the value of services transferred to the Travis County Hospital District.

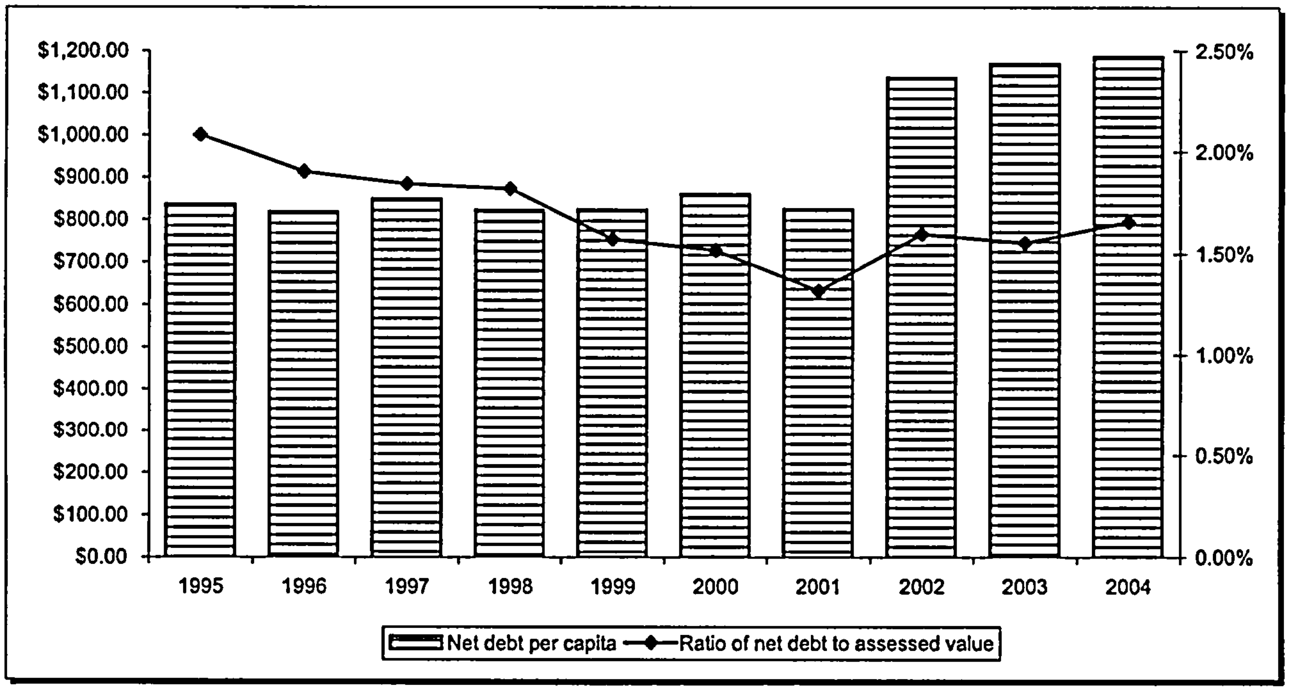
Taxpayer	Type of Property	January 1, 2003 Assessed Valuation	Percent of Total Assessed Valuation of $48,964,275,008
		$	%
Motorola, Inc.	Manufacturing	459,627,945	0.94
Advanced Micro Devices, Inc.	Manufacturing	353,106,411	0.72
Freescale Semiconductor, Inc	Manufacturing	331,899,320	0.68
Dell Computer Corp	Manufacturing	327,363,461	0.67
IBM Corporation	Manufacturing	294,206,662	0.60
Applied Materials Inc	Manufacturing	292,451,929	0.60
Southwestern Bell	Telephone Utility	281,796,231	0.58
Samsung	Manufacturing	207,980,236	0.42
Minnesota Mining & Manufacturing	Manufacturing	134,413,547	0.27
Blue Star Austin	Commercial	116,083,105	0.24
		2,798,928,847	5.72

Source: Travis Central Appraisal District
Williamson County Appraisal District

Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt per Capita 1995-2004

Fiscal Year Ended Sept. 30	Population Estimate	Assessed Value	Gross Bonded Debt (1) (In 000's)	Amount Available In Debt Service Fund (2) (In 000's)	Net Bonded Debt (In 000's)	Ratio of Net Bonded Debt to Assessed Value	Ratio of Net Bonded Debt to Market Value	Net Debt Per Capita
		$	$	$	$	%	%	$
1995	523,352	20,958,589,300	445,803	8,935	436,868	2.08	2.08	834.75
1996	541,889	23,303,015,047	451,722	8,475	443,247	1.90	1.90	817.97
1997	560,939	25,823,385,257	483,677	7,529	476,148	1.84	1.84	848.84
1998	608,214	27,493,058,735	507,297	7,270	500,027	1.82	1.82	822.12
1999	619,038	32,458,349,755	517,629	7,870	509,759	1.57	1.57	823.47
2000	628,667	35,602,840,326	550,039	9,756	540,283	1.52	1.52	859.41
2001	661,639	41,419,314,286	562,678	16,467	546,211	1.32	1.32	825.54
2002	671,044	47,782,873,096	779,075	16,451	762,624	1.60	1.60	1,136.47
2003	674,719	50,759,650,668	805,677	17,311	788,366	1.55	1.55	1,168.44
2004	683,551	48,964,275,008	827,580	17,307	810,273	1.65	1.65	1,185.39

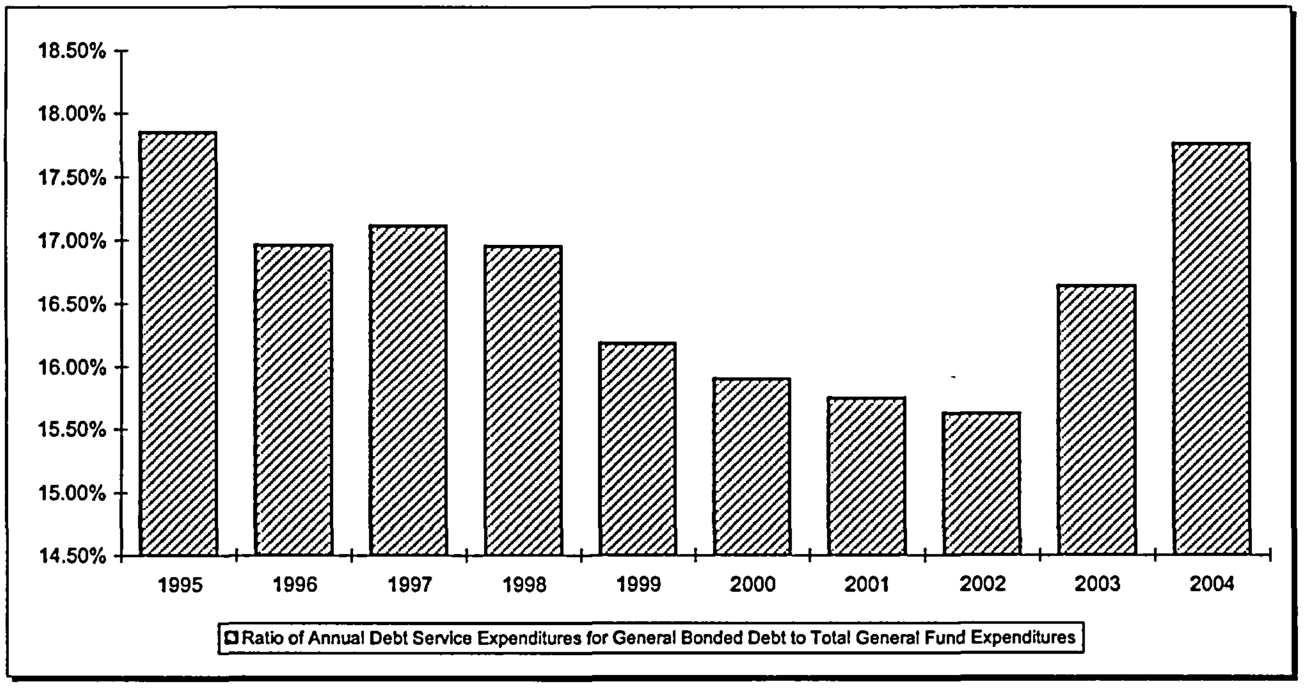
(1) Excludes general obligation bonds, public property finance contractual obligations, and certificates of obligation issued for proprietary funds. Excludes revenue bonds and advances from other funds.
(2) Excludes loan fund balances.



Ratio of Annual Debt Service Expenditures for General Bonded Debt to Total General Fund Expenditures 1995-2004 (In thousands)

Fiscal Year Ended Sept. 30	Principal (2) (3)	Interest and Paying Agents' Commissions (2) (3)	Total Debt Service	Total General Fund Expenditures	Total Debt Service plus Total General Fund Expenditures	Ratio of Debt Service to Total (1)
	$	$	$	$	$	%
1995	22,023	32,214	54,237	249,615	303,852	17.85
1996	22,723	35,039	57,762	282,773	340,535	16.96
1997	21,502	38,481	59,983	290,578	350,561	17.11
1998	22,570	40,751	63,321	310,195	373,518	16.95
1999	23,781	42,130	65,911	341,417	407,327	16.18
2000	26,920	42,094	69,014	364,938	433,952	15.90
2001	44,070	29,854	73,924	395,621	469,544	15.74
2002	43,867	35,797	79,664	430,237	509,902	15.62
2003	48,785	37,573	86,358	432,879	519,237	16.63
2004	48,022	39,381	87,403	404,745	492,148	17.76

(1) Ratio of total debt service to total debt service plus total General Fund.
(2) Excludes payments for enterprise fund general obligation debt.
(3) Subsequent to 1999, excludes loan principal and interest.



September 30, 2004 (In thousands)

Assessed value (100% of estimated market value) as of January 1, 2003		$ 48,964,275
Debt limit		6,850,420
Amount of debt applicable to debt limit:		
Total general obligation bonds, contractual obligations, and certificates of obligation excluding proprietary fund balances of $84,551	827,580	
Less: Amount available in Debt Service Fund	17,307	
Debt applicable to debt limit, excluding loan fund balances and advances from other funds		810,273
Legal debt margin		$ 6,040,147

Note - Ad valorem tax limitations:

The City is permitted by Article XI, Section 5 of the State of Texas Constitution to levy taxes up to $2.50 per $100 of assessed valuation for general governmental services, including 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, 2003 and assessed valuation of $48,964,275 at 95% collection, tax revenues of $697,741 would be produced. This revenue could service the debt on $6,850,420 issued as 8% - 20-year serial bonds with level debt service payments.

Name of Governmental Unit	Net Debt Outstanding as of September 30, 2004 (in 000's)	Percent Applicable to City of Austin (2)	Amount Applicable to City of Austin (in 000's)
	$	%	$
City of Austin	827,580 (1)	100.00	827,580
Greater than 10%			
Austin Community College	151,180	81.70	123,514
Austin Independent School District	448,414	79.37	355,906
North Austin MUD #1	10,335	100.00	10,335
Northwest Austin MUD #1	11,911	100.00	11,911
Northwest Travis County RD #3	4,985	100.00	4,985
Travis County	452,784	71.00	321,477
Subtotal greater than 10%	1,079,609		828,128
Less than 10%			
Del Valle Independent School District	94,070	3.03	2,850
Eanes Independent School District	106,806	3.89	4,155
Leander Independent School District	418,246	1.25	5,228
Manor Independent School District	61,150	1.76	1,076
Pflugerville Independent School District	242,642	4.00	9,706
Round Rock Independent School District	442,435	5.73	25,352
Williamson County	441,595	3.26	14,396
Subtotal less than 10%	1,806,944		62,763
Total direct and overlapping debt	3,714,133		1,718,471

Ratio of total direct and overlapping debt to assessed valuation (3)	3.51 %
Per capita overlapping debt (4)	$ 2,514.03

(1) Excludes general obligation debt reported in proprietary funds
(2) Source: Taxing jurisdictions
(3) Based on assessed valuation of $48,964,275,008
(4) Based on 2004 estimated population of 683,551

Property Tax Rates and Tax Levies
for Direct and Overlapping Governments with Applicable Percentages Over 10%
1995-2004

City of Austin, Texas
Table 10

Tax Rates (per $100 Assessed Value) for Fiscal Year Ended September 30

Government	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	$	$	$	$	$	$	$	$	$	$
City of Austin	0.4928	0.4597	0.4597	0.4663	0.5034	0.5142	0.5401	0.5251	0.5446	0.5625
Austin Community College	0.0771	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0500	0.0482	0.0466
Austin Independent School District	1.6137	1.5964	1.5486	1.5486	1.5486	1.4319	1.4010	1.3110	1.2832	1.3450
North Austin MUD #1	0.5000	0.5000	0.5100	0.5500	0.5803	0.7100	0.7500	0.7500	--	--
Northwest Austin MUD #1	0.6320	0.3150	0.3577	0.3620	0.3620	0.4000	0.4000	0.3926	0.3926	0.4000
Northwest Travis County RD #3	0.1660	0.1500	0.1646	0.1600	0.2248	0.2500	0.2700	0.3500	0.3541	0.4500
Travis County (1)	0.4918	0.4660	0.4460	0.4670	0.4988	0.5143	0.4938	0.4950	0.5186	0.5552

Tax Levies (in 000's) for Fiscal Year Ended September 30

Government	2004	2003	2002	2001	2000	1999	1998	1997	1996	1995
	$	$	$	$	$	$	$	$	$	$
City of Austin	241,296	233,342	219,658	193,138	179,225	166,901	148,490	135,599	126,908	117,892
Austin Community College	37,321	24,863	23,323	20,571	19,209	15,255	13,971	13,900	11,951	9,458
Austin Independent School District	627,876	644,948	593,189	525,477	455,559	385,064	348,753	321,567	277,255	272,094
North Austin MUD #1	2,736	2,808	2,856	2,855	2,375	2,372	2,372	2,390	--	--
Northwest Austin MUD #1	883	874	1,093	1,046	136	659	645	125	509	434
Northwest Travis County RD #3	611	626	654	590	670	607	539	576	428	388
Travis County (1)	293,345	287,478	256,710	231,415	209,688	196,160	168,089	157,852	149,801	143,659

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.

Fiscal Year Ended Sept. 30	1st Quarter Oct. - Dec. (In thousands)	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)	–	–	–	1,458	1,458	N/A	N/A	14.58	19.54
1969	876	906	852	917	3,551	100.0	0.0	34.07	43.96
1970	974	1,089	951	1,041	4,055	114.2	14.2	35.08	45.25
1971	1,129	1,245	1,137	1,235	4,746	133.7	17.0	34.41	44.39
1972	1,309	1,465	1,339	1,415	5,528	155.7	16.5	35.50	45.80
1973	1,569	1,715	1,592	1,692	6,568	185.0	18.8	38.37	48.73
1974	1,730	1,946	1,695	1,888	7,259	204.4	10.5	38.45	48.82
1975	1,961	1,972	2,328	1,644	7,905	222.6	8.9	36.05	42.89
1976	2,242	2,318	2,046	2,560	9,166	258.1	16.0	36.17	45.94
1977	1,798	3,173	2,653	3,867	11,491	323.6	25.4	35.92	45.62
1978	3,022	3,501	3,155	3,853	13,531	381.0	17.8	40.00	49.60
1979	3,815	3,909	3,487	4,067	15,278	430.2	12.9	45.75	43.92
1980	3,793	4,269	3,722	6,000	17,784	500.8	16.4	49.42	47.44
1981	3,792	5,652	5,034	7,103	21,581	607.7	21.4	56.20	32.03
1982	4,483	6,284	5,625	8,025	24,417	687.6	13.1	53.86	33.39
1983	5,171	7,089	6,785	9,052	28,097	791.2	15.1	53.02	29.81
1984	6,331	8,823	8,963	12,756	36,873	1038.4	31.2	57.00	37.05
1985	7,917	11,289	10,922	14,506	44,634	1256.9	21.0	61.53	28.98
1986	8,379	11,394	10,435	13,741	43,949	1237.7	(1.5)	49.24	26.00
1987	7,669	10,353	9,677	12,189	39,888	1123.3	(9.2)	35.23	17.01
1988	7,318	10,596	10,651	14,360	42,925	1208.8	7.6	37.92	20.16
1989	8,039	9,427	14,140	15,566	47,172	1328.4	9.9	46.43	24.61
1990	12,381	13,277	8,918	16,964	51,540	1451.4	9.3	50.46	29.01
1991	12,762	10,539	13,578	18,522	55,401	1560.2	7.5	56.59	32.23
1992	9,304	14,713	14,231	20,007	58,255	1640.5	5.2	57.11	34.42
1993	10,869	17,393	15,971	22,821	67,054	1888.3	15.1	61.62	39.50
1994	11,897	19,225	18,072	26,586	75,780	2134.0	13.0	66.75	41.55
1995	13,198	21,628	18,836	26,813	80,475	2266.3	6.2	68.26	38.40
1996	5,643	22,056	20,294	35,688	83,681	2356.5	4.0	65.94	35.91
1997	5,571	23,258	20,850	38,471	88,150	2482.4	5.3	65.01	34.14
1998	8,335	23,188	24,054	42,004	97,581	2748.0	10.7	65.72	35.50
1999	14,684	20,637	26,051	45,467	106,839	3008.7	9.5	64.01	32.91
2000	10,389	30,780	29,300	51,688	122,157	3440.1	14.3	68.16	34.31
2001	11,325	30,977	30,574	50,342	123,218	3470.0	0.9	63.80	29.75
2002	7,887	24,060	36,417	47,077	115,441	3250.9	(6.3)	52.55	24.16
2003	9,895	27,625	27,201	45,733	110,454	3110.5	(4.3)	47.34	21.76
2004	10,009	29,164	28,819	49,733	117,725	3315.3	6.6	48.79	24.04

(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

Distribution --	2,363	miles primary overhead distribution lines (12KV)
	3,183	miles secondary overhead distribution lines (12KV)
	2,356	miles primary underground distribution lines (12KV)
	2,406	miles secondary underground distribution lines (12KV)
	41	miles transmission lines (69KV)
	340	miles transmission lines (138KV)
	269	miles transmission lines (345KV) (counting 50% of jointly owned lines with LCRA)

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	260,000,000	gallons
Average daily consumption	113,826,000	gallons
Average daily consumption per capita	145	gallons (based on 2004 service area population)
Water distribution --	2,871	miles of mains
	47	booster pump stations
Water connections --	188,441	metered services
	27,134	fire hydrants
Wastewater treatment plants	9	(includes 6 package treatment plants)
Combined daily capacity	130,000,000	gallons
Average daily volume	81,431,000	gallons
Collection : Sanitary sewer mains	2,265	miles
Connections	174,593	
Lift stations	115	

2000-2004 (In thousands)

	Fiscal Year Ended September 30				
	2004	2003	2002	2001	2000
	$	$	$	$	$
REVENUE					
Electric					
Service Area Sales	745,598	838,189	668,744	756,246	723,260
Sales to other utilities (including capacity contract)	48,042	51,168	41,625	33,135	50,780
Rent from electric property	1,805	1,455	2,002	995	851
Customers' forfeited discounts and penalties	3,823	3,893	4,738	(36)	1,558
Miscellaneous	29,750	26,944	27,986	15,970	6,280
Total electric	829,018	921,649	745,095	806,310	782,729
Water					
Urban	103,547	111,689	104,547	99,156	109,963
Rural	6,436	7,293	6,837	6,439	7,413
City general government departments	--	--	--	--	(42)
Sales to other water utilities	6,889	7,697	7,164	7,185	7,877
Water connections	420	403	300	237	208
Customers' forfeited discounts and penalties	578	623	784	(5)	263
Miscellaneous	1,383	2,719	2,403	1,661	4,507
Total water	119,253	130,424	122,035	114,673	130,189
Wastewater					
Urban	100,604	97,495	92,793	92,328	97,895
Rural	3,566	3,971	3,311	2,810	2,631
City utility departments	--	--	--	1	7
Sales to other sewer utilities	3,142	2,966	2,983	3,161	3,114
Sewer connections	385	369	275	217	190
Customers' forfeited discounts and penalties	593	598	733	(3)	260
Industrial waste surcharge	3,607	3,846	3,662	3,730	4,041
Miscellaneous	2,814	2,696	3,742	2,998	2,152
Total wastewater	114,711	111,941	107,499	105,242	110,290
Interest	13,529	25,658	48,359	61,316	47,350
Total operating and interest revenues	1,076,511	1,189,672	1,022,988	1,087,541	1,070,558

(Continued)

2000-2004 (In thousands)

	Fiscal Year Ended September 30				
	2004	2003	2002	2001	2000
	$	$	$	$	$
EXPENSE					
Electric					
Total electric	516,857	554,235	401,439	458,686	420,075
Water					
Purification	17,217	16,834	16,702	15,303	14,225
Distribution	19,590	20,796	20,897	20,197	18,247
Customer accounting and collection	6,035	6,035	6,378	5,202	5,457
Jobbing and contract work	(9)	(118)	(78)	52	14
Design engineering	823	708	800	425	1,922
Administrative and general	15,592	14,754	15,296	12,406	12,939
Total water	59,248	59,009	59,995	53,585	52,804
Wastewater					
Sewer lines	5,788	5,609	6,299	6,175	7,592
Sewage treatment plant	21,239	20,913	21,405	19,172	17,115
Customer accounting and collection	2,911	2,911	3,017	4,374	4,406
Jobbing and contract work	3	11	24	87	69
Design engineering	7,925	7,396	7,437	6,846	1,998
Administrative and general	12,441	13,567	14,164	12,172	12,382
Total wastewater	50,307	50,407	52,346	48,826	43,562
Total expenses (1)	626,412	663,651	513,780	561,097	516,441
Net revenue available for debt service	450,099	526,021	509,208	526,444	554,117

(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
2000-2004 (In thousands)

City of Austin, Texas
Table 14

	Fiscal Year Ended September 30				
	2004	2003	2002	2001	2000
	$	$	$	$	$
PLANT COST					
Utility systems					
Electric	3,547,908	3,399,284	3,231,331	3,067,650	2,842,927
Water	1,346,938	1,275,501	1,220,643	1,169,575	1,090,912
Wastewater	1,328,064	1,214,498	1,123,646	1,080,759	1,032,885
Total cost	6,222,910	5,889,283	5,575,620	5,317,984	4,966,724
Allowance for depreciation:					
Electric	1,374,273	1,288,675	1,203,986	1,131,861	1,048,947
Water	323,568	299,550	278,757	264,352	242,395
Wastewater	383,687	358,634	337,795	328,640	304,152
Total depreciation	2,081,528	1,946,859	1,820,538	1,724,853	1,595,494
Cost after depreciation	4,141,382	3,942,424	3,755,082	3,593,131	3,371,230
EQUITY IN UTILITY SYSTEMS					
Utility systems	6,222,910	5,889,283	5,575,620	5,317,983	4,966,724
Plus:					
Inventories, materials and supplies (1)	35,813	32,349	32,980	34,689	32,905
Net construction assets and unamortized bond issue cost (2)	12,640	28,922	125,858	154,576	126,423
	6,271,363	5,950,554	5,734,458	5,507,248	5,126,052
Less:					
Allowance for depreciation	2,081,528	1,946,859	1,820,538	1,724,853	1,595,495
Construction contracts payable	--	--	--	279	1,149
	2,081,528	1,946,859	1,820,538	1,725,132	1,596,644
Utility systems, net	4,189,835	4,003,695	3,913,920	3,782,116	3,529,408
Revenue bonds and other debt outstanding (3)	2,763,009	2,798,156	2,796,408	2,779,856	2,722,323
Less:					
Bond retirement and reserve funds	--	144,410	147,637	170,700	161,597
Net debt	2,763,009	2,653,746	2,648,771	2,609,156	2,560,726
Equity in utility systems	1,426,826	1,349,949	1,265,149	1,172,960	968,682
Percentage of equity in utility systems	34.05%	33.72%	32.32%	31.01%	27.45%

(1) Does not include fuel oil or coal inventories of approximately $18.9 million at September 30, 2004. Consists primarily of spare parts inventory at Fayette Plant and South Texas Project.
(2) Includes investment in municipal utility districts of $2 thousand.
(3) Includes Revenue Bonds and Tax/Revenue Bonds of $2,404.9 million (net of discounts, unamortized gains and losses on refundings, and inclusive of premiums); Contract Revenue Bonds of $13.7 million; Capital Lease Obligations of $12.0 million; Commercial Paper of $315.6 million (net of discounts); General Obligation Bonds of $7.3 million; and Contractual Obligation Bonds of $9.3 million.

Schedule of Combined Utility Systems
Electric Fund and Water and Wastewater Fund
Revenue Bond Coverage
1995-2004 (In thousands)

City of Texas, Austin
Table 15

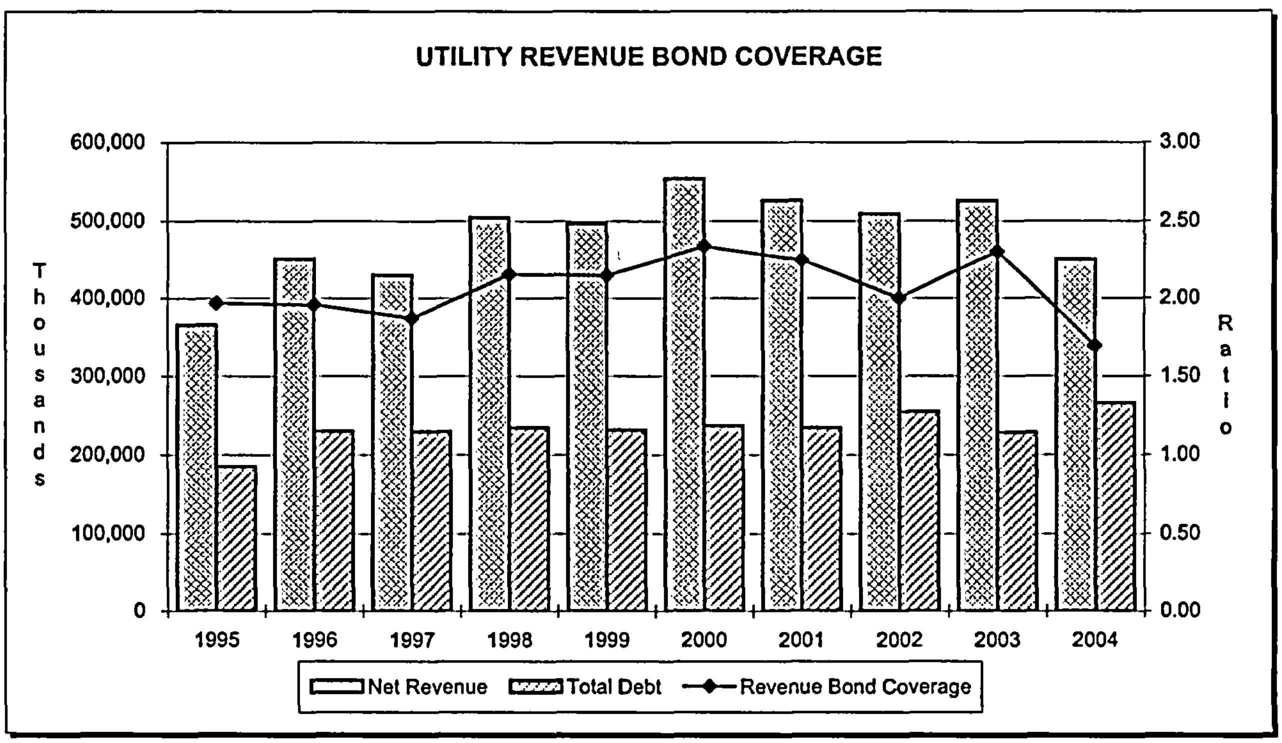
	Net Revenue Available for Debt Service			Debt Service Requirements (3)			
Fiscal Year Ended Sept. 30	Total Revenue (1)	Operating Expenses (2)	Net Revenue Available for Debt Service	Principal	Interest	Total Debt Service	Revenue Bond Coverage (4)
	$	$	$	$	$	$	$
1995	717,231	352,003	365,228	34,547	150,952	185,499	1.97
1996	831,371	380,407	450,964	75,520	154,728	230,248	1.96
1997	812,186	383,121	429,065	82,541	146,998	229,539	1.87
1998	918,508	413,939	504,569	93,922	140,541	234,463	2.15
1999	926,692	429,926	496,766	100,084	131,627	231,711	2.14
2000	1,070,558	516,441	554,117	96,790	140,126	236,916	2.34
2001	1,087,541	561,097	526,444	101,357	133,055	234,412	2.25
2002	1,022,988	513,780	509,208	98,876	155,645	254,521	2.00
2003	1,189,672	663,651	526,021	86,825	141,722	228,547	2.30
2004	1,076,511	626,412	450,099	121,710	143,993	265,703	1.69

(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 the financial statements.

(4) Revenue bond coverage is equal to net revenue available for debt service divided by total principal and interest payments made during each fiscal year. Coverage includes prior, subordinate, and separate lien bonds only.



Transfers from Electric Fund and Water and Wastewater Fund to General Fund 1984-2004 (In thousands)

Fiscal Year	Operating Revenue	Other Revenue	Total Revenue	Transfers To General Fund	Percentage of Total Revenue
	$	$	$	$	%
1984	451,146	31,331	482,477	46,057	9.55
1985	447,699	42,190	489,889	50,525	10.31
1986	516,724	51,724	568,448	56,090	9.87
1987	525,350	56,138	581,488	60,203	10.35
1988	556,356	42,873	599,229	63,741	10.64
1989	542,516	50,231	592,747	64,460	10.87
1990	585,184	53,748	638,932	63,666	9.96
1991	571,816	42,875	614,691	63,055	10.26
1992	578,276	31,038	609,314	73,238	12.02
1993	645,075	25,202	670,277	68,582	10.23
1994	662,807	21,753	684,560	67,914	9.92
1995	690,832	26,400	717,232	71,111	9.91
1996	800,078	31,293	831,371	73,583	8.85
1997	774,262	37,924	812,186	71,450	8.80
1998	870,163	48,345	918,508	72,721	7.92
1999	896,130	30,561	926,691	74,204	8.01
2000	1,023,208	47,351	1,070,559	78,352	7.32
2001	1,026,225	61,316	1,087,541	85,824	7.89
2002	974,629	48,359	1,022,988	88,924	8.69
2003	1,164,014	25,658	1,189,672	92,417	7.77
2004	1,062,982	13,529	1,076,511	95,894	8.91

	Electric Sales (KWH)		Number of Metered Customers (average)	
	2004	2003	2004	2003
Electric:				
Totals	10,262,130,070	10,321,397,755	365,874	359,526

KWH and number of customers do not include Sale for Resale information.

	2004		2003	
	Average Customers	Thousand Gallons	Average Customers	Thousand Gallons
Water and Wastewater:				
Thousands of gallons pumped		48,468,963 (1)		51,110,847 (1)
Less: Sales to other utilities		3,164,880		3,437,043
Thousand gallons to system		45,304,083		47,673,804
Water sales:				
Urban	173,445	34,228,582	169,839	35,644,803
Rural	12,787	2,029,242	13,512	2,302,234
	186,232	36,257,824	183,351	37,947,037
City departments	388	669,551	387	553,582
	186,620	36,927,375	183,738	38,500,619
Used by utility		1,454,289		1,506,146
Other unmetered usage		3,281,351		3,460,215
Loss and unaccounted for		3,641,068		4,206,824
Thousand gallons to system		45,304,083		47,673,804
Maximum daily use		190,784		224,592
Average daily consumption		113,826		119,024

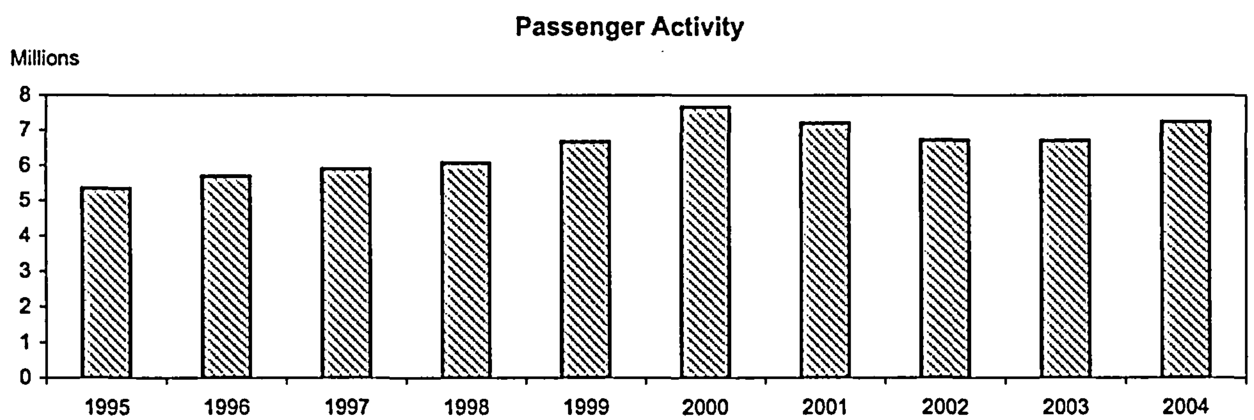
(1) Pumpage includes the Davenport WTP estimate provided by ST Environmental Services.

	Fiscal Year Ended September 30 (dollars in thousands)									
	2004		2003		2002		2001		2000	
	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue	Gallons	Revenue
		$		$		$		$		$
LARGE WATER CUSTOMERS										
Freescale Semiconductor, Inc. (1)	1,003,329	2,686	1,048,571	2,654	1,277,560	3,202	1,931,463	4,886	1,814,060	4,031
The University of Texas at Austin	909,593	2,577	962,813	2,563	863,720	2,319	1,135,801	4,094	1,029,359	2,341
Water District 10	787,407	1,687	795,059	1,646	773,882	1,604	848,672	1,666	901,248	1,831
Advanced Micro Devices	652,030	1,870	792,393	2,009	911,042	2,291	979,919	2,340	1,044,510	2,082
Wells Branch MUD	503,040	1,016	563,339	1,090	575,113	1,092	587,057	1,076	646,054	1,328
Samsung	499,627	1,336	485,945	1,229	495,548	1,246	492,533	1,153	462,139	1,005
Anderson Mill MUD	484,241	991	486,171	949	477,297	757	486,185	851	546,213	936
North Austin MUD	323,783	798	354,291	718	367,626	910	364,580	712	406,345	850
Lost Creek	276,227	617	304,709	655	293,571	612	303,592	608	355,547	758
Shady Hollow MUD	204,950	511	237,135	567	224,608	523	247,103	496	300,277	800
	5,644,227	14,089	6,030,426	14,080	6,259,967	14,556	7,376,905	17,882	7,505,752	15,962

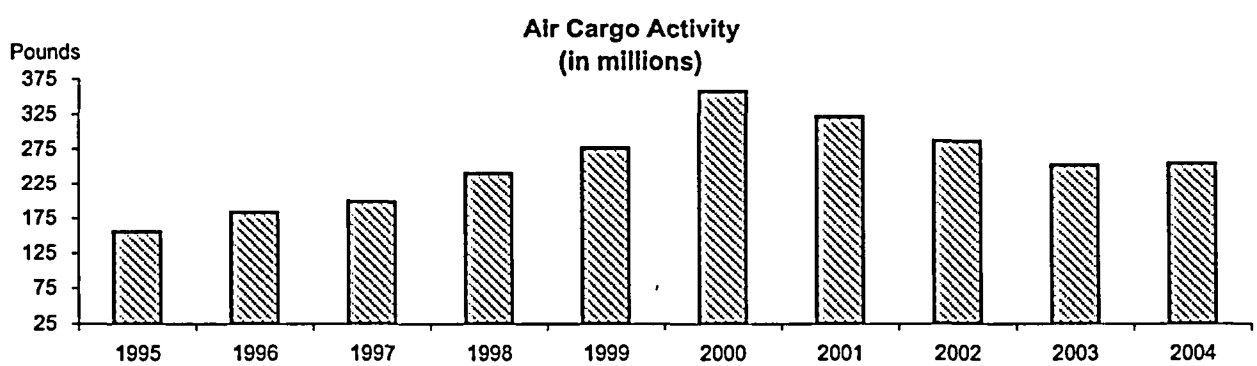
(1) Totals for Freescale Semiconductor, Inc. include the east Austin plant site and the west Austin plant site.

AUSTIN-BERGSTROM INTERNATIONAL AIRPORT

	Airline Passengers			Cargo Statistics (in millions of pounds)
Year	Enplanements	Deplanements	Total	
1995	2,668,447	2,676,240	5,344,687	156
1996	2,853,225	2,838,008	5,691,233	184
1997	2,957,553	2,946,752	5,904,305	199
1998	3,037,566	3,028,407	6,065,973	240
1999	3,363,069	3,307,782	6,670,851	276
2000	3,938,644	3,720,027	7,658,671	357
2001	3,690,835	3,508,487	7,199,322	321
2002	3,439,302	3,281,366	6,720,668	286
2003	3,436,944	3,270,137	6,707,081	252
2004	3,707,864	3,530,781	7,238,645	254



Source: City of Austin Aviation Department



Source: City of Austin Aviation Department

Department and Policy	Expires	Annual Premium	Insurer	Limits of Coverage	Coverage Overview
City-wide (Excluding Austin Energy (1)) • All-risk property • Boiler and machinery	10/1/04	$2,193,060	FM Global	$500,000,000	Provides replacement cost coverage for loss or damage to City buildings and contents due to fire, windstorm, 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 • Commercial crime	10/20/04	$21,483	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 ROCIP III • Hired and nonowned auto	2/1/05	Premium is included in the general liability premium and coverage is for a 5-year term.	Zurich North America Insurance Company	$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 ROCIP III • Commercial general liability	2/1/05	$2,101,974 Premium is for a 5-year term. Premium may vary based on experience.	Zurich North America Insurance Company	$2,000,000 per occurrence; $4,000,000 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 ROCIP III • Workers' compensation and employers' liability	2/1/05	Premium included in Commercial general liability above and is for a 5-year term. Premium may vary based on experience.	Zurich North America Insurance Company	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.

Department and Policy	Expires	Annual Premium	Insurer	Limits of Coverage	Coverage Overview
City-wide Selected capital improvement projects ROCIP III • Excess liability	2/1/05	$410,934 Premium is for a 5-year term.	Zurich North America Insurance Company	$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	3/24/05	$158,158	XL Specialty	$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	5/6/05	$667	Fidelity & Deposit Co. of Maryland	$100,000	Covers loss of funds through employee dishonesty for the Director of Finance and City Treasurer. No deductible applicable.
Police • Airplane liability • Helicopter liability and hull coverage	12/21/04	$93,050	Old Republic	Airplane–$100,000 per person, $1,000,000 per occurrence Helicopter–$10,000,000 per occurrence	Aircraft physical damage; liability to others; medical expense.
Public Works • Commercial general liability	5/12/05	$8,896	Texas Municipal League	$2,000,000 per occurrence; $4,000,000 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.
Austin Energy Services • Excess liability	12/31/04	$414,462	Aegis	$35,000,000 per occurrence	Provides bodily injury and property damage coverage for the Austin Energy Services of the city. Excess coverage is provided for general liability, automobile liability, and employers' liability.

Fiscal Year Ended Sept. 30		(In thousands) 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	73	142	N/A	N/A
1972		77	67	73	79	296	100.0	0.0
1973		81	72	87	93	333	112.4	12.4
1974		93	81	87	99	360	121.7	8.2
1975		99	94	97	113	403	136.2	12.0
1976		117	103	123	149	492	166.3	22.0
1977	(2)	152	136	186	139	613	207.1	24.5
1978		185	214	237	293	929	313.9	51.6
1979		289	273	308	353	1,223	413.4	31.7
1980		342	321	361	401	1,425	481.3	16.4
1981		410	363	443	481	1,697	573.2	19.1
1982		549	436	507	603	2,095	707.7	23.5
1983		630	520	649	699	2,498	843.9	19.3
1984	(3)	689	642	768	917	3,016	1,019.0	20.7
1985		942	1,492	1,557	1,924	5,915	1,998.3	96.1
1986		1,706	1,438	1,597	1,554	6,295	2,126.7	6.4
1987		1,675	1,224	1,682	1,569	6,150	2,077.8	(2.3)
1988		1,379	1,329	1,523	1,709	5,940	2,006.9	(3.4)
1989		1,675	1,684	1,907	2,127	7,393	2,497.7	24.5
1990		1,879	1,620	1,919	2,152	7,570	2,557.5	2.4
1991		1,942	1,860	2,154	2,351	8,307	2,806.6	9.7
1992		2,224	1,957	2,317	2,622	9,120	3,081.2	9.8
1993		2,463	2,260	2,779	3,011	10,513	3,552.0	15.3
1994		2,727	2,409	2,897	3,444	11,477	3,877.5	9.2
1995		3,115	2,870	3,501	3,654	13,140	4,439.5	14.5
1996		3,494	3,203	3,763	3,800	14,260	4,817.8	8.5
1997		3,537	3,353	3,860	4,468	15,218	5,141.5	6.7
1998	(4)	4,539	4,284	4,936	5,061	18,820	6,358.4	23.7
1999		5,612	5,552	6,375	7,073	24,612	8,315.4	30.8
2000		6,637	6,264	7,573	8,284	28,758	9,716.1	16.8
2001	(5)	7,595	7,671	8,043	7,836	31,145	10,522.4	8.3
2002		5,832	5,355	6,350	7,222	24,759	8,365.2	(20.5)
2003		5,766	5,874	7,045	6,823	25,508	8,618.1	3.0
2004		6,136	5,413	6,537	7,292	25,378	8,574.2	(0.5)

(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.

Fiscal Year Ended Sept. 30	(In thousands) 1st Quarter Oct. - Dec.	2nd Quarter Jan. - Mar.	3rd Quarter Apr. - Jun.	4th Quarter Jul. - Sept.	Total	Percent Base Year	Annual Increase (Decrease)
	$	$	$	$	$	%	%
1999 (1)	--	--	983	1,177	2,160	N/A	N/A
2000	1,185	1,136	1,421	1,509	5,251	100.0	0.0
2001 (2)	1,468	1,460	1,379	1,420	5,727	109.1	9.1
2002	1,258	1,085	1,154	1,259	4,756	90.6	(17.0)
2003	1,130	1,127	1,044	1,162	4,463	85.0	(6.2)
2004	1,128	1,045	981	1,214	4,368	83.2	(2.1)

(1) 5% tax levied effective January 1, 1999. Ordinance No. 981210-A.

(2) 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.

Date of Incorporation:	December 27, 1839	**Police protection:**	
Date first Charter adopted:	December 27, 1839	Number of employees	1,789
Date present Charter adopted:	January 31, 1953	Number of law offenses	169,221
Form of Government:	Council - Manager	Number of arrests (4)	62,616
Number of Employees:	10,617	Vehicle patrol units	340
		Number of employees per 1,000 population (1) (3)	2.580
Elections:		**Library:**	
Number of registered voters,		Central and branch libraries	22
September 30, 2004, City of Austin	404,589	Volumes in collection	1,614,460
		Materials circulated	3,230,357
		Registered borrowers	516,666
Number of votes cast in:			
Last general municipal election,		**Recreation:**	
May 15, 2004	44,599	District parks	11
		Metropolitan parks	11
		Natural preserves	15
		Neighborhood parks	85
Percentage of registered voters voting in:		Special parks (museums and	
Last general municipal election, May 15, 2004	11%	miscellaneous)	27
		Greenbelts	25
		Golf courses	6
		Swimming pools	47
		Recreation centers	17
Fire protection:		Youth entertainment complex	1
Number of stations	41	Senior activity nutrition sites	18
Number of employees	1,096	Athletic fields	87
Number of alarms answered	58,943	Tennis courts	102
Number of employees per		Open fields	89
1,000 population (1) (3)	1.603	Senior activity centers	3
		Veloway	3.1 miles
		Hike and bike trails	117 miles

POPULATION ANALYSIS

	Austin (1)		Travis County (1)		Texas (2)		United States (2)	
Year	*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
1995	523,352	16.09	656,979	13.98	18,724,000	10.23	262,755,000	5.26
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
2002	671,044	1.42	848,484	1.35	21,779,893	4.45	288,368,698	2.47
2003	674,719	0.55	865,497	2.01	22,118,509	1.55	290,809,777	0.85
2004	683,551	1.31	882,806	2.00	22,490,022	1.68	293,655,404	0.98

(1) All years are estimates from the City's Neighborhood Planning and Zoning Department 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. Number of employees per 1,000 population is based on projected population of 693,430.

(2) U.S. Bureau of the Census official estimates are as of July 1.

(3) Represents civilian and sworn employees.

(4) Total arrests reported for 2004 are based on the highest offense in a police report. Due to the 2003 conversion to a new records management system, this number was unavaliable as reported in prior periods and the total number of arrests was reported.

Year	Area of Incorporation (Sq. Miles)	Population (1)	Utility Connections (2) Electric (3)	Water	Gas	Effective Buying Income (EBI) (4) Median Household EBI	Per Capita EBI
						$	$
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
2002	273.10	671,044	359,358	182,977	193,278	47,089	25,109
2003	275.58	674,719	363,377	184,659	199,042	41,909	22,420
2004	290.75	683,551	369,458	188,441	203,966	39,227	21,487
1995-2004 Change	47.83%	30.61%	20.47%	25.74%	38.73%	15.44%	16.21%

Year	Building Permits Federal, State and Municipal	Taxable	Total	Retail Sales (Austin) (5)	Austin Area Home Sales (6) Average Sale Price	Number of Homes Sold
	$	$	$	$	$	
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
2002	38,727,017	1,261,868,130	1,300,595,147	12,422,963,735	159,000	12,837
2003	17,084,652	1,189,489,091	1,206,573,743	12,097,570,479	201,505	16,563
2004	20,533,975	1,280,385,298	1,300,919,273	12,922,031,717	203,870	15,961
1995-2004 Change	85.19%	47.10%	47.57%	77.35%	60.87%	89.20%

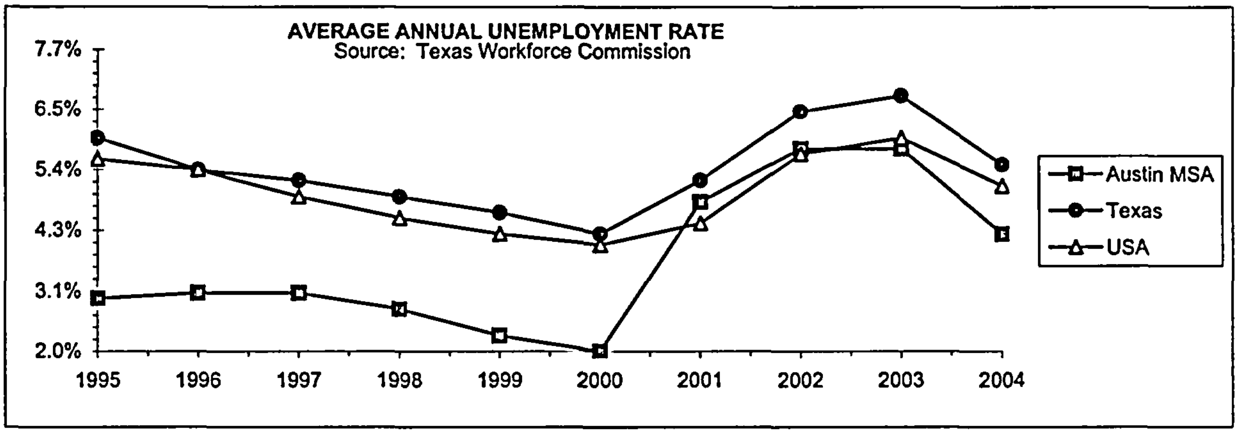
Note: All numbers are as of fiscal year ended September 30, except where noted.

(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: 2004 Public Financial 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.

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

	2004		2000		1990		1980	
Industrial Classification	Number	% of Total	Number	% of Total	Number	% of Total	Number	% of Total
Manufacturing	57,000	8.7	84,662	12.9	49,300	12.9	31,014	12.8
Government	144,900	22.0	137,171	20.9	110,400	28.8	78,263	32.3
Trade, transportation, & utilities (2)	114,200	17.3	171,771	26.2	90,500	23.6	59,121	24.4
Services and miscellaneous	263,800	40.0	190,048	28.9	97,200	25.3	44,826	18.5
Finance, insurance and real estate	40,900	6.2	32,031	4.9	23,400	6.1	14,296	5.9
Contract construction	37,100	5.6	39,134	6.0	12,000	3.1	14,053	5.8
Natural resources and mining	1,600	0.2	1,353	0.2	700	0.2	727	0.3
Totals	659,500	100.0	656,170	100.0	383,500	100.0	242,300	100.0

Source: Texas Workforce Commission (TWC).
(1) Austin-San Marcos MSA includes Travis, Bastrop, Caldwell, Hays, and Williamson Counties. Numbers for 2004 are an estimate based on TWC and the Bureau of Labor Statistics, and U.S. Department of Labor data as of March 31st.
(2) Trade, transportation and utilities have been reported together since 2003.



TEN LARGEST EMPLOYERS
September 30, 2004

10 Largest Employers	Product or Service	Number of Employees	% of Total (3)
The University of Texas at Austin	Education and research	21,000	3.2
Dell Computer Corporation	Computers	16,500	2.5
Austin Independent School District	Education	10,714	1.6
City of Austin	City government	10,617	1.6
Federal Government	Federal agency	10,200	1.5
Freescale Semiconductor, Inc.	Electronic Components	6,500	1.0
Seton Healthcare Network	Hospital	6,393	1.0
IBM Corporation	Office Machines	6,200	0.9
Texas State University - San Marcos	Education and research	5,103	0.8
St. David's Healthcare Partnership	Hospital	5,000	0.8
		98,227	14.9

Source: Austin Chamber of Commerce and Austin Business Journal.
(3) Total refers to total work force of 659,500 as stated in the "Employment by Industry" table above.

(In thousands)

	Reserve for Encumbrances	Inception-to-Date Change in Fair Value
General Fund	$ 4,658	505
Special Revenue Funds:		
Fiscal Surety - Land Development	--	(77)
Enterprise Funds:		
Electric	9,870	144
Water and Wastewater:		
Water	856	23
Wastewater	1,369	23
Airport	442	150
Convention Center	183	39
Drainage	1,155	--
Golf	13	--
Hospital	63	--
Parks and Recreation:		
Softball	3	--
Recreation Centers	10	--
Primary Care	942	--
Solid Waste Services	180	--
Transportation	1,431	--
Internal Service Funds:		
Capital Projects Management	86	--
Employee Benefits	51	--
Fleet:		
Operating	393	212
Designated for acquisition	1,175	--
Information Systems	1,430	--
Liability Reserve	953	--
Support Services	1,600	--
Wireless Communication	15	--

Customer Commitment

"We are committed to meeting the expectations of our customers – constantly focused on improving customer satisfaction."

CPS Energy continually ranks among the top leaders in providing the lowest bills for its San Antonio area customers. "Our goal is to be No. 1.... Here at CPS Energy everyone is working together to make this a reality."

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

***Monthly average for 12 months ending January 2005 based on 1,000 kWh and 5 MCF**

Other Texas cities

City Public Service of San Antonio, Texas

Basic Financial Statements
Fiscal Years Ended January 31, 2005 and 2004

(With Independent Auditors' Report Thereon)

Audited Financial Statements – Table of Contents

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management Discussion and Analysis ("MD&A") serves as an introduction to the financial statements of City Public Service of San Antonio ("CPS"). It is intended to be an objective and easily understandable analysis of significant financial and operating activities, as well as events for the fiscal year ended January 31, 2005 ("FY 2005"), compared to the fiscal year ended January 31, 2004 ("FY 2004"). It also provides an overview of CPS' general financial condition and results of operations for FY 2004, compared to the previous fiscal year ended January 31, 2003 ("FY 2003"). This MD&A has been prepared in accordance with the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, and should be read in conjunction with the financial statements and accompanying notes that follow.

BASIC FINANCIAL STATEMENTS

The Balance Sheets present CPS' assets, liabilities and fund net assets as of the end of FY 2005 and FY 2004. Assets are separated into current and non-current categories and are reported in the order of liquidity. Current assets include cash and cash equivalents, investments, receivables, inventories, prepayments and other current deferred costs that are all unrestricted. Non-current assets include cash and cash equivalents, investments, and interest receivables, which all have been restricted by state law, ordinances or contracts. Prepaid rent, other non-current assets and deferred costs, as well as capital assets, net are also classified as non-current assets. Liabilities are segregated into current and non-current classifications. Current liabilities include the current maturities of revenue bonds, accounts payable and accrued liabilities, and other payables. Non-current liabilities include net long-term debt, the South Texas Project ("STP") decommissioning liability, customer deposits, deferred revenue and other non-current liabilities. The Balance Sheets report fund net assets as the difference between the total assets and total liabilities and, as described above and disclosed in the financial statements, are classified as those assets invested in capital assets, net of related debt, legally restricted or unrestricted.

Within the Statements of Revenues, Expenses and Changes in Fund Net Assets, operating results are reported separately from non-operating activities, which primarily relate to financing and investing. These statements identify revenue generated from sales to cover operating expenses. Operating expenses are presented by major cost categories. Revenues remaining are available to service debt, cover city payment, finance capital expenditures and provide for contingencies. Contributed capital is also reported separately as a component of the change in fund net assets.

The Statements of Cash Flows present changes in cash categorized into operating activities, capital and related financing activities, non-capital financing activities and investing activities. These statements have been prepared using the direct method, which reports cash receipts, payments and a reconciliation of operating income to net cash provided by operating activities.

FINANCIAL HIGHLIGHTS AND SIGNIFICANT ACCOUNTING POLICIES

Contributions made for construction of capital assets flow through the Statements of Revenues, Expenses and Changes in Fund Net Assets and are shown as part of fund net assets that are invested in capital and other assets. The amount reported for contributed capital was $47.7 million for FY 2005 as compared with $47.2 million for FY 2004. The portion of these balances that represent contributions received from customers, as payments for utility extensions and services, were $19.0 million and $17.8 million for FY 2005 and FY 2004, respectively.

Fund net assets at January 31, 2005, totaled $2.9 billion as compared with $2.8 billion at January 31, 2004. These amounts include the assets and liabilities accumulated for the CPS Disability Income, Group Life Insurance and Group Health Plans (the "Employee Benefit Plans"), as well as for the City Public Service Decommissioning Master Trust for the South Texas Project (the "Decommissioning Trust") under GASB Statement No. 14, *The Financial Reporting Entity*. In compliance with the provisions of GASB 14, the Employee Benefits Plans and the Decommissioning Trust (the "component units") are included in CPS' financial statements, using the blending method of inclusion, which combines the activity of the component units in separate line items. For the Employee Benefit Plans, for FY 2005 and FY 2004, the restricted fund net assets were $172.8 million and $152.8 million, respectively. These net assets were comprised of cash and cash equivalents, investments and interest receivable, less employee benefit plan payables. There were no fund net assets associated with the Decommissioning Trust for either year since the decommissioning liability equaled the assets.

As of January 31, 2005, CPS adopted the provisions of GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The adoption of this guidance did not affect CPS' financial position or results of operations. However, it did result in additional reporting disclosures that have been incorporated into the current year notes to the financial statements.

In prior years, the results of the component units were reported for 12-month periods ended January 31. For FY 2005, CPS modified this approach to report these component units on their separately audited calendar year ends. As a result, only 11 months of activity was reported for the component units within CPS' FY 2005. The effect of this reporting change to CPS' FY 2005 Change in Fund Net Assets was a reduction of 3.9%. Going forward, the calendar year results of the component units will be consistently captured within CPS' fiscal reporting periods.

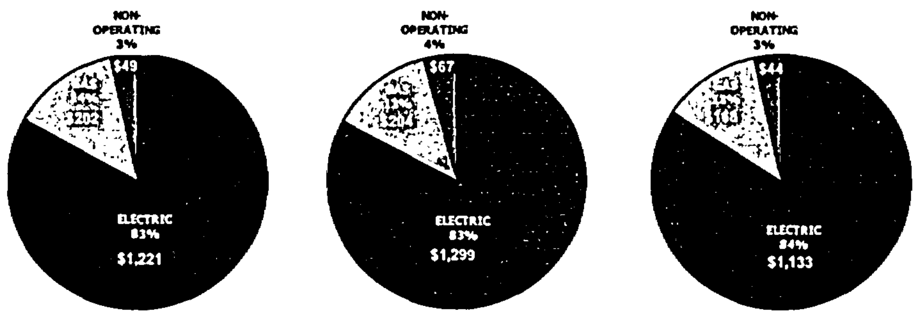
SUMMARY OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS INFORMATION
(In thousands)

	Fiscal Year Ended January 31,			Change			
				2005 vs. 2004		2004 vs. 2003	
	2005	2004	2003	$	%	$	%
Revenues:							
Electric	$ 1,220,874	$ 1,299,448	$ 1,132,788	$ (78,574)	-6.0%	$ 166,660	14.7%
Gas	201,531	204,366	168,705	(2,835)	-1.4%	35,661	21.1%
Total operating revenue	1,422,405	1,503,814	1,301,493	(81,409)	-5.4%	202,321	15.5%
Non-operating income, net	49,327	66,697	43,969	(17,370)	-26.0%	22,728	51.7%
Total Revenue	1,471,732	1,570,511	1,345,462	(98,779)	-6.3%	225,049	16.7%
Expenses:							
Operating Expenses –							
Fuel, purchased power and distribution gas	492,198	533,806	368,592	(41,608)	-7.8%	165,214	44.8%
Other operating and maintenance expenses	315,253	321,211	311,885	(5,958)	-1.9%	9,326	3.0%
Employee benefit plans	25,453	29,885	24,304	(4,432)	-14.8%	5,581	23.0%
Regulatory assessments	42,076	45,851	22,294	(3,775)	-8.2%	23,557	105.7%
Decommissioning	13,365	24,402	36,647	(11,037)	-45.2%	(12,245)	-33.4%
Depreciation	236,686	228,941	217,037	7,745	3.4%	11,904	5.5%
Total Operating Expenses	1,125,031	1,184,096	980,759	(59,065)	-5.0%	203,337	20.7%
Non-operating Expenses –							
Interest and debt related	143,241	149,223	159,420	(5,982)	-4.0%	(10,197)	-6.4%
Payments to the City of San Antonio	194,901	206,057	172,235	(11,156)	-5.4%	33,822	19.6%
Total Non-operating Expenses	338,142	355,280	331,655	(17,138)	-4.8%	23,625	7.1%
Total Expenses	1,463,173	1,539,376	1,312,414	(76,203)	-5.0%	226,962	17.3%
Income (Loss) Before Contributed Capital	8,559	31,135	33,048	(22,576)	-72.5%	(1,913)	-5.8%
Contributed Capital	47,666	47,191	53,431	475	1.0%	(6,240)	-11.7%
Change in Fund Net Assets	56,225	78,326	86,479	(22,101)	-28.2%	(8,153)	-9.4%
Fund Net Assets - Beginning	2,829,376	2,751,050	2,664,571	78,326	2.8%	86,479	3.2%
Fund Net Assets - Ending	$ 2,885,601	$ 2,829,376	$ 2,751,050	$ 56,225	2.0%	$ 78,326	2.8%

RESULTS OF OPERATIONS

Revenues

TOTAL REVENUES
(In millions)



FY 2005 FY 2004 FY 2003

For FY 2005, electric and gas operating revenue of $1.4 billion decreased by $81.4 million, or 5.4%, compared to FY 2004. Additionally, as further explained below, CPS had $49.3 million and $66.7 million in non-operating income, net for FY 2005 and FY 2004, respectively. Representing 83.0% of CPS' total revenue, electric operating revenue of $1.2 billion decreased from FY 2004 by $78.6 million, or 6.0%. This decrease was due primarily to a $101.2 million decline in fuel recoveries, resulting from a lower average unit cost of coal and higher percentage of nuclear generation. Partially offsetting this decrease was an increase in electric sales due to higher off-system sales in FY 2005. Also offsetting this decrease was a 2.6% increase in the customer base. The number of electric customers increased 15,685 from 602,313 at January 31, 2004, to 617,998 at January 31, 2005.

Gas operating revenue for FY 2005 totaled $201.5 million, a 1.4% decrease from FY 2004, and accounted for 13.7% of total revenue. The decrease was due primarily to a 3.3% reduction in gas sales, due to milder weather. Partially offsetting the revenue decrease was fuel cost recoveries as a result of a 2.5% increase in the unit price of gas and a 0.6% increase in the average customer base over FY 2004. Gas sales totaled 22.4 million MCF compared to 23.2 million MCF for FY 2004. Gas customers at January 31, 2005, totaled 308,556, an increase of 1,711 from FY 2004.

CPS accrues an estimate for gas and electric revenues earned but not billed at the end of each period. In the current fiscal year, the methodology was revised to more accurately account for fuel recoveries not yet billed. If the same methodology had been used for FY 2004, total revenues would have been 0.3% lower. An adjustment of approximately $4.0 million related to FY 2004 revenues was made in FY 2005 to reflect this change in methodology.

Non-operating income, net of $49.3 million decreased by $17.4 million from FY 2004. A significant factor to this decrease was the change in fair value of the Employee Benefit Plans investments of $18.8 million compared to $33.5 million for FY 2004.

For FY 2004, electric and gas operating revenue totaled $1.5 billion, a rise of $202.3 million, or 15.5%, from FY 2003. Additionally, as explained below, CPS had $66.7 million and $44.0 million in non-operating income, net for FY 2004 and FY 2003, respectively. Representing 82.7% of total revenue, electric operating revenue was $1.3 billion, an increase of 14.7% from FY 2003. In particular, electric sales were 4.9% higher due to an increase in off-system sales in FY 2004. The number of electric customers totaled 602,313 as of

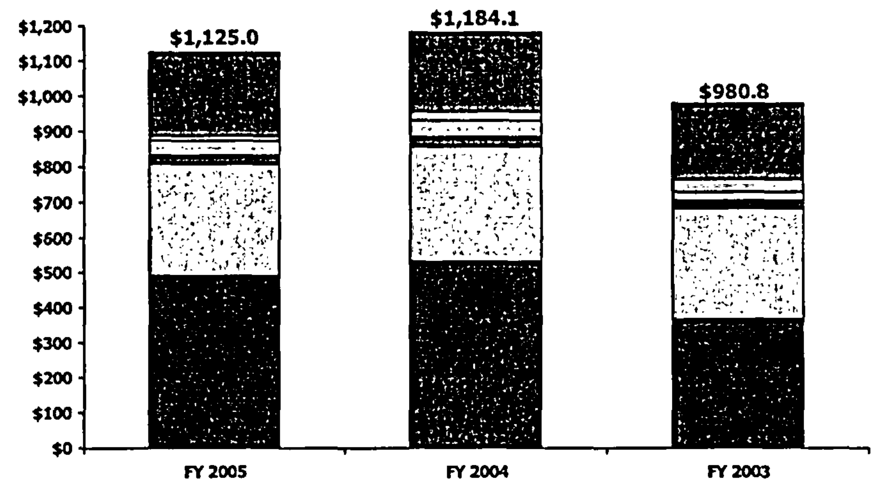
January 31, 2004, an increase of 10,021 from January 2003. Just after January 31, 2003, the customer count methodology was changed from number of bills to number of active contracts. The prior year customer count was restated to reflect active contracts. CPS also recorded an all-time, record peak demand on August 8, 2003, of 4,117 MW. Regulatory assessments recoveries added $50.8 million to total revenue and were up significantly from FY 2003. Regulatory recoveries represent the pass-through of CPS' charges for utility commission assessments for statewide transmission costs and for fees related to the Electric Reliability Council of Texas ("ERCOT").

Gas operating revenue for FY 2004 totaled $204.4 million. This amount was up 21.1% from FY 2003 and accounted for 13.0% of total revenue. The increase was due primarily to greater revenue from higher gas recoveries resulting from a higher unit price of gas compared to FY 2003.

Non-operating income, net of $66.7 million increased by 51.7%. The change in fair value recorded on the Employee Benefit Plans investments increased by $40.3 million from FY 2003 and accounted for all of the favorable variance.

Operating Expenses

TOTAL OPERATING EXPENSES
(In millions)



	FY 2005	FY 2004	FY 2003
Fuel, Purch. Power & Dist. Gas	$ 492.2	$ 533.8	$ 368.6
Other Operating & Maintenance	$ 315.2	$ 321.2	$ 311.9
Employee Benefit Plans	$ 25.4	$ 29.9	$ 24.3
Regulatory Assessments	$ 42.1	$ 45.9	$ 22.3
Decommissioning	$ 13.4	$ 24.4	$ 36.7
Depreciation	$ 236.7	$ 228.9	$ 217.0

For FY 2005, operating expenses totaled $1.1 billion and were $59.1 million lower than FY 2004. Fuel, purchased power and distribution gas costs of $492.2 million decreased by $41.6 million, or 7.8%. Relative to fuel and purchased power costs, the average electric unit price per MWh was considerably lower than last fiscal year due primarily to a lower unit cost of coal and a higher percentage of nuclear generation, which reduced the need for more expensive gas generation. STP had only one scheduled outage in FY 2005. In comparison, Unit 2 was in a forced outage in FY 2004 from February until mid-March 2003, while Unit 1 was in its planned refueling outage during April 2003 and a subsequent forced outage throughout the summer.

Other operating and maintenance expenses for FY 2005 were $315.2 million, or $6.0 million, lower than FY 2004, partially due to management's increased focus on controlling costs. This category also includes STP costs of $72.2 million for FY 2005, which is exclusive of nuclear fuel and decommissioning contributions. Of the $6.0 million total decline, the STP operating and maintenance costs were $4.1 million, or 5.3%, lower than FY 2004 due to a reduced need for plant maintenance.

The costs of the Employee Benefit Plans for FY 2005 were $25.4 million, a decrease of $4.4 million, or 14.8%, from FY 2004. As mentioned earlier, prior to FY 2005, the activity of the component units was reported for the 12 months ended January 31. This year a change to include the costs of the Employee Benefit Plans through their audited calendar year ends was implemented. The same approach was taken for the relative sources of income. This modified practice does not have a significant effect on CPS' financial statements. After considering this reporting change, the decline in costs from the previous reporting year related to a lower level of participant claims due the change in timing.

Regulatory assessments were $42.1 million, for FY 2005, a decrease of $3.8 million, or 8.2%, compared to FY 2004. Transmission Costs of Service ("TCOS") payments were offset by lower ERCOT related costs, including decreases in Out of Merit Replacement Capacity, Out of Merit Energy, Balance Energy Neutrality Adjustment, and Local Balancing Energy Service charges.

Decommissioning expenses totaled $13.4 million for FY 2005 and were $11.0 million lower than FY 2004. A decommissioning cost study conducted in June 2004, determined that funding could be lowered for the year. Additionally, as mentioned before, greater plant maintenance was required the previous fiscal year due to the forced outages of both generating units.

Depreciation expense of $236.7 million, for FY 2005 was $7.7 million, or 3.4%, higher than FY 2004, primarily reflecting new plant additions of four new LM6000 Generation Peaking Units and a new Energy Management Center.

For FY 2004, operating expenses totaled $1.2 billion, an increase of 20.7% from FY 2003. Fuel, purchased power and distribution gas costs of $533.8 million, increased by 44.8%, or $165.2 million, from FY 2003. Relative to fuel and purchased power costs, the average electric and distribution gas unit prices increased substantially from FY 2003, due primarily to higher natural gas prices. Additionally, electric costs increased due to a lower level of nuclear generation. The reduction in nuclear generation reflected the STP Unit 2 forced outage that occurred early in the FY 2004 to repair excessive turbine vibration and execute a planned refueling outage for Unit 1. The reduction in nuclear generation was replaced by more expensive gas and a greater amount of coal generation, as well as a higher level of purchased power. Overall, total generation and other power requirements were 2.7% greater than FY 2003.

Other operating and maintenance expenses for FY 2004 of $321.2 million, increased by $9.3 million, or 3.0%, due to higher STP production maintenance costs associated with outages.

Employee Benefit Plans costs for FY 2004 were $29.9 million, an increase of $5.6 million, or 23.0%, from FY 2003. This was primarily due to an increase in the level of participant claims.

Regulatory assessments were $45.9 million for FY 2004, an increase of $23.6 million from FY 2003. This was due mainly to greater ERCOT-related costs that were primarily for managing increasing congestion on the statewide grid. Specific charges that contributed to the increase were Out of Merit Energy charges, Out of Merit Replacement Capacity charges and Reliability Must Run service charges.

Decommissioning expenses totaled $24.4 million for FY 2004 and were $12.2 million, or 33.4%, lower than the FY 2003. CPS recognizes decommissioning expense in amounts exactly equal to the growth in relative trust assets. The fiscal year expense decline related to the lower level of trust income and decline in the change in fair value on the trust investments.

Depreciation expense of $228.9 million for FY 2004 was $11.9 million greater than FY 2003, reflecting plant additions during the year subject to depreciation. Some true-ups and adjustments were also recorded at the end of the fiscal year for the Gugert and Salado Street facilities remediation and other asset classes.

Non-operating Expenses

For FY 2005 – Interest and debt-related costs of $143.2 million were $6.0 million lower than FY 2004. Reduced interest rates on the Senior-Lien Bonds, and lower debt amortization expense were partially offset by the interest expense on Junior-Lien Variable Rate Demand Obligations ("VRDOs"), which has been recorded since May 2003.

Payments to the City of San Antonio (the "City") for FY 2005 totaled $194.9 million and were 5.4% lower than FY 2004, reflecting the decrease in gross revenue subject to City Payment, including lower fuel recoveries.

For FY 2004 – Interest and debt-related costs for FY 2004 totaled $149.2 million and were $10.2 million lower than FY 2003 as FY 2003 included $7.1 million in costs for a cash defeasance of debt.

Payments to the City, for FY 2004, totaled $206.1 million and were 19.6% greater than FY 2003, reflecting higher gross revenue subject to City Payment, including higher fuel recoveries. FY 2004 was the first year where the total City Payments exceeded $200 million.

SUMMARY OF BALANCE SHEETS INFORMATION

(In thousands)

	January 31,			Change			
				2005 vs. 2004		2004 vs. 2003	
	2005	2004	2003	$	%	$	%
Assets							
Current assets	$ 619,597	$ 627,435	$ 621,044	$ (7,838)	-1.2%	$ 6,391	1.0%
Non-Current Assets:							
Restricted –							
Debt service	738	13	21	725	5576.9%	(8)	-38.1%
Capital projects	138,106	18,911	17,906	119,195	630.3%	1,005	5.6%
Bond ordinance	577,005	617,989	454,941	(40,984)	-6.6%	163,048	35.8%
Employee benefit plans	178,053	157,487	126,941	20,566	13.1%	30,546	24.1%
Decommissioning trust	222,410	211,118	183,291	11,292	5.3%	27,827	15.2%
Project Warm	7,404	7,171	7,420	233	3.2%	(249)	-3.4%
Other non-current assets	543,183	561,548	582,068	(18,365)	-3.3%	(20,520)	-3.5%
Capital assets, net	4,645,994	4,621,564	4,585,309	24,430	0.5%	36,255	0.8%
Total Assets	6,932,490	6,823,236	6,578,941	109,254	1.6%	244,295	3.7%
Liabilities							
Current liabilities	311,493	287,969	276,540	23,524	8.2%	11,429	4.1%
Long-term liabilities	3,735,396	3,705,891	3,551,351	29,505	0.8%	154,540	4.4%
Total Liabilities	4,046,889	3,993,860	3,827,891	53,029	1.3%	165,969	4.3%
Fund Net Assets							
Invested in capital assets, net of related debt	1,821,531	1,722,770	1,850,944	98,761	5.7%	(128,174)	-6.9%
Restricted	750,495	770,767	577,705	(20,272)	-2.6%	193,062	33.4%
Unrestricted	313,575	335,839	322,401	(22,264)	-6.6%	13,438	4.2%
Fund Net Assets	$ 2,885,601	$ 2,829,376	$ 2,751,050	$ 56,225	2.0%	$ 78,326	2.8%

Other Non-current Assets

FY 2005 – The decline in other non-current assets of $18.4 million, from $561.5 as of January 31, 2004, to $543.2 million as of January 31, 2005, related primarily to a lease/leaseback transaction for CPS' J.K. Spruce Unit 1 property, whereby $637.0 million in prepaid rent is being amortized over approximately 32 years.

FY 2004 – The decline of other non-current assets of $20.5 million, from $582.1 million as of January 31, 2003, to $561.5 million as of January 31, 2004, also related primarily to the lease/leaseback prepaid rent amortization mentioned above.

Capital Assets, Net

SUMMARY OF CAPITAL ASSETS, NET OF DEPRECIATION INFORMATION

(In thousands)

	January 31,			Change			
				2005 vs. 2004		2004 vs. 2003	
	2005	2004	2003	$	%	$	%
Land	$ 69,081	$ 67,795	$ 67,527	$ 1,286	1.9%	$ 268	0.4%
Buildings and structures	746,071	743,119	771,557	2,952	0.4%	(28,438)	-3.7%
Systems and Improvements:							
Generation	1,490,055	1,467,504	1,455,888	22,551	1.5%	11,616	0.8%
Transmission and distribution	1,517,124	1,448,356	1,333,849	68,768	4.7%	114,507	8.6%
Gas	325,071	314,782	301,518	10,289	3.3%	13,264	4.4%
Machinery and equipment	273,569	287,496	276,822	(13,927)	-4.8%	10,674	3.9%
Other	9,040	8,441	8,980	599	7.1%	(539)	-6.0%
Nuclear fuel	35,389	35,486	38,496	(97)	-0.3%	(3,010)	-7.8%
Construction in progress	180,594	248,585	330,672	(67,991)	-27.4%	(82,087)	-24.8%
Capital Assets, Net of Depreciation	$ 4,645,994	$ 4,621,564	$ 4,585,309	$ 24,430	0.5%	$ 36,255	0.8%

FY 2005 – At January 31, 2005, capital assets, net of $4.65 billion increased $24.4 million from FY 2004. Decreases caused by a decline in construction in progress of $68.0 million and current year depreciation of $236.7 million were more than offset by total additions to plant and related costs of $324.6 million and other charges such as net removal costs of $4.5 million. The additions to plant and related costs included the installation and activation of gas-fired generating units and the completion of CPS' new Energy Management Center. Of the total additions, $263.4 million related to new construction and net removal costs funded from the following sources: $40.6 million from Junior- and Senior-Lien debt proceeds; $175.0 million from the Repair and Replacement Account; $47.1 million from Contributed Capital; and $0.7 million from the Overhead Conversion Fund.

FY 2004 – At January 31, 2004, net capital assets increased $36.3 million to $4.62 billion. For FY 2004, decreases caused by a decline in construction in progress of $82.1 million and depreciation of $228.9 million were more than offset by total additions for plant and related costs of $347.3 million. These additions were for electric transmission and distribution assets. Of the total FY 2004 additions, $269.5 million related to new construction and net removal costs funded from the following sources: $173.1 million from Junior- and Senior-Lien debt proceeds; $51.3 million from the Repair and Replacement Account; $43.7 million from Contributed Capital; and $1.4 million from the Overhead Conversion Fund.

Total Assets

FY 2005 – As of January 31, 2005, total assets of $7.0 billion, increased $109.3 million from FY 2004. Excluding the changes in other non-current assets and capital assets, net described above, there were increases in the Capital Projects Fund of $119.2 million, in the Employee Benefit Plans Funds of $20.6 million, and in the restricted funds in the Decommissioning Trust of $11.3 million. Partially offsetting the increases was a $41.0 million decrease in amounts restricted by Bond Ordinance.

FY 2004 – As of January 31, 2004, total assets were $6.8 billion, an increase of $244.3 million from FY 2003. Excluding the changes in other non-current assets and capital assets described above, the amounts restricted by Bond Ordinance increased by $163.0 million reflecting increases to the Repair and Replacement Account and a lower amount used for construction. Additionally, increases in cash and cash equivalents, investments and interest receivable of the Employee Benefit Plans and the Decommissioning Trust accounted for $30.5 million and $27.8 million of the variance, respectively.

FINANCING AND DEBT COVENANTS COMPLIANCE

In November 2004, CPS issued an additional $160.0 million of VRDOs to provide funds for acquiring 300 additional megawatts of electric generating capacity in STP, to make other improvements to the systems and to pay the issuance costs for the bonds. CPS anticipates the transaction to acquire additional generating capacity at STP will be finalized in May of 2005. As a result of this transaction, CPS' interest in the nuclear plant will increase from 28.0% to 40.0%. Relative to the funding provided by the VRDOs, CPS obtained an initial interest rate of 2.2% for a period extending to the initial tender date of December 1, 2005.

The low interest rate environment in FY 2004 created several refunding and financing opportunities. CPS completed two separate revenue refunding bond transactions in June and July 2003. The first, a forward delivery transaction, was for the sale of $350.5 million of New Series 2003 Bonds at a true interest cost of approximately 3.1% to refund $375.5 million of certain higher-rate, outstanding New Series 1994A bonds. This transaction resulted in gross debt service savings of $32.9 million. The settlement date occurred in November 2003. In the second transaction, CPS sold $93.9 million of advance refunding New Series 2003A Bonds at an interest cost of approximately 3.7%. This transaction refunded $96.0 million in certain outstanding New Series 1994A and 1995 Bonds and resulted in gross debt service savings of $15.9 million.

In May 2003, CPS also issued $250.0 million of VRDOs to provide funds for capital projects. The bonds were issued in a weekly mode at an initial interest rate of 1.2%. These bonds also contain put options, allowing them to be called with short notice if the rates should increase unfavorably to CPS. Of this issue, approximately $111.9 million was used to reimburse CPS' Repair and Replacement Account for prior capital expenditures and $138.1 million funded capital projects.

With respect to all New Series Bonds outstanding, which includes the New Series 2003 and the 2003A Bonds mentioned above, the net revenues of CPS' electric and gas systems ("Systems") are pledged to the payment of principal and interest thereon. All New Series Bonds are classified as Senior-Lien Obligations and the principal and interest thereon shall have a first lien upon the net revenues of CPS' Systems. The VRDOs are classified as Junior-Lien Obligations. The borrowings from the Junior-Lien Obligations are equally and ratably secured by and are payable from the net revenues of CPS' Systems, such pledge being subordinate and inferior to the pledge of net revenues securing the Senior-Lien Obligations, but prior and superior to the lien on and pledge of the net revenues securing the payment of the Commercial Paper Notes. The total amount outstanding of Senior-Lien Obligations was $2.3 billion, $2.4 billion and $2.5 billion, respectively, at

January 31, 2005, 2004 and 2003. The total amount outstanding of Junior-Lien Obligations was $410.0 million at January 31, 2005, and $250.0 million at January 31, 2004. There were no Junior-Lien Obligations outstanding at January 31, 2003.

CPS maintains a Tax-Exempt Commercial Paper ("TECP") program to provide tax-exempt financing for various purposes. The program is currently authorized to have Notes outstanding in an amount not to exceed $450.0 million, as amended by ordinance in June 1997. CPS replaced the TECP liquidity facility, effective November 1, 2004, for a three-year term. The current revolving credit agreement permits CPS to borrow up to an aggregate amount not to exceed $350.0 million for the purpose of paying amounts due under the TECP program. As of January 31, 2005, there have been no borrowings under the credit agreement. The TECP outstanding is secured by net revenue generated from electric and gas sales. Such pledge of net revenue is subordinate and inferior to the pledge securing payment of Senior-Lien and Junior-Lien Obligations. The balance of TECP outstanding was $350.0 million at January 31, 2005, 2004 and 2003.

As of January 31, 2005, 2004 and 2003, CPS was in compliance with the terms and provisions of the documents related to the New Series Bonds, the VRDOs, and the TECP.

Debt service coverage for the New Series Bonds, in accordance with the ordinances, was 2.40x for FY 2005 and 2.54x for FY 2004. Interest rates on New Series Bonds declined in 2004 due to financing strategies and refunding transactions. The weighted-average interest rate on outstanding Commercial Paper was 1.0% at January 31, 2004, and rose to 1.9% at January 31, 2005. The weighted-average maturity at January 31, 2005 and 2004, was 70 and 86 days, respectively. CPS' ratio of fund net assets to total debt and fund net assets was 48.9% at January 31, 2005, as compared to 48.8% at January 31, 2004, and 49.1% at January 31, 2003.

SUMMARY OF CPS' BOND AND COMMERCIAL PAPER RATINGS

	Ratings at January 31, 2005		
	Senior-Lien Debt	Junior-Lien Debt	TECP
Fitch Ratings	AA+	AA+ / F1+	F1+
Moody's Investors Service, Inc.	Aa1	Aa2 / VMIG 1	P-1
Standard & Poor's Ratings Services	AA	AA-/ A-1+	A-1+

OTHER CURRENTLY KNOWN FACTS

South Texas Project – STP is a two-unit nuclear power plant, near the Texas Gulf Coast, approximately 200 miles from San Antonio. CPS currently owns 28.0% of STP. American Electric Power ("AEP") has sold its generation facilities in ERCOT, including its interest in STP. CPS and Texas Genco L.P., ("Texas Genco") exercised rights of first refusal and have committed to purchase AEP's interest. Texas Genco intends to purchase an additional 13.2% interest in STP from AEP, bringing its ownership to 44.0%. CPS expects to purchase an additional 12.0% from AEP at a cost of approximately $132.5 million, bringing its ownership to 40.0%. If either Texas Genco's or CPS' purchase fails to close, the other has agreed to purchase the remaining AEP share of STP. Close of the purchase of CPS' portion of AEP's interest in STP is contingent upon receipt of regulatory approvals from the National Regulatory Commission ("NRC") for transfer of AEP's NRC licenses for STP, and from the U.S. Internal Revenue Service ("IRS"), for an IRS Private Letter Ruling that the transfer of AEP's decommissioning funds is permitted without conditions or limitations thereon that are not reasonably acceptable to CPS. In addition, the PUCT must approve the transfer of a share of AEP's decommissioning funds to CPS. At this time, there appear to be no impediments in obtaining these regulatory approvals and CPS expects receipt of these regulatory approvals. Closing of the sale transactions are expected in May 2005.

On September 30, 2004, CPS received approval for a change in the amount it charges for retail and certain wholesale rates, which will go into effect the first full month after closing on the purchase of the 12.0% additional share of STP. The projected impact of this change has been estimated as a $41.0 million non-fuel base rate adjustment designed to support the debt service on the 2004 Junior-Lien Obligations and the increase in CPS' share of STP's operational and maintenance expenses. Even though there will be a change in the base rate that CPS charges its customers to pay, in part, for the increased debt service associated with its additional share of STP, the fuel savings as a result of CPS' operation of its increased interest in STP are expected to offset the base rate change resulting in overall savings to CPS ratepayers.

Debt Issue – On March 9, 2005, CPS issued $535.3 million of tax-exempt New Series 2005 Bonds. Included were par amounts of $294.6 million of Revenue Refunding Bonds and $240.7 million of Revenue Bonds. The true interest cost of these bonds was approximately 4.5%. CPS expects to receive net proceeds of $250.0 million from the issuance of the Revenue Bonds. Proceeds will be used to partially fund Transmission, Electric Distribution, Information Technology & Communication, and General Property construction. The bonds to be refunded are expected to result in net present value ("NPV") debt service savings of $19.7 million, or approximately 6.7% of the par amount of the refunded bonds. Closing of the bond transaction is scheduled for April 13, 2005.

New Coal Plant – The construction of an additional 750 MW coal-fired unit is in the planning and permitting stages. Authorization to proceed with the permit application was received from the Board of Trustees in late June 2003. In November 2003, CPS filed with the Texas Commission on Environmental Quality ("TCEQ") an application for permits associated with its construction and operation. This station is to be located next to Unit 1 of the J.K. Spruce Power Plant, another coal-fired generating station CPS currently has in operation in the southeast portion of Bexar County. The review of the permit application by TCEQ is complete and is moving toward the hearing phase. While CPS expects the approval of its permit application, it is uncertain whether permit requirements, if any, will have a substantial economic impact.

REQUESTS FOR INFORMATION

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.

KPMG
300 Convent, Suite 1200
San Antonio, TX 78205

RJW
Robert J. Williams
Certified Public Accountant
P.O. Box 34058
San Antonio, TX 78265-4058

GARZA, PREIS & CO., L.L.C.
Certified Public Accountants
8415 Speedway
San Antonio, Texas 78230

Independent Auditors' Report

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

We have audited the accompanying balance sheets of the City Public Service of San Antonio, Texas (City Public Service), a component unit of the City of San Antonio, Texas, as of January 31, 2005 and 2004, 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 2005 or 2004 or the financial statements of the City Public Service Disability Income, Group Life Insurance and Group Health Plans (Employee Health and Welfare Plans) in 2005 or 2004. The financial information related to the City Public Service Employees' Pension Plan is included in footnote 8 of the notes to the financial statements. As of January 31, 2005 and 2004, the total assets and net assets of the Employee Health and Welfare Plans represent 3% and 2%, respectively, of the total assets and 6% and 5%, respectively, of the 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 and the City Public Service Employee Health and Welfare Plans 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, 2005 and 2004, 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.

City Public Service adopted the provisions of Government Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an Amendment to GASB Statement No. 3*, as of January 31, 2004.

The management's discussion and analysis on pages 6 through 15 and the schedule of funding progress in footnote 8 of the notes to the financial statements are not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We, and other auditors, 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, and other auditors, did not audit the information and express no opinion on it.

KPMG LLP Robert J Williams CPA Garza, Preiss, & Co., LLC

March 23, 2005

BALANCE SHEETS

	January 31, 2005	January 31, 2004
	(In thousands)	
Assets		
Current Assets:		
Cash and cash equivalents	$ 50,920	$ 51,532
Investments	258,406	238,813
Interest receivable	2,629	1,864
Customer accounts receivable, less allowance for doubtful accounts of $8,281 in 2005 and $18,026 in 2004 *(includes unbilled revenue of $37.3 million for 2005 and $61.2 million for 2004)*	136,836	162,592
Other receivables	24,583	25,403
Inventories, at average costs:		
Materials and supplies	72,466	77,008
Fossil fuels	42,806	34,571
Prepayments and other	30,951	35,652
Total Current Assets	619,597	627,435
Non-Current Assets:		
Restricted –		
Debt service:		
Cash and cash equivalents	738	13
Capital projects:		
Cash and cash equivalents	93,255	-
Investments	44,851	18,253
Interest receivable	-	658
Bond ordinance:		
Investments	572,057	612,556
Interest receivable	4,948	5,433
Employee benefit plans:		
Cash and cash equivalents	20,814	16,528
Investments	156,535	140,348
Interest receivable	704	611
Decommissioning trust:		
Cash and cash equivalents	5,503	1
Investments	215,023	208,847
Interest receivable	1,884	2,270
Project Warm:		
Cash and cash equivalents	(17)	402
Investments	7,366	6,680
Interest receivable	55	89
Prepaid rent – leaseback	516,182	535,972
Other non-current assets and deferred costs	27,001	25,576
Capital assets, net	4,645,994	4,621,564
Total Non-current Assets	6,312,893	6,195,801
Total Assets	$ 6,932,490	$ 6,823,236

(Continued)

	January 31, 2005	January 31, 2004
	(In thousands)	
Liabilities		
Current Liabilities:		
Current maturities of revenue bonds	$ 127,255	$ 121,245
Accounts payable and accrued liabilities	178,937	162,002
Employee benefit plans payables	5,301	4,722
Total Current Liabilities	311,493	287,969
Non-Current Liabilities:		
Long-term debt, net	2,838,892	2,796,460
Decommissioning	222,410	211,118
Customer deposits	19,419	19,935
Deferred lease revenue	588,455	611,015
Other non-current liabilities and deferred credits	66,220	67,363
Total Non-Current Liabilities	3,735,396	3,705,891
Total Liabilities	4,046,889	3,993,860
Fund Net Assets		
Invested in capital assets, net of related debt	1,821,531	1,722,770
Restricted:		
Debt service	738	13
Bond ordinance	577,005	617,989
Employee benefit plans	172,752	152,765
Unrestricted	313,575	335,839
Total Fund Net Assets	2,885,601	2,829,376
Total Liabilities and Fund Net Assets	$ 6,932,490	$ 6,823,236

See accompanying notes to the basic financial statements

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

	Years Ended January 31, 2005	2004
	(In thousands)	
Operating Revenue:		
Electric	$ 1,220,874	$ 1,299,448
Gas	201,531	204,366
Total Operating Revenue	1,422,405	1,503,814
Operating Expenses:		
Fuel, purchased power and distribution gas	492,198	533,806
Other operating and maintenance	315,253	321,211
Employee benefit plans	25,453	29,885
Regulatory assessments	42,076	45,851
Decommissioning	13,365	24,402
Depreciation	236,686	228,941
Total Operating Expenses	1,125,031	1,184,096
Operating Income	297,374	319,718
Non-operating Income (Expense):		
Interest and other income	23,503	23,990
Decommissioning trust investment income and change in fair value	7,039	9,214
Employee benefit plans investment income and change in fair value	18,785	33,493
Interest expense	(135,571)	(137,891)
Amortization of debt reacquisition, issuance, discount and other costs	(10,097)	(14,405)
Allowance for funds used during construction	2,427	3,073
Payments to the City of San Antonio	(194,901)	(206,057)
Total Non-operating Income (Expense)	(288,815)	(288,583)
Income Before Contributed Capital	8,559	31,135
Contributed Capital	47,666	47,191
Change in Fund Net Assets	56,225	78,326
Fund Net Assets -- Beginning	2,829,376	2,751,050
Fund Net Assets -- Ending	$ 2,885,601	$ 2,829,376

See accompanying notes to the basic financial statements

STATEMENTS OF CASH FLOWS

	January 31, 2005	January 31, 2004
	(In thousands)	
Cash Flows from Operating Activities:		
Cash received from customers	$ 1,449,057	$ 1,492,360
Cash payments to suppliers for goods and services	(690,523)	(760,121)
Cash payments to employees for service	(155,803)	(156,829)
Net Cash Provided by Operating Activities	602,731	575,410
Cash Flows from Capital and Related Financing Activities:		
Cash paid for additions to utility plant and net removal costs	(258,785)	(260,792)
Cash paid for nuclear fuel purchases	(16,809)	(10,940)
Contributions in aid of construction	47,666	40,274
Proceeds from issuance of revenue bonds	160,000	204,454
Premium received from revenue bonds issued	-	48,645
Principal payments on revenue bonds and cash defeasance of debt	(121,245)	(100,657)
Interest paid	(135,571)	(137,891)
Proceeds from bond escrow restructuring	959	-
Debt issue and cash defeasance costs paid	(558)	(1,983)
Net Cash (Used) by Capital and Related Financing Activities	(324,343)	(218,890)
Cash Flows from Non-capital Financing Activities:		
Cash payments to the City of San Antonio	(194,535)	(205,080)
Net Cash (Used) by Non-capital Financing Activities	(194,535)	(205,080)
Cash Flows from Investing Activities:		
Purchases of investments	(1,042,122)	(987,983)
Proceeds from sales and maturities of investments	1,022,317	576,641
Net cash increase in Decommissioning trust assets	1,249	(27,442)
Net cash increase in assets held for Employee benefit plans	2,505	7,813
Interest and other income	34,935	28,803
Net Cash (Used) Provided by Investing Activities	18,884	(402,168)
Net increase (decrease) in Cash and Cash Equivalents	102,737	(250,728)
Cash and Cash Equivalents at Beginning of Period	68,476	319,204
Cash and Cash Equivalents at End of Period	$ 171,213	$ 68,476

Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Cash Flows from Operating Activities:		
Operating income	$ 297,374	$ 319,718
Non cash Items Included:		
Depreciation and amortization expense	236,686	228,941
Nuclear fuel amortization	16,904	13,950
Allowance for doubtful accounts	(9,745)	5,069
Changes in current assets and liabilities:		
(Increase) decrease in customer accounts receivable, net	35,501	(15,748)
(Increase) decrease in other receivables	820	2,302
(Increase) decrease in materials and supplies	4,542	333
(Increase) decrease in fossil fuels	(8,235)	3,844
(Increase) decrease in prepayments and other	4,701	(8,656)
Increase (decrease) in accounts payable and accrued liabilities	16,956	(10,914)
Changes in non-current and other assets and liabilities:		
(Increase) decrease in other non-current assets and deferred costs	(2,986)	574
Increase (decrease) in customer service deposits payable	(516)	(3,651)
Increase (decrease) in Decommissioning trust liability	11,292	27,827
Increase (decrease) in Employee benefit plans liability	579	524
Increase (decrease) in non-current and other liabilities	(1,142)	11,297
Net Cash Provided by Operating Activities	$ 602,731	$ 575,410

See accompanying notes to the basic financial statements

NOTES TO BASIC FINANCIAL STATEMENTS
January 31, 2005 and 2004

1. Summary of Significant Accounting Policies

Reporting Entity – City Public Service 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 the payment of income taxes, state franchise taxes, sales taxes, and real and personal property taxes. CPS provides certain payments and benefits to the City as required by bond ordinances. CPS' financial results are also included within the annual financial statements of the City.

The decision to include applicable component units in CPS financial statements was made by applying the criteria set forth in the Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*. Consequently, the reporting entity reflected in these financial statements consists of CPS' financials and certain component units, which are legally separate, but for which CPS is financially accountable.

The relationships among the component units and CPS meet the criteria, as set forth in GASB Statement No. 4. Accordingly, the financial statements of the following components are blended with those of CPS:

- City Public Service Decommissioning Master Trust for the South Texas Project, herein also referred to as the Decommissioning Trust.
- City Public Service Disability Income, Group Life Insurance and Group Health Plans, herein collectively referred to as the Employee Benefit Plans.

In prior years, the results of the component units were reported for 12-month periods ended January 31. For FY 2005, CPS modified this approach to report these component units on their separately audited calendar year ends. As a result, only 11 months of activity was reported for the component units within CPS' FY 2005. The effect of this reporting change to CPS' FY 2005 Change in Fund Net Assets was a reduction of 3.9%. Going forward, the calendar annual results of the component units will be consistently captured within CPS' fiscal reporting periods.

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 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 ordinance, CPS has adopted the uniform system of accounts prescribed by the National Association of Regulatory Utility Commissioners ("NARUC"). The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting.

At the end of FY 2005, CPS implemented GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. The result of this implementation provides for additional reporting disclosures. See Note 2 – Cash, Cash Equivalents and Investments.

Fiscal Year – The fiscal year ended January 31, 2005, is referred to herein as FY 2005; the fiscal years ended January 31, 2004, January 31, 2003, and January 31, 2002, are referred to herein as FY 2004, FY 2003, and FY 2002, respectively.

Revenues and Expenses – Revenues are recorded when earned. Customers' meters are read and bills are rendered monthly based on billing cycles. Rate schedules include adjustment clauses that permit recovery of fuel and gas costs. In FY 2005 and in FY 2004, CPS used historical information from the relative prior fiscal years as partial bases to record earned revenue not yet billed. This process involved an extrapolation of customer usage over the days since the last meter read through the last day of the period. The amounts of unbilled revenue receivable recorded at January 31, 2005 and January 31, 2004, were $37.3 million and $61.2 million, respectively.

CPS' fuel cost adjustment clause also permits recovery of regulatory assessments. Beginning in March 2000, CPS began recovering assessments from the Public Utility Commission ("PUC") of Texas for transmission access charges and from the Texas Independent System Operator, 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 revenues include receipts from energy sales and miscellaneous revenue related to the operation of electric and gas systems. Miscellaneous revenue includes late payment fees, rental income, jobbing and contract work, and ancillary services. 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 of J.K. Spruce Unit 1 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 as non-operating when it is not directly identified with the electric or gas systems.

Capital Assets – The costs of additions and replacements of 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 – plus removal costs and less salvage – is charged to accumulated depreciation.

Utility plant is stated at the cost of construction, including expenditures for: contracted services; direct equipment, material, and 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 require 30 days or more to complete.

Proceeds from customers and certain litigation settlements to partially fund construction expenditures are reported in the Statements of Revenues, Expenses and Changes in Fund Net Assets as increases in fund net assets in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*.

CPS computes depreciation using the straight-line method over the estimated service lives of the depreciable property according to asset type. In FY 2003, a depreciation study was conducted to determine if existing depreciation rates remained applicable to the depreciable property groups. New rates were applied beginning in FY 2003. Total depreciation as a percent of total depreciable assets, net of nuclear fuel, were approximately 3.4% for both FY 2005 and FY 2004.

The estimated useful lives of capital assets for both FY 2005 and FY 2004 were as follows:

Buildings and structures	15 - 60 years
Systems and improvements:	
Generation	8 - 45 years
Transmission and distribution	20 - 55 years
Gas	50 - 65 years
Machinery and equipment	4 - 30 years
Lignite mineral rights and other	20 - 40 years
Nuclear fuel	1 - 2 years

Cash Equivalents and Investments, Unrestricted and Restricted – CPS' investments with a maturity date within one year of the purchase date are reported at amortized cost, 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 one year or longer from the purchase date are accounted for using fair value. Fair value is determined by using generally accepted financial reporting services, 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 investments of the Decommissioning Trust and the Employee Benefit Plans at fair value.

Restricted funds are generally for uses other than current operations. They are designated by law, ordinance or contract and are often used to acquire or construct non-current assets. Restricted funds consist primarily of unspent bond or commercial paper proceeds, debt service required for the New Series Bonds, Junior-Lien Obligations and funds for future construction or contingencies. This category also includes customer assistance programs where proceeds are received from outside parties. The Decommissioning Trust assets and CPS' Employee Benefit Plans assets are also considered restricted.

The CPS Board of Trustees authorized that a portion of the Repair and Replacement Account funds be designated for converting overhead electric facilities to underground. Accordingly through fiscal 2005, 1.0% of the prior fiscal year's electric revenue from cities and counties served by CPS is appropriated for this program. These funds are included with the assets restricted by bond ordinance.

In January 2005, the CPS Board of Trustees approved a policy that expands the use of the Overhead Conversion Fund. Accordingly, starting in fiscal year 2006, the annual 1% funding will be designated for community infrastructure and economic development ("CIED") projects. In general, CIED funds will be used to support qualified capital projects that provide economic benefit within the communities served by CPS. The funds previously funded for overhead conversion will remain in tact for their original purpose.

Other Non-Current Assets and Deferred Costs – In June 2000, CPS entered into a lease/leaseback transaction with an affiliate of 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 was paid to the City, in accordance with the New Series Bond Ordinances, for its 14% 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.

Non-current assets include unamortized debt issuance expenses, which are amortized over the shorter of the life of the refunding or refunded 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 year 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.

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

Compensated Absences – Employees earn vacation benefits based upon their employment status and years of service. As of January 31, 2005 and January 31, 2004, the accruals for those vested benefits were $11.5 million and $11.7 million, respectively.

Inventories – CPS maintains inventories for its materials and supplies and its fossil fuels. These inventories are valued using an average costing approach.

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

Non-cash transactions have been excluded from CPS' Statements of Cash Flows. There were no non-cash capital and related financing activities in FY 2005. The following is a summary of non-cash capital and related financing transactions for FY 2004:

- CPS acquired utility infrastructure facilities from the military through Ft. Sam Houston and Camp Bullis. As of January 2004, CPS reported contributed capital of $3.5 million for this acquisition. Other non-cash contributed capital totaled $3.4 million.

- In July 2003, a deposit was made to an escrow of $104.0 million directly from bond proceeds to refund $96.0 million in revenue bonds.

- In November 2003, a deposit was made to an escrow of $386.0 million directly from bond proceeds to refund $375.0 million in revenue bonds.

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

Separation – CPS' cash, cash equivalents and investments can be separated in the following manner:

- Those directly managed by CPS,
- Those managed through the Decommissioning Trust, and
- Those managed through the Employee Benefit Plans.

For financial reporting purposes, cash, cash equivalents and investments managed directly by CPS have been consistently measured as the end of the applicable fiscal years. In prior years, the results of the component units, the Decommission Trust and the Employee Benefit Plans, were also recorded as of January 31 to coincide with CPS' fiscal reporting process. As mentioned previously, for FY 2005, consolidation practices were modified whereby the results of the component units were included as of their separately audited calendar year ends. The affect of this current year change is not significant to CPS' consolidated financial results.

Within the next section of this note is a comparative summary of all cash, cash equivalents and investments included in the consolidated CPS financial statements for the periods ended January 31, 2005 and January 31, 2004, respectively.

Cash, Cash Equivalents and Investments

	January 31, 2005	January 31, 2004
	(In thousands)	
Cash and Cash Equivalents:		
CPS unrestricted and restricted	$ 144,896	$ 51,947
Decommissioning trust - restricted	5,503	1
Employee benefit plans - restricted	20,814	16,528
Total Cash and Cash Equivalents	171,213	68,476
Investments:		
CPS unrestricted and restricted	1,020,104	924,789
Decommissioning trust - restricted	220,526	208,848
Employee benefit plans - restricted	176,977	156,876
Total Cash Equivalents and Investments	1,417,607	1,290,513
Less: Investments with original maturities of less than ninety days included in cash equivalents:		
CPS unrestricted and restricted	137,424	48,487
Decommissioning trust - restricted	5,503	1
Employee benefit plans - restricted	20,442	16,528
Total Cash Equivalents	163,369	65,016
Total Cash, Cash Equivalents and Investments	$ 1,425,451	$ 1,293,973
Unrestricted:		
Cash and cash equivalents	$ 50,920	$ 51,532
Investments	258,406	238,813
Total Unrestricted	309,326	290,345
Restricted:		
CPS:		
Cash and cash equivalents	93,976	415
Investments	624,274	637,489
Total CPS	718,250	637,904
Decommissioning trust		
Cash and cash equivalents	5,503	1
Investments	215,023	208,847
Total Decommissioning trust	220,526	208,848
Employee benefit plans		
Cash and cash equivalents	20,814	16,528
Investments	156,535	140,348
Total Employee benefit plans	177,349	156,876
Total Cash, Cash Equivalents and Investments	$ 1,425,451	$ 1,293,973
Cash and Cash Equivalents:		
Petty Cash Funds on Hand	$ 130	$ 135
Bond paying agent - debt service	735	13
Deposits with Financial Institutions:		
Unrestricted CPS deposits	6,624	2,910
Restricted CPS deposits:		
Project Warm	(17)	402
Employee benefit plans - restricted	372	
Total Restricted Deposits	355	402
Total Deposits with Financial Institutions	6,979	3,312
Investments with Original Maturities of Less Than Ninety Days:		
CPS unrestricted	44,166	48,487
CPS restricted	93,258	-
Decommissioning trust - restricted	5,503	1
Employee benefit plans - restricted	20,442	16,528
Total Cash Equivalents	163,369	65,016
Total Cash and Cash Equivalents	$ 171,213	$ 68,476

General Description – CPS' cash deposits at January 31, 2005 and 2004, were entirely insured by federal depository insurance or collaterized by banks. For deposits that were collaterized, 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' name.

CPS' allowable investments as defined by CPS Board Resolution and Policy, Bond Ordinances, Tax-Exempt Commercial Paper ("TECP") 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, 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. 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.

CPS' investments in the Decommissioning Trust are held by an independent trustee. Trust investments are limited to the same investment types mentioned above as defined 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 Benefit Plans are also held by an independent trustee. These investments are limited to those authorized by the plans' Administrative Committees, the Trust Agreements and State law. Included are 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, 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; equity securities; and other types of specific secured or guaranteed investments. Equity investments held with the trust plans can comprise 60% of total investments.

Cash equivalents and fixed-income investments are exposed to interest rate risk, credit risk (including custodial credit risk and concentrations of credit risk), and foreign currency risk. Interest rate risk is the exposure to fair value losses arising from rising interest rates. Credit risk is the risk that an issuer of an investment will not fulfill its obligations (will be unable to make timely principal and interest payments on the security). Foreign currency risk is the exposure to fair value losses arising from changes in exchange rates. Cash, cash equivalents, and fixed-income investments are also exposed to inflation, liquidity, political, legal, event, reinvestment, and timing (call) risk. Additionally, equity investments are exposed to political, legal, event and general economic risks. CPS identifies and manages all of these risks by following an appropriate investment oversight strategy, establishing and monitoring compliance with investment policies and procedures and continual monitoring of prudent risk controls. All investments policies follow the "prudent person" concept.

Investment Policies and the Adoption of GASB Statement No. 40 – Prior to the end of FY 2005, CPS had written policies for its direct investments and for the Decommissioning Trust. Conversely, an Administrative Committee, using applicable guidelines that management considered effective, managed the investments of the Employee Benefit Plans. Before January 31, 2005, these guidelines were not previously formalized in writing.

On January 31, 2005, the investment policies of CPS and the Decommission Trust were amended to include specific language requirements associated with GASB Statement No. 40, *Deposit and Investment Risk Disclosures*. Simultaneously, the guidelines of the Employee Benefit Plans were formalized in writing to also include the language requirements of GASB Statement No. 40. In turn, CPS fully adopted this GASB for current year financial reporting purposes. The adoption of this guidance did not affect CPS' financial position or results of operations. However, it did result in additional reporting disclosures that have been incorporated into this Note and other areas of the current year financial statements.

Since the amendments and adoption coincided with CPS' fiscal year end, its direct investments have been evaluated against the applicable amended investment policy. Comparatively, the GASB Statement No. 40 adoption followed the calendar year ends of the component units. As a result, the Decommissioning Trust's policy provisions existing at the end of the calendar year were used for applicable required disclosures. This approach was not used for the Employee Benefit Plans. Alternatively, their investments have been presented without comparison to policies because the guidelines were not formally written and approved as of the calendar year-end. Even so, other applicable risk disclosures have been made for the investments held by the Employee Benefit Plans.

The following summary of total investments by type as of January 31, 2005 and January 31, 2004, confirms that CPS has maintained fairly consistent investment mixes for its direct investments, the Decommissioning Trust and the Employee Benefit Plans. Consequently, management believes it is acceptable that the detailed securities risk analyses that follow the summary focuses only on the year-end holdings for FY 2005.

Summary of Investments by Type
(In thousands)

	Fiscal Years Ending January 31,	
Total Investments By Category	2005	2004
CPS Investments:		
U.S. Treasuries, Government Agency Securities & Money Market Funds	$ 1,020,104	$ 924,789
Decommissioning Trust:		
U.S. Treasuries, Government Agency Securities & Money Market Funds	$ 220,526	$ 208,848
Employee Benefit Plans:		
Money Market Mutual Fund	$ 20,442	$ 16,528
Corporate Bonds	20,401	19,817
Common Stock	102,575	88,841
U.S. Treasury & Government Agency Securities	24,412	22,729
Global bonds	9,147	8,961
Total Employee Benefit Plans	$ 176,977	$ 156,876
Grand Total – All Investments	$ 1,417,607	$ 1,290,513

CPS Direct Investments:

In accordance with CPS' year-end adoption of GASB Statement No. 40, the following tables address interest rate risk exposure by investment type using the weighted average maturity method, credit risk and concentration of credit risk. Since CPS does not hold foreign instruments in its direct investments – those not held by a component unit – foreign currency risk is not applicable.

Investment Type	Carrying Value	Fair Value	Weighted-Average Maturity	Investment Policy Duration Limit
U.S. Agencies	$ 967,955	$ 967,885	0.59 years	2 years
U.S. Treasuries	7,980	7,980	0.22 years	2 years
Money Market Mutual Funds	44,169	44,169	N/A	90 day WAM
Total Portfolio	$ 1,020,104	$ 1,020,034		

Interest rate risk – In accordance with its investment policies, CPS manages exposure to fair value losses resulting from rising interest rates by limiting the portfolio's weighted-average maturity to two years. Weighted-average maturity is defined as the weighted-average time to the return of a dollar of principal. It is used as an estimate of the interest rate risk of a fixed-income investment. CPS invests in money market mutual funds that have no fixed maturities. Accordingly, a weighted-average maturity in terms of years for money market mutual funds is not applicable.

Credit Rating	Carrying Value	Fair Value	Allocation	Investment Policy Allocation Limit
U.S. Government	$ 7,980	$ 7,980	0.8%	Max = 100%
AAA	1,012,124	1,012,054	99.2%	Max = 100%
Total Portfolio	$ 1,020,104	$ 1,020,034	100.0%	

Credit risk – In accordance with investment policies, CPS manages exposure to credit risk by limiting its fixed income investments to a rating of "A" or better. As of January 31, 2005, CPS held no direct investments with a rating below AAA.

Top Issuers	Carrying Value	Fair Value	Allocation	Rating	Investment Policy Allocation Limit
FFCB	$ 38,696	$ 38,696	3.8%	AAA	Max = 50%
FHLB	366,664	366,659	36.0%	AAA	Max = 50%
FHLMC	240,077	240,039	23.5%	AAA	Max = 50%
FNMA	322,518	322,491	31.6%	AAA	Max = 50%
U S Treasury	7,980	7,980	0.8%	AAA	Max = 100%
AIM Money Market	44,169	44,169	4.3%	AAA	Max = 10%
Total Portfolio	$ 1,020,104	$ 1,020,034	100.0%		

Concentration of credit risk – In accordance with its investment policies, CPS manages exposure to credit risk through diversification and by limiting its investment in each government-sponsored entity to 50% and its investment in any other non-government issuer to 5% of the total fixed income portfolio.

Decommissioning Trust Investments:

The following tables address interest rate risk exposure by investment type using the weighted average maturity method, credit risk and concentration of credit risk. Since the Decommissioning Trust does not hold foreign instruments, foreign currency risk is not applicable.

Investment Type		Carrying Value		Fair Value	Weighted-Average Maturity	Investment Policy Duration Limit
U.S. Agencies	$	206,088	$	206,088	5.97 years	Final Decommissioning
U.S. Treasuries		8,935		8,935	6.12 years	Final Decommissioning
Money Market Mutual Funds		5,503		5,503	N/A	90 day WAM
Total Portfolio	$	220,526	$	220,526		

Interest rate risk – In accordance with its investment policy, the trust manages exposure to fair value losses resulting from rising interest rates by ensuring the total portfolio's weighted-average maturities do not extend beyond the final decommissioning – which is currently scheduled for 2047. Weighted-average maturity is defined as the weighted-average time to the return of a dollar of principal. It is used as an estimate of the interest rate risk of a fixed-income investment. The Decommissioning Trust invests in money market mutual funds that have no fixed maturities. Accordingly, a weighted-average maturity in terms of years for money market mutual funds is not applicable.

Credit Rating		Carrying Value		Fair Value	Allocation	Investment Policy Allocation Limit
U.S. Government	$	8,935	$	8,935	4.1%	Max = 100%
AAA		211,591		211,591	95.9%	Max = 100%
Total Portfolio	$	220,526	$	220,526	100.0%	

Credit risk – In accordance with their investment policies, the Trust manages its exposure to credit risk by limiting its fixed income investments to a rating of "A" or better. As of this plan's year-end, the Decommissioning Trust held no direct investments with a rating below AAA.

Top Issuers		Carrying Value		Fair Value	Allocation	Rating	Investment Policy Allocation Limit
FFCB	$	36,842	$	36,842	16.7%	AAA	Max = 50%
FHLB		96,498		96,498	43.8%	AAA	Max = 50%
FHLMC		13,670		13,670	6.2%	AAA	Max = 50%
FNMA		59,077		59,077	26.8%	AAA	Max = 50%
U S Treasury		8,935		8,935	4.1%	AAA	Max = 100%
AIM Money Market		5,503		5,503	2.4%	AAA	Max = 10%
Total Portfolio	$	220,526	$	220,526	100.0%		

Concentration of credit risk – In accordance with its investment policy, the Decommissioning Trust manages its exposure to credit risk through diversification and by limiting its investment in each government-sponsored entity to 50% and its investment in any other non-government sponsored issuer to 5% of the total fixed income portfolio.

The Investments of the Employee Benefit Plans:

The Employee Benefit Plans consist of three separate plans:

- City Public Service of San Antonio Group Health Plan (the "Health Plan")
- City Public Service of San Antonio Disability Income Plan (the "Disability Plan")
- City Public Service of San Antonio Group Life Insurance Plan (the "Life Plan")

The Health Plan

The following tables address interest rate risk exposure by investment type using the weighted average maturity method, credit risk and concentration of credit risk.

Investment Type	Market Value	Weighted-Average Effective Duration (Years)
U.S. Treasury and Agency:		
Notes and bonds	$ 6,190	6.5
Collateralized mortgage obligations	4,191	6.0
Mortgage pass-through securities	4,295	2.9
Commercial mortgage-backed securities	1,347	7.2
Asset-backed securities	2,259	3.9
Corporate bonds	12,572	0.2
Foreign bond fund	6,679	5.3
Money market mutual funds	16,779	NA
Total fixed income investments	$ 54,312	3.4

Interest rate risk – The table above presents the Health Plan's weighted-average effective duration of the fixed-income asset classes. In accordance with its historical guidelines and new investment policy, the Administrative Committee manages exposure to fair value losses arising from rising interest rates by limiting the average maturity date of each manager's portfolio to no more than ten years. Effective duration is defined as the present value weighted-average time to the return of a dollar of principal and interest and also incorporates potential changes in the timing of principal and interest return that may occur as a result of changes in interest rates. It makes assumptions regarding the most likely timing and amounts of variable cash flows. It is used as an estimate of the interest rate risk of a fixed-income investment – especially those with payment terms dependent on market interest rates.

Credit Rating	Market Value	Allocation
Government	$ 2,209	4.1%
AAA (including A-1 / P-1 CP)	32,508	59.9%
AA	1,208	2.2%
A	5,074	9.3%
BBB	658	1.2%
Less than BBB	5,976	11.0%
Navarro Investments, L.L.C. - see below	6,679	12.3%
Total fixed income investments	$ 54,312	100.0%

Credit risk – The table above presents the Health Plan's percentage of fixed-income investments allocated by credit rating. In accordance with its historical guidelines and new investment policy, the Administrative Committee has sought to manage exposure to credit risk by limiting investments rated below BBB to 7.5% of total fixed-income investments. Excluding the Navarro Investments, L.L.C. that were not evaluated as a fund by a rating agency, at December 31, 2004, the Health Plan's investments with a rating below BBB amounted to 11.0%. Policy constraints on less than BBB rated bonds will be reviewed in light of enhanced yields obtained during periods of low interest rates.

As noted above, even though the Health Plans hold approximately 12.3% of its fixed-income investments in funds that are not rated by a rating agency, the majority of the underlying securities are rated. The following table reflects the weighing of the securities by market value (U.S. Dollars) and the corresponding ratings of the underlying securities. The weighted-average rating for those securities was calculated to be "AAA".

Credit Rating - Navarro Investments, L.L.C. Fund	Market Value	Allocation
AAA (including A-1 / P-1 CP)	$ 4,367	65.4%
AA	1,914	28.7%
A	157	2.3%
BBB	115	1.7%
Less than BBB	-	-
Unrated	126	1.9%
Total fixed income investments	$ 6,679	100.0%

Top Issuers	Market Value	Percentage of Fixed Income Assets	Policy Limit
AIM Short-Term Investment Co. -			
Prime Portfolio Institutional Class	$ 16,669	30.7%	
FNMA	7,207	13.3%	50%
Foreign Bond Fund - Navarro Investments, L.L.C.	6,679	12.3%	
FHLMC	4,327	8.0%	50%

Concentration of credit risk – The table above presents the Health Plan's fair values of investments by issuer representing 5% or more of the fixed-income investments. In accordance with its historical guidelines and new investment policy, the Committee has established maximum holdings of other than federal government issuers so that in the event of failure of any one issuer it would not affect the entire investment portfolio. Further, the Committee manages exposure to credit risk through diversification and by limiting the amount, which may be invested in any one corporate bond issuer to 10% of the corporate bond investment portfolio of each investment manager. There is no limit on the amount, which may be invested in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities, other than the maximum of 50% in any one government sponsored-entity issuer.

Investment	Currency	Maturity	Market Value
Foreign Bond Fund - Navarro Investments, L.L.C.	*	NA	$ 6,679

* The currencies of the underlying securities include the Australian and Canadian dollars, British Pound, European Euro, Japanese Yen, Polish Zloty, and Swedish Krona. The weighted-average credit rating of these securities is calculated to be "AAA".

Foreign currency risk – The table above presents the Health Plan's foreign investments at December 31, 2004. The historical guidelines and new investment policy place a 6.5% of total investment portfolio (fixed-income and equities) limit on the amount, which may be invested, in foreign currency-denominated securities. The foreign currency risk is further mitigated by the investment guidelines in the fund.

The Disability Plan

The following tables address interest rate risk exposure by investment type using the weighted average maturity method, credit risk and concentration of credit risk.

Investment Type	Market Value	Weighted-Average Effective Duration (Years)
U.S. Treasury and Agency:		
Notes and bonds	$ 491	5.6
Collateralized mortgage obligations	110	5.2
Mortgage pass-through securities	140	2.3
Commercial mortgage-backed securities	79	8.4
Asset-backed securities	140	0.5
Corporate bonds	327	3.8
Money market mutual funds	593	NA
Total fixed income investments	$ 1,880	3.0

Interest rate risk – The table above presents the Disability Plan's weighted-average effective duration of the fixed-income asset classes. In accordance with its historical guidelines and new investment policy, the Committee manages exposure to fair value losses arising from rising interest rates by limiting the average maturity date of each manager's portfolio to no more than ten years. Effective duration is defined as the present value weighted-average time to the return of a dollar of principal and interest and also incorporates potential changes in the timing of principal and interest return that may occur as a result of changes in interest rates. It makes assumptions regarding the most likely timing and amounts of variable cash flows. It is used as an estimate of the interest rate risk of a fixed-income investment – especially those with payment terms dependent on market interest rates. The Disability Plan invests in money market mutual funds that have no fixed maturities. Accordingly, a weighted-average maturity in terms of years for money market mutual funds is not applicable.

Credit Rating	Market Value	Allocation
Government	$ 226	12.0%
AAA (including A-1 / P-1 CP)	1,327	70.6%
AA	55	2.9%
A	168	8.9%
BBB	104	5.6%
Less than BBB	-	-
Unrated	-	-
Total fixed income investments	$ 1,880	100.0%

Credit risk – The table above presents the Disability Plan's percentage of fixed income investments allocated by credit rating. In accordance with its historical guidelines and new investment policy, the Administrative Committee manages exposure to credit risk by limiting investments rated below BBB to 7.5% of total fixed income investments.

Top Issuers	*Market Value*	Percentage of Fixed Income Assets	Policy Limit
AIM Short-Term Investment Co. - Prime Portfolio Institutional Class	$ 593	31.5%	-
FHLMC	211	11.2%	50%
FNMA	202	10.8%	50%

Concentration of credit risk – The table above presents the Disability Plan's fair values of investments by issuer representing 5% or more of the fixed income investments. In accordance with its historical guidelines and new investment policy, the Administrative Committee has established maximum holdings of other than federal government issuers so that in the event of failure of any one issuer it would not affect the entire investment portfolio. Further, the Committee manages exposure to credit risk through diversification and by limiting the amount, which may be invested in any one corporate bond issuer to 10% of the corporate bond investment portfolio of each investment manager. There is no limit on the amount, which may be invested in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities, other than the maximum of 50% in any one government sponsored-entity issuer.

Top Issuers	Market Value	Percentage of Corporate Bond Portfolio	Credit Rating
NCNB Corp	$ 55	16.7%	AA3
US Bancorp	51	15.7%	A1
General Motors	51	15.6%	BAA1
Coca-Cola	33	10.2%	A2

As noted above, the Disability Plan had four corporate bond issuers, which exceeded 10% of the investment manager's corporate bond portfolio. In accordance with the requirements of the new written policy, management has plans to rectify these occurrences in the near future.

The Life Plan

The following tables address interest rate risk exposure by investment type using the weighted average maturity method, credit risk and concentration of credit risk.

Investment Type	Market Value	Weighted-Average Effective Duration (Years)
U.S. Treasury and Agency:		
Notes and bonds	$ 2,417	6.1
STRIPS	190	24.7
Collateralized mortgage obligations	2,786	5.1
Mortgage pass-through securities	2,096	2.5
Commercial mortgage-backed securities	375	8.9
Asset-backed securities	1,269	5.4
Corporate bonds	3,540	4.3
Foreign bond fund	2,468	5.3
Money market mutual funds	3,180	NA
Total fixed income investments	$ 18,321	6.4

Interest rate risk – The table above presents the Life Plan's weighted-average effective duration of the fixed income asset classes. In accordance with its historical guidelines and new investment policy, the Administrative Committee manages exposure to fair value losses arising from rising interest rates by limiting the average maturity date of each manager's portfolio to no more than ten years. Effective duration is defined as the present value weighted-average time to the return of a dollar of principal and interest and also incorporates potential changes in the timing of principal and interest return that may occur as a result of changes in interest rates. It makes assumptions regarding the most likely timing and amounts of variable cash flows. It is used as an estimate of the interest rate risk of a fixed-income investment – especially those with payment terms dependent on market interest rates. The Life Plan invests in money market mutual funds that have no fixed maturities. Accordingly, a weighted-average maturity in terms of years for money market mutual funds is not applicable.

Credit Rating	Market Value	Allocation
Government	$ 918	5.0%
AAA (including A-1 / P-1 CP)	11,528	62.9%
AA	772	4.2%
A	2,295	12.5%
BBB	340	1.9%
Less than BBB	-	-
Navarro Investments, L.L.C. - see below	2,468	13.5%
Total fixed income investments	$ 18,321	100.0%

Credit risk – The table above presents the Life Plan's percentage of fixed income investments allocated by credit rating. In accordance with its historical guidelines and new investment policy, the Administrative Committee manages exposure to credit risk by limiting investments rated below BBB to 7.5% of total fixed income trust investments.

As noted above, even though the Life Plans hold approximately 13.5% of its investments in funds that are not rated by a rating agency, the majority of the underlying securities are rated. The following table reflects the weighing of the securities by market value (U.S. Dollars) and the corresponding ratings of the underlying securities. The weighted-average rating for those securities was calculated to be "AAA".

Credit Rating - Navarro Investments, L.L.C.	Market Value	Allocation
AAA (including A-1 / P-1 CP)	$ 1,614	65.4%
AA	707	28.7%
A	58	2.3%
BBB	42	1.7%
Less than BBB	-	-
Unrated	47	1.9%
Total Navarro Investments, L.L.C.	$ 2,468	100.0%

Top Issuers	Market Value	Percentage of Fixed Income Assets	Policy Limit
FNMA	$ 3,251	17.7%	50%
AIM Short-Term Investment Co. - Prime Portfolio Institutional Class	3,180	17.4%	
Foreign Bond Fund - Navarro Investments, L.L.C	2,468	13.5%	
FHLMC	2,081	11.4%	50%

Concentration of credit risk – The table above presents the Life Plan's fair values of investments by issuer representing 5% or more of the fixed income investments. In accordance with its historical guidelines and new investment policy, the Committee has established maximum holdings of other than federal government issuers so that in the event of failure of any one issuer it would not affect the entire investment portfolio. Further, the Committee manages exposure to credit risk through diversification and by limiting the amount, which may be invested in any one corporate bond issuer to 10% of the corporate bond investment portfolio of each investment manager. There is no limit on the amount, which may be invested in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities, other than the maximum of 50% in any one government sponsored-entity issuer.

Investments	Currency	Maturity	Market Value
Foreign Bond Fund - Navarro Investments, L.L.C	*	NA	$ 2,468

* The currencies of the underlying securities include the Australian and Canadian dollars, British Pound, European Euro, Japanese Yen, Polish Zloty, and Swedish Krona. The weighted-average credit rating of these securities is calculated to be "AAA".

Foreign currency risk – The table above presents the Life Plan's foreign investments at December 31, 2004. The historical guidelines and new investment policy place a 6.5% of total investment portfolio (fixed-income and equities) limit on the amount, which may be invested, in foreign currency-denominated securities. The foreign currency risk is further mitigated by the investment guidelines in the fund.

3. Disaggregation of Receivables and Payables

Receivables – At January 31, 2005, net customer accounts receivable included $37.3 million for unbilled revenue receivables and $99.5 million for billed utility services. Miscellaneous receivables as of January 31, 2005, included $10.9 million for the receivable related to the Joint Operating Agreement with Texas Genco, L.P., $0.5 million for regulatory related receivables, and $13.2 million for other miscellaneous receivables. There were no receivables expected to take longer than one year to collect.

At January 31, 2004, net customer accounts receivable included $61.2 million for unbilled revenue receivables and $101.4 million for billed utility services. Miscellaneous receivables as of January 31, 2004, included $12.4 million for the receivable related to the Joint Operating Agreement with Texas Genco, L.P., $1.0 million for regulatory related receivables, and $12.0 million for other miscellaneous receivables.

Payables – At January 31, 2005, accounts payable and accrued liabilities included $100.2 million related to standard operating supplier and vendor payables, including fuels payable, $31.6 million to employee-related payables, $22.6 million to the current portion of lease deferred revenue, and $24.5 million to other miscellaneous payables and accrued liabilities.

At January 31, 2004, accounts payable and accrued liabilities included $86.0 million related to standard operating supplier and vendor payables, including fuels payable, $29.3 million to employee related payables, $22.6 million to the current portion of lease deferred revenue, and $24.1 million to other miscellaneous payables and accrued liabilities.

4. Capital Assets

(In thousands)	Balance 02-01-2004	Additions Increases	Transfers In/(Out)	Reductions Decreases	Balance 01-31-2005
Non-Depreciable Assets:					
Land	$ 55,196	$ -	$ 1,286	$ -	$ 56,482
Nonutility property - land	12,599	-	-	-	12,599
Construction-in-progress	248,585	222,134	(290,125)	-	180,594
Total Non-Depreciable Assets	316,380	222,134	(288,839)	-	249,675
Depreciable Assets:					
Electric plant	5,732,810	28,180	224,837	8,707	5,977,120
Gas plant	475,699	2,864	17,927	20	496,470
General plant	500,994	4,740	46,075	19,999	531,810
Utility property leased	18,785	-	-	-	18,785
Nuclear fuel	302,379	16,933	-	126	319,186
Total Depreciable Assets	7,030,667	52,717	288,839	28,852	7,343,371
Accumulated Depreciation, Depletion and Amortization:					
Electric	(2,168,558)	(192,417)	-	(11,966)	(2,349,009)
Gas	(160,889)	(10,516)	-	(35)	(171,370)
General	(128,807)	(33,753)	-	(20,020)	(142,540)
Utility property leased	(336)	-	-	-	(336)
Nuclear fuel	(266,893)	(16,904)	-	-	(283,797)
Total	(2,725,483)	(253,590)	-	(32,021)	(2,947,052)
Depreciable Assets, Net	4,305,184	(200,873)	288,839	(3,169)	4,396,319
Capital Assets, Net	$4,621,564	$ 21,261	$ -	$ (3,169)	$ 4,645,994

Cash paid for additions, net removal costs and nuclear fuel was $275,594, non-cash AFUDC was $2,426 for a total of $278,020. Included in the total are $3,330 in net removal costs. Depreciation, depletion and amortization totaled $253,590.

Included in electric plant is the Mission Road generation plant that was taken out of service on October 1, 2003, and is fully depreciated.

Included in Construction-in-Progress/Transfers (Out) and Electric Plant/Transfers In, is $87,430 for four gas- fired generating peaking units, that were completed June, 2004. Also included in Construction-In-Progress / Transfers(Out) and General Plant/Transfers In, is $25,525 for the Primary Control Center that was completed October, 2004.

(In thousands)	Balance 02-01-2003	Additions Increases	Transfers In/(Out)	Reductions Decreases	Balance 01-31-2004
Non-Depreciable Assets:					
Land	$ 54,928	$ 268	$ -	$ -	$ 55,196
Land held for future use	12,599	-	(12,599)		-
Nonutility property - land	-		12,599	-	12,599
Construction-in-progress	330,672	230,420	(312,507)	-	248,585
Total Non-Depreciable Assets	398,199	230,688	(312,507)	-	316,380
Depreciable Assets:					
Electric plant	5,511,565	26,270	251,609	56,634	5,732,810
Gas plant	452,528	2,119	21,135	83	475,699
General plant	468,029	6,444	39,763	13,242	500,994
Utility property leased	18,785	-	-	-	18,785
Nuclear fuel	291,439	10,940	-	-	302,379
Total Depreciable Assets	6,742,346	45,773	312,507	69,959	7,030,667
Accumulated Depreciation, Depletion and Amortization:					
Electric	(2,040,601)	(187,176)	-	(59,219)	(2,168,558)
Gas	(150,999)	(10,038)	-	(148)	(160,889)
General	(110,423)	(31,661)	-	(13,277)	(128,807)
Utility property leased	(270)	(66)	-	-	(336)
Nuclear fuel	(252,943)	(13,950)	-	-	(266,893)
Total	(2,555,236)	(242,891)	-	(72,644)	(2,725,483)
Depreciable Assets, Net	4,187,110	(197,118)	312,507	(2,685)	4,305,184
Capital Assets, Net	$4,585,309	$ 33,570	$ -	$ (2,685)	$ 4,621,564

Cash paid for additions, net removal costs and nuclear fuel was $271,732, non-cash AFUDC was $3,073, and contributed capital was $6,917 for a total of $281,722. Included in the total are $5,261 in net removal costs. Depreciation, depletion and amortization totaled $242,891.

Included in electric plant is the Mission Road generation plant that was taken out of service on October 1, 2003, and is fully depreciated.

CPS' original intention for the land classified in 2003 as "land held for future use" was to mine lignite from the land to be used as an alternative fuel. It was subsequently decided that CPS would not mine the minerals and the land has reclassified to "non-utility property".

5. Revenue Bond and Commercial Paper Ordinances Requirements

As of January 31, 2005, the bond ordinances for New Series Bonds issued on and after August 6, 1992, contain, among others, provisions denoting the hierarchy for the application of funds and guidelines for making payments to the City. Relative to the City Payment, 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, which are classified as Senior-Lien Obligations. All New Series Bonds and the interest thereon shall have a first lien upon the net revenues of the Systems.

The Junior-Lien Obligations, Variable Rate Demand Obligations ("VRDOs"), are special obligations of the City payable solely from and equally and ratably secured by a junior-lien on and pledge of the net revenues of the Systems, subject and subordinate to liens and pledges securing the outstanding Senior-Lien Obligations and any additional Senior-Lien Obligations hereafter issued, and superior to the pledge and lien securing the currently outstanding Commercial Paper Obligations, all as fully set forth in the Ordinance.

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 Parity Bonds, as defined in the New Series Bond Ordinances, 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 Parity Bonds;
(c) the interest on and principal of the Prior-Lien Bonds, including the Junior-Lien Obligations and any Additional Junior-Lien Obligations hereafter issued (all as defined in the New Series Bond Ordinances), 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 Junior-Lien Obligations and any additional Junior-Lien Obligations.
(d) 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
(e) any legal debt or obligation of the Systems as and when the same shall become due.

As of January 31, 2005, the Tax Exempt Commercial Paper ("TECP") Ordinance contains, among others, provisions to secure the payment of TECP principal and interest where a pledge is made of the following:

(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 and Junior-Lien Obligations, pledged to the payment on TECP.

As of January 31, 2005, CPS was in compliance with the terms of the New Series Bonds, the Junior-Lien Obligations and the TECP ordinances.

6. Revenue Bonds and Other Long-Term Liabilities

In November 2004, CPS issued $160.0 million of variable-rate, Junior-Lien Revenue Bonds. The bonds were issued initially in a term mode at par value. Of the proceeds, approximately $132.5 million was issued to acquire an additional 300 megawatts of electric generating capacity in STP with the remaining proceeds to be used for system improvements and to pay costs and expenses relating to the issuance of the bonds.

In July 2003, CPS issued $93.9 million of New Series 2003A Revenue Refunding Bonds. The bonds were sold at a premium of $11.0 million and were issued to advance refund $24.4 million of 1994-A New Series Bonds and $71.6 million of 1995 New Series Bonds. The refunding transaction resulted in cash flow savings of $15.9 million, which equated to a present value savings of $5.8 million, or approximately 6.1% of the par amount of refunded bonds. This transaction resulted in a loss for accounting purposes of $7.9 million, which has been deferred and will be amortized over the shorter of the life of the refunded or refunding bonds.

In June 2003, CPS entered into a Forward Delivery Bond Purchase Agreement to issue $350.5 million of New Series 2003 Refunding Bonds in November 2003. The bonds sold at a premium of $37.6 million and were issued to refund $375.5 million of 1994-A New Series Bonds. The refunding transaction resulted in cash flow savings of $32.9 million, which equated to a present value savings of $24.0 million, or approximately 6.4% of the par amount of refunded bonds. This transaction resulted in a loss for accounting purposes of $10.6 million, which has been deferred and will be amortized over the shorter of the life of the refunded or refunding bonds.

In May 2003, CPS issued $250.0 million of variable rate Junior-Lien Revenue Bonds. The bonds were issued initially in a weekly interest mode at par value. Of the proceeds, $111.9 million was issued to reimburse the Repair and Replacement Account for prior capital improvements.

The mode for the Junior-Lien Revenue Bonds or any portion thereof may be converted to a different mode, or to an auction rate or term rate with an interest rate period of different duration, at the direction of the City. Following such a conversion, the Junior-Lien Revenue Bonds or portion thereof, will bear interest at the corresponding daily rate, weekly rate, auction rate, commercial paper rate, term rate or fixed rate.

On March 9, 2005, CPS issued $535.3 million of tax-exempt New Series 2005 Bonds. Included were par amounts of $294.6 million of Revenue Refunding Bonds and $240.7 million of Revenue Bonds. The true interest cost of these bonds was approximately 4.5%. CPS expects to receive net proceeds of $250.0 million from the issuance of the Revenue Bonds. Proceeds will be used to partially fund Transmission, Electric Distribution, Information Technology & Communication, and General Property construction. The bonds to be refunded are expected to result in net present value ("NPV") debt service savings of $19.7 million, or approximately 6.7% of the par amount of the refunded bonds. Closing of the bond transaction is scheduled for April 13, 2005.

A summary of revenue bonds is as follows:

Maturities	Weighted-Average Yield on Outstanding Bonds at January 31, 2005	January 31, 2005	January 31, 2004
		(In thousands)	
Tax-Exempt New Series			
Bonds, 1992-2003, 2006-2021	5.0%	$ 2,116,345	$ 2,234,160
Taxable New Series			
Bonds, 1998 & 2000, 2006-2021	6.7%	134,880	138,310
Total	5.1%	2,251,225	2,372,470
Tax-Exempt Variable Rate Series			
Bonds, 2003-2004, 2024-2033		410,000	250,000
Total revenue bonds outstanding		2,661,225	2,622,470
Less: Current maturities of bonds		127,255	121,245
Total revenue bonds outstanding, net of current maturities		$ 2,533,970	$ 2,501,225

As of January 31, 2005, principal and interest amounts due for each of the next five years and thereafter to maturity are:

(In thousands)

Year	Principal	Interest	Total
2006	$ 127,255	$ 127,008	$ 254,263
2007	135,155	120,387	255,542
2008	142,155	113,407	255,562
2009	148,570	106,167	254,737
2010	154,790	98,485	253,275
2011-2015	824,195	360,383	1,184,578
2016-2020	657,315	165,914	823,229
2021-2025	101,790	44,013	145,803
2026-2030	220,000	27,693	247,693
2031-2033	150,000	5,640	155,640
Totals	$ 2,661,225	$ 1,169,097	$ 3,830,322

The above table includes Senior-Lien and Junior-Lien Bonds. Interest on the Junior-Lien Bonds VRDOs is assumed to be approximately 1.9% annually for all years. This was the rate in effect for 2003 VRDOs as of January 31, 2005. These bonds are scheduled to mature from 2029-2033. Interest on the 2004 Junior-Lien Bonds VRDOs is assumed to be 2.2% annually for all years. This was the rate in effect for the 2004 VRDOs as of January 31, 2005.

Long-Term Debt Activity
January 31, 2005

(In thousands)	Original Amount	Final Principal Payment	Interest Rates (%)	Balance Outstanding 02-01-04	Additions During Year	Decreases During Year	Balance Outstanding 01-31-05
Revenue and Refunding Bonds:							
1992 Tax-exempt	$ 700,805	2006	6.048	$ 68,860	$ -	$ 31,985	$ 36,875
1994A Tax-exempt	684,700	2012	5.008	68,965	-	-	68,965
1994C Tax-exempt	56,000	2006	5.008	42,710	-	-	42,710
1995 Tax-exempt	125,000	2007	5.500	14,800	-	3,500	11,300
1997 Tax-exempt	350,000	2020	5.738	169,715	-	-	169,715
1997 Tax-exempt	311,170	2014	5.509	103,055	-	340	102,715
1998A Tax-exempt	785,515	2021	4.918	619,030	-	36,065	582,965
1998B Taxable	99,615	2020	6.343	91,815	-	1,945	89,870
2000A Tax-exempt	170,770	2010	5.374	19,465	-	3,670	15,795
2000B Taxable	50,425	2021	7.403	46,495	-	1,485	45,010
2001 Tax-exempt	115,280	2011	3.843	106,430	-	-	106,430
2002 Tax-exempt	436,090	2017	4.055	436,090	-	-	436,090
2002 Tax-exempt	140,615	2020	4.751	140,615	-	-	140,615
2003 Tax-exempt – Junior-Lien	250,000	2033	Variable	250,000	-	-	250,000
2003A Tax-exempt	93,935	2014	3.675	93,935	-	4,165	89,770
2003 Tax-exempt	350,490	2013	3.081	350,490	-	38,090	312,400
2004 Tax-exempt – Junior-Lien	160,000	2027	Variable	-	160,000	-	160,000
				2,622,470	160,000	121,245	2,661,225
Less: Bond current maturities				121,245	6,010	-	127,255
Less: Bond discount (premium)				(103,956)	-	(14,807)	(89,149)
Less: Bond reacquisition costs				158,721	-	24,494	134,227
Revenue Bonds, Net				2,446,460	153,990	111,558	2,488,892
Tax-exempt Commercial Paper				350,000	-	-	350,000
Long-term Debt, Net				$ 2,796,460	$ 153,990	$ 111,558	$ 2,838,892

Long-Term Debt Activity
January 31, 2004

(In thousands)	Original Amount	Final Principal Payment	Interest Rates (%)	Balance Outstanding 02-01-03	Additions During Year	Decreases During Year	Balance Outstanding 01-31-04
Revenue and Refunding Bonds:							
1992 Tax-exempt	$ 700,805	2006	6.048	$ 68,860	$ -	$ -	$ 68,860
1994A Tax-exempt	684,700	2012	5.008	505,150	-	436,185	68,965
1994C Tax-exempt	56,000	2006	5.008	42,710	-	-	42,710
1995 Tax-exempt	125,000	2007	5.500	90,200	-	75,400	14,800
1997 Tax-exempt	350,000	2020	5.738	169,715	-	-	169,715
1997 Tax-exempt	311,170	2014	5.509	115,090	-	12,035	103,055
1998A Tax-exempt	785,515	2021	4.918	650,400	-	31,370	619,030
1998B Taxable	99,615	2020	6.343	93,650	-	1,835	91,815
2000A Tax-exempt	170,770	2010	5.374	23,875	-	4,410	19,465
2000B Taxable	50,425	2021	7.403	47,890	-	1,395	46,495
2001 Tax-exempt	115,280	2011	3.843	115,280	-	8,850	106,430
2002 Tax-exempt	436,090	2017	4.055	436,090	-	-	436,090
2002 Tax-exempt	140,615	2020	4.751	140,615	-	-	140,615
2003 Tax-exempt – Junior-Lein	250,000	2033	Variable	-	250,000	-	250,000
2003A Tax-exempt	93,935	2014	3.675	-	93,935	-	93,935
2003 Tax-exempt	350,490	2013	3.081	-	350,490	-	350,490
				2,499,525	694,425	571,480	2,622,470
Less: Bond current maturities				100,015	21,230		121,245
Less: Bond discount (premium)				(62,490)	(48,645)	(7,179)	(103,956)
Less: Bond reacquisition costs				159,744	43,157	44,180	158,721
Revenue Bonds, Net				2,302,256	678,683	534,479	2,446,460
Tax-exempt Commercial Paper				350,000	-	-	350,000
Long-term Debt, Net				$ 2,652,256	$ 678,683	$ 534,479	$ 2,796,460

Other Long-Term Liabilities & Deferred Credits
January 31, 2005

(In thousands)	Balance Outstanding 02-01-04	Additions During Year	Decreases During Year	Balance Outstanding 01-31-05	Amounts Due within One Year	Long-Term Balance Outstanding
Decommissioning trust	$ 211,118	$ 11,292	$ -	$ 222,410	$ -	$ 222,410
Customer deposits	19,935	13,245	13,761	19,419	-	19,419
Deferred lease revenue (Long-term)	633,575	-	22,560	611,015	22,560	588,455
	864,628	24,537	36,321	852,844	22,560	830,284
Other						
STP operation, pensions and Employee benefits	14,231	3,320	3,626	13,925	-	13,925
STP fuel assessment	1,275	-	620	655	-	655
Project Warm	7,966	1,524	1,907	7,583	-	7,583
Notes payable	6,192	-	392	5,800	460	5,340
Customer advances	23,157	20,166	19,530	23,793	-	23,793
Insurance reserves	13,072	4,238	4,430	12,880	-	12,880
Deferred credits	1,332	33,661	33,547	1,446	-	1,446
Other	598	-	-	598	-	598
Total Other Liabilities	67,823	62,909	64,052	66,680	460	66,220
Total Other Long-Term Liabilities & Deferred Credits	$ 932,451	$ 87,446	$ 100,373	$ 919,524	$ 23,020	$ 896,504

Other Long-Term Liabilities & Deferred Credits
January 31, 2004

(In thousands)	Balance Outstanding 02-01-03	Additions During Year	Decreases During Year	Balance Outstanding 01-31-04	Amounts Due within One Year	Long-Term Balance Outstanding
Decommissioning Trust	$ 183,291	$ 27,827	$ -	$ 211,118	$ -	$ 211,118
Customer Deposits	23,586	10,217	13,868	19,935	-	19,935
Long-term lease revenue (deferred)	656,135	-	22,560	633,575	22,560	611,015
	863,012	38,044	36,428	864,628	22,560	842,068
Other						
STP operation, pensions and Employee benefits	10,129	4,260	158	14,231	-	14,231
STP fuel assessment	1,871	-	596	1,275	-	1,275
Project Warm	7,756	627	417	7,966	-	7,966
Notes payable	6,669	-	477	6,192	460	5,732
Customer advances	19,392	20,268	16,503	23,157	-	23,157
Insurance reserves	12,419	5,307	4,654	13,072	-	13,072
Deferred credits	220	24,392	23,280	1,332	-	1,332
Other	595	3	-	598	-	598
Total Other Liabilities	59,051	54,857	46,085	67,823	460	67,363
Total Other Long-Term Liabilities & Deferred Credits	$ 922,063	$ 92,901	$ 82,513	$ 932,451	$ 23,020	$ 909,431

7. Commercial Paper

In 1988, the City Council of San Antonio, Texas (the "City Council") adopted an ordinance authorizing the issuance of up to $300.0 million in TECP. This ordinance, as amended in June 1997, provides for funding to assist in the financing of eligible projects, in an aggregate amount not to exceed $450.0 million. Eligible projects include fuel acquisition, capital improvements to the utility systems, and refinancing or refunding 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 three years, currently extended until November 1, 2007, 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 Junior-Lien Obligations, as well as any TECP to be issued in the future.

A summary of TECP is as follows:

	January 31,			
		2005		2004
TECP outstanding (In thousands)	$	350,000	$	350,000
TECP new money issues (In thousands)	$	-	$	-
Weighted-average interest rate of outstanding TECP, approximate		1.9%		1.0%
Average life of outstanding TECP (approximate number of days)		70		86

8. Employee 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. It is an unconsolidated entity within which normal retirement is age 65; however, early retirement is available with 25 years of benefit service, as well as 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 $978.6 million at December 31, 2004, $887.0 million at December 31, 2003, and $711.9 million at December 31, 2002, are held in a separate trust that is audited annually and which statements include historical trend information. For further information, contact Compensation and Employee Benefits 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% of their total compensation and are normally fully vested in CPS' 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 is the responsibility of CPS giving consideration to actuarial information, budget controls, legal requirements, compliance and industry and/or community norms.

CPS adopted one Restoration Plan 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 Plan 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:

Pension Funding

(In thousands)	1/31/2005	1/31/2004	1/31/2003
Employee contributions	$ 9,215	$ 9,032	$ 8,733
CPS contributions	8,160	7,959	5,213
Total contributions	$ 17,375	$ 16,991	$ 13,946
Covered payroll	$189,892	$186,732	$180,292
Total payroll	$198,648	$196,609	$194,541

The actuarially determined contribution requirements for 2005, 2004 and 2003 were computed using an assumed rate of return of 8.0% for the most recent year and 8.5% for each of the latter two years, respectively. For 2005, 2004 and 2003 the past-service costs were amortized over a targeted 10 years. In addition to the decrease in the assumed rate of return, the assumed inflation rate was decreased to 3.5% for 2005, from 4.0% used in 2004 and 2003, and the salary scale was decreased in FY 2005 to reflect recent experience and future expectations. The net effect of these changes was an increase in required funding of $1.0 million. No change in the actuarial cost method was made.

CPS' contributions to the Plan amounted to 4.3% of covered payroll in both 2005 and 2004 and 2.9% in 2003.

A schedule of funding progress follows:

Pension Funding Progress

	Plan (Calendar) Year Actuarial Valuation Date - (Unaudited)					
(In millions)	1/1/2004	1/1/2003	1/1/2002	1/1/2001	1/1/2000	1/1/1999
1. Actuarial value of assets	$ 839.8	$ 783.0	$ 758.2	$ 713.6	$ 648.1	$ 563.4
2. Actuarial accrued liability (AAL)	$ 795.1	$ 748.7	$ 691.8	$ 643.5	$ 610.8	$ 565.0
3. (Overfunded)/Unfunded AAL (UAAL): (2) - (1)	$ (44.7)	$ (34.3)	$ (66.4)	$ (70.1)	$ (37.3)	$ 1.6
4. Funded ratio (1) + (2)	105.6%	104.6%	109.6%	110.9%	106.1%	99.7%
5. Covered payroll	$ 189.9	$ 186.7	$ 180.3	$ 165.3	$ 148.9	$ 138.5
6. UAAL as a percentage of covered payroll: (3) + (5)	-23.5%	-18.4%	-36.8%	-42.4%	-25.1%	1.2%

Actuarial valuation methods used for the January 1, 2004, 2003 and 2002, 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, 2004, 2003 and 2002 are 21.6 years, 10.2 years, and 18.9 years, respectively, and are calculated using the level dollar open amortization method.

Significant actuarial assumptions used for the January 1, 2004, actuarial valuation include (a) a rate of return on the investment of present and future assets of 8.0% compared to 8.5% per year compounded annually used for 2003 and 2002, (b) projected salary increases averaging 4.1% compared to 5.0% used for 2003 and 2002, and (c) post-retirement cost-of-living increases of 1.8% compared to 2.0% used for 2003 and 2002. The projected salary increases included an inflation rate of 3.5% compared to the 4.0% used for the 2003 and 2002 valuations.

CPS' annual pension cost and net pension obligation for FY 2005, FY 2004, and FY 2003 were as follows:

Pension Obligation

(In thousands)	FY 2005	FY 2004	FY 2003
Annual required contribution (ARC)	$ 8,694	$ 7,651	$ 4,921
Less CPS contributions in relation to ARC	8,694	7,651	4,921
Net pension obligation - end of year	$ -	$ -	$ -
Percentage of APC contributed	100%	100%	100%

Employees who retired prior to 1983 receive annuity payments from an insurance carrier, as well as receive some benefits directly from CPS. CPS' costs for these benefits for 2005, 2004 and 2003 were $224 thousand, $240 thousand and $281 thousand, respectively, and were recorded when paid.

9. 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. Assets of the plans are held as part of the Employee Benefits Plans. Funding of the plans 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 $4.9 million for 2005 and $4.4 million for 2004. CPS reimbursed certain retirees and their spouses enrolled in Medicare Part B a percentage of the monthly premium. Costs totaled $325 thousand for 2005 and $256 thousand for 2004.

Retired employees and covered dependents contributed $2.2 million for their health care and life insurance benefits in 2005 and $1.9 million in 2004. In 2005, there were approximately 2,386 retirees and covered dependents eligible for health care and life insurance benefits, as compared to approximately 2,261 in 2004.

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 $80.5 million in 2004 and $74.4 million in 2003 for health and $21.8 million in 2004 and $19.8 million in 2003 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 $50.2 million for health, $6.0 million for life insurance and $3.4 million for disability benefits. CPS began partial accrual and funding of projected future benefits in 1992. Funding totaled $5.2 million in 2005, $4.3 million in 2004 and $4.8 million in 2003.

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, 2004, actuarial valuations include (a) a rate of return on the investment of present and future assets of 8.0% compared to 8.5% per year used for 2003 for the health, life and the disability plans, (b) projected salary increases for the plans ranging from 4.5% to 12.0% depending on age for base and other salaries, and (c) medical cost increases projected at 9.5% for 2004 decreasing to 6.0% in 2011 and thereafter.

The effect of the change in the rate of return assumption from 8.5% to 8.0% was an increase in required funding of $1.3 million for health, an increase of $104 thousand for life, and an increase of $7 thousand for disability.

10. 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 and/or catastrophic losses. CPS performs actuarial studies periodically to determine its insurance retentions. An actuarial study was last performed in 2004. CPS seeks to consistently maintain adequate insurance coverage and accordingly actual settlement costs did not exceed insurance coverage in FY2005, FY 2004, or FY2003.

In addition, CPS is exposed to risks of loss due to death of, injuries to, or illnesses of, its employees. Through FY 2005 and FY 2004, CPS has accumulated approximately $172.8 million and $152.8 million, respectively, in net employee health and welfare plans external trusts for these risks. The trust accounts and related claims liabilities are included in CPS' financial statements. CPS has recorded $30.4 million of expense related to these risk programs for FY 2005 and $27.7 million for FY 2004.

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 reserves for property, and employee and public liability claims for FY 2005 and FY 2004:

(In thousands)	Property Reserves	Employee & Public Liability Claims	Employee Benefit Claims
Balance - FY 2003	$ 5,553	$ 6,866	$ 4,172
Payments	(95)	(1,000)	(35,415)
Incurred Claims	-	-	35,939
Other claims adjustments	377	1,371	-
Balance - FY 2004	$ 5,835	$ 7,237	$ 4,696
Payments	-	(331)	(32,325)
Incurred Claims	-	-	32,888
Other claims adjustments	1,010	(871)	-
Balance - FY 2005	$ 6,845	$ 6,035	$ 5,259

The Employee Benefit Plans assets are segregated from CPS' assets. They are separately managed by a committee whose members are appointed by the CPS General Manager and CEO. These plans have separate financial statements for calendar years 2004 and 2003. These separately audited financial statements are available upon request by contacting Compensation and Employee Benefits at CPS.

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.

In 2004, the City Public Service Board of Trustees reaffirmed the Energy Price Risk Management Policy, which sets forth the guidelines for the purchase and sale of certain financial instruments and certain physical products, collectively defined as hedge instruments. Currently, these hedge instrument transactions are used to minimize the risk of market energy price volatility as it relates to the underlying transactions that relate to the physical purchase of natural gas. The primary goals for the Energy Price Risk Management Policy, which is overseen by the Hedging Strategy Committee, is to mitigate the potential for loss or reduce the uncertainty in expenses, pricing and revenue as a result of unforeseen market changes that pertain to fuel expenses and revenues. The hedge instruments are reported at cost on the Balance Sheets. Gains and losses related to the hedge instruments transactions are netted to fuel expense in the period realized. For January 31, 2005 and January 31, 2004, the commodity options and/or hedge instruments, offset one another to achieve unrealized gains of approximately $496 thousand and $2.1 million, respectively.

The fair value of option contracts is determined using New York Mercantile Exchange ("NYMEX") closing settlement prices as of January 31, 2005. For futures and basis swap contracts, the fair value is calculated by deriving the difference between the closing futures prices on January 31, 2005, and the futures or basis swap purchase prices at the time the positions were established, less applicable commissions. As of January 31, 2005, the outstanding hedge instruments total cost is $59 thousand with a fair value of $555 thousand. In January 30, 2004, total cost for outstanding hedge instruments was $144 thousand with a fair value of $2.2 million. In the event purchased options are allowed to expire, the related premiums paid to acquire those options will be lost. When a short position is established, and options are sold, premiums are received and an obligation to honor the terms of the option contract, if exercised, is created. The decision whether to exercise the options or let them expire rests with the purchasing party. Futures contracts represent a firm obligation to buy, or sell, the underlying asset. If held to expiration, the contract holder must take delivery of, or deliver, the underlying asset, at the established contract price. Basis swap contracts represent a financial obligation to buy, or sell, the underlying delivery point basis. If held to expiration, the financial difference determined by mark-to-market valuation must be settled on a cash basis. Only if expressly requested, in advance, may an exchange for physical assets take place.

The hedging contracts expose CPS to a minimal amount of credit risk. In the event of default or nonperformance by brokers or the exchange, the operations of CPS will not be materially affected. However, CPS does not expect the brokerages to fail to meet their obligations given their high credit rating and the strict and deep credit requirements upheld by the NYMEX of which these brokerage houses are members. Termination risk for exchange traded instruments is greatly reduced by the strict rules and guidelines set up by the exchange, which are governed by the Commodity Futures Trade Commission

CPS follows GASB Technical Bulletin No. 2003-1, *Disclosures Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets.* Accordingly, the following information is provided regarding CPS' outstanding Financial Instruments as of January 31, 2005 and January 31, 2004:

Fuel Derivative Transactions as of January 31, 2005

Type of Transaction		Duration	Volumes MMBtu
Long	Call	March 2005	420,000
Short	Call	March 2005 through March 2006	4,110,000
Long	Put	March 2005 through March 2006	4,110,000
Short	Put	March 2005	420,000
Long	NG Futures	March 2005 through March 2006	4,800,000
Short	NG Futures	March 2005 through December 2005	1,230,000
Short	Basis Swaps	February 2005 through December 2005	1,510,000

Fuel Derivative Transactions as of January 31, 2004

Type of Transaction		Duration	Volumes MMBtu
Short	Call	March 2004 through February 2005	5,310,000
Long	Put	March 2004 through February 2005	5,310,000
Long	NG Futures	March 2004 through February 2005	8,050,000

11. South Texas Project

CPS is one of four participants in the STP, which consists of two units nominally rated to produce 1,250-megawatt, located on a 12,220 acre site in Matagorda County, Texas. The other participants in the STP are Texas Genco, L.P. ("Texas Genco") - formerly known as Houston Lighting & Power, and Reliant Energy, Inc.; American Electric Power ("AEP") - 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' 28.0% ownership in the STP represents 700 megawatts of plant capacity. At January 31, 2005 and 2004, CPS' 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' share of the STP generation that is available for sale to CPS customers. This charge is included in fuel expense monthly.

CPS has committed to acquire from AEP an additional 12% share of STP. This will increase ownership to 40.0% and will give CPS an additional 300 megawatts of plant capacity.

Nuclear Insurance – The Price-Anderson Act is a comprehensive statutory arrangement for providing limitations on liability and governmental indemnities with respect to nuclear accidents or events. The maximum amount that each licensee may be assessed following a nuclear incident at any insured facility is $100.6 million, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at $10.0 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 $300.0 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 approximately $1.1 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 approximately $2.8 billion of nuclear property insurance, which is above the legally required amount of $1.1 billion, but is less than the total amount available for such losses. The $2.8 billion of nuclear property insurance consists of $500.0 million in primary property damage insurance and approximately $2.3 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 $25.5 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 1999, the owners conducted a review of decommissioning costs. The results estimated CPS' share of decommissioning costs at approximately $311.0 million in 1998 dollars. In 2004, the owners conducted an additional review of decommissioning, and results showed that CPS' share of decommissioning costs are now approximately $397.4 million in 2004 dollars. Although there was an increase in decommissioning base costs from the 1998 study to the 2004 study, there was an offsetting decrease in applicable cost escalation assumptions. Therefore, CPS was able to decrease its minimum annual contribution requirement from $15.9 million in FY 2004 to $6.9 million in FY 2005. In fiscal year 2006, CPS expects to establish a funding level of approximately $5.0 million.

In 1991, CPS started accumulating the decommissioning funds in an external trust, in accordance with the NRC regulations. The Decommissioning Trust assets and related liabilities are included in CPS' financial statements as a component unit. At December 31, 2004, CPS has accumulated approximately $222.4 million of funds in the external trust. Based on the annual calculation of financial assurance required by the NRC, CPS' Decommissioning Trust balance exceeded the calculated financial assurance amounts of $77.3 million at December 31, 2004 and $70.4 million at December 31, 2003.

The Decommissioning Trust also has separate financial statements for calendar year 2004. These separately audited financial statements can be obtained by contacting the Controller of Financial Services at CPS.

12. Lignite Mining Lease and Assignment Agreement

CPS entered into a lignite-mining lease with Alcoa Inc. effective December 28, 1998, covering all CPS' lignite reserves in Bastrop and Lee Counties, Texas. ALCOA began making advance royalty payments to CPS under the lease in January 1999, and will convert to a production royalty when mining begins. The CPS royalty falls within industry standard terms, and is based on production volumes subject to certain minimum annual amounts. The base term of the lease runs through 2013. Renewal options could extend the lease to 2043. The current estimate of the amount of the lignite to be mined by ALCOA is 180 million tons over a 30-year period, although ALCOA may mine more or less than this amount. Alcoa began mine construction in calendar year 2003 and now estimates mining will begin in mid 2005.

13. Joint Operations Agreement

A 1997 Joint Operations Agreement ("JOA") resulted from the litigation settlement with Texas Genco, L.P., formerly known as Houston Lighting & Power Company and Reliant Energy, Inc., over its management of STP during the construction and early operating periods. The JOA is an arrangement to jointly dispatch CPS' and Texas Genco, L.P.'s generating plants to take advantage of the most efficient plants and favorable fuel prices of each utility. Until June 2002, CPS received, in monthly cash payments, 90% of the savings realized from the jointly-operated systems. As of June 2002, when Texas Genco, L.P. met the JOA $200 million cumulative savings obligation, monthly cash payments to CPS were reduced to 50% of the savings realized from the jointly operated systems. As of January 31, 2005, CPS' total cumulative payments from savings realized was $265.5 million.

14. Lease/Leaseback

In June 2000, CPS entered into a Lease/Leaseback transaction with an affiliate of Unicom involving CPS' J.K. Spruce Unit No. 1 coal-fired electric generation unit. The transaction included a lease/leaseback for a term of approximately 65 years in combination with a leaseback of the facility by CPS for approximately 33 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 leaseback after it 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. CPS' 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% share of this net benefit. This payment was recorded as a prepayment in 2001 and is being amortized over 381 months or approximately 32 years. As a result, net proceeds from the transaction of approximately $75.7 million will be reported over the 32-year leaseback term. In both FY 2005 and FY 2004, the net amount recorded as income by CPS was $2.8 million.

15. Commitments and Contingencies

CPS currently owns 28.0% of STP. AEP has sold its generation facilities in ERCOT, including its interest in STP. CPS and Texas Genco exercised rights of first refusal and have committed to purchase AEP's interest. Texas Genco will purchase an additional 13.2% interest in STP from AEP, bringing its ownership to 44.0%. For approximately $132.5 million, CPS will purchase an additional 12.0% from AEP, bringing its ownership to 40.0%. If either Texas Genco's or CPS' purchase fails to close, the other has agreed to purchase the remaining AEP share of STP. Close of the purchase of CPS' portion of AEP's interest in STP is contingent upon receipt of regulatory approvals form the NRC, for transfer of AEP's NRC licenses for STP and from the U.S. Internal Revenue Service ("IRS"), for an IRS Private Letter Ruling that the transfer of AEP's Decommissioning Funds is permitted without conditions or limitations thereon that are not reasonably acceptable to CPS. In addition, the PUCT must approve transfer of a share of AEP's decommissioning funds to CPS. At this time, there appear to be no impediments in obtaining these regulatory approvals and CPS expects receipt of these regulatory approvals. Closing of the sale transactions are expected in May 2005.

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 $893 million at January 31, 2005. This amount includes approximately $24.4 million that is expected to be paid for natural gas purchases to be made under various contracts currently in effect through June 2007; the actual amount to be paid will depend upon CPS' actual requirements during the contract period and the price of gas. Also included is $54.8 million for coal purchases through December 2006, $238.4 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 $529.7 million in wind power. Additional purchase commitments at January 31, 2005, which are related to STP, include approximately $45.5 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 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' cost for calendar years 2003 and 2004 were approximately $16.1 million and $15.8 million, respectively. The estimated cost for calendar year 2005 is approximately $15.1 million.

As part of the Request for Proposal process for the J.K. Spruce Unit 2 Power Plant, CPS has committed to compensate the unsuccessful J.K. Spruce 2 Design-Build Offeror up to $1.0 million, which is payable contingent on their meeting specific criteria.

City Public Service of
San Antonio
P.O. Box 1771
San Antonio, TX 78296

(210) 353-2000

www.cpsenergy.com

TexasGenco

FOR IMMEDIATE RELEASE

Contact:
Joe Householder
(713) 945-3523

INITIAL ACQUISITION OF TEXAS GENCO COMPLETE

Houston, TX - December 15, 2004 - Texas Genco LLC, formerly known as GC Power Acquisition LLC, has completed the first step of its acquisition of Texas Genco Holdings, Inc. by acquiring its fossil-fueled power generation business, consisting of 60 generating units in 11 power plants, representing a total generating capacity of 13,286 MW.

In July 2004, Texas Genco LLC, which is owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group, entered into a transaction agreement with CenterPoint Energy and Texas Genco Holdings to acquire Texas Genco Holdings in a two step transaction.

Jack Fusco, Chairman and Chief Executive Officer of Texas Genco LLC, said, "This is a great company with high-quality assets and talented and dedicated employees. The stewardship provided by CenterPoint has been integral to its success."

"Our focus will be to build upon that success by making Texas Genco the premier independent electric wholesale generating company in Texas," said Fusco.

He added, "We are mindful of the important role Texas Genco plays in the community, especially in the greater Houston area, which, I am delighted to say will remain Texas Genco's headquarters."

The second step of this transaction will be to acquire Texas Genco Holdings, whose principal remaining asset at that time will be its ownership interest in the South Texas Project nuclear generating facility, following approval of the Nuclear Regulatory Commission. This is expected to occur in the first half of 2005.

Texas Genco LLC is one of the largest wholesale electric power generating companies in the United States with over 13,000 megawatts of generation capacity. It sells electric generation capacity, energy and ancillary services in Texas' largest power market, the Electric Reliability Council of Texas (ERCOT). Texas Genco has one of the most diversified generation portfolios in Texas, using natural gas, oil, coal and lignite fuels. For more information, visit our web site at www.txgenco.com.

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A
AMENDMENT NO. 1

(Mark One)
[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

FOR THE TRANSITION PERIOD FROM TO

COMMISSION FILE NUMBER 1-31447

CENTERPOINT ENERGY, INC.

(Exact name of registrant as specified in its charter)

TEXAS (State or other jurisdiction of incorporation or organization)	74-0694415 (I.R.S. Employer Identification No.)
1111 LOUISIANA HOUSTON, TEXAS 77002 (Address and zip code of principal executive offices)	(713) 207-1111 (Registrant's telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:

TITLE OF EACH CLASS	NAME OF EACH EXCHANGE ON WHICH REGISTERED
Common Stock, $0.01 par value and associated rights to purchase preferred stock	New York Stock Exchange Chicago Stock Exchange
HL&P Capital Trust II 8.257% Capital Securities, Series B	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
NONE

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein and will not be contained, to the best of each of the registrants' knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act). Yes [X] No [ ]

The aggregate market value of the voting stock held by non-affiliates of CenterPoint Energy, Inc. (Company) was $3,521,933,742 as of

June 30, 2004, using the definition of beneficial ownership contained in Rule 13d-3 promulgated pursuant to the Securities Exchange Act of 1934 and excluding shares held by directors and executive officers. As of February 28, 2005, the Company had 308,501,031 shares of Common Stock outstanding. Excluded from the number of shares of Common Stock outstanding are 166 shares held by the Company as treasury stock.

Portions of the definitive proxy statement relating to the 2005 Annual Meeting of Shareholders of the Company, which will be filed with the Securities and Exchange Commission within 120 days of December 31, 2004, are incorporated by reference in Item 10, Item 11, Item 12, Item 13 and Item 14 of Part III of this Form 10-K.

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EXPLANATORY NOTE

This Amendment No. 1 to our Annual Report on Form 10-K for the year ended December 31, 2004 (the "Annual Report") is solely for the purpose of supplementing the Annual Report by filing the opinion of our independent registered public accounting firm regarding the financial statement schedules contained in Item 15 that was inadvertently omitted from our original filing. Accordingly, pursuant to Rule 12b-15 of the Securities Exchange Act, this Amendment No. 1 includes such opinion together with a consent of our independent registered public accounting firm (Exhibit 23), the complete text of Item 15, including the financial statement schedules listed in Item 15(a)(2), as well as relevant certifications (Exhibits 31.1 and 31.2). This Amendment No. 1 does not reflect events occurring after the filing of the original Annual Report, or modify or update the disclosures therein in any way other than as described above.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a)(1) Financial Statements*.

PAGE

(a)(2) Financial Statement Schedules for the Three Years Ended December 31, 2004.

* Note that the page numbers referenced for the financial statements in (a)(1) above are the relevant page numbers of our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 as originally filed on March 16, 2005.

The following schedules are omitted because of the absence of the conditions under which they are required or because the required information is included in the financial statements:

III, IV and V.

(a)(3) Exhibits.

See Index of Exhibits beginning on page 11, which index also includes the management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(b)(10)(iii) of Regulation S-K.

CENTERPOINT ENERGY

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF CENTERPOINT ENERGY, INC. (PARENT COMPANY)

STATEMENTS OF OPERATIONS

	FOR THE PERIOD SEPTEMBER 1, 2002 THROUGH DECEMBER 31, 2002	FOR THE YEAR ENDED DECEMBER 31, 2003	FOR THE YEAR ENDED DECEMBER 31, 2004
		(IN THOUSANDS)	
Equity Income (Losses) of Subsidiaries	$ (4,907)	$ 850,394	$ 707,047
Interest Income from Subsidiaries	29,878	63,266	21,568
Loss on Disposal of Subsidiary	(4,371,464)	--	(365,716)
Loss on Indexed Debt Securities	(7,964)	(96,473)	(20,232)
Operation and Maintenance Expenses	(5,793)	(12,944)	(21,042)
Depreciation and Amortization	(5,978)	(14,029)	(311)
Taxes Other than Income	(6,024)	(5,091)	(186)
Interest Expense to Subsidiaries	(31,198)	(93,100)	(79,590)
Interest Expense	(188,027)	(393,717)	(303,493)
Income Tax Benefit	64,916	185,361	134,587
Extraordinary Loss, net of tax	--	--	(977,336)
Net Income (Loss)	$(4,526,561)	$ 483,667	$ (904,704)

See CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF
CENTERPOINT ENERGY, INC. (PARENT COMPANY)
BALANCE SHEETS

	DECEMBER 31, 2003	DECEMBER 31, 2004
	(IN THOUSANDS)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 21,617	$ --
Notes receivable -- affiliated companies	201,887	125,680
Accounts receivable -- affiliated companies	89,835	29,855
Other assets	13,675	2,141
Total current assets	327,014	157,676
PROPERTY, PLANT AND EQUIPMENT, NET	111,533	5,567
OTHER ASSETS:		
Investment in subsidiaries	8,655,214	6,031,696
Notes receivable -- affiliated companies	443,090	321,288
Accumulated deferred tax asset	213,858	--
Other assets	125,115	675,360
Total other assets	9,437,277	7,028,344
TOTAL ASSETS	$ 9,875,824	$ 7,191,587
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable -- affiliated companies	$ 6,018	$ 126,790
Current portion of long-term debt	119,564	107,065
Indexed debt securities derivative	321,352	341,575
Accounts payable:		
Affiliated companies	79,647	36,773
Other	13,362	5,267
Taxes accrued	594,476	810,699
Interest accrued	41,246	25,660
Other	32,277	15,171
Total current liabilities	1,207,942	1,469,000
OTHER LIABILITIES:		
Accumulated deferred tax liabilities	--	432,918
Benefit obligations	603,845	54,260
Notes payable -- affiliated companies	1,677,720	1,167,089
Other	314,366	97,536
Total non-current liabilities	2,595,931	1,751,803
LONG-TERM DEBT	4,311,394	2,865,282
SHAREHOLDERS' EQUITY:		
Common stock	3,063	3,080
Additional paid-in capital	2,868,416	2,891,335
Retained deficit	(700,033)	(1,727,571)

Unearned ESOP stock	(2,842)	--
Accumulated other comprehensive loss	(408,047)	(61,342)
Total shareholders' equity	1,760,557	1,105,502
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 9,875,824	$ 7,191,587

See CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

SCHEDULE I – CONDENSED FINANCIAL INFORMATION OF CENTERPOINT ENERGY, INC. (PARENT COMPANY) STATEMENTS OF CASH FLOWS

	FOR THE PERIOD SEPTEMBER 1, 2002 THROUGH DECEMBER 31, 2002	FOR THE YEAR ENDED DECEMBER 31, 2003	FOR THE YEAR ENDED DECEMBER 31, 2004
		(IN THOUSANDS)	
Net income (loss)	$(4,526,561)	$ 483,667	$ (904,704)
Loss on disposal of subsidiary	4,371,464	--	365,716
Extraordinary loss, net of tax	--	--	977,336
Adjusted income (loss)	(155,097)	483,667	438,348
Non-cash items included in net income (loss):			
Equity losses (income) of subsidiaries	4,907	(850,394)	(707,047)
Deferred income tax expense (benefit)	(52,117)	65,778	155,405
Depreciation and amortization	5,978	14,029	311
Amortization of debt issuance costs	32,649	112,046	70,428
Loss on indexed debt securities	7,964	96,473	20,232
Changes in working capital:			
Accounts receivable to affiliates, net	39,540	89,076	(6,253)
Accounts payable	(1,302)	4,493	(1,025)
Other current assets	(6,571)	(3,478)	(5,111)
Other current liabilities	(101,273)	(42,631)	(290,434)
Common stock dividends received from subsidiaries	57,645	121,695	177,264
Pension contribution	--	(22,700)	(476,000)
Other	(12,681)	95,447	52,836
Net cash provided by (used in) operating activities	(180,358)	163,501	(571,046)
INVESTING ACTIVITIES:			
Proceeds from sale of Texas Genco	--	--	2,231,000
Investment in subsidiaries	(181,654)	32,832	19,090
Short-term notes receivable from affiliates	(178,127)	290,359	76,207
Long-term notes receivable from affiliates	1,067,280	540,973	191,954
Capital expenditures, net	(4,274)	(6,596)	(5,802)
Net cash provided by investing activities	703,225	857,568	2,512,449
FINANCING ACTIVITIES:			
Changes in short-term borrowings	(21,000)	--	--
Payments on long-term debt	(168,558)	(6,727,055)	(2,093,880)
Proceeds from long-term debt	--	5,778,242	--
Debt issuance costs	(87,798)	(117,641)	(730)
Common stock dividends paid	(48,672)	(122,249)	(122,881)
Short-term notes payable to affiliates	25,177	(31,274)	120,772
Long-term notes payable to affiliates	495	(1,986)	133,699
Net cash used in financing activities	(300,356)	(1,221,963)	(1,963,020)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	222,511	(200,894)	(21,617)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	--	222,511	21,617
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 222,511	$ 21,617	$ --

See CenterPoint Energy, Inc. and Subsidiaries Notes to Consolidated Financial Statements in Part II, Item 8

CENTERPOINT ENERGY, INC.

SCHEDULE I – NOTES TO CONDENSED FINANCIAL INFORMATION (PARENT COMPANY)

(1) The condensed parent company financial statements and notes should be read in conjunction with the consolidated financial statements and notes of CenterPoint Energy, Inc. (CenterPoint Energy or the Company) appearing in the Annual Report on Form 10-K. CenterPoint Energy, Inc. is a public utility holding company that became the parent of Reliant Energy, Incorporated (Reliant Energy) and its subsidiaries on August 31, 2002 as part of a corporate restructuring of Reliant Energy (the Restructuring). CenterPoint Energy is a registered public utility holding company under the 1935 Act. Prior to the Restructuring, Reliant Energy was a public utility holding company that was exempt from registration under the 1935 Act. After the Restructuring, an exemption was no longer available for the corporate structure that the Texas Utility Commission required CenterPoint Energy to adopt under the Texas electric restructuring law. CenterPoint Energy did not conduct any activities other than those incident to its formation until September 1, 2002. Accordingly, statements of operations and cash flows would not provide meaningful information and have been omitted for periods prior to September 1, 2002.

(2) As a registered public utility holding company, the Company and its subsidiaries except Texas Genco Holdings, Inc. (Texas Genco) are subject to a comprehensive regulatory scheme imposed by the Securities and Exchange Commission (SEC) in order to protect customers, investors and the public interest. Although the SEC does not regulate rates and charges under the 1935 Act, it does regulate the structure, financing, lines of business and internal transactions of public utility holding companies and their system companies. In order to obtain financing, acquire additional public utility assets or stock, or engage in other significant transactions, CenterPoint Energy is required to obtain approval from the SEC under the 1935 Act.

The Company received an order from the SEC under the 1935 Act on June 30, 2003 and supplemental orders thereafter relating to its financing activities and those of its regulated subsidiaries, as well as other matters. The orders are effective until June 30, 2005. As of December 31, 2004, the orders generally permitted the Company and its regulated subsidiaries to issue securities to refinance indebtedness outstanding at June 30, 2003, and authorized the Company and its regulated subsidiaries to issue certain incremental external debt securities and common and preferred stock through June 30, 2005, without prior authorization from the SEC. Further, the SEC has reserved jurisdiction over the issuance by the Company and its regulated subsidiaries of certain amounts of incremental external debt securities, so that the Company is required to obtain SEC approval prior to issuing those incremental amounts.

The orders require that if the Company or any of its regulated subsidiaries issues any security that is rated by a nationally recognized statistical rating organization (NRSRO), the security to be issued must obtain an investment grade rating from at least one NRSRO and, as a condition to such issuance, all outstanding rated securities of the issuer and of the Company must be rated investment grade by at least one NRSRO. The orders also contain certain requirements for interest rates, maturities, issuance expenses and use of proceeds. Under the orders, the Company's common equity as a percentage of total capitalization must be at least 30%. The SEC has acknowledged that prior to the monetization of Texas Genco and the securitization of the true-up components, the Company's common equity as a percentage of total capitalization is expected to remain less than 30%. In addition, after the securitization, the Company's common equity as a percentage of total capitalization, including securitized debt, is expected to be less than 30%, which the SEC has permitted for other companies.

Effective January 1, 2004, CenterPoint Energy established a service company in order to comply with the 1935 Act. As a result, certain assets and liabilities of the parent company were transferred to the service company, primarily property, plant and equipment, pension and other postemployment benefit assets and obligations and related deferred taxes. These transfers have been excluded from the Statement of Cash Flows for the year ended December 31, 2004 as they represent non-cash transactions.

(3) On September 30, 2002, the Company distributed to its shareholders 240 million shares of Reliant Energy, Inc. (formerly Reliant Resources, Inc.) (RRI) common stock, which represented the Company's approximately 83% ownership interest in RRI, by means of a tax-free spin-off in the form of a dividend. Holders of CenterPoint Energy common stock on the record date received 0.788603 shares of RRI common stock for each share of CenterPoint

Energy stock that they owned on the record date. The total value of the RRI Distribution, after the impairment charge discussed below, was $847 million.

As a result of the spin-off of Reliant Resources, the Company recorded a non-cash loss on disposal of discontinued operations of $4.4 billion in 2002. This loss represented the excess of the carrying value of the Company's net investment in RRI over the market value of RRI's common stock.

(4) The Company distributed approximately 19% of the 80 million outstanding shares of common stock of Texas Genco to its shareholders on January 6, 2003. As a result of the distribution of Texas Genco common stock, the Company recorded a pre-tax impairment charge of $399 million, which was reflected as a regulatory asset in the Consolidated Balance Sheet as of December 31, 2003. This impairment charge represents the excess of the carrying value of the Company's net investment in Texas Genco over the market value of Texas Genco's common stock.

In July 2004, the Company announced its agreement to sell its majority owned subsidiary, Texas Genco, to Texas Genco LLC (formerly known as GC Power Acquisition LLC), an entity owned in equal parts by affiliates of The Blackstone Group, Hellman & Friedman LLC, Kohlberg Kravis Roberts & Co. L.P. and Texas Pacific Group. On December 15, 2004, Texas Genco completed the sale of its fossil generation assets (coal, lignite and gas-fired plants) to Texas Genco LLC for $2.813 billion in cash. Following the sale, Texas Genco distributed $2.231 billion in cash to the Company. Texas Genco's principal remaining asset is its ownership interest in a nuclear generating facility. The final step of the transaction, the merger of Texas Genco with a subsidiary of Texas Genco LLC in exchange for an additional cash payment to the Company of $700 million, is expected to close during the first half of 2005, following receipt of approval from the Nuclear Regulatory Commission. The Company recorded an after tax loss of $366 million in 2004 related to the sale of Texas Genco.

(5) On December 15, 2004, the Company permanently reduced its three-year credit facility to $750 million from $2.34 billion. The credit facility was composed of a $1.425 billion revolving credit facility (London interbank offered rate (LIBOR) plus 300 basis points), which has been permanently reduced to $750 million, and a $915 million term loan (LIBOR) plus 350 basis points), which was repaid and retired on December 15, 2004. As a result of the term loan repayment and the permanent reduction of the revolving credit facility, the Company expensed $15 million of unamortized loan costs in the fourth quarter of 2004 that were associated with these facilities.

In March 2005, the Company replaced its $750 million revolving credit facility with a $1 billion five-year revolving credit facility. Borrowings may be made under the facility at LIBOR plus 100 basis points based on current credit ratings. An additional utilization fee of 12.5 basis points applies to borrowings any time more than 50% of the facility is utilized. Changes in credit ratings would lower or raise the increment to LIBOR depending on whether ratings improved or were lowered.

On May 19, 2003, the Company issued $575 million aggregate principal amount of convertible senior notes due May 15, 2023 with an interest rate of 3.75%. Holders may convert each of their notes into shares of CenterPoint Energy common stock, initially at a conversion rate of 86.3558 shares of common stock per $1,000 principal amount of notes at any time prior to maturity, under the following circumstances: (1) if the last reported sale price of CenterPoint Energy common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% or, following May 15, 2008, 110% of the conversion price per share of CenterPoint Energy common stock on such last trading day, (2) if the notes have been called for redemption, (3) during any period in which the credit ratings assigned to the notes by both Moody's Investors Service, Inc. (Moody's) and Standard & Poor's Ratings Services (S&P), a division of The McGraw-Hill Companies, are lower than Ba2 and BB, respectively, or the notes are no longer rated by at least one of these ratings services or their successors, or (4) upon the occurrence of specified corporate transactions, including the distribution to all holders of CenterPoint Energy common stock of certain rights entitling them to purchase shares of CenterPoint Energy common stock at less than the last reported sale price of a share of CenterPoint Energy common stock on the trading day prior to the declaration date of the distribution or the distribution to all holders of CenterPoint Energy common stock of the Company's assets, debt securities or certain rights to purchase the Company's securities, which distribution has a per share value exceeding 15% of the last reported sale price of a share of CenterPoint Energy common stock on the trading day immediately preceding the declaration date for such distribution. The convertible senior notes also have a contingent interest feature requiring contingent interest to be paid to holders of notes commencing on or after May 15, 2008, in the event that the average trading price of a note for the applicable five trading day period equals or exceeds 120% of the principal amount of the note as of the day immediately preceding the first day of the applicable six-month interest period. For any six-month period, contingent interest will be equal to 0.25% of the average trading price of the note for the applicable five-trading-day period.

In March 2005, the Company filed a registration statement relating to an offer to exchange its 3.75% convertible senior notes due 2023 for a new series of 3.75% convertible senior notes due 2023. This registration statement has not yet been declared effective by the SEC. The Company expects to conduct the exchange offer in response to the guidance set forth in Emerging Issues Task Force No. 04-8, "Accounting Issues Related to Certain Features of Contingently Convertible Debt and the Effect on Diluted Earnings Per Share". Under that guidance, because settlement of the principal portion of new notes will be made in cash rather than stock, exchanging new notes for old notes will allow the Company to exclude the portion of the conversion value of the new notes attributable to their principal amount from its computation of diluted earnings per share from continuing operations.

On December 17, 2003, the Company issued $255 million aggregate principal amount of convertible senior notes due January 15, 2024 with an interest rate of 2.875%. Holders may convert each of their notes into shares of CenterPoint Energy common stock, initially at a conversion rate of 78.064 shares of common stock per $1,000 principal amount of notes at any time prior to maturity, under the following circumstances: (1) if the last reported sale price of CenterPoint Energy common stock for at least 20 trading days during the period of 30 consecutive trading days ending on the last trading day of the previous calendar quarter is greater than or equal to 120% of the conversion price per share of CenterPoint Energy common stock on such last trading day, (2) if the notes have been called for redemption, (3) during any period in which the credit ratings assigned to the notes by both Moody's and S&P are lower than Ba2 and BB, respectively, or the notes are no longer rated by at least one of these ratings services or their successors, or (4) upon the occurrence of specified corporate transactions, including the distribution to all holders of CenterPoint Energy common stock of certain rights entitling them to purchase shares of CenterPoint Energy common stock at less than the last reported sale price of a share of CenterPoint Energy common stock on the trading day prior to the declaration date of the distribution or the distribution to all holders of CenterPoint Energy common stock of the Company's assets, debt securities or certain rights to purchase the Company's securities, which distribution has a per share value exceeding 15% of the last reported sale price of a share of CenterPoint Energy common stock on the trading day immediately preceding the declaration date for such distribution. Under the original terms of these convertible senior notes, CenterPoint Energy could elect to satisfy part or all of its conversion obligation by delivering cash in lieu of shares of CenterPoint Energy. On December 13, 2004, the Company entered into a supplemental indenture with respect to these convertible senior notes in order to eliminate its right to settle the conversion of the notes solely in shares of its common stock. The convertible senior notes also have a contingent interest feature requiring contingent interest to be paid to holders of notes commencing on or after January 15, 2007, in the event that the average trading price of a note for the applicable five-trading-day period equals or exceeds 120% of the principal amount of the note as of the day immediately preceding the first day of the applicable six-month interest period. For any six-month period, contingent interest will be equal to 0.25% of the average trading price of the note for the applicable five-trading-day period.

(6) On December 30, 2004, the Board of Directors of the Company adopted a plan for an accounting reorganization of the Company, to be effective as of January 1, 2005. This plan was adopted in order to eliminate the accumulated retained earnings deficit that exists.

The plan adopted by the Company required: (1) a report to be presented to and reviewed by the Company's Board of Directors on or before February 28, 2005 as to the completion of the valuation analysis of the accounting reorganization and the effects of the accounting reorganization on the Company's financial statements, (2) a determination that the accounting reorganization is in accordance with accounting principles generally accepted in the United States, and (3) that there be no determination by the Company's Board of Directors on or before February 28, 2005 that the accounting reorganization is inconsistent with the Company's regulatory obligations. The Company is continuing to work to complete the valuation analysis and the effects on the Company's financial statements of the accounting reorganization, and on February 23, 2005, the Company's Board of Directors extended until May 10, 2005 the time for making the determination described in (3) of the preceding sentence.

An accounting reorganization, sometimes called a "quasi-reorganization," allows a company to extinguish a negative retained earnings balance. It involves restating a company's assets and its liabilities to their fair values. The negative balance in the retained earnings account is then brought to zero through a reduction in the other capital accounts, giving the company a "fresh start" with a zero balance in retained earnings. As of December 31, 2004, the Company had an accumulated retained earnings deficit of approximately $1.7 billion. That deficit stemmed from the accounting effects of (1) the Company's distribution of its ownership interest in RRI to its shareholders in September 2002, (2) the extraordinary loss recorded in connection with the Texas Utility Commission's order related to the 2004 True-Up Proceeding (defined below) and (3) the loss on discontinued operations that was recorded in connection with the Company's sale of Texas Genco. Those events stemmed from the Company's response to the Texas electric restructuring law. In addition to eliminating the accumulated deficit in retained earnings and restating assets and liabilities to fair value, if a quasi-reorganization were implemented, the Company and CenterPoint Houston would be required to implement any accounting standards that have been issued but not yet adopted.

The Company is seeking to eliminate the negative retained earnings balance because restrictions contained in the 1935 Act require registered public utility holding companies, like the Company, to obtain express authorization from the SEC to pay dividends when current or retained earnings are insufficient to do so. Eliminating the negative retained earnings balance will permit current earnings not utilized to pay dividends to more quickly build up a retained earnings balance. Under 1935 Act regulations, the Company could pay dividends out of this balance during periods when current earnings may not be adequate to do so.

In addition, the Company has undertaken an obligation under the 1935 Act to achieve a minimum ratio of common equity to total capitalization of thirty percent, which, depending on the results of the restatement of assets and liabilities under the accounting reorganization, could be affected by, and will be taken into consideration by the Board of Directors in evaluating the effects of, the accounting reorganization. The Company will seek such authority as may be required under the 1935 Act in connection with the quasi-reorganization.

CENTERPOINT ENERGY, INC.

SCHEDULE II – QUALIFYING VALUATION ACCOUNTS FOR THE THREE YEARS ENDED DECEMBER 31, 2004

COLUMN A	COLUMN B	COLUMN C		COLUMN D	COLUMN E
		ADDITIONS			
DESCRIPTION	BALANCE AT BEGINNING OF PERIOD	CHARGED TO INCOME	CHARGED TO OTHER ACCOUNTS (1)	DEDUCTIONS FROM RESERVES (2)	BALANCE AT END OF PERIOD
		(IN THOUSANDS)			
Year Ended December 31, 2004:					
Accumulated provisions:					
Uncollectible accounts receivable................	$ 30,800	$ 26,829	$ --	$ 27,591	$ 30,038
Deferred tax asset valuation allowance...........	73,248	(67,421)	14,114	--	19,941
Year Ended December 31, 2003:					
Accumulated provisions:					
Uncollectible accounts receivable................	$ 24,294	$ 24,037	$ --	$ 17,531	$ 30,800
Deferred tax asset valuation allowance...........	82,929	(9,681)	--	--	73,248
Year Ended December 31, 2002:					
Accumulated provisions:					
Uncollectible accounts receivable................	$ 46,047	$ 25,883	$ --	$ 47,636	$ 24,294
Deferred tax asset valuation allowance...........	15,439	67,490	--	--	82,929

(1) Charges to other accounts represent changes in presentation to reflect state tax attributes net of federal tax benefit as well as to reflect amounts that were netted against related attribute balances in prior years.

(2) Deductions from reserves represent losses or expenses for which the respective reserves were created. In the case of the uncollectible accounts reserve, such deductions are net of recoveries of amounts previously written off.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Houston, the State of Texas, on the 29th day of August, 2005.

CENTERPOINT ENERGY, INC.
(Registrant)

By: /s/ DAVID M. MCCLANAHAN

David M. McClanahan,
President and Chief Executive Officer

CENTERPOINT ENERGY, INC.

EXHIBITS TO THE ANNUAL REPORT ON FORM 10-K
FOR FISCAL YEAR ENDED DECEMBER 31, 2004

INDEX OF EXHIBITS

Exhibits included with this report are designated by a cross (+); exhibits previously filed with our Annual Report on Form 10-K for the fiscal year ended December 31, 2004 as originally filed on March 16, 2005 are designated by two crosses (++); all exhibits not so designated are incorporated herein by reference to a prior filing as indicated. Exhibits designated by an asterisk (*) are management contracts or compensatory plans or arrangements required to be filed as exhibits to this Form 10-K by Item 601(b)(10)(iii) of Regulation S-K. CenterPoint Energy has not filed the exhibits and schedules to Exhibit 2(b). CenterPoint Energy hereby agrees to furnish supplementally a copy of any schedule omitted from Exhibit 2(b) to the SEC upon request.

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
2(a)	--	Agreement and Plan of Merger, dated as of October 19, 2001, by and among Reliant Energy, Incorporated ("Reliant Energy"), CenterPoint Energy, Inc. ("CenterPoint Energy") and Reliant Energy MergerCo, Inc.	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	2
2(b)	--	Transaction Agreement dated July 21, 2004 among CenterPoint Energy, Utility Holding, LLC, NN Houston Sub, Inc., Texas Genco Holdings, Inc. ("Texas Genco"), HPC Merger Sub, Inc. and GC Power Acquisition LLC	CenterPoint Energy's Form 8-K dated July 21, 2004	1-31447	10.1
3(a)(1)	--	Amended and Restated Articles of Incorporation of CenterPoint Energy	CenterPoint Energy's Registration Statement on Form S-4	3-69502	3.1
3(a)(2)	--	Articles of Amendment to Amended and Restated Articles of Incorporation of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	3.1.1
3(b)	--	Amended and Restated Bylaws of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	3.2
3(c)	--	Statement of Resolution Establishing Series of Shares designated Series A Preferred Stock of CenterPoint Energy	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	3.3
4(a)	--	Form of CenterPoint Energy Stock Certificate	CenterPoint Energy's Registration Statement on Form S-4	3-69502	4.1
4(b)	--	Rights Agreement dated January 1, 2002, between CenterPoint Energy and JPMorgan Chase Bank, as Rights Agent	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	4.2
4(c)	--	Contribution and Registration Agreement dated December 18, 2001 among Reliant Energy, CenterPoint Energy and the Northern Trust Company, trustee under the Reliant Energy, Incorporated Master Retirement Trust	CenterPoint Energy's Form 10-K for the year ended December 31, 2001	1-31447	4.3
4(d)(1)	--	Mortgage and Deed of Trust, dated November 1, 1944 between Houston Lighting and Power Company ("HL&P") and Chase Bank	HL&P's Form S-7 filed on August 25, 1977	2-59748	2(b)

of Texas, National Association
(formerly, South Texas
Commercial National Bank of
Houston), as Trustee, as
amended and supplemented by 20
Supplemental Indentures thereto

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
4(d)(2)	--	Twenty-First through Fiftieth Supplemental Indentures to Exhibit 4(d)(1)	HL&P's Form 10-K for the year ended December 31, 1989	1-3187	4(a)(2)
4(d)(3)	--	Fifty-First Supplemental Indenture to Exhibit 4(d)(1) dated as of March 25, 1991	HL&P's Form 10-Q for the quarter ended June 30, 1991	1-3187	4(a)
4(d)(4)	--	Fifty-Second through Fifty-Fifth Supplemental Indentures to Exhibit 4(d)(1) each dated as of March 1, 1992	HL&P's Form 10-Q for the quarter ended March 31, 1992	1-3187	4
4(d)(5)	--	Fifty-Sixth and Fifty-Seventh Supplemental Indentures to Exhibit 4(d)(1) each dated as of October 1, 1992	HL&P's Form 10-Q for the quarter ended September 30, 1992	1-3187	4
4(d)(6)	--	Fifty-Eighth and Fifty-Ninth Supplemental Indentures to Exhibit 4(d)(1) each dated as of March 1, 1993	HL&P's Form 10-Q for the quarter ended March 31, 1993	1-3187	4
4(d)(7)	--	Sixtieth Supplemental Indenture to Exhibit 4(d)(1) dated as of July 1, 1993	HL&P's Form 10-Q for the quarter ended June 30, 1993	1-3187	4
4(d)(8)	--	Sixty-First through Sixty-Third Supplemental Indentures to Exhibit 4(d)(1) each dated as of December 1, 1993	HL&P's Form 10-K for the year ended December 31, 1993	1-3187	4(a)(8)
4(d)(9)	--	Sixty-Fourth and Sixty-Fifth Supplemental Indentures to Exhibit 4(d)(1) each dated as of July 1, 1995	HL&P's Form 10-K for the year ended December 31, 1995	1-3187	4(a)(9)
4(e)(1)	--	General Mortgage Indenture, dated as of October 10, 2002, between CenterPoint Energy Houston Electric, LLC and JPMorgan Chase Bank, as Trustee	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(1)
4(e)(2)	--	First Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(2)
4(e)(3)	--	Second Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10- Q for the quarter ended September 30, 2002	1-3187	4(j)(3)
4(e)(4)	--	Third Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(4)
4(e)(5)	--	Fourth Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10- Q for the quarter ended September 30, 2002	1-3187	4(j)(5)
4(e)(6)	--	Fifth Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(6)
4(e)(7)	--	Sixth Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(7)
4(e)(8)	--	Seventh Supplemental Indenture to Exhibit 4(e)(1), dated as of October 10, 2002	CenterPoint Houston's Form 10-Q for the quarter ended September 30, 2002	1-3187	4(j)(8)
4(e)(9)	--	Eighth Supplemental Indenture to Exhibit 4(e)(1), dated as of	CenterPoint Houston's Form 10-Q for the quarter ended September	1-3187	4(j)(9)

		October 10, 2002	30, 2002		
4(e)(10)	--	Officer's Certificates dated October 10, 2002 setting forth the form, terms and provisions of the First through Eighth Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	4(e)(10)

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
4(e)(11)	--	Ninth Supplemental Indenture to Exhibit 4(e)(1), dated as of November 12, 2002	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	4(e)(10)
4(e)(12)	--	Officer's Certificate dated November 12, 2002 setting forth the form, terms and provisions of the Ninth Series of General Mortgage Bonds	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	4(e)(12)
4(e)(13)	--	Tenth Supplemental Indenture to Exhibit 4(e)(1), dated as of March 18, 2003	CenterPoint Energy's Form 8-K dated March 13, 2003	1-31447	4.1
4(e)(14)	--	Officer's Certificate dated March 18, 2003 setting forth the form, terms and provisions of the Tenth Series and Eleventh Series of General Mortgage Bonds	CenterPoint Energy's Form 8-K dated March 13, 2003	1-31447	4.2
4(e)(15)	--	Eleventh Supplemental Indenture to Exhibit 4(e)(1), dated as of May 23, 2003	CenterPoint Energy's Form 8-K dated May 16, 2003	1-31447	4.1
4(e)(16)	--	Officer's Certificate dated May 23, 2003 setting forth the form, terms and provisions of the Twelfth Series of General Mortgage Bonds	CenterPoint Energy's Form 8-K dated May 16, 2003	1-31447	4.2
4(e)(17)	--	Twelfth Supplemental Indenture to Exhibit 4(e)(1), dated as of September 9, 2003	CenterPoint Energy's Form 8-K dated September 9, 2003	1-31447	4.2
4(e)(18)	--	Officer's Certificate dated September 9, 2003 setting forth the form, terms and provisions of the Thirteenth Series of General Mortgage Bonds	CenterPoint Energy's Form 8-K dated September 9, 2003	1-31447	4.3
4(f)(1)	--	Indenture, dated as of February 1, 1998, between Reliant Energy Resources Corp. ("RERC Corp.") and Chase Bank of Texas, National Association, as Trustee	RERC Corp.'s Form 8-K dated February 5, 1998	1-13265	4.1
4(f)(2)	--	Supplemental Indenture No. 1 to Exhibit 4(f)(1), dated as of February 1, 1998, providing for the issuance of RERC Corp.'s 6 1/2% Debentures due February 1, 2008	RERC Corp.'s Form 8-K dated November 9, 1998	1-13265	4.2
4(f)(3)	--	Supplemental Indenture No. 2 to Exhibit 4(f)(1), dated as of November 1, 1998, providing for the issuance of RERC Corp.'s 6 3/8% Term Enhanced ReMarketable Securities	RERC Corp.'s Form 8-K dated November 9, 1998	1-13265	4.1
4(f)(4)	--	Supplemental Indenture No. 3 to Exhibit 4(f)(1), dated as of July 1, 2000, providing for the issuance of RERC Corp.'s 8.125% Notes due 2005	RERC Corp.'s Registration Statement on Form S-4	333-49162	4.2
4(f)(5)	--	Supplemental Indenture No. 4 to Exhibit 4(f)(1), dated as of February 15, 2001, providing for the issuance of RERC Corp.'s 7.75% Notes due 2011	RERC Corp.'s Form 8-K dated February 21, 2001	1-13265	4.1

4(f)(6)	--	Supplemental Indenture No. 5 to Exhibit 4(f)(1), dated as of March 25, 2003, providing for the issuance of CenterPoint Energy Resources Corp.'s ("CERC Corp.'s") 7.875% Senior Notes due 2013	CenterPoint Energy's Form 8-K dated March 18, 2003	1-31447	4.1

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
4(f)(7)	--	Supplemental Indenture No. 6 to Exhibit 4(f)(1), dated as of April 1, 2003, providing for the issuance of CERC Corp.'s 7.875% Senior Notes due 2013	CenterPoint Energy's Form 8-K dated April 7, 2003	1-31447	4.2
4(f)(8)	--	Supplemental Indenture No. 7 to Exhibit 4(f)(1), dated as of November 3, 2003, providing for the issuance of CERC Corp.'s 5.95% Senior Notes due 2014	CenterPoint Energy's Form 8-K dated October 29, 2003	1-31447	4.2
4(g)(1)	--	Indenture, dated as of May 19, 2003, between CenterPoint Energy and JPMorgan Chase Bank, as Trustee	CenterPoint Energy's Form 8-K dated May 19, 2003	1-31447	4.1
4(g)(2)	--	Supplemental Indenture No. 1 to Exhibit 4(g)(1), dated as of May 19, 2003, providing for the issuance of CenterPoint Energy's 3.75% Convertible Senior Notes due 2023	CenterPoint Energy's Form 8-K dated May 19, 2003	1-31447	4.2
4(g)(3)	--	Supplemental Indenture No. 2 to Exhibit 4(g)(1), dated as of May 27, 2003, providing for the issuance of CenterPoint Energy's 5.875% Senior Notes due 2008 and 6.85% Senior Notes due 2015	CenterPoint Energy's Form 8-K dated May 19, 2003	1-31447	4.3
4(g)(4)	--	Supplemental Indenture No. 3 to Exhibit 4(g)(1), dated as of September 9, 2003, providing for the issuance of CenterPoint Energy's 7.25% Senior Notes due 2010	CenterPoint Energy's Form 8-K dated September 9, 2003	1-31447	4.2
4(g)(5)	--	Supplemental Indenture No. 4 to Exhibit 4(g)(1), dated as of December 17, 2003, providing for the issuance of CenterPoint Energy's 2.875% Convertible Senior Notes due 2024	CenterPoint Energy's Form 8-K dated December 10, 2003	1-31447	4.2
4(g)(6)	--	Supplemental Indenture No. 5 to Exhibit 4(g)(1), dated as of December 13, 2004, as supplemented by Exhibit 4(g)(5), relating to the issuance of CenterPoint Energy's 2.875% Convertible Senior Notes dues 2024	CenterPoint Energy's Form 8-K dated December 9, 2004	1-31447	4.1
4(h)	--	Supplemental Indenture No. 2 dated as of August 31, 2002, among CenterPoint Energy, Reliant Energy and JPMorgan Chase Bank (supplementing the Subordinated Indenture dated as of September 1, 1999 under which Reliant Energy's 2% Zero-Premium Exchangeable Subordinated Notes Due 2029 were issued)	CenterPoint Energy's Form 8-K12B dated August 31, 2002	1-31447	4(e)
4(i)	--	Supplemental Indenture No. 3 dated as of August 31, 2002 among CenterPoint Energy, REI and The Bank of New York (supplementing the Junior Subordinated Indenture dated as	CenterPoint Energy's Form 8-K12B dated August 31, 2002	1-31447	4(g)

		of February 1, 1997 under which REI's Junior Subordinated Debentures related to 8.257% capital securities issued by HL&P Capital Trust II were issued)			
4(j)	--	Third Supplemental Indenture dated as of August 31, 2002 among CenterPoint Energy, Reliant Energy, RERC and The Bank of New York (supplementing the Indenture dated as of June 15, 1996 under which RERC's 6.25% Convertible Junior Subordinated Debentures were issued)	CenterPoint Energy's Form 8-K12B dated August 31, 2002	1-31447	4(h)

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
4(k)	--	Second Supplemental Indenture dated as of August 31, 2002 among CenterPoint Energy, Reliant Energy, RERC and JPMorgan Chase Bank (supplementing the Indenture dated as of March 1, 1987 under which RERC's 6% Convertible Subordinated Debentures due 2012 were issued)	CenterPoint Energy's Form 8-K12B dated August 31, 2002	1-31447	4(i)
4(l)	--	Assignment and Assumption Agreement for the Guarantee Agreements dated as of August 31, 2002 between CenterPoint Energy and Reliant Energy (relating to the Guarantee Agreement dated as of February 4, 1997 between Reliant Energy and The Bank of New York providing for the guaranty of certain amounts relating to the 8.257% capital securities issued by HL&P Capital Trust II)	CenterPoint Energy's Form 8-K12B dated August 31, 2002	1-31447	4(j)
4(m)	--	Assignment and Assumption Agreement for the Expense and Liability Agreements and the Trust Agreements dated as of August 31, 2002 between CenterPoint Energy and Reliant Energy (relating to (i) the Agreement as to Expenses and Liabilities dated as of February 4, 1997 between Reliant Energy and HL&P Capital Trust II and (ii) HL&P Capital Trust II's Amended and Restated Trust Agreement dated February 4, 1997	CenterPoint Energy's Form 8-K12B dated August 31, 2002	1-31447	4(l)
4(n)(1)	--	$1,310,000,000 Credit Agreement, dated as of November 12, 2002, among CenterPoint Houston and the banks named therein	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	4(g)(1)
4(n)(2)	--	First Amendment to Exhibit 4(n)(1), dated as of September 3, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.7
4(n)(3)	--	Pledge Agreement, dated as of November 12, 2002 executed in connection with Exhibit 4(n)(1)	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	4(g)(2)
4(o)	--	$1,000,000,000 Credit Agreement dated as of March 7, 2005 among CenterPoint Energy and the banks named therein	CenterPoint Energy's Form 8-K dated March 7, 2005	1-31447	4.1
++4(p)(1)	--	$75,000,000 revolving credit facility dated as of February 3, 2005 among Texas Genco Holdings, Inc., Texas Genco GP, LLC, Texas Genco LP, LLC, Texas Genco, LP and the banks named therein			
++4(p)(2)	--	Pledge Agreement, dated as of February 3, 2005, executed in connection with Exhibit 4(p)(1)			

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
4(q)	--	$250,000,000 Credit Agreement dated as of March 23, 2004 among CERC and the initial lenders named therein	CenterPoint Energy's Form 8-K dated March 31, 2004	1-31447	4.1
4(r)	--	$200,000,000 Credit Agreement dated as of March 7, 2005 among CenterPoint Houston and the banks named therein	CenterPoint Energy's Form 8-K dated March 7, 2005	1-31447	4.2
4(s)	--	$1,310,000,000 Credit Agreement dated as of March 7, 2005 among CenterPoint Houston and the banks named therein	CenterPoint Energy's Form 8-K dated March 7, 2005	1-31447	4.3

Pursuant to Item 601(b)(4)(iii)(A) of Regulation S-K, CenterPoint Energy has not filed as exhibits to this Form 10-K certain long-term debt instruments, including indentures, under which the total amount of securities authorized does not exceed 10% of the total assets of CenterPoint Energy and its subsidiaries on a consolidated basis. CenterPoint Energy hereby agrees to furnish a copy of any such instrument to the SEC upon request.

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
*10(a)(1)	--	Executive Benefit Plan of Houston Industries Incorporated ("HI") and First and Second Amendments thereto effective as of June 1, 1982, July 1, 1984, and May 7, 1986, respectively	HI's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(a)(1), 10(a)(2), and 10(a)(3)
*10(a)(2)	--	Third Amendment dated September 17, 1999 to Exhibit 10(a)(1)	Reliant Energy's Form 10-K for the year ended December 31, 2000	1-3187	10(a)(2)
*10(a)(3)	--	CenterPoint Energy Executive Benefits Plan, as amended and restated effective June 18, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.4
*10(b)(1)	--	Executive Incentive Compensation Plan of HI effective as of January 1, 1982	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(b)
*10(b)(2)	--	First Amendment to Exhibit 10(b)(1) effective as of March 30, 1992	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(a)
*10(b)(3)	--	Second Amendment to Exhibit 10(b)(1) effective as of November 4, 1992	HI's Form 10-K for the year ended December 31, 1992	1-7629	10(b)
*10(b)(4)	--	Third Amendment to Exhibit 10(b)(1) effective as of September 7, 1994	HI's Form 10-K for the year ended December 31, 1994	1-7629	10(b)(4)
*10(b)(5)	--	Fourth Amendment to Exhibit 10(b)(1) effective as of August 6, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(b)(5)
*10(c)(1)	--	Executive Incentive Compensation Plan of HI effective as of January 1, 1985	HI's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(b)(1)
*10(c)(2)	--	First Amendment to Exhibit 10(c)(1) effective as of January 1, 1985	HI's Form 10-K for the year ended December 31, 1988	1-7629	10(b)(3)
*10(c)(3)	--	Second Amendment to Exhibit 10(c)(1) effective as of January 1, 1985	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(c)(3)
*10(c)(4)	--	Third Amendment to Exhibit 10(c)(1) effective as of March 30, 1992	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(b)
*10(c)(5)	--	Fourth Amendment to Exhibit 10(c)(1) effective as of November 4, 1992	HI's Form 10-K for the year ended December 31, 1992	1-7629	10(c)(5)
*10(c)(6)	--	Fifth Amendment to Exhibit 10(c)(1) effective as of September 7, 1994	HI's Form 10-K for the year ended December 31, 1994	1-7629	10(c)(6)
*10(c)(7)	--	Sixth Amendment to Exhibit 10(c)(1) effective as of August 6, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(c)(7)
*10(d)	--	Executive Incentive Compensation Plan of HL&P effective as of January 1, 1985	HI's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(b)(2)

*10(e)(1)	--	Executive Incentive Compensation Plan of HI as amended and restated on January 1, 1989	HI's Form 10-Q for the quarter ended June 30, 1989	1-7629	10(b)
*10(e)(2)	--	First Amendment to Exhibit 10(e)(1) effective as of January 1, 1989	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(e)(2)
*10(e)(3)	--	Second Amendment to Exhibit 10(e)(1) effective as of March 30, 1992	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(c)

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
*10(e)(4)	--	Third Amendment to Exhibit 10(e)(1) effective as of November 4, 1992	HI's Form 10-K for the year ended December 31, 1992	1-7629	10(c)(4)
*10(e)(5)	--	Fourth Amendment to Exhibit 10(e)(1) effective as of September 7, 1994	HI's Form 10-K for the year ended December 31, 1994	1-7629	10(e)(5)
*10(f)(1)	--	Executive Incentive Compensation Plan of HI as amended and restated on January 1, 1991	HI's Form 10-K for the year ended December 31, 1990	1-7629	10(b)
*10(f)(2)	--	First Amendment to Exhibit 10(f)(1) effective as of January 1, 1991	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(f)(2)
*10(f)(3)	--	Second Amendment to Exhibit 10(f)(1) effective as of March 30, 1992	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(d)
*10(f)(4)	--	Third Amendment to Exhibit 10(f)(1) effective as of November 4, 1992	HI's Form 10-K for the year ended December 31, 1992	1-7629	10(f)(4)
*10(f)(5)	--	Fourth Amendment to Exhibit 10(f)(1) effective as of January 1, 1993	HI's Form 10-K for the year ended December 31, 1992	1-7629	10(f)(5)
*10(f)(6)	--	Fifth Amendment to Exhibit 10(f)(1) effective in part, January 1, 1995, and in part, September 7, 1994	HI's Form 10-K for the year ended December 31, 1994	1-7629	10(f)(6)
*10(f)(7)	--	Sixth Amendment to Exhibit 10(f)(1) effective as of August 1, 1995	HI's Form 10-Q for the quarter ended June 30, 1995	1-7629	10(a)
*10(f)(8)	--	Seventh Amendment to Exhibit 10(f)(1) effective as of January 1, 1996	HI's Form 10-Q for the quarter ended June 30, 1996	1-7629	10(a)
*10(f)(9)	--	Eighth Amendment to Exhibit 10(f)(1) effective as of January 1, 1997	HI's Form 10-Q for the quarter ended June 30, 1997	1-7629	10(a)
*10(f)(10)	--	Ninth Amendment to Exhibit 10(f)(1) effective in part, January 1, 1997, and in part, January 1, 1998	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(f)(10)
*10(g)	--	Benefit Restoration Plan of HI effective as of June 1, 1985	HI's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(c)
*10(h)	--	Benefit Restoration Plan of HI as amended and restated effective as of January 1, 1988	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(g)(2)
*10(i)(1)	--	Benefit Restoration Plan of HI, as amended and restated effective as of July 1, 1991	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(g)(3)
*10(i)(2)	--	First Amendment to Exhibit 10(i)(1) effective in part, August 6, 1997, in part, September 3, 1997, and in part, October 1, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(i)(2)
*10(j)(1)	--	Deferred Compensation Plan of HI effective as of September 1, 1985	HI's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(d)
*10(j)(2)	--	First Amendment to Exhibit	HI's Form 10-K for the year	1-7629	10(d)(2)

		10(j)(1) effective as of September 1, 1985	ended December 31, 1990		
*10(j)(3)	--	Second Amendment to Exhibit 10(j)(1) effective as of March 30, 1992	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(e)
*10(j)(4)	--	Third Amendment to Exhibit 10(j)(1) effective as of June 2, 1993	HI's Form 10-K for the year ended December 31, 1993	1-7629	10(h)(4)
*10(j)(5)	--	Fourth Amendment to Exhibit 10(j)(1) effective as of September 7, 1994	HI's Form 10-K for the year ended December 31, 1994	1-7629	10(h)(5)
*10(j)(6)	--	Fifth Amendment to Exhibit 10(j)(1) effective as of August 1, 1995	HI's Form 10-Q for the quarter ended June 30, 1995	1-7629	10(d)
*10(j)(7)	--	Sixth Amendment to Exhibit 10(j)(1) effective as of December 1, 1995	HI's Form 10-Q for the quarter ended June 30, 1995	1-7629	10(b)

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
*10(j)(8)	--	Seventh Amendment to Exhibit 10(j)(1) effective as of January 1, 1997	HI's Form 10-Q for the quarter ended June 30, 1997	1-7629	10(b)
*10(j)(9)	--	Eighth Amendment to Exhibit 10(j)(1) effective as of October 1, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(j)(9)
*10(j)(10)	--	Ninth Amendment to Exhibit 10(j)(1) effective as of September 3, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(j)(10)
*10(j)(11)	--	Tenth Amendment to Exhibit 10(j)(1) effective as of January 1, 2001	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(j)(11)
*10(j)(12)	--	Eleventh Amendment to Exhibit 10(j)(1) effective as of August 31, 2002	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(j)(12)
*10(j)(13)	--	CenterPoint Energy 1985 Deferred Compensation Plan, as amended and restated effective January 1, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.1
*10(k)(1)	--	Deferred Compensation Plan of HI effective as of January 1, 1989	HI's Form 10-Q for the quarter ended June 30, 1989	1-7629	10(a)
*10(k)(2)	--	First Amendment to Exhibit 10(k)(1) effective as of January 1, 1989	HI's Form 10-K for the year ended December 31, 1989	1-7629	10(e)(3)
*10(k)(3)	--	Second Amendment to Exhibit 10(k)(1) effective as of March 30, 1992	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(f)
*10(k)(4)	--	Third Amendment to Exhibit 10(k)(1) effective as of June 2, 1993	HI's Form 10-K for the year ended December 31, 1993	1-7629	10(i)(4)
*10(k)(5)	--	Fourth Amendment to Exhibit 10(k)(1) effective as of September 7, 1994	HI's Form 10-K for the year ended December 31, 1994	1-7629	10(i)(5)
*10(k)(6)	--	Fifth Amendment to Exhibit 10(k)(1) effective as of August 1, 1995	HI's Form 10-Q for the quarter ended June 30, 1995	1-7629	10(c)
*10(k)(7)	--	Sixth Amendment to Exhibit 10(k)(1) effective December 1, 1995	HI's Form 10-Q for the quarter ended June 30, 1995	1-7629	10(c)
*10(k)(8)	--	Seventh Amendment to Exhibit 10(k)(1) effective as of January 1, 1997	HI's Form 10-Q for the quarter ended June 30, 1997	1-7629	10(c)
*10(k)(9)	--	Eighth Amendment to Exhibit 10(k)(1) effective in part October 1, 1997 and in part January 1, 1998	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(k)(9)
*10(k)(10)	--	Ninth Amendment to Exhibit 10(k)(1) effective as of September 3, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(k)(10)
*10(k)(11)	--	Tenth Amendment to Exhibit 10(k)(1) effective as of January 1, 2001	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(k)(11)
*10(k)(12)	--	Eleventh Amendment to Exhibit 10(k)(1) effective as of August 31, 2002	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(k)(12)

*10(l)(1)	--	Deferred Compensation Plan of HI effective as of January 1, 1991	HI's Form 10-K for the year ended December 31, 1990	1-7629	10(d)(3)
*10(l)(2)	--	First Amendment to Exhibit 10(l)(1) effective as of January 1, 1991	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(j)(2)
*10(l)(3)	--	Second Amendment to Exhibit 10(l)(1) effective as of March 30, 1992	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(g)
*10(l)(4)	--	Third Amendment to Exhibit 10(l)(1) effective as of June 2, 1993	HI's Form 10-K for the year ended December 31, 1993	1-7629	10(j)(4)
*10(l)(5)	--	Fourth Amendment to Exhibit 10(l)(1) effective as of December 1, 1993	HI's Form 10-K for the year ended December 31, 1993	1-7629	10(j)(5)
*10(l)(6)	--	Fifth Amendment to Exhibit 10(l)(1) effective as of September 7, 1994	HI's Form 10-K for the year ended December 31, 1994	1-7629	10(j)(6)

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
*10(l)(7)	--	Sixth Amendment to Exhibit 10(l)(1) effective as of August 1, 1995	HI's Form 10-Q for the quarter ended June 30, 1995	1-7629	10(b)
*10(l)(8)	--	Seventh Amendment to Exhibit 10(l)(1) effective as of December 1, 1995	HI's Form 10-Q for the quarter ended June 30, 1996	1-7629	10(d)
*10(l)(9)	--	Eighth Amendment to Exhibit 10(l)(1) effective as of January 1, 1997	HI's Form 10-Q for the quarter ended June 30, 1997	1-7629	10(d)
*10(l)(10)	--	Ninth Amendment to Exhibit 10(l)(1) effective in part August 6, 1997, in part October 1, 1997, and in part January 1, 1998	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(l)(10)
*10(l)(11)	--	Tenth Amendment to Exhibit 10(l)(1) effective as of September 3, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(i)(11)
*10(l)(12)	--	Eleventh Amendment to Exhibit 10(l)(1) effective as of January 1, 2001	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(l)(12)
*10(l)(13)	--	Twelfth Amendment to Exhibit 10(l)(1) effective as of August 31, 2002	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(l)(13)
*10(m)(1)	--	Long-Term Incentive Compensation Plan of HI effective as of January 1, 1989	HI's Form 10-Q for the quarter ended June 30, 1989	1-7629	10(c)
*10(m)(2)	--	First Amendment to Exhibit 10(m)(1) effective as of January 1, 1990	HI's Form 10-K for the year ended December 31, 1989	1-7629	10(f)(2)
*10(m)(3)	--	Second Amendment to Exhibit 10(m)(1) effective as of December 22, 1992	HI's Form 10-K for the year ended December 31, 1992	1-7629	10(k)(3)
*10(m)(4)	--	Third Amendment to Exhibit 10(m)(1) effective as of August 6, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(m)(4)
*10(m)(5)	--	Fourth Amendment to Exhibit 10(m)(1) effective as of January 1, 2001	Reliant Energy's Form 10-Q for the quarter ended June 30, 2002	1-3187	10.4
*10(n)(1)	--	Form of stock option agreement for non-qualified stock options granted under Exhibit 10(m)(1)	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(h)
*10(n)(2)	--	Forms of restricted stock agreement for restricted stock granted under Exhibit 10(m)(1)	HI's Form 10-Q for the quarter ended March 31, 1992	1-7629	10(i)
*10(o)(1)	--	1994 Long-Term Incentive Compensation Plan of HI effective as of January 1, 1994	HI's Form 10-K for the year ended December 31, 1993	1-7629	10(n)(1)
*10(o)(2)	--	Form of stock option agreement for non-qualified stock options granted under Exhibit 10(o)(1)	HI's Form 10-K for the year ended December 31, 1993	1-7629	10(n)(2)
*10(o)(3)	--	First Amendment to Exhibit 10(o)(1) effective as of May 9, 1997	HI's Form 10-Q for the quarter ended June 30, 1997	1-7629	10(e)
*10(o)(4)	--	Second Amendment to Exhibit	HI's Form 10-K for the year	1-3187	10(p)(4)

		10(o)(1) effective as of August 6, 1997	ended December 31, 1997		
*10(o)(5)	--	Third Amendment to Exhibit 10(o)(1) effective as of January 1, 1998	HI's Form 10-K for the year ended December 31, 1998	1-3187	10(p)(5)
*10(o)(6)	--	Reliant Energy 1994 Long- Term Incentive Compensation Plan, as amended and restated effective January 1, 2001	Reliant Energy's Form 10-Q for the quarter ended June 30, 2002	1-3187	10.6
*10(o)(7)	--	First Amendment to Exhibit 10(o)(6), effective December 1, 2003	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	10(p)(7)

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
*10(o)(8)	--	Form of Non-Qualified Stock Option Award Notice under Exhibit 10(o)(6)	CenterPoint Energy's Form 8-K dated January 25, 2005	1-31447	10.6
*10(p)(1)	--	Savings Restoration Plan of HI effective as of January 1, 1991	HI's Form 10-K for the year ended December 31, 1990	1-7629	10(f)
*10(p)(2)	--	First Amendment to Exhibit 10(p)(1) effective as of January 1, 1992	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(l)(2)
*10(p)(3)	--	Second Amendment to Exhibit 10(p)(1) effective in part, August 6, 1997, and in part, October 1, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(q)(3)
*10(q)(1)	--	Director Benefits Plan effective as of January 1, 1992	HI's Form 10-K for the year ended December 31, 1991	1-7629	10(m)
*10(q)(2)	--	First Amendment to Exhibit 10(q)(1) effective as of August 6, 1997	HI's Form 10-K for the year ended December 31, 1998	1-7629	10(m)(1)
*10(q)(3)	--	CenterPoint Energy Outside Director Benefits Plan, as amended and restated effective June 18, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.6
*10(q)(4)	--	First Amendment to Exhibit 10(q)(3) effective as of January 1, 2004	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2004	1-31447	10.6
*10(r)(1)	--	Executive Life Insurance Plan of HI effective as of January 1, 1994	HI's Form 10-K for the year ended December 31, 1993	1-7629	10(q)
*10(r)(2)	--	First Amendment to Exhibit 10(r)(1) effective as of January 1, 1994	HI's Form 10-Q for the quarter ended June 30, 1995	1-7629	10
*10(r)(3)	--	Second Amendment to Exhibit 10(r)(1) effective as of August 6, 1997	HI's Form 10-K for the year ended December 31, 1997	1-3187	10(s)(3)
*10(r)(4)	--	CenterPoint Energy Executive Life Insurance Plan, as amended and restated effective June 18, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.5
*10(s)	--	Employment and Supplemental Benefits Agreement between HL&P and Hugh Rice Kelly	HI's Form 10-Q for the quarter ended March 31, 1987	1-7629	10(f)
*10(t)(1)	--	Reliant Energy Savings Plan, as amended and restated effective April 1, 1999	Reliant Energy's Form 10-K for the year ended December 31, 1999	1-3187	10(cc)(1)
*10(t)(2)	--	First Amendment to Exhibit 10(t)(1) effective January 1, 1999	Reliant Energy's Form 10-Q for the quarter ended June 30, 2002	1-3187	10.9
*10(t)(3)	--	Second Amendment to Exhibit 10(t)(1) effective January 1, 1997	Reliant Energy's Form 10-Q for the quarter ended June 30, 2002	1-3187	10.10
*10(t)(4)	--	Third Amendment to Exhibit 10(t)(1) effective January 1, 2001	Reliant Energy's Form 10-Q for the quarter ended June 30, 2002	1-3187	10.11
*10(t)(5)	--	Fourth Amendment to Exhibit 10(t)(1) effective May 6, 2002	Reliant Energy's Form 10-Q for the quarter ended June 30, 2002	1-3187	10.12
*10(t)(6)	--	Fifth Amendment to Exhibit	CenterPoint Energy's Form 10-K	1-31447	10(u)(6)

		10(t)(1) effective January 1, 2002 and as renamed effective October 2, 2002	for the year ended December 31, 2002		
++*10(t)(7)	--	Sixth Amendment to Exhibit 10(t)(1) effective January 1, 2005			
*10(t)(8)	--	Reliant Energy Savings Trust between Reliant Energy and The Northern Trust Company, as Trustee, as amended and restated effective April 1, 1999	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(u)(7)
*10(t)(9)	--	First Amendment to Exhibit 10(t)(8) effective September 30, 2002	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(u)(8)

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
*10(t)(10)	--	Second Amendment to Exhibit 10(t)(8) effective January 6, 2003	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	10(u)(9)
*10(t)(11)	--	Reliant Energy Retirement Plan, as amended and restated effective January 1, 1999	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(u)(10)
*10(t)(12)	--	First Amendment to Exhibit 10(t)(11) effective as of January 1, 1995	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(u)(11)
*10(t)(13)	--	Second Amendment to Exhibit 10(t)(11) effective as of January 1, 1995	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(u)(12)
*10(t)(14)	--	Third Amendment to Exhibit 10(t)(11) effective as of January 1, 2001	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(u)(13)
*10(t)(15)	--	Fourth Amendment to Exhibit 10(t)(11) effective as of January 1, 2001	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(u)(14)
*10(t)(16)	--	Fifth Amendment to Exhibit 10(t)(11) effective as of November 15, 2002, and as renamed effective October 2, 2002	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(u)(15)
*10(t)(17)	--	Sixth Amendment to Exhibit 10(t)(11) effective as of January 1, 2002	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(u)(16)
*10(t)(18)	--	Seventh Amendment to Exhibit 10(t)(11) effective December 1, 2003	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	10(u)(18)
*10(t)(19)	--	Eighth Amendment to Exhibit 10(t)(11) effective as of January 1, 2004	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2004	1-31447	10.7
++*10(t)(20)	--	Ninth Amendment to Exhibit 10(t)(11) effective as of October 27, 2004			
++*10(t)(21)	--	Tenth Amendment to Exhibit 10(t)(11) effective as of January 1, 2005			
*10(t)(22)	--	Reliant Energy, Incorporated Master Retirement Trust (as amended and restated effective January 1, 1999 and renamed effective May 5, 1999)	Reliant Energy's Form 10-K for the year ended December 31, 1999	1-3187	10(u)(3)
10(t)(23)	--	Contribution and Registration Agreement dated December 18, 2001 among Reliant Energy, CenterPoint Energy and the Northern Trust Company, trustee under the Reliant Energy, Incorporated Master Retirement Trust	Reliant Energy's Form 10-K for the year ended December 31, 2001	1-3187	10(u)(4)
10(u)(1)	--	Stockholder's Agreement dated as of July 6, 1995 between Houston Industries Incorporated and Time Warner Inc.	Schedule 13-D dated July 6, 1995	5-19351	2
10(u)(2)	--	Amendment to Exhibit 10(u)(1) dated November 18, 1996	HI's Form 10-K for the year ended December 31, 1996	1-7629	10(x)(4)

*10(v)(1)	--	Houston Industries Incorporated Executive Deferred Compensation Trust effective as of December 19, 1995	HI's Form 10-K for the year ended December 31, 1995	1-7629	10(7)
*10(v)(2)	--	First Amendment to Exhibit 10(v)(1) effective as of August 6, 1997	HI's Form 10-Q for the quarter ended June 30, 1998	1-3187	10
*10(w)	--	Letter Agreement dated December 9, 2004 between CenterPoint Energy and Milton Carroll	CenterPoint Energy's Form 8-K dated December 9, 2004	1-31447	10.1

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
*10(x)(1)	--	Reliant Energy, Incorporated and Subsidiaries Common Stock Participation Plan for Designated New Employees and Non-Officer Employees effective as of March 4, 1998	Reliant Energy's Form 10-K for the year ended December 31, 2000	1-3187	10(y)
*10(x)(2)	--	Reliant Energy, Incorporated and Subsidiaries Common Stock Participation Plan for Designated New Employees and Non-Officer Employees, as amended and restated effective January 1, 2001	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(y)(2)
*10(y)	--	Reliant Energy, Incorporated Annual Incentive Compensation Plan, as amended and restated effective January 1, 1999	Reliant Energy's Definitive Proxy Statement for 2000 Annual Meeting of Shareholders	1-3187	Exhibit A
*10(z)(1)	--	Long-Term Incentive Plan of Reliant Energy, Incorporated effective as of January 1, 2001	Reliant Energy's Registration Statement on Form S-8 dated May 4, 2001	333-60260	4.6
*10(z)(2)	--	First Amendment to Exhibit 10(z)(1) effective as of January 1, 2001	Reliant Energy's Registration Statement on Form S-8 dated May 4, 2001	333-60260	4.7
*10(z)(3)	--	Second Amendment to Exhibit 10(z)(1) effective November 5, 2003	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	10(aa)(3)
*10(z)(4)	--	Long-Term Incentive Plan of CenterPoint Energy, Inc. (amended and restated effective as of May 1, 2004)	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2004	1-31447	10.5
*10(z)(5)	--	Form of Non-Qualified Stock Option Award Agreement under Exhibit 10(z)(4)	CenterPoint Energy's Form 8-K dated January 25, 2005	1-31447	10.1
*10(z)(6)	--	Form of Restricted Stock Award Agreement under Exhibit 10(z)(4)	CenterPoint Energy's Form 8-K dated January 25, 2005	1-31447	10.2
*10(z)(7)	--	Form of Performance Share Award under Exhibit 10(z)(4)	CenterPoint Energy's Form 8-K dated January 25, 2005	1-31447	10.3
*10(z)(8)	--	Form of Performance Unit Award under Exhibit 10(z)(4)	CenterPoint Energy's Form 8-K dated January 25, 2005	1-31447	10.4
*10(z)(9)	--	Form of Restricted Stock Award Agreement (With Performance Vesting Requirement) under Exhibit 10(z)(4)	CenterPoint Energy's Form 8-K dated February 21, 2005	1-31447	10.2
*10(z)(10)	--	Summary of Performance Objectives for Awards under Exhibit 10(z)(4)	CenterPoint Energy's Form 8-K dated January 25, 2005	1-31447	10.5
10(aa)(1)	--	Master Separation Agreement entered into as of December 31, 2000 between Reliant Energy, Incorporated and Reliant Resources, Inc.	Reliant Energy's Form 10-Q for the quarter ended March 31, 2001	1-3187	10.1
10(aa)(2)	--	First Amendment to Exhibit 10(aa)(1) effective as of February 1, 2003	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(bb)(5)
10(aa)(3)	--	Employee Matters Agreement, entered into as of December 31, 2000, between Reliant	Reliant Energy's Form 10-Q for the quarter ended March 31, 2001	1-3187	10.5

		Energy, Incorporated and Reliant Resources, Inc.			
10(aa)(4)	--	Retail Agreement, entered into as of December 31, 2000, between Reliant Energy, Incorporated and Reliant Resources, Inc.	Reliant Energy's Form 10-Q for the quarter ended March 31, 2001	1-3187	10.6
10(aa)(5)	--	Tax Allocation Agreement, entered into as of December 31, 2000, between Reliant Energy, Incorporated and Reliant Resources, Inc.	Reliant Energy's Form 10-Q for the quarter ended March 31, 2001	1-3187	10.8

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
10(bb)(1)	--	Separation Agreement entered into as of August 31, 2002 between CenterPoint Energy and Texas Genco	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(cc)(1)
10(bb)(2)	--	Transition Services Agreement, dated as of August 31, 2002, between CenterPoint Energy and Texas Genco	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(cc)(2)
10(bb)(3)	--	Tax Allocation Agreement, dated as of August 31, 2002, between CenterPoint Energy and Texas Genco	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(cc)(3)
10(bb)(4)	--	Assignment and Assumption Agreement for the Technical Services Agreement entered into as of August 31, 2002, by and between CenterPoint Energy and Texas Genco, LP	Texas Genco's Registration Statement on Form 10	1-31449	10.11
*10(cc)	--	Retention Agreement effective October 15, 2001 between Reliant Energy and David G. Tees	Reliant Energy's Form 10-K for the year ended December 31, 2001	1-3187	10(jj)
*10(dd)	--	Retention Agreement effective October 15, 2001 between Reliant Energy and Michael A. Reed	Reliant Energy's Form 10-K for the year ended December 31, 2001	1-3187	10(kk)
*10(ee)(1)	--	Non-Qualified Executive Disability Income Plan of Arkla, Inc. effective as of August 1, 1983	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(ff)(1)
*10(ee)(2)	--	Executive Disability Income Agreement effective July 1, 1984 between Arkla, Inc. and T. Milton Honea	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(ff)(2)
*10(ff)	--	Non-Qualified Unfunded Executive Supplemental Income Retirement Plan of Arkla, Inc. effective as of August 1, 1983	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(gg)
*10(gg)(1)	--	Deferred Compensation Plan for Directors of Arkla, Inc. effective as of November 10, 1988	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(hh)(1)
*10(gg)(2)	--	First Amendment to Exhibit 10(hh)(1) effective as of August 6, 1997	CenterPoint Energy's Form 10-K for the year ended December 31, 2002	1-31447	10(hh)(2)
10(hh)	--	Pledge Agreement dated as of May 28, 2003 by Utility Holding, LLC in favor of JP Morgan Chase Bank, as administrative agent	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2003	1-31447	10.1
*10(ii)	--	CenterPoint Energy Deferred Compensation Plan, as amended and restated effective January 1, 2003	CenterPoint Energy's Form 10-Q for the quarter ended June 30, 2003	1-31447	10.2
*10(jj)(1)	--	CenterPoint Energy Short Term Incentive Plan, as amended and restated effective January 1, 2003	CenterPoint Energy's Form 10-Q for the quarter ended September 30, 2003	1-31447	10.3
*10(jj)(2)	--	Summary of 2005 goals for	CenterPoint Energy's Form 8-K	1-31447	10.1

		Exhibit 10(jj)(1)	dated February 21, 2005		
*10(kk)	--	CenterPoint Energy Stock Plan for Outside Directors, as amended and restated effective May 7, 2003	CenterPoint Energy's Form 10-K for the year ended December 31, 2003	1-31447	10(ll)
++10(ll)	--	Summary of non-employee director compensation			
++10(mm)	--	Summary of named executive officer compensation			
++12	--	Computation of Ratios of Earnings to Fixed Charges			

EXHIBIT NUMBER		DESCRIPTION	REPORT OR REGISTRATION STATEMENT	SEC FILE OR REGISTRATION NUMBER	EXHIBIT REFERENCE
++21	--	Subsidiaries of CenterPoint Energy			
+23	--	Report and Consent of Deloitte & Touche LLP			
+31.1	--	Rule 13a-14(a)/15d-14(a) Certification of David M. McClanahan			
+31.2	--	Rule 13a-14(a)/15d-14(a) Certification of Gary L. Whitlock			
++32.1	--	Section 1350 Certification of David M. McClanahan			
++32.2	--	Section 1350 Certification of Gary L. Whitlock			

EXHIBIT 23

REPORT AND CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We have audited the consolidated financial statements of CenterPoint Energy, Inc. and subsidiaries (the Company) as of December 31, 2004 and 2003, and for each of the three years in the period ended December 31, 2004, and have issued our report thereon dated March 15, 2005; such report has previously been filed as part of the Company's Annual Report on Form 10-K for the year ended December 31, 2004 (Form 10-K). Our audits also included the financial statement schedules the Company listed in the index at Item 15 (a)(2) of the Form 10-K and of this Annual Report on Form 10-K/A of the Company for the year ended December 31, 2004 (Form 10-K/A). These financial statement schedules are the responsibility of the Company's management. Our responsibility is to express an opinion based on our audits. In our opinion, also dated March 15, 2005, such financial statement schedules, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

We consent to the incorporation by reference in Registration Statement Nos. 333-120306, 333-116246, 333-114543, 333-114440 and 333-110348 on Form S-3; Registration Statement No. 333-123182 on Form S-4; Registration Statement Nos. 333-115976 and 333-105773 on Form S-8; Post-Effective Amendment No. 1 to Registration Statement Nos. 333-33301-99, 333-33303-99 and 333-58433-99 on Form S-3; Post Effective Amendment No. 1 to Registration Statement Nos. 333-32413-99, 333-49333-99, 333-38188-99, 333-60260-99, 333-98271-99 and 333-101202 on Form S-8; and Post-Effective Amendment No. 5 to Registration Statement No. 333-11329-99 on Form S-8 of our report dated March 15, 2005, relating to the financial statement schedules of CenterPoint Energy, Inc. appearing in this Form 10-K/A.

DELOITTE & TOUCHE LLP

Houston, Texas

August 26, 2005

EXHIBIT 31.1

CERTIFICATIONS

I, David M. McClanahan, certify that:

1. I have reviewed this annual report on Form 10-K/A of CenterPoint Energy Inc.; and

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

Date: August 29, 2005

/s/ David M. McClanahan

David M. McClanahan
President and Chief Executive Officer

EXHIBIT 31.2

CERTIFICATIONS

I, Gary L. Whitlock, certify that:

1. I have reviewed this annual report on Form 10-K/A of CenterPoint Energy Resources Inc.; and

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report.

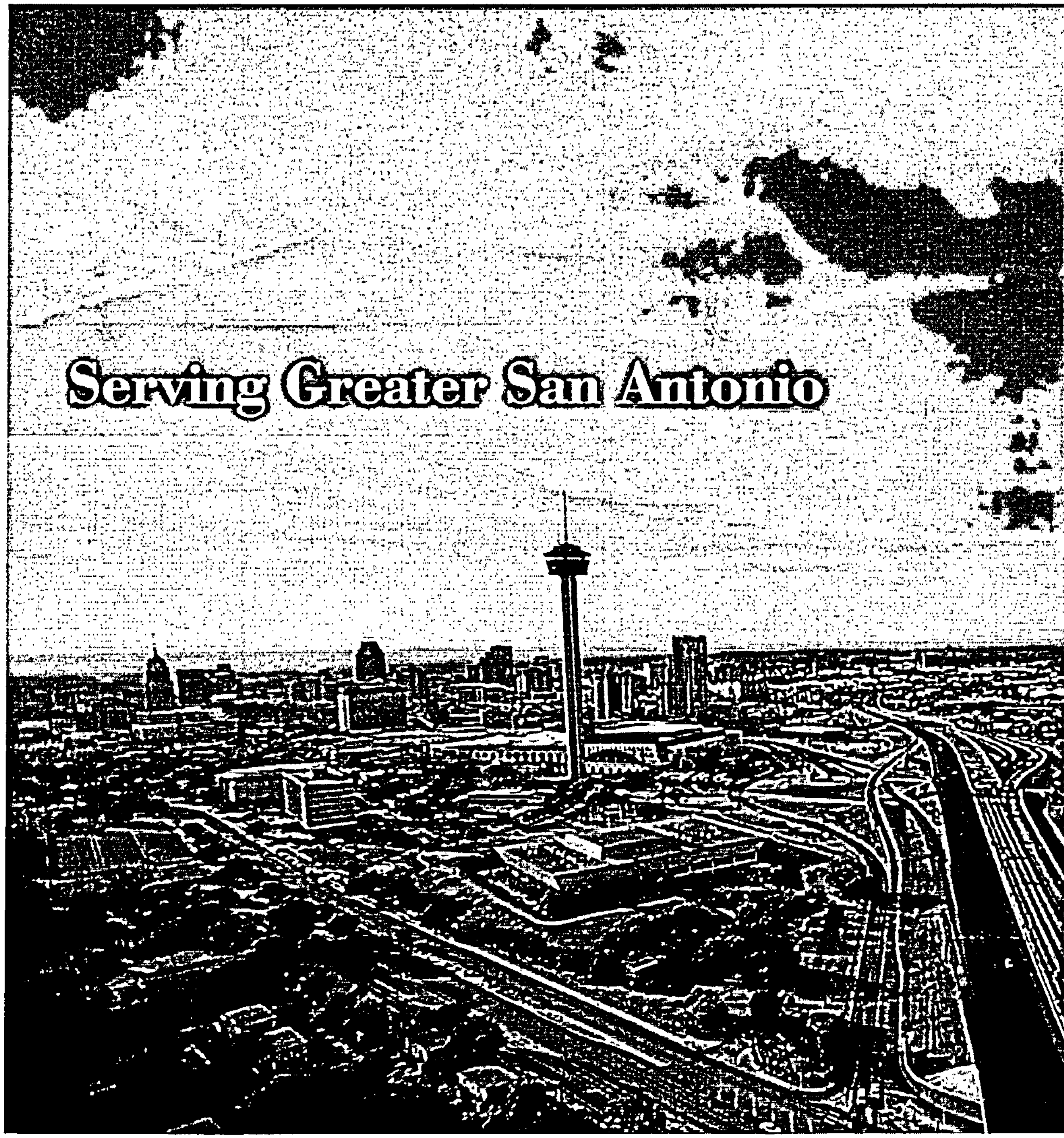
Date: August 29, 2005

/s/ Gary L. Whitlock

Gary L. Whitlock
Executive Vice President and
Chief Financial Officer

End of Filing

2004-05 ANNUAL REPORT



Serving Greater San Antonio

Our company, CPS Energy (formerly City Public Service), doesn't just serve the eighth largest city in the U.S. CPS Energy is an integral part of this community. We've grown up with our city from natural gas lamps lighting our downtown streets in 1860 to serving more than 300,000 natural gas customers and over 600,000 electric customers, across a 1,566-square-mile area mostly in metropolitan San Antonio, Texas and Bexar County.

As a municipal utility, we exist to benefit our community — by improving the quality of life for the people we serve, by providing reliable and courteous customer service.

More than any other business here, our service reaches into the daily lives of our customers. But CPS Energy also helps spur economic growth and supports vibrant tourism and healthcare industries. We create new services and programs to make it easier to do business with us. We care for our neighbors in need. And we take care of our environment, because — after all — this is our home, too.

It's easy for some to forget we are here, but our people and our network are always behind the scenes. CPS Energy is a reliable neighbor our customers count on.

A New Name for Reliability

a message from the Board Chair and the CEO

Greetings from CPS Energy. During the more than 62 years of our existence, we've answered to a variety of names: City Public Service, CPS, City Public Service Board (CPSB), Public Service Board, San Antonio Public Service and, to some, simply the Board. While we've been known by many names, research shows our customers have always known us to be reliable.

In the fiscal year that ended January 31, 2005, we decided to change our name to CPS Energy for a number of reasons, mostly because our new name more accurately reflects what we do.

And just what do we do? We provide natural gas and electric service for the eighth largest city in the U.S. and its surrounding areas. In fact, we're the nation's largest municipally owned energy company providing both gas and electricity. More than 600,000 electric customers and over 300,000 gas customers rely on us every day for dependable, cost-competitive, environmentally responsible energy.

In the following pages, we'll highlight some of the many ways CPS Energy strives to ensure customer satisfaction. We'll pay particular attention to reliable energy supply, gas and electric service, customer service and community involvement.

When it comes to reliability, we want our customers…well…to take us for granted. By that, we mean:

- When they flip a light switch or turn a gas valve, they should have the energy they need – on demand. To that end, we completed our state-of-the-art Energy Management Center (pictured here), the around-the-clock nerve center for our gas and electric delivery systems.
- We want to be sure our customers never need to worry about the availability of natural gas or electricity. This year, we took strides forward that will add more nuclear energy and renewable energy to our electrical supply.
- We want our customers' energy bills to remain among the lowest. In fiscal year 2004-05, CPS Energy gas and electric bills ranked second lowest among the nation's 20 largest cities.
- We want to make it easy for our customers to do business with us. So we added a variety of new customer services and payment options.

To learn how our reliable, hard-working employees plan to meet the natural gas and electric needs of a growing Greater San Antonio as the new CPS Energy, read on.

Aurora Geis
Chair, CPS Energy Board of Trustees

Milton B. Lee
General Manager and CEO

Reliable Energy Supply

STP nuclear power plant near Bay City

Our community continues to grow! Astonishingly, CPS Energy added more than 1,000 customers a month during fiscal year 2004-05. And there's no indication this substantial growth will diminish anytime soon. Toyota is building a major truck manufacturing plant that will employ 2,000 workers by 2006. Toyota's major suppliers are constructing facilities nearby that will create 1,500 more new jobs. Texas A&M University has announced plans for a new campus in the southern sector of the city. The PGA Tour wants to build a major golf resort to the north. And there are large subdivisions, as well as commercial developments such as retail centers and hotels, springing up all over our service area. Thus, we've been hard at work securing new sources of electric generation to power this thriving economy.

To save our customers money on fuel costs, in 2004 we opted to acquire an additional 12 percent share – or 300 mega watts (MW) – of the South Texas Project (STP) nuclear power plant near Bay City. This will boost our current 28 percent share of the 2,500-MW plant from 700 to 1,000 MW, or 40 percent. This significant acquisition should be completed before summer 2005 and should help further stabilize our customers' electric bills because nuclear is our least-expensive generation fuel.

This opportunity to add to our stake in STP occurred after another co-owner, Texas Central Co. (formerly Central Power & Light) received a $333 million offer from a Canadian firm to purchase Texas Central's 25.2 percent share. Our Board of Trustees exercised CPS Energy's right of first refusal and agreed to buy 12 percent, while another co-owner, Texas Genco (formerly Houston Lighting & Power), decided to purchase the remaining 13.2 percent.

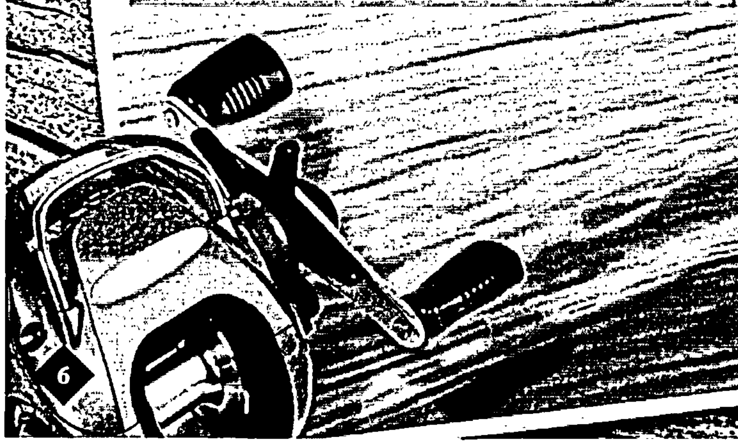
Reliable Choices

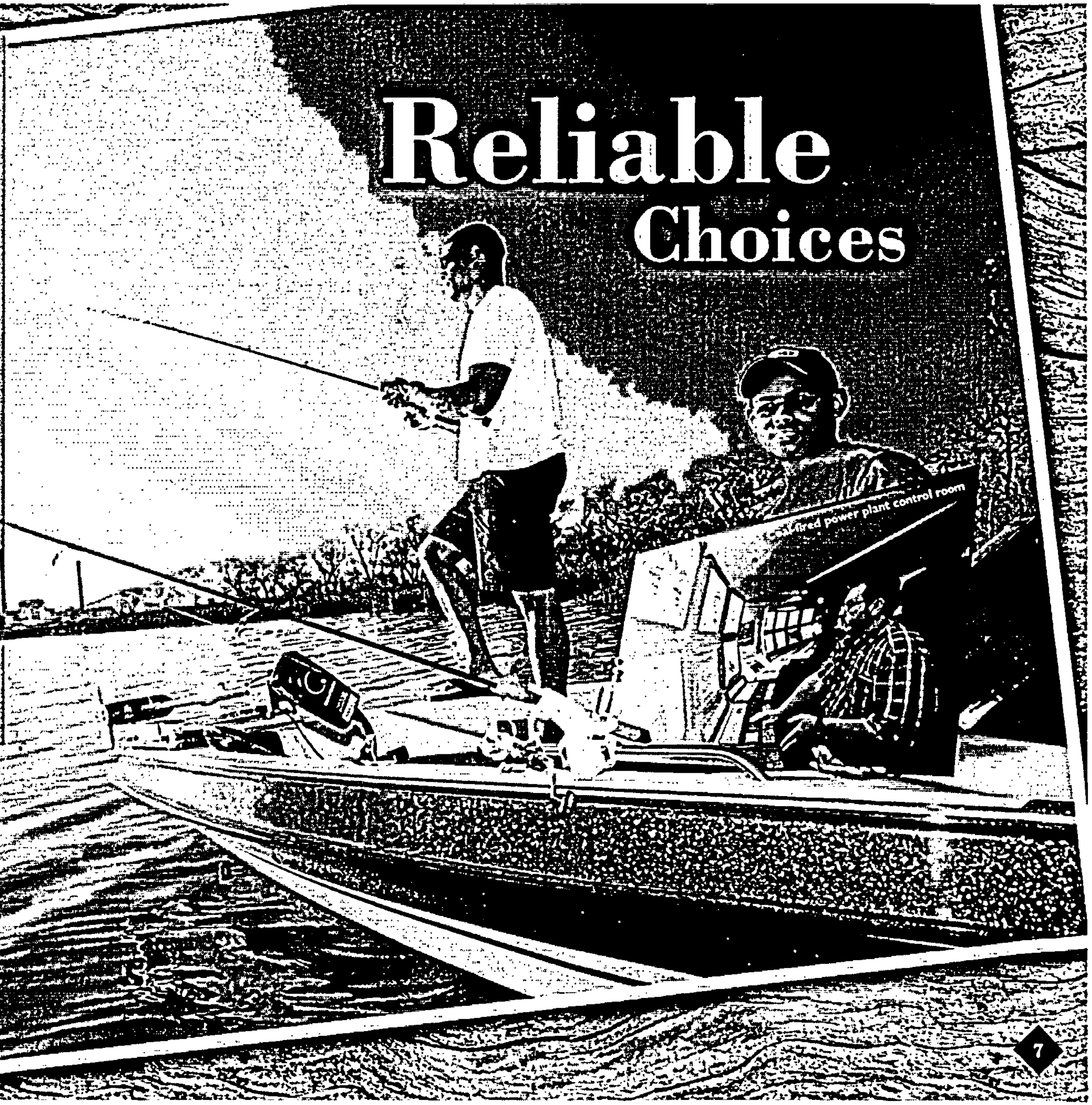
But STP is only one part of our diverse generation portfolio. We also added four General Electric LM6000 simple-cycle generators – similar to large jet aircraft engines – that supply up to 190 MW during periods of peak electrical demand. The quiet, efficient natural gas-fired units are up and running in minutes instead of the hours it takes to bring a conventional plant online.

In late 2003, we filed a permit application with the Texas Commission on Environmental Quality to construct a 750-MW coal-fired power plant near existing coal units at Calaveras Lake, southeast of San Antonio. The new plant, a key element of PACE (Program for Affordable, Clean Energy), is needed by the end of this decade to keep pace with Greater San Antonio's demand for electricity that is steadily increasing at about 3 percent a year. It will include $250 million in the best-available emissions control technology. PACE also calls for more than $350 million in upgrades to existing coal units. A total CPS Energy investment of more than a half-billion dollars in environmental protection will set a new national standard and make our coal-fired power plants the cleanest in the business.

PACE is squarely in line with the Strategic Energy Plan adopted by our policymakers – the CPS Energy Board of Trustees. In addition to providing reliable, low-cost electricity, the Plan promotes energy efficiency and an increase in renewable energy capacity equal to 10 percent of peak electrical demand by 2015. CPS Energy, already a state leader in wind-generated electricity with 160 MW from the Desert Sky Wind Farm in West Texas, added 100 MW more wind energy in early 2005 and further solidified our leadership position in renewable energy.

A reliable, diversified energy supply – delivered in an environmentally sensitive manner – is truly one of our greatest strengths.





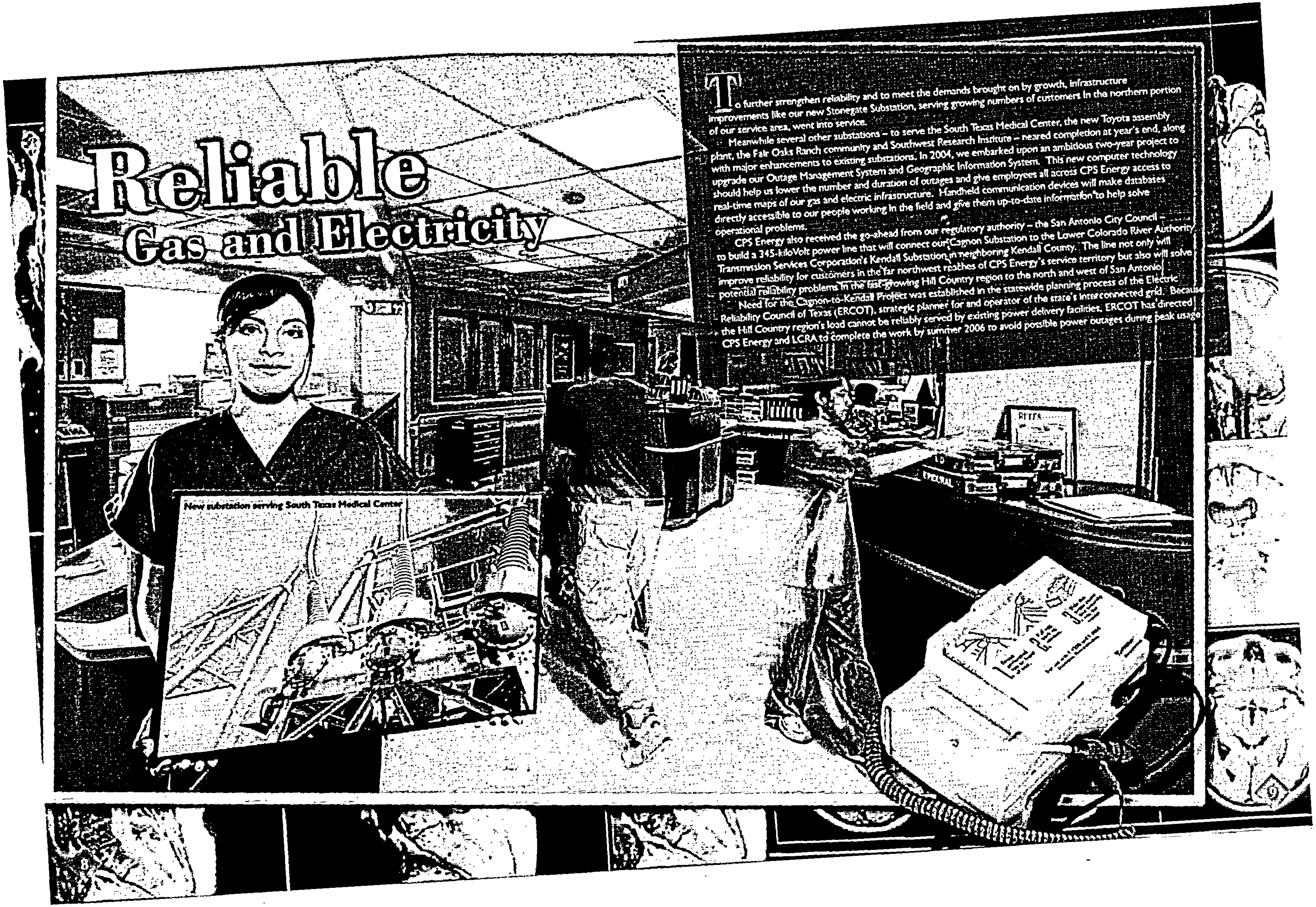
Reliable
Gas and Electricity

To further strengthen reliability and to meet the demands brought on by growth, infrastructure improvements like our new Stonegate Substation, serving growing numbers of customers in the northern portion of our service area, went into service.

Meanwhile several other substations – to serve the South Texas Medical Center, the new Toyota assembly plant, the Fair Oaks Ranch community and Southwest Research Institute – neared completion at year's end, along with major enhancements to existing substations. In 2004, we embarked upon an ambitious two-year project to upgrade our Outage Management System and Geographic Information System. This new computer technology should help us lower the number and duration of outages and give employees all across CPS Energy access to real-time maps of our gas and electric infrastructure. Handheld communication devices will make databases directly accessible to our people working in the field and give them up-to-date information to help solve operational problems.

CPS Energy also received the go-ahead from our regulatory authority – the San Antonio City Council – to build a 345-kiloVolt power line that will connect our Cagnon Substation to the Lower Colorado River Authority Transmission Services Corporation's Kendall Substation in neighboring Kendall County. The line not only will improve reliability for customers in the far northwest reaches of CPS Energy's service territory but also will solve potential reliability problems in the fast-growing Hill Country region to the north and west of San Antonio.

Need for the Cagnon-to-Kendall Project was established in the statewide planning process of the Electric Reliability Council of Texas (ERCOT), strategic planner for and operator of the state's interconnected grid. Because the Hill Country region's load cannot be reliably served by existing power delivery facilities, ERCOT has directed CPS Energy and LCRA to complete the work by summer 2006 to avoid possible power outages during peak usage



Reliable Delivery

On October 18, 2004, CPS Energy activated our Energy Management Center (EMC) where highly trained technicians are using the latest in computer technology to monitor the flow of energy and to control more than 10,500 miles of above-ground and underground electric lines and more than 4,400 miles of natural gas pipelines.

Our $26 million, 72,200-square-foot EMC operates around the clock, 365 days a year — ensuring reliable service to our customers' homes and businesses. Previously, our operators were able to correct electrical problems at the substation level from the control center. But our new EMC goes deeper into the electric grid, closer to trouble spots. Armed with detailed outage information, our technicians can now dispatch crews even closer to a particular outage, saving hours of valuable time.

The EMC also serves as another example of CPS Energy's award-winning environmental stewardship. A "garden" of 144 photovoltaic solar cells can generate up to 20 kilowatts to meet some of the Center's electrical needs, and a sophisticated water harvesting system collects rainwater from the roof, plus treated water left over from air conditioning cooling towers. Combined with specially chosen native plants that require little water, the 22,500-gallon system supplies almost all the water for the EMC's landscaping needs, and it earned CPS Energy a San Antonio Water System Water Saver Award.

New round-the-clock Energy Management Center

Reliable
Service

Our employees helped chart CPS Energy's course for the future in an initiative that we refer to as Vision 2020. Led by a 13-member task force, our employees provided valuable input that led to a two-part Big Audacious Goal:

Attain number 1 ranking in customer satisfaction, and gain recognition as a great place to work.

CPS Energy's customer satisfaction marks in the 2004 J. D. Power Residential Electric Customer Satisfaction Survey showed noticeable improvement over the previous year, placing us second highest in the southern region and 11th highest nationally among 78 large utilities. Yet in our quest to be number 1, we've added many new conveniences to provide more courteous, flexible service.

CPS Energy BillPower, our free, online billing service, now enables our customers to receive and pay their energy bills electronically through withdrawals from their checking or savings accounts. It also gives them a review of their bills over the previous 12 months, and it reduces time and paperwork. And CPS Energy added locations for making payments for those customers who prefer to pay bills in person at a convenient neighborhood site like the grocery store.

Like most consumers, our customers who want to transact business by telephone don't want to wait, so we became the first company in San Antonio to offer Virtual Hold, a virtual queuing system. If the estimated on-hold time exceeds two minutes, the caller [illegible] back in the same amount of time as if waiting on hold. Once a caller enters a phone number and speaks his or her name, Virtual Hold allows the person to hang up, tend to other matters and still keep his or her place in line. Virtual Hold calls the customer back, verifies the correct person is on the line and connects her with an available CPS Energy representative.

These improvements are typical of the process improvements being made throughout CPS Energy. Employee teams have been formed to scrutinize how we conduct our business and determine what we can do to save time, save money, make the best use of our resources and — most importantly — improve customer satisfaction.

Reliable Energy Efficiency

In addition to making it easier to for customers to work with CPS Energy, we've focused on programs that provide value to our customers. Our Smart Energy program educates customers on the benefits of choosing homes with both electric and gas service. In the two years since the program was started, customers have become more aware of the energy savings achieved by using natural gas for heating, and have begun to look for homes with the Smart Energy combination.

CPS Energy also offered rebates to residential and commercial customers for various energy-efficiency improvements including upgrades in lighting and cooling/heating systems. Our Peak Saver program provided free programmable thermostats to customers who agree to let CPS Energy remotely cycle off their air conditioning compressors during peak hours, saving our community's energy by helping us manage electric demand.

We sponsored GreenShade, giving away trees to encourage our customers to plant trees that will help conserve energy and save money. Through Mow Down Smog, we offered rebates to customers who exchanged gas-powered lawn equipment for non-polluting electric gear. And we were among the first companies in Texas to use TxLED, a more environmentally friendly diesel fuel that reduces emissions that contribute to ozone pollution, which is a growing concern in our community.

Natural gas service, a Smart Energy Essential

Reliable
Community Commitment

Outstanding VIPS (Volunteers in Public Service).

Most of our employees are also CPS Energy customers. So it's not surprising that we take great pride in our company and the community we serve. Our customers rely on us — not only to keep their homes and businesses energized — but also to invest our time and effort in a broad spectrum of activities that benefit our neighbors. This year was no exception.

Our employees pledged more than $700,000 to the United Way of San Antonio and Bexar County, helping to care for children, the elderly and the families in our community who are most in need. CPS Energy had the sixth-highest level of corporate giving in our community and gave more in 2004 than any other public organization in Greater San Antonio.

Our volunteer corps – VIPS (Volunteers in Public Service) – contributed 20,555 hours to all sorts of community service projects such as a summer fan drive for the elderly, holiday toy collections for underprivileged children and deliveries of hot meals to the needy. And, CPS Energy employees rolled up their sleeves to donate hundreds of units during periodic blood drives.

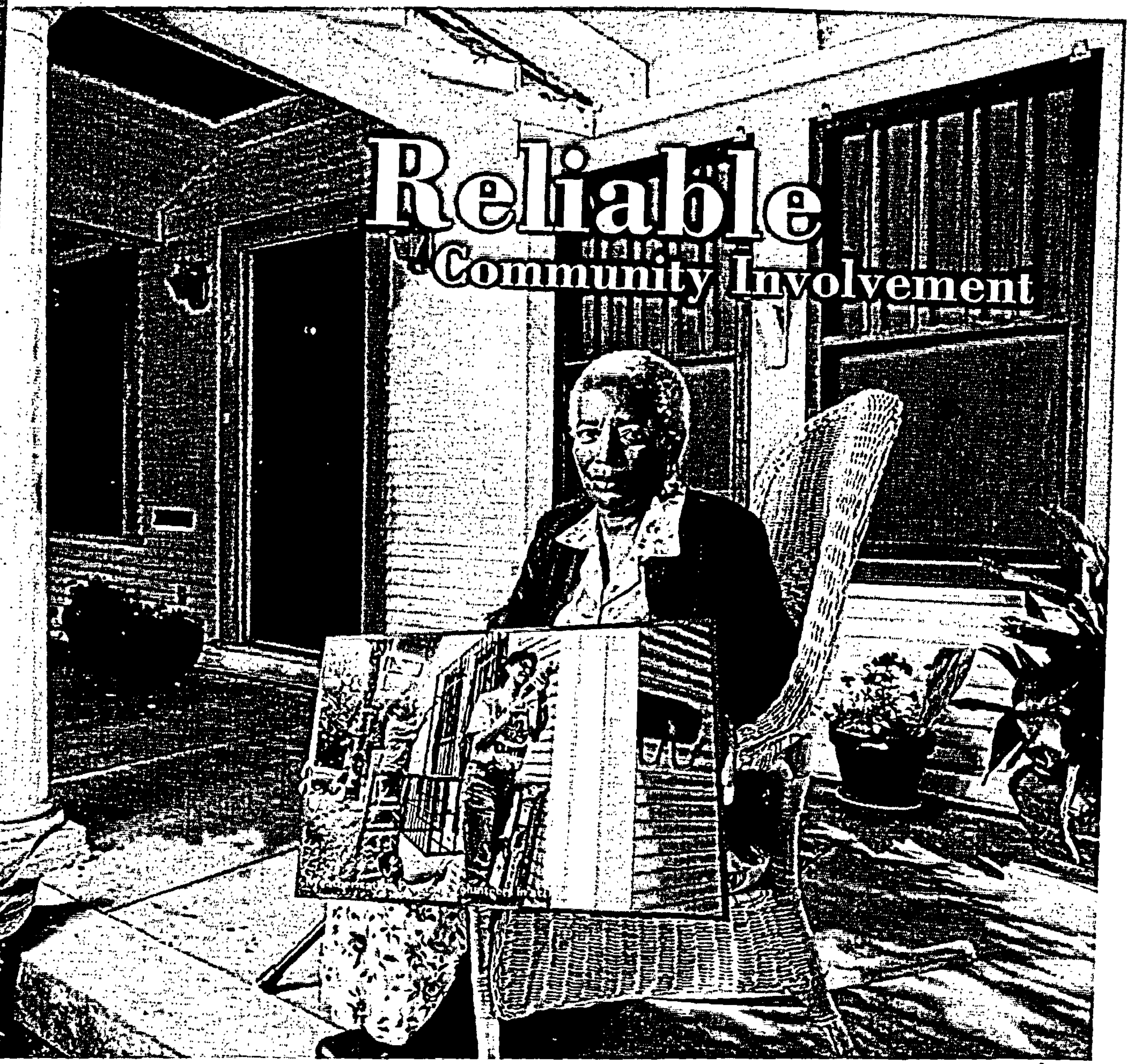
Reliable Community Involvement

Once again, CPS Energy employee volunteers weatherized older, inner-city homes, spending their summer Saturdays caulking and weather-stripping. Employees weatherized 503 homes in 2004, bringing the total number of homes outfitted with energy-saving materials to more than 2,000 over the past four years.

CPS Energy hosted safety fairs for children and seminars for adults including law enforcement, fire and emergency medical professionals. Our public safety awareness and consumer relations specialists also attended large public events year-round to bring safety and energy conservation information directly to customers. In addition, they conducted summer energy "camps" and facility tours for educators.

In September 2004, our community involvement reached far beyond the bounds of our service territory – all the way to Alabama and Florida. Our 100-member task force joined with other utilities across the nation to help repair damage to electrical systems caused by four hurricanes. In a two-week period, CPS Energy personnel helped restore electric service to 878,000 Alabamians and Floridians.

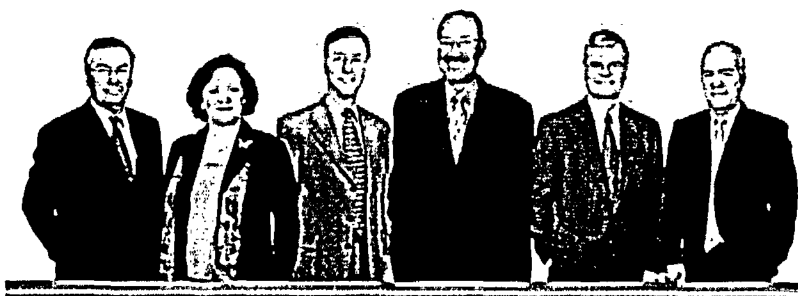
CPS Energy – a new name backed by a tradition of reliable energy service, customer service and community commitment. As San Antonio emerges as one of America's most vibrant cities, CPS Energy plans to build on this tradition to achieve its vision – *to be the best publicly-owned energy company in the U.S.A.!*



Board of Trustees

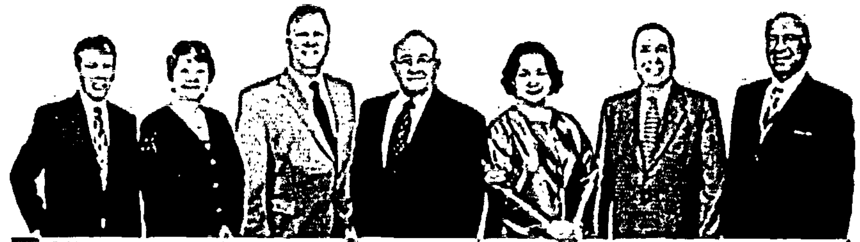
Alvaro Sanchez, Jr. Retired Trustee since 1999	Clayton T. Gay, Jr. Certified Public Accountant Trustee since 1998	The Honorable Ed Garza Mayor, San Antonio Ex-officio Trustee since 2001	Aurora Geis Director Fannie Mae Partnership Trustee since 2002	Stephen S. Hennigan Senior Vice President Chief Financial Officer San Antonio Federal Credit Union Trustee since 2001

Senior Executive Team



Al Lujan Senior Vice President Energy Delivery Systems	N. Beth Emery Senior Vice President General Counsel Corporate Secretary	Kenneth C. Emery Senior Vice President Information Management and Shared Services	Milton B. Lee General Manager Chief Executive Officer	Richard E. Williamson Senior Vice President Chief Financial Officer Treasurer	Richard M. Pe-a Senior Vice President Energy Supply

Citizens Advisory Committee



Terry E. Dudley Member-at-Large Vice President, Pape-Dawson Engineers	Teresa Vale San Antonio District 7 Retired from Texas Legislator Staff	Tony Franckowiak Member-at-Large Vice President, Manufacturing Columbia Industries	Robert Oliveras San Antonio District 4 Retired, Kelly Air Force Base	Jeannie O'Sullivan, Ph. D., R.N. Member-at-Large Licensed Professional Counselor	Ralph T. Gomez San Antonio District 5 Director, Intergovernmental Affairs Spartan Capital, LLC	Royal Hammond Jr. San Antonio District 2 Retired Educator

Thomas Dawsey San Antonio District 9 Project Manager, Goutting & Assoc.	Rachel Major San Antonio District 1 Attorney	Col. Kenneth R. Lawrence, Ret. San Antonio District 8 Retired Educator	Lori A. Elmer Member-at-Large Federal Contract Consultant	John Pavlovsky Member-at-Large Retired Military	Keith Kolars San Antonio District 6 Retired Engineer, Military

Wheaton, Karen

From: Ack.order@Officemax.com
Sent: Wednesday, September 28, 2005 5:22 PM
To: Wheaton, Karen
Subject: OfficeMax Order Confirmation

Thank you for your order. We appreciate your business! Your order details appear below:

Do not "Reply" to this email. Please direct inquiries to customer service at (800)472-6473.

****

Invoice Number: 39784670
Order Date: 09/28/2005
Your Reference: 44960919
Contact Name: Karen Wheaton
Contact Phone: 3619728698

Your order is shipping from:
OfficeMax
6355 CLARA RD SUITE 100
HOUSTON TX 77041

SHIP TO: 0274743 BTECH
SOUTH TEXAS PROJECT
NUCLEAR OPERATING CO
8 MILES WEST OF WADSWORTH
WADSWORTH, TX 77483

SOLD TO:
SOUTH TEXAS PROJECT
NUCLEAR OPERATING CO
8 MILES WEST OF WADSWORTH
WADSWORTH, TX 77483

****

CC# : 950
CC DESC: CORPORATE INSURANCE
RELEASE: N5528
ROUTING: Karen Wheaton
N5528

QTY	UN	PRODUCT NO.	DESCRIPTION	UNIT PR.		EXT PR.
2	BX	F17521/3	FOLDER,LTR,1/3,MLA,100BX Karen Black	$ 5.98	BX	$ 11.96
10	BG	A6OM97363	RUBBERBAND,90%,#16,.25LB Karen Black REQ PROD #A6RB90Q16 Original item is no longer available and has been replaced with an item of equal or greater value.	$ .41	BG	$ 4.10
2	PK	A100134	GLUE,STICK,ENREL,3/PK Karen Black	$ 1.31	PK	$ 2.62
5	BX	F11514C-OX	FILE,PKT LTR 1.,75EXP RD Karen Black	$ 16.90	BX	$ 84.50
48	EA	N227005	HIGHLIGHTER, YW,F	$ .37	EA	$ 17.76
24	EA	N233001	MARKER,SUPER,SHARPIE,BK	$ .93	EA	$ 22.32
24	EA	P3OM97625	NOTEBK,1-SUB,9.5X6,70,CO	$ 1.60	EA	$ 38.40

24 EA	N466055	PENCIL,CLICKSTR,AST,GRIP	$ .65	EA	$ 15.60
12 EA	N466057	PENCIL,CLICKSTR,AST,.7MM	$ .65	EA	$ 7.80
5 TB	N450-HB	LEAD,PENCL,.7MM,HB,12/TB	$ .45	TB	$ 2.25
24 EA	N227009	HIGHLIGHTER, PK,F	$ .37	EA	$ 8.88
24 EA	N227010	HIGHLIGHTER, BE,F	$ .37	EA	$ 8.88
24 EA	N227026	HIGHLIGHTER,FGN,F	$ .37	EA	$ 8.88
24 EA	N227006	HIGHLIGHTER, OE,F	$ .37	EA	$ 8.88
2 DZ	N502098	PENCIL,MIRADO,#2.5	$ 1.36	DZ	$ 2.72
24 EA	N160126	PEN,UNI/VISION,BK,FINE	$ 1.20	EA	$ 28.80
24 EA	N160134	PEN,UNI/VISION,BE,FINE	$ 1.20	EA	$ 28.80
12 EA	N160386	PEN,UNI/VISION,GN,FINE	$ 1.20	EA	$ 14.40
12 EA	N160382	PEN,UNI/VISION,PE,FINE	$ 1.20	EA	$ 14.40
12 EA	N160139	PEN,UNI/VISION,RD,FINE	$ 1.20	EA	$ 14.40
24 EA	N164301	PEN,BALLPT,RET,COMFRT,BK	$ .54	EA	$ 12.96
24 EA	N164101	PEN,BALLPT,RET,COMFRT,BE	$ .63	EA	$ 15.12
24 EA	N164201	PEN,BALLPT,RET,COMFRT,RD	$ .63	EA	$ 15.12
24 EA	N165450	PEN,UNIGEL,GRIP STCK,BK	$ .91	EA	$ 21.84
24 EA	N160704	PEN,UNI-BALL,GRIP,BK	$ 1.06	EA	$ 25.44
24 EA	N160705	PEN,UNI-BALL,GRIP,BE	$ 1.06	EA	$ 25.44
0 EA	N160706	PEN,UNI-BALL,GRIP,RD ALTSRC=DAL 24EA 39784735	$ 1.06	EA	$ .00
24 EA	N165451	PEN,UNIGEL,GRIP STCK,BE	$ .91	EA	$ 21.84
24 EA	N165452	PEN,UNIGEL,GRIP STK,RD	$ .91	EA	$ 21.84
15 EA	A906604	FILM,CORRCTN,DISPSBL	$ 2.02	EA	$ 30.30
24 EA	N213601	MARKER,BK,F,PERM,INDUST	$ .55	EA	$ 13.20
1 EA	G8LG-LC-110	CART,LUGGAGE,FOLD,110#BK	$ 39.42	EA	$ 39.42
1 EA	S1Q2670A	CTG,HP CLJ3500,	$ 136.60	EA	$ 136.60
1 EA	S1Q2681A	CTG,HPQ2681A,6000YLD,CY	$ 161.54	EA	$ 161.54
1 EA	S1Q2683A	CTG,HPQ2683A,6000YLD,MA	$ 161.54	EA	$ 161.54
1 EA	S1Q2682A	CTG,HP Q2682A,6000YLD,YW	$ 161.54	EA	$ 161.54
12 EA	L287050	BINDER,3"D-RING,WE	$ 6.72	EA	$ 80.64
1 PK	A2654RP-A	POST-IT,3X3,PASTEL,12PK	$ 10.47	PK	$ 10.47
1 PK	A2655RP-A	POST-IT,3X5,PASTEL,5PK	$ 5.72	PK	$ 5.72
1 BX	P264126	MAILER,DISK,5.25,25/BX	$ 7.08	BX	$ 7.08
1 EA	B170-432-05	PLANNER,1MO/2PG,BK Cheryl Glover	$ 8.47	EA	$ 8.47
1 PK	A80M99166	TPE 3/4 X 1500'10 PK	$ 8.58	PK	$ 8.58
2 RL	A83750RD-CR	TAPE,DISP,REFILLABLE,CR	$ 3.83	RL	$ 7.66
6 EA	B1SK24-00	CAL,PAD,22X17,JAN-DEC Rob Nies	$ 2.20	EA	$ 13.20
1 EA	B1E017-50	CALENDAR,2CLR,DLY,3.5X6 Dave Targac	$ 3.01	EA	$ 3.01
1 EA	B1PM11-28	CALENDAR,3MO/PG,12X27 Dave Targac	$ 6.55	EA	$ 6.55
1 EA	B170-064-05	PLANNER,3X6,JAN-DEC,BK Dave Targac	$ 10.70	EA	$ 10.70
1 EA	B1G1000-17	CAL,WALL,DTD,YR,12X11.75 Marisa Johnson	$ 5.75	EA	$ 5.75
1 EA	B1DMW200-28	CAL,SCENIC WAL,12X17 Debbie Hobbins ALTSRC=U04 1EA	$ 5.82	EA	$ 5.82

COST CENTER TOTAL ORDERED: $ 1409.18
COST CENTER TOTAL SHIPPED: $ 1383.74

****

PRE-TAX MERCHANDISE TOTAL ORDERED: $ 1409.18
PRE-TAX MERCHANDISE TOTAL SHIPPED: $ 1383.74

This is NOT AN INVOICE. Please do not pay from this document.

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REPORT OF MANAGEMENT

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

The audited financial statements included in this report were prepared by management in conformity with generally accepted accounting principles in the United States of America and the statements are presented fairly in all material respects. Management has also prepared other financial information presented within the financial summary 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. These controls are supported by formal policies and procedures readily communicated throughout the company. Additionally, 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 and Analysis and, primarily through its Audit Committee, ensures that management fulfills its responsibilities for financial reporting.

The Board 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 entire Board, the engagement or reappointment of the external auditors.

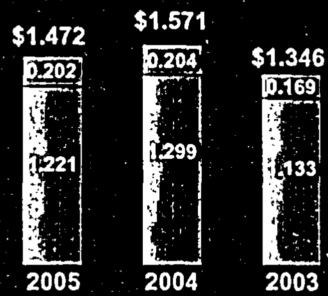
CPS' external auditors, KPMG LLP, Garza, Preis & Co., L.L.C., and Robert J. Williams, CPA, have audited the financial statements in accordance with generally accepted auditing standards. They considered the company's control structure and performed such tests and other procedures, as they deemed necessary 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' management.

Milton B. Lee
General Manager and CEO

Richard Williamson
Treasurer & Chief Financial Officer
Senior Vice President - Financial Services

March 28, 2005

TOTAL REVENUE
Fiscal Year Ending January 31 (in billions)

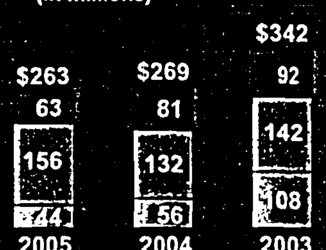


Non-Operating
Gas
Electric

APPLICATION OF REVENUE
Fiscal Year Ending January 31 (in billions)

Repair & Replacement Acct.
City Payment
Debt Requirements & Other Interest
Operating & Maintenance

CONSTRUCTION & NET REMOVAL COSTS EXPENDITURES
Fiscal Year Ending January 31 (in millions)



All Other
Electric Transmission & Distribution
Generation

THREE YEAR HIGHLIGHTS - UNAUDITED

(Dollars in thousands)

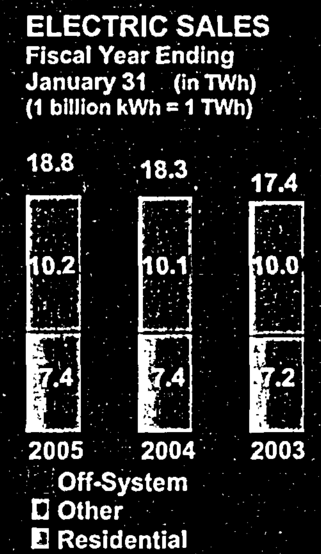
	For the FY Ended January 31,		
	2005	2004	2003
FINANCIAL SUMMARY			
Revenue			
Electric	$ 1,220,874	$ 1,299,448	$ 1,132,788
Gas	201,531	204,366	168,705
Non-operating	49,327	66,697	43,969
Total Revenue	1,471,732	1,570,511	1,345,462
Operating & maintenance expenses (1)	888,345	955,155	763,722
Payments to City of San Antonio (per financial statements)	194,901	206,057	172,235
CAPITAL ASSETS			
Capital assets, net	4,645,994	4,621,564	4,585,309
Depreciation	236,686	228,941	217,037
New construction & net removal costs	263,419	269,462	341,977
FUNDING FOR NEW CONSTRUCTION & NET REMOVAL COSTS			
Bond proceeds	40,579	173,137	10,687
Commercial paper proceeds	*0*	*0*	*13,600*
Repair and replacement account	174,968	51,266	262,962
Overhead conversion fund	757	1,374	5,713
Contributed capital	47,115	43,685	49,015
OTHER FINANCIAL DATA			
Decommissioning trust	222,410	211,118	183,291
Repair and replacement account	515,386	567,698	413,717
Total assets	6,932,490	6,823,236	6,578,941
Fund net assets	2,885,601	2,829,376	2,751,050
DEBT			
Outstanding			
Bonds	2,661,225	2,622,470	2,499,525
Commercial paper	350,000	350,000	350,000
Weighted-average interest rate			
Bonds -senior-lien	5.1%	5.1%	5.2%
Commercial paper	1.9%	1.0%	1.1%
Debt Service			
Senior-lien bonds (2)	245,984	230,250	211,831
Junior-lien bonds (3)	4,386	2,111	0
Commercial paper	5,125	4,125	5,327
Debt Service Coverage - senior-lien bonds	2.40x	2.54x	2.51x
Ratings - bonds and commercial paper			
Fitch Ratings - senior-lien bonds	AA+	AA+	AA+
- junior-lien bonds	AA+ / F1+	AA+ / F1+	-
- commercial paper	F1+	F-1+	F-1+
Moody's Investors - senior-lien bonds	Aa1	Aa1	Aa1
- junior-lien bonds	Aa2 / VMIG 1	Aa2 / VMIG 1	-
- commercial paper	P-1	P-1	P-1
Standard & Poor's - senior-lien bonds	AA	AA+	AA+
- junior-lien bonds	AA- / A-1+	AA / A-1+	-
- commercial paper	A-1+	A-1+	A-1+
RELIABILITY INDICES			
System Average Interruption Duration Index (SAIDI) (in hours)	0.746	0.746	0.582
System Average Interruption Frequency Index (SAIFI)	1.192	1.219	0.946

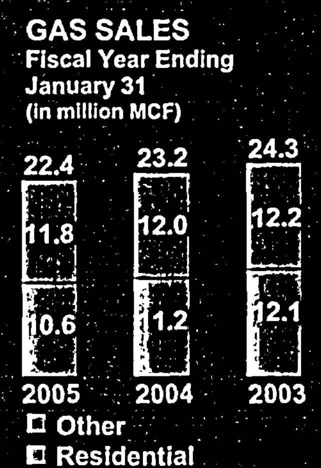
(1) Excludes depreciation expense.
(2) Excludes cash defeasance in 2003.
(3) Junior-Lien Obligations issued in December 2004 and May 2003.

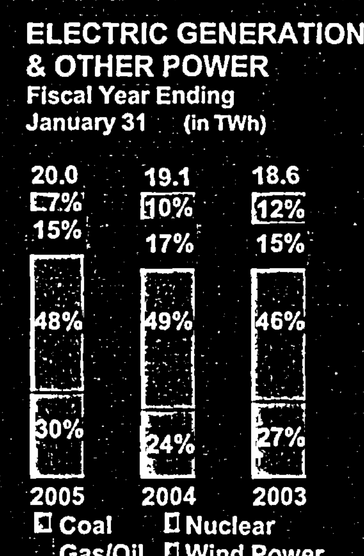
THREE YEAR OPERATIONS REVIEW - UNAUDITED

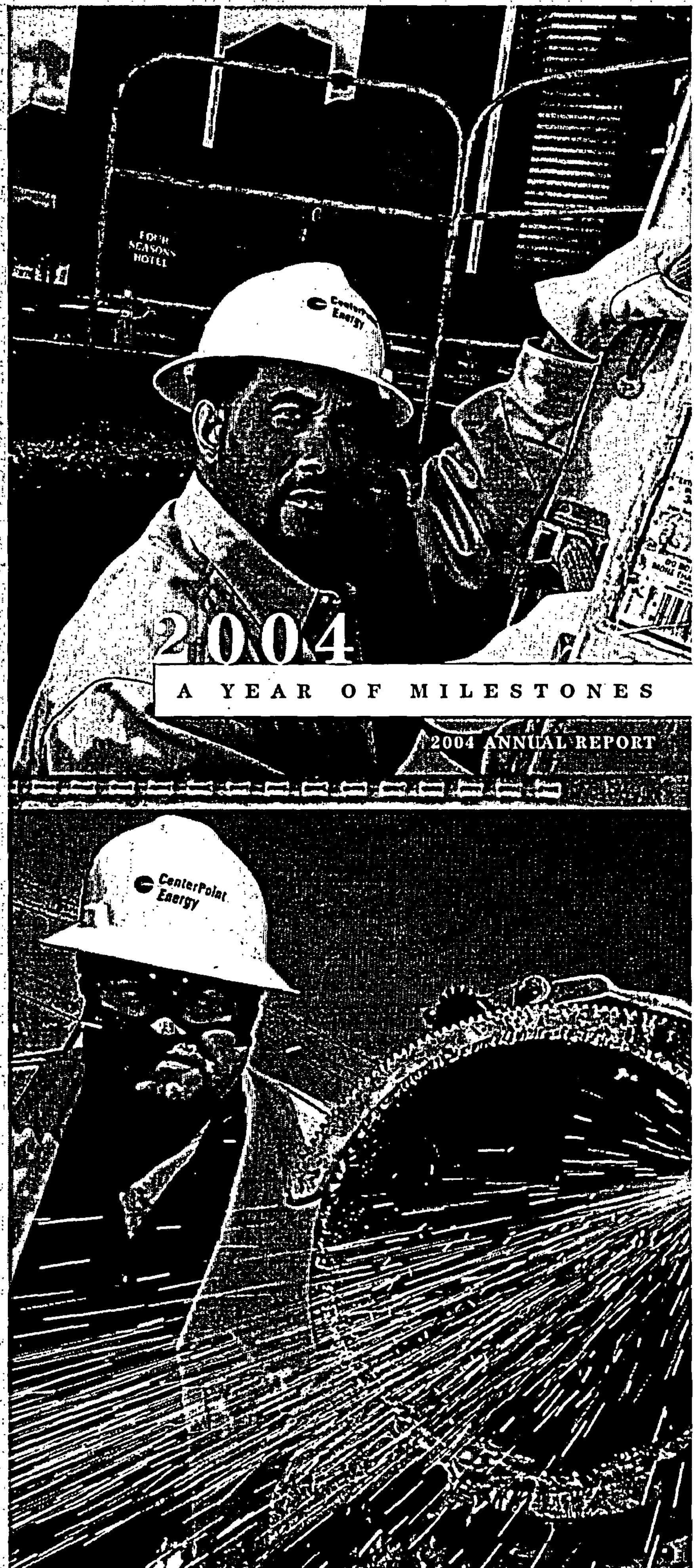
	For FY Ended January 31,		
	2005	2004	2003
OPERATING REVENUE [1] *(in thousands)*			
Electric:			
Residential	$ 561,877	$ 591,593	$ 512,164
Commercial and Industrial	489,092	550,872	430,873
Street lighting	13,535	14,036	13,090
Public authorities	89,671	70,966	95,843
Sales for resale	19,663	20,075	17,876
Off-system sales	47,433	27,681	12,333
Unbilled revenue	(24,058)	9,292	40,708
Other	23,661	14,933	9,901
Total	$ 1,220,874	$ 1,299,448	$ 1,132,788
Gas:			
Residential	$ 105,158	$ 112,683	$ 84,616
Commercial and Industrial	79,393	82,987	55,476
Public authorities	15,521	13,978	9,123
Unbilled revenue	195	(6,487)	17,676
Other	1,264	1,205	1,814
Total	$ 201,531	$ 204,366	$ 168,705
SALES			
Electric (MWh):			
Residential	7,449,673	7,380,491	7,248,870
Commercial and Industrial	8,024,603	8,485,624	7,732,905
Street lighting	99,560	99,457	97,053
Public authorities	1,633,006	1,100,521	1,829,766
Sales for resale	424,680	443,519	329,988
Off-system sales	1,198,248	752,019	172,564
Total	18,829,770	18,261,631	17,411,146
Gas (thousands of MCF):			
Residential	10,607	11,215	12,088
Commercial and Industrial	9,770	10,151	10,384
Public authorities	2,026	1,801	1,786
Total	22,403	23,167	24,258
ELECTRIC GENERATION (MWh)			
Generation	18,640,751	17,176,881	16,410,007
Energy purchases & other power	1,383,069	1,937,902	2,200,666
Native load: generation & other power	20,023,820	19,114,783	18,610,673
Total power available [2]	21,413,257	20,587,784	20,175,695
Capacity, MW (Gas)	3,021	2,831	2,931
Capacity, MW (Coal)	1,425	1,425	1,425
Capacity, MW (Nuclear)	700	700	700
Capacity, MW (Wind)	160	160	160
ELECTRIC PEAK DEMAND (MW)	4,036	4,117	3,937
DISTRIBUTION GAS PURCHASES (MMCF)	22,815	22,946	26,084
NUMBER OF CUSTOMERS			
Electric	617,998	602,313	604,108
Gas	308,556	306,845	310,316
RESIDENTIAL AVERAGES			
Electric:			
Revenue per customer	$ 1,048.70	$ 1,128.76	$ 978.49
kWh per customer	13,904	14,082	13,849
Revenue per kWh	7.54¢	8.02¢	7.07¢
Gas:			
Revenue per customer	$ 366.28	$ 395.05	$ 295.85
MCF per customer	37.0	39.3	42.3
Revenue per MCF	$ 9.91	$ 10.05	$ 7.00
NUMBER OF EMPLOYEES	3,955	4,103	4,276

(1) Includes unbilled electric and gas revenues.
(2) Includes joint operating systems generation.









FOUR SEASONS HOTEL
CenterPoint Energy
2004
A YEAR OF MILESTONES
2004 ANNUAL REPORT
CenterPoint Energy

MILESTONE HIGHLIGHTS

- Sold our power generation subsidiary, Texas Genco, for $3.65 billion in two phases, the second of which was completed in mid April 2005
- Received approval from the Public Utility Commission of Texas (PUC) for the recovery of a portion of our true-up request
- Reduced our debt and cut interest costs

A YEAR OF MILESTONES

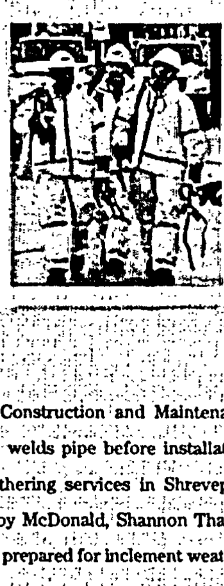
A major part of our plan when we formed CenterPoint Energy was to sell Texas Genco, our power generation subsidiary. Mission accomplished. We sold our 81 percent interest in Texas Genco for $2.9 billion. With proceeds from the sale, we began paying down debt.

Recovering the amounts due the company under the 1999 Texas Electric Restructuring Law was another important part of the original plan for CenterPoint Energy. However, the PUC granted our electric transmission and distribution subsidiary considerably less than we requested. We were disappointed in the PUC's actions and filed an appeal with the Texas courts. In the meantime, we received approval of a financing order that would allow us to issue approximately $1.8 billion in transition bonds. Unfortunately, appeals by other parties will delay our issuance of the bonds. In addition, about $600 million will be recovered over time through a charge to retail electric providers.

Proceeds from the sale of Texas Genco and the amounts we receive under the Texas Electric Restructuring Law will allow us to significantly reduce our debt and save hundreds of millions of dollars in interest during 2006.

CenterPoint® Energy

ABOUT OUR COMPANY



CenterPoint Energy, Inc., based in Houston, Texas, is a domestic energy delivery company with operations that include electric transmission and distribution, natural gas distribution and sales, interstate pipelines and natural gas gathering. The company serves nearly five million metered electric and natural gas distribution customers in Arkansas, Louisiana, Minnesota, Mississippi, Oklahoma and Texas. Assets total about $17 billion after the sale of our subsidiary, Texas Genco. With more than 9,000 employees, CenterPoint Energy and its predecessor companies have been in business for more than 130 years. For more information, please visit our Web site at www.CenterPointEnergy.com.

Above: Jim Brush, Lead Construction and Maintenance Technician in Little Rock, welds pipe before installation; Pam Riche supervises gathering services in Shreveport, and from left, Linemen Roy McDonald, Shannon Thames and James Kohler head out prepared for inclement weather.

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On the Cover:

Outside top: Ronald Bruno, Cable Splicer, Underground, emerges from a manhole in downtown Houston. Bottom: Fred Pitcher, Construction Inspector, conducts an inspection at a natural gas construction site in Houston. Inside from top left clockwise: Peaches Hardison reads meters in Houston; Robert Zych, left, and Kevin Fahey are part of a construction and maintenance crew in Minnesota; Chivonne Miller dispatches repair jobs in Minnesota; and John Lobue is a Gathering Technician at Stateline Waskom on the Texas-Louisiana border.

OVER 130 YEARS OF RELIABLE SERVICE

FINANCIAL HIGHLIGHTS

	Year Ended December 31		
	2002	2003	2004
	(In Millions Of Dollars Except Per Share Amounts)		
Revenues	$ 6,438	$ 7,790	$ 8,510
Operating Income	$ 1,440	$ 1,355	$ 864
Income From Continuing Operations[1]	$ 482	$ 409	$ 205
Per Share of Common Stock:			
Income From Continuing Operations, Basic[1]	$ 1.62	$ 1.35	$ 0.67
Income From Continuing Operations, Diluted[1]	$ 1.61	$ 1.24	$ 0.61
Book Value – Year End	$ 4.74	$ 5.77	$ 3.59
Market Price – Year End	$ 8.01	$ 9.69	$ 11.30
Common Dividend Paid	$ 1.07	$ 0.40	$ 0.40
Capitalization:			
Long-term Debt (Includes Current Maturities)	$ 9,996	$ 10,939	$ 9,029
Trust Preferred Securities[2]	$ 706	$ —	$ —
Common Stock Equity	$ 1,422	$ 1,761	$ 1,106
Total Capitalization (Includes Current Maturities)	$ 12,124	$ 12,700	$ 10,135
Total Assets[3]	$ 16,041	$ 17,217	$ 16,597
Capital Expenditures[3]	$ 566	$ 497	$ 530
Common Stock Outstanding[4] (in thousands)	300,102	305,385	308,045
Number of Common Shareholders	67,308	63,660	59,448
Number of Employees	12,019	11,046	9,093

1. Before extraordinary loss.
2. See footnote (4) on page 34.
3. Excluding discontinued operations. See page 34.
4. Excludes ESOP shares of 4,915,577 and 911,847 at December 31, 2002, and 2003, respectively.

Milton Carroll, left, Chairman of the Board, and David McClanahan, President and Chief Executive Officer

DEAR FELLOW SHAREHOLDERS,

Thank you for investing your trust in CenterPoint Energy. Our vision is "to be recognized as America's leading energy delivery company . . . and more." We believe we will have achieved this vision when CenterPoint Energy delivers world-class performance to four key stakeholder groups beginning with you, our shareholders, but also including our customers, our employees and the communities we serve. We are pleased with the progress we made in 2004, but we know there is more work that needs to be done.

Investors today seek sound investments in companies that share their values. At CenterPoint Energy, our core values of integrity, accountability, initiative and respect guide everything we do. To achieve our vision, we need strong values and a sound corporate strategy. Though detailed in its execution, our strategy can be easily summarized: "One Company, Get it Right, and Grow."

By "One Company," we mean that we will leverage our talents and resources across our entire company rather than operate as a collection of smaller, autonomous business units. By "Get it Right," we mean that we will constantly focus on making our businesses more efficient and cost-effective. Finally, by "Grow," we mean that we want to

OUR VISION IS "TO BE RECOGNIZED AS AMERICA'S LEADING ENERGY DELIVERY COMPANY . . . AND MORE."

expand our company and increase the value of your investment over time. (See page 21 of this report for examples of our One Company, Get it Right, and Grow strategic initiatives).

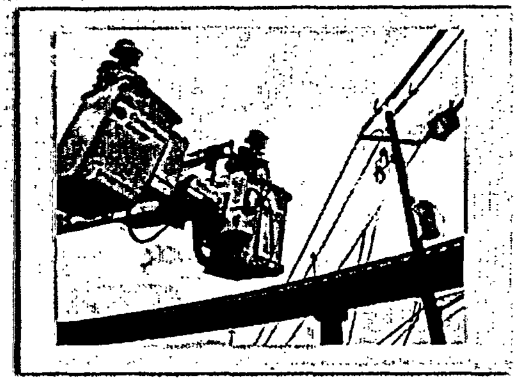
Sale of Texas Genco and our electric subsidiary "true-up" proceeding

2004 was a watershed year. Since CenterPoint Energy was created in 2002 as a regulated utility company with a significant amount of debt, we have looked forward to completing the two key events that would allow us to return to debt levels more typical for a utility our size and help solidify our investment-grade credit ratings. These two important events were the sale of our electric generation assets and the recovery of our "stranded" costs associated with the restructuring of the Texas electric market. We are pleased to report we made significant progress on both events last year.

In July, 2004, we announced the sale of our electric generation business, Texas Genco, for $3.65 billion. CenterPoint Energy received $2.9 billion for our 81 percent interest in the company. The sale was structured in two phases. We finished the first phase, for which we received $2.2 billion, in late 2004 with the sale of 11 coal, lignite and gas-fired power plants. Following approval of the Nuclear Regulatory Commission, we were able to complete the final phase of the sale in April 2005 by selling our investment in the South Texas Project nuclear power plant for $700 million.

The second key event is the recovery of costs associated with the transition to electric competition in Texas. The recovery of these costs was provided for in the 1999 law that restructured Texas' electric utility industry. In March 2004, we filed a "true-up" request with the Public Utility Commission of Texas (PUC) to recover $3.7 billion in stranded costs and regulatory assets, excluding interest. In December, the PUC approved (subject to certain adjustments) approximately $2.3 billion, including interest through August 31.

Frankly, we were very disappointed by this ruling. We don't believe the Commission followed the law or its own regulations on a number of significant issues, and in January, we filed an appeal with the Texas state courts. However, it will likely take a number of years before the appeals process is complete.



With the proceeds from the first step in the sale of Texas Genco, we were able to reduce our company's indebtedness by $2 billion in 2004. This year, by combining the proceeds from the second step in the sale of our interest in the power generation subsidiary along with the sale of approximately $1.8 billion in low-cost transition bonds, we will be in position to further reduce our company's debt. These low-cost bonds cover most of the transition costs that were approved by the PUC in our true-up case.

Unfortunately, several parties have appealed the financing order authorizing the bond sale, which will delay our recovery of these costs for a number of months. We will, however, continue to earn interest on the approved amount during the consideration of these appeals.

The sale of our power generation subsidiary and the transition bonds are not, however, the only ways we are working to improve our company. Through our One Company, Get it Right and Grow strategic initiatives, we are taking important steps to make our company more efficient, cost effective and profitable.

2004: a solid year for core electric, gas and pipeline operations

Even as our senior management team focused much attention in 2004 on the sale of Texas Genco and our true-up case, employees in our core electric, gas and pipeline operations turned in their best performance in our brief history as CenterPoint Energy.

In Houston, our electric transmission and distribution operations continued to show overall improvement. We increased our core operating income by $33 million over 2003, added nearly 47,000 new metered customers and met system reliability goals after establishing an aggressive special program to cut outage times.

Our natural gas delivery and gas marketing operations also had their best year, raising operating income by $20 million. Spurred by strong growth in the metropolitan areas of Houston and Minneapolis, we added about 45,000 customers. We also achieved high customer satisfaction scores. Our gas marketing business increased sales to electric and gas utilities as well as to large commercial and industrial customers.

WE SOLD OUR POWER GENERATION BUSINESS FOR $2.9 BILLION AND SIGNIFICANTLY REDUCED OUR DEBT

Likewise, our pipeline group had its best year ever, improving operating income by $22 million. We connected a record number of new natural gas wells and began an expansion of our pipelines, storage facilities and remote wellhead monitoring services.

2005: positioned for the future

We achieved much in 2004, and we're excited about our future. In the near term, we will continue to execute our plan to reduce the company's debt and enhance operations to better serve our customers.

As the financial strength of the company continues to improve, we will actively pursue potential growth opportunities in areas that complement our core energy delivery business. However, we will pursue these opportunities only when we believe they will create sustainable shareholder value.

The CenterPoint Energy management team is committed to achieving our vision and strategy. We believe our accomplishments last year are evidence of this. We met the difficult challenges we faced in 2004 and we feel the company is well positioned to successfully pursue our vision of being recognized as America's leading energy delivery company ... and more.

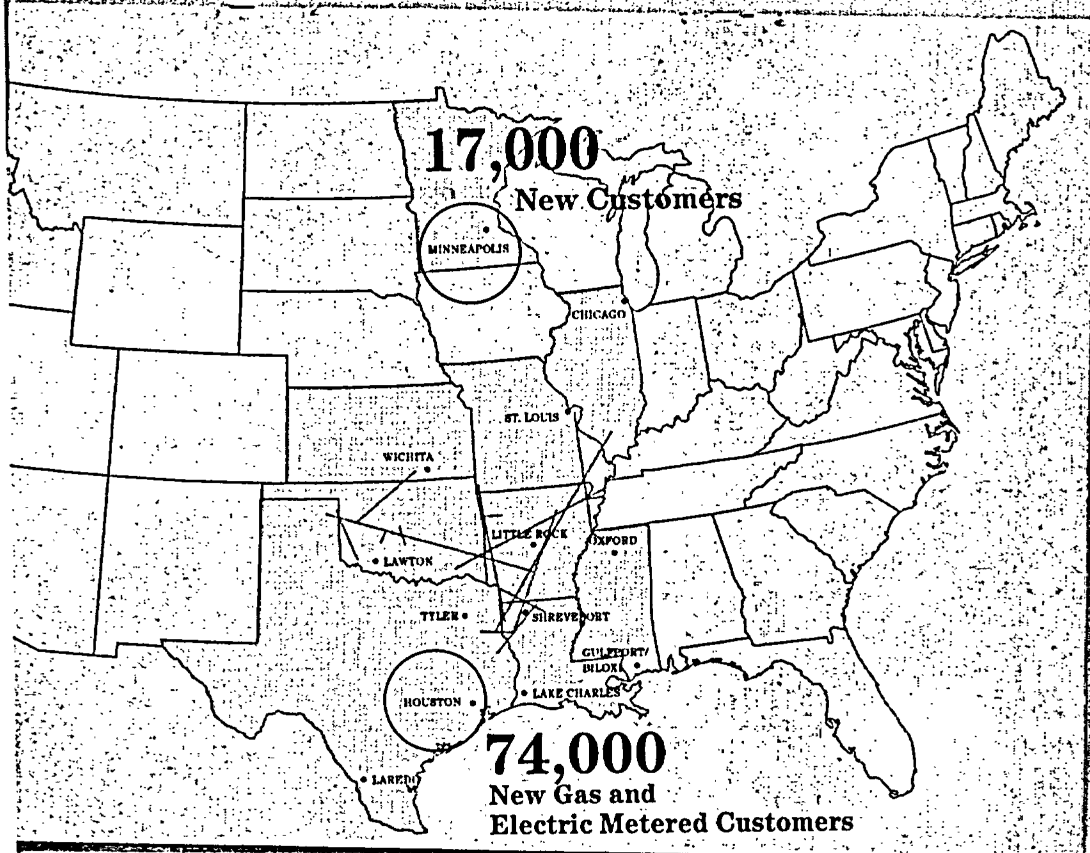
Thank you for your continued confidence in us.

Milton Carroll
Chairman of the Board

David M. McClanahan
President and Chief Executive Officer

"I think investing in CenterPoint Energy stock is a great way for me to help build a future for my daughter, Raina."

Delores Garner
Shareholder/Employee



Inset photo: Key finance executives, Brenda Cauthen, VP Audit Services, Jim Brian, Senior VP and Chief Accounting Officer, and Walter Fitzgerald, VP and Controller, examine internal controls and audit processes in compliance with the new federal rules related to the Sarbanes-Oxley Act.

A YEAR OF EXCEPTIONAL PROGRESS

CenterPoint Energy is committed to providing shareholders a well-managed company dedicated to paying competitive dividends and building shareholder value. As described on the inside front cover of this report, we are focused on using proceeds from the sale of Texas Genco and the true-up proceeding to reduce debt and interest costs. While we reported losses in 2004 related to the sale of our generating assets and stranded cost proceedings, our core electric, gas and pipeline delivery businesses posted solid gains in operating income.

All core segments report higher operating income

Our electric transmission and distribution business continued to perform well in 2004, ending the year with core operating income of $441 million (excluding the impact of ECOM revenues, the transition bond company and the final fuel reconciliation). Driven primarily by the addition of nearly 47,000 new metered customers, core operating income increased by $33 million (excluding the impact of ECOM revenues, the transition bond company and the final fuel reconciliation). Operating income also benefited from lower employee-related costs and proceeds from a land sale, but was partially offset by decreased usage due to milder weather and higher transmission costs.

Our natural gas distribution segment reported operating income of $222 million, an increase from $202 million in 2003. This higher income was the result of rate increases, a higher customer count and more efficient operations.

An aggressive restructuring plan that improved operational efficiencies and lowered ongoing operating expenses contributed to the income gains. However, one-time charges related to the restructuring plan, and mild winter weather that led to lower customer gas usage, partially offset these gains.

Our pipelines and gathering segment increased operating income to $180 million from $158 million in 2003. The increase was driven by favorable market pricing and higher demand on our interstate pipelines business, increased throughput, an increase in treating and processing by our gas gathering unit and higher third party earnings in Pipeline Services.

Customer base growing across our business

We experienced customer growth in each of our energy delivery businesses in 2004. These increases provided both current revenue growth and, we expect, the basis for future

OUR CORE ENERGY DELIVERY BUSINESSES ACHIEVED EXCELLENT FINANCIAL RESULTS WHILE CONTINUING TO MAKE OPERATIONAL IMPROVEMENTS

earnings growth. Houston and Minneapolis, two of the nation's fastest growing metropolitan areas, together added more than 91,000 electric and natural gas customers in 2004.

In the Houston area, we added a total of 47,000 new electric meters to our previous base of 1.8 million and 27,000 new natural gas customers to the 1 million we currently serve. The strong residential housing market in the Minneapolis area accounted for most of the approximately 17,000 new customers in Minnesota, where we serve 750,000 customers. We also added gas distribution customers in Little Rock, Ark., Shreveport, La., suburban Jackson, Miss., and the corridor between Austin and San Antonio, Texas.

Our interstate pipelines operations signed new seven-year contracts with our Arkansas, Louisiana and Texas gas distribution operations that will provide long-term stability. The gas gathering business enjoyed a record-setting year, connecting 393 new natural gas wells, completing eight new major gathering projects and installing 1,800 additional ServiceStar units, our remote wellhead monitoring and measuring product. Pipeline Services continued to make progress providing pipeline operations, maintenance and technical services to third party clients.

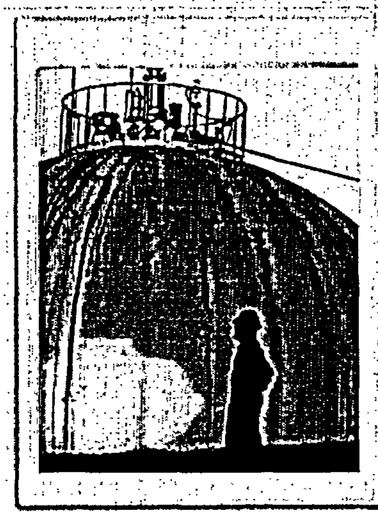
Improving earnings through rate relief and rate design

We remain committed to achieving our allowed rate of return in our regulated businesses. As part of this strategy, we will seek rate increases when necessary. In 2004, CenterPoint Energy sought and received significant rate relief in several jurisdictions.

In the Houston metropolitan area, we received approval for $14 million in base rate increases from the Texas Railroad Commission, the city of Houston and 28 other cities. In addition to the base rate changes, we also established gas cost adjustment clauses that help mitigate fuel price risks by enhancing our ability to more quickly reflect the current estimated cost of gas in customers' bills.

We also obtained rate relief in Louisiana and Oklahoma, resulting in a $2 million increase in base rates and service charges in our southern Louisiana service territory, a $7 million increase in base rates and service charges in northern Louisiana and a $3 million rate increase in Oklahoma. We also obtained rate stabilization clauses in northern Louisiana and Oklahoma, which are similar to the clause that is already in effect in southern Louisiana. The stabilization clauses allow us to make small annual

Robert Newberry, Project Manager, Corporate Communications, sizes up a storage tank at the Sligo Plant in Haughton, La.



Jason Hobbs, Lineman at the Fort Bend Service Center near Houston, stands ready to serve customers.

adjustments to rates without filing expensive and time-consuming rate cases.

In Minnesota, our request for a $22 million rate increase and new rate design to improve margin stability is currently under review by regulators. Interim rates of $17 million went into effect on Oct. 1, 2004, for all customers, subject to refund. We have reached a settlement with the Minnesota Department of Commerce for an annualized increase of approximately $9 million, subject to approval by the Minnesota Public Utilities Commission (MPUC). A decision by the MPUC is expected in the second quarter of 2005, and we expect to implement new rates by the end of the summer.

In April 2005, we received approval from the Texas Railroad Commission for a $2 million base rate increase for unincorporated areas in Texas. In November of 2004, we filed a request with the Arkansas Public Service Commission for about $34 million in increases. We expect a decision to be made on this request in the second half of 2005.

Get it Right – Improving our operating efficiency

A key element of our strategy to "Get it Right" is to leverage our company's size and skills to continually improve our operating performance.

CenterPoint Energy's electric transmission and distribution organization is in the third year of its ongoing program to improve performance and achieve top-quartile status in service reliability, cost efficiency and customer satisfaction, while at the same time, lowering capital spending. They have had success in improving their operating income and reducing capital spending, and they are working to

Reynaldo Carabajal, Construction and Maintenance Technician, uncoils piping at a construction site in New Braunfels, Texas.

control costs and continue to make improvements in their overall performance.

Our gas delivery business turned in a strong performance in 2004. In Houston, we achieved our target earnings, despite warmer weather during the heating season, primarily by effectively managing costs. Employees were able to stay within budget while meeting service objectives and controlling capital expenditures and operating and maintenance costs.

Our pipeline businesses are ranked in the top quartile among pipeline companies with operations similar to ours, according to the results of an internal study conducted in 2004. The study benchmarked the operating costs for pipelines in the United States as a starting point for comparisons. We were ranked in the top quartile in all measures. Still, recognizing that newly enacted regulatory requirements are placing increased pressure on our operating costs, Pipeline Services and Field Services began a full review of our construction and maintenance processes in 2005 to ensure that we continue to operate our business at maximum efficiency.

Targeting new customers for growth

While we continue to experience strong customer growth in many of our service territories, we are committed to expanding our business by strategically targeting new growth opportunities.

In Minnesota, we are focusing our customer acquisition efforts on high-growth residential areas, ethanol production facilities and large natural gas-fired electric generation facilities. During 2004, we signed contracts to serve four new commercial/industrial customers who will use more than 5 billion cubic feet (Bcf) of natural gas annually, which is equivalent to the consumption of 50,000 residential customers. With nearly 240,000 repair plan customers, our appliance sales and repair business in Minnesota, Home Service Plus® (HSP), covers more than 1.3 million appliances and is the largest furnace and appliance repair provider in Minnesota. It is also the largest provider of residential heating, ventilation and air conditioning replacement equipment in the state.

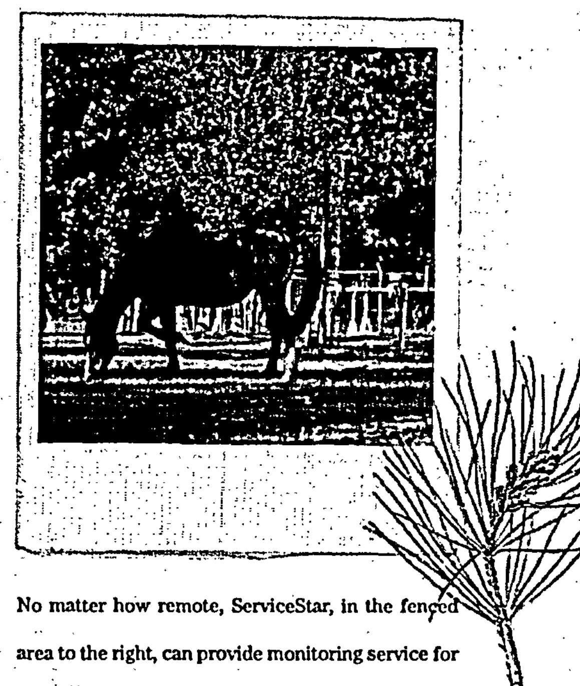
In our pipelines business, we signed contracts and filed a request seeking regulatory approval for major pipeline growth and for an expansion of our Chiles Dome storage commitment (ke•mit•mint) 1. to dedicate oneself to something or someone 2. duty; promise

WE ARE COMMITTED TO STRATEGICALLY TARGETING NEW GROWTH OPPORTUNITIES

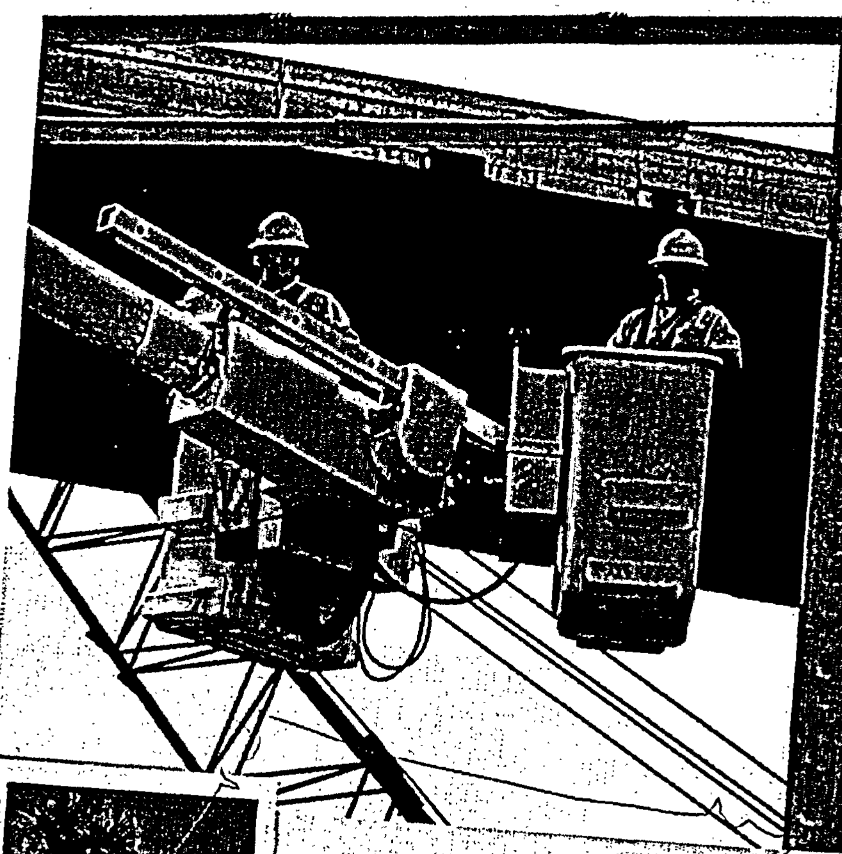
field in Oklahoma. Additionally, we are pursuing on- and off-system storage opportunities to meet increasing customer demand brought about by highly volatile commodity prices and shifts in gas flows. Increased traditional drilling in our major supply basins, new coal-bed methane drilling in the Arkoma Basin and strong relationships with our current customers offer us new and continuing opportunities to grow our field services operations.

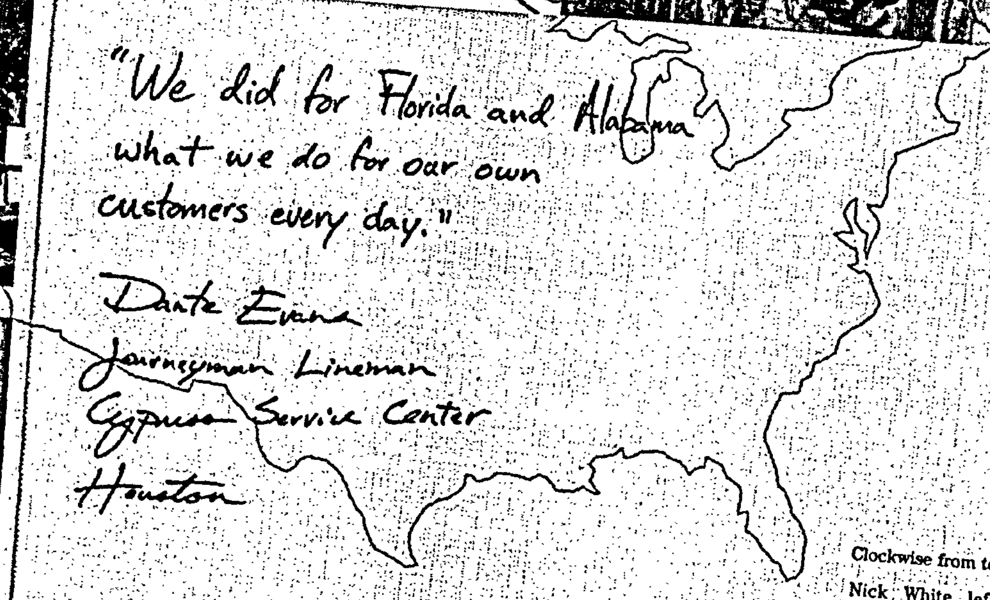
Similarly, we are aggressively looking for ways to grow and leverage our ServiceStar business, an industry leading provider of remote monitoring automation and measurement services. Plans are under way to unbundle our current product offerings and add new services that include communication services, automation of existing electronic flow measurement devices and monitors, and development of a personal data application for manual monitoring.

Pipeline Services continued to expand in 2004, managing customer pipeline integrity projects and offering onshore and offshore pipeline operations and technical services. Pipeline Services also continued to provide services to our affiliated pipelines and distribution units. Major projects we completed included commissioning services for Longhorn Partners Pipeline, LP; modernizing our Ada Storage compression facilities; completing our Integrity Management Plan; and developing a strategic workforce plan to ensure that we meet our future labor requirements.



No matter how remote, ServiceStar, in the fenced area to the right, can provide monitoring service for well and compression operations.





"We did for Florida and Alabama what we do for our own customers every day."

Dante Evans
Journeyman Lineman
Cypress Service Center
Houston

Clockwise from top left, Linemen Nick White left, and James Candelari ride high at a Houston freeway construction site; Scott O'Brien at Houston's H.O. Clarke Service Center and Dante Evans, who helped restore power in Florida after Hurricane Ivan caused damage that included leaving boats aground.

WE'RE "ALWAYS THERE" FOR OUR CUSTOMERS – DELIVERING SAFE AND RELIABLE ENERGY SERVICES

CenterPoint Energy has a strong commitment to delivering safe and reliable electric and natural gas service to our customers. This is at the heart of what we mean when we say we are "Always There" for our customers. In 2004, we delivered on that promise, not only for our own customers, but also for our neighbors in Florida and Alabama, who found themselves without power following four devastating hurricanes.

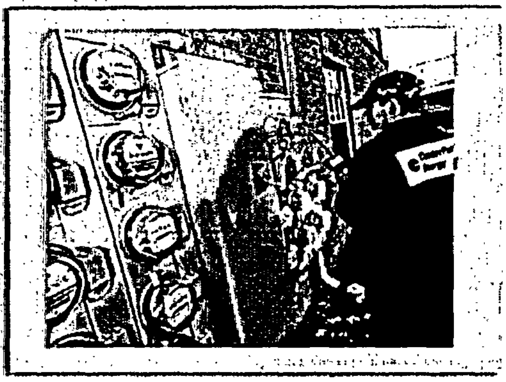
Electric Reliability – outage goals achieved
Despite assisting other utilities with their restoration efforts, and facing a series of small but powerful spring storms in the Houston area, our employees worked together to find a way to meet the company's electric service reliability goals.

We measure overall reliability results using the System Average Interruption Duration Index (SAIDI), which records the number of minutes the average customer is without power during the year. Following the unusual series of storms early in the year, it appeared unlikely we could meet our SAIDI goal. By the end of July, we were on a path that would exceed our total allowable outage time by 20 percent. To get back on track, we established a special SAIDI Recovery Plan. The plan set aggressive daily and monthly targets designed to reduce allowable outage time a little each month so we could still meet our original goal by the end of the year. With hard work by everyone in service restoration, we reached our goal. This accomplishment is especially significant because it was achieved while alternating crews shuttled back and forth between Florida and Alabama to help neighboring utilities restore power following hurricanes Charley, Frances, Ivan and Jeanne.

Gas Reliability – emergency response times improve
Delivering natural gas to homes and businesses is one of the most reliable forms of energy delivery. We determine the reliability of our natural gas distribution businesses by measuring both the number of gas outages and how quickly our crews restore service when there is trouble.

In Houston, the reliability of our natural gas delivery system improved over the previous year. We experienced fewer gas outages and successfully reduced our emergency response time by 8.3 percent over 2003.

In Minnesota, system damage and damage location requests showed an 8.5 percent decrease. We also reduced the



Angel Dominguez reads meters in Houston.

Randy Draper, Gas Gathering Technician at the Haughton, La., office, checks a storage tank.

number of gas outages and the time customers were without service. There were 1,271 customers affected by gas outages in 2004, totaling 6,103 hours. This is an improvement over 2003 when 1,559 customers were without service for a total of 6,460 hours.

In our southern states, we created a combined Gas Control Group, which has the ability to track the status of the gas system in "real time." This allows us to make quicker and more accurate decisions on how to respond to a cut line or other problem on the system. It also helps reduce the time necessary to restore the system and the number of people who may be affected by an outage.

Continuing award-winning safety in our communities

In the communities we serve, we recognize that customers count on us to provide safe and reliable energy delivery, and we honor the trust they have in us. Ensuring that our employees operate our systems safely is a key element of our continuing commitment to both our employees and our customers.

The overall safety record for our natural gas operations was very good last year, showing significant improvement over 2003. The safety record of our southern gas operations was exemplary, earning our company the American Gas Association's (AGA) top safety award for 2003. We improved on the 2003 record during 2004, all but assuring a top ranking in the next AGA ratings. Similarly, our Houston operations received an AGA safety award last year for being a leader in accident prevention in 2003. Our employees in Houston worked 1 million hours without a lost time injury during a one-year period that ended Aug. 27, 2004.

In Minnesota, we did not reach our safety goals for preventable vehicle collisions, so we implemented several measures to reduce vehicle accidents in the future. We have:

- Implemented a program to address distracted driving;
- Provided National Safety Council courses for our drivers; and
- Changed our vehicle collision review process to include review boards with front-line employees, supervisors and managers from multiple divisions.

Our Pipeline Services business achieved the best safety performance in its history in 2004, reducing the

WE ARE COMMITTED TO CONTINUALLY IMPROVING OUR SERVICE TO CUSTOMERS

Occupational Safety & Health Administration (OSHA) Recordable Incident Rate by 15 percent while increasing the number of hours worked by 9 percent. Our pipelines safety record is one of the best in the industry.

Operational Excellence – improving service and response time

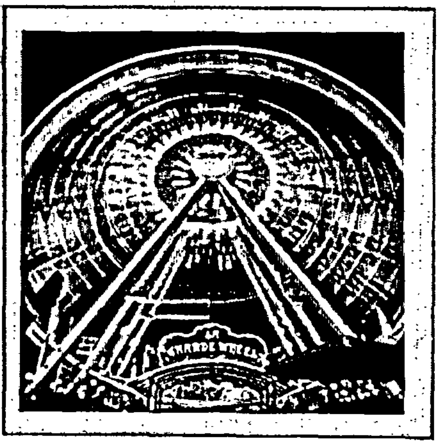
All of our business units reported successes in their operations in 2004.

Construction Inspectors Johnny Rawls, left, and Fred Pitcher inspect work at a Houston construction site.

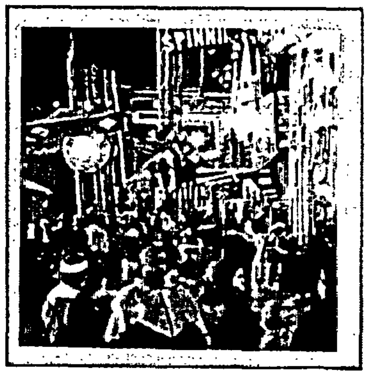
Our electric operations unit expanded a shared trenching effort that now includes the installation of both telephone and cable lines in the same trench with our electric cable and gas pipe. As a result of this initiative, we lowered installation costs and expect to realize future savings through reduced cable cuts and buried line locator expenses.

Also, along with the rest of the Texas retail electric market, CenterPoint Energy helped launch and complete a massive two-year project to automate the move-in/move-out process for electricity customers. This was a major milestone involving a collaborative process in which market participants worked together to benefit customers. As a result, customers moving into a new home can expect to receive timely electric service. The new system now identifies instances in which there are multiple service requests for a single address, and it "stacks" them so they can all be processed at the same time. As a result, CenterPoint Energy's manual work load is reduced by 90 percent, saving us time and money.

Our natural gas delivery business is focusing on implementing new computer technology to reduce costs and improve



Fans of the Houston Livestock Show and Rodeo enjoy the benefits of electric power and natural gas.



service times. Currently, we are implementing a new customer care computer system that will replace three different computer applications and allow us to realize significant savings by retiring aging legacy computer systems. By the end of 2004, we had completed 43 percent of this system upgrade and achieved software and personnel cost savings. We are scheduled to complete this project by the end of 2005.

Additionally, approximately 80 percent of our natural gas distribution crews are now equipped with a new mobile data system, which uses laptop computers in our trucks, to give us more efficient dispatching and rapid customer service. We plan to have 100 percent of our business using mobile data systems by the fourth quarter of 2005.

Technological improvements, however, are not the only ways we are working to improve service quality. In our southern gas service territories in Arkansas, Louisiana, Mississippi, Oklahoma and Texas, we completed a major organizational restructuring program in 2004 without operational disruptions. This allowed us to reduce the number of payment centers across the service territory, centralize customer call center operations in Shreveport, La., and implement a new customer care computer system. We expect to realize annual savings of $10 million beginning in 2005 as a result of these changes.

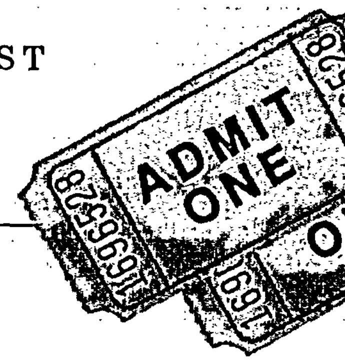
We also granted open access on our rural Texas distribution systems to qualified commercial and industrial customers. With open access, qualified customers obtain their own natural gas supplies and use CenterPoint Energy to transport these supplies to their facilities. This service was already available in Arkansas, northern Louisiana and Oklahoma. The conversion to open access will be complete when qualified commercial and industrial customers in southern Louisiana, Mississippi and Houston, Texas, are granted this option in the future.

In Arkansas, we replaced 84 miles of older cast iron and bare steel pipe with more than $23 million worth of new piping. This is part of a 10-year, 1,700-mile pipe replacement program.

Customer Satisfaction –
striving for top-quartile performance

Providing safe, reliable and efficient natural gas and electric service is where our commitment to customers begins, but

WE AIM FOR EXCELLENCE IN OUR WORK SO OUR CUSTOMERS CAN ENJOY WHAT IS MOST IMPORTANT IN THEIR LIVES



it doesn't end until we exceed their expectations for the products and services we provide. Our customer satisfaction results in 2004 were mostly positive, with high and improving scores in our gas operations, but lower scores in our electric operations. CenterPoint Energy's goal for all areas of our company remains top-quartile performance.

We help customers enjoy themselves by providing lighting at athletic fields.

In the J.D. Power and Associates (JDPA) annual residential study of natural gas utilities, our Minnesota customers gave us a top quartile ranking for customer service in the Midwest region, an improvement from the second quartile ranking we achieved last year. Our gas operations in the southern states outside the city of Houston, which was ranked separately, also showed improved performance, moving up from the fourth to third quartile in the South region. In Houston, our natural gas customer satisfaction scores held steady compared to last year, maintaining a second quartile ranking.

Our electric customer satisfactions scores, however, declined from top quartile to third quartile in the power quality and reliability measure of the JDPA residential study of electric utilities. As described on page 15, our service territory was hit last spring by a number of unusually strong storms. These storms occurred at the same time JDPA was surveying customers, which we believe resulted in the lower customer ratings.

Even though we ultimately achieved our 2004 electric reliability goals, we have renewed our focus on improving restoration plan performance by increasing our emphasis on tree trimming and developing a new strategy to address momentary outages.

WE STRIVE TO MAKE OUR CUSTOMERS' LIVES MORE COMFORTABLE, PRODUCTIVE AND ENJOYABLE

CenterPoint Energy natural gas customers such as Ed Lowe enjoy backyard grilling with family and friends.

During 2004, we placed a heightened emphasis on increasing customer satisfaction in Pipelines and Field Services. The results of the independent Mastio Customer Satisfaction Survey showed significant improvements for both our interstate pipelines, CenterPoint Energy Gas Transmission Company (CEGT) and CenterPoint Energy-Mississippi River Transmission Corporation (MRT). Both pipelines were ranked in the top quartile, with MRT ranking third out of 42 pipelines in the Overall Satisfaction Index and CEGT ranking eighth. A Field Services survey also showed us with high marks for service, with 73 percent of our customers rating us either above average or excellent in meeting their expectations. When asked how well our services are adding value to their business versus expectations, 94 percent said we met or exceeded their expectations.

IN SUMMARY:

EXECUTING OUR CORPORATE STRATEGY

When CenterPoint Energy was created a little more than two years ago, we outlined our strategy of One Company, Get it Right and Grow. Our successes in 2004 include:

One Company

- We implemented a common computer network and work order processing system across our gas distribution businesses.
- We held employee conferences to improve communication between executives and front-line employees.
- We launched CNP University, providing employees access to career development resources and opportunities.
- We stopped using our heritage names, Arkla, Entex and Minnegasco.
- We launched our "On the Spot" ad campaign, leveraging safety, marketing and service messages to define CenterPoint Energy to customers.

Get It Right

- We completed a major restructuring program in our southern gas operations, estimated to save $10 million annually beginning in 2005.
- We initiated rate relief proceedings in several jurisdictions (see pages 10-11 for details).
- We implemented training and reporting tools to improve internal controls and support Sarbanes-Oxley Act compliance.
- We expanded our joint trenching program, resulting in additional cost reductions.
- We helped implement an automated move-in/move-out process for electric customers.
- We installed design software that provides savings in overhead and underground electric line construction.
- We cut in half the prep time for building new electric service to subdivisions.

Grow

- We added more than 91,000 new metered customers.
- We expanded wholesale gas capabilities in the Midwest.
- We began an open access program to move qualified commercial and industrial gas distribution customers from distribution rates to transportation rates.
- We increased CenterPoint Energy Gas Services retail sales and sales to electric and gas utilities.
- We expanded the Pipeline Group's gas gathering system.
- We launched pipeline and gas storage expansions.

"We utilize the feedback from all our team members to continually improve our processes."

Leah Kasparek
Division VP
Human Resources

Top photo from left, Leah Kasparek and H.O. Clarke Service Area Manager, Marie Bogan listen as Lineman Carlos Pereda recounts experiences on the job in Houston. Inset photo: Human Resources employees, from left, Alice Otchere, Director; Dinny Tan, Payroll Tax Accountant; Patricia Frank, Director; Ira Winsten, Director; Anthony Serrato, Labor Relations Manager; and Myrna Saavedra-Flores, Executive Secretary, discuss employee health plans.

WE WORK HARD FOR OUR EMPLOYEES' HEALTH, WELL-BEING AND OVERALL DEVELOPMENT

"For a forest to be green, each tree must be green."

– Maharishi Mahesh Yogi

CenterPoint Energy's employees are the source of our success. They operate and maintain our energy delivery infrastructure. They work to satisfy our customers' energy needs, whether on the front lines or in the back offices. They procure materials, process invoices and perform all the functions necessary and vital to our business. They lead the way in delivering energy to our customers, volunteer service to our communities and earnings to our shareholders.

Safety – our priority

Our first commitment to our employees is to keep them safe. We provide our employees safety training, wellness information, health and safety updates, and safety policies and practices. Our leadership attends safety meetings, and individual managers and supervisors conduct and document periodic on-site safety inspections. Safety initiatives and training, such as our online safety training Web sites, are regularly updated to help improve the safety of our employees. We track vehicular incident and lost time incident rates and other measures to assess progress toward our goal of first quartile safety performance in our industry.

Competitive Compensation – incentives, rewards and benefits

CenterPoint Energy strives to attract, motivate and retain employees by offering competitive pay and benefits. In addition to base pay, employees may receive awards for exceptional performance and annual short-term incentives for their role in achieving company goals. These objectives, which are tailored for each of our business units, focus on areas such as financial performance, safety, system reliability and customer satisfaction. Tied to overall company performance, the measures determine if employee bonuses are paid. Bonuses are paid only if the company's dividends are paid at least at the previous year's level. Bonuses were paid to employees in 2004.

Employees may also choose from an array of flexible benefits to select the medical, dental and vision plans that are right for them and their families. Our employee assistance program provides confidential counseling, legal help and financial services.

In addition to a company-funded pension plan, employees may contribute a portion of their pay to a 401(k) savings plan. Employees are immediately vested in the plan, to

teammate (tem'·mat) 1. an individual on the same team, with unique abilities, working toward the same goal

Customer Service Advisors and Representatives in Houston, from left, Carlos Bueno, Angie Ray, Dianna Ford, Gloria Pinnekins and Anna Nelson.

which the company makes a matching contribution based on a portion of eligible pay. When qualified employees retire, they receive credits based on their years of service to help them pay for medical and dental coverage.

Employee Surveys – every opinion counts

We recognize the critical role employees play in ensuring CenterPoint Energy's success, so we conduct an employee survey every 18 months to ask how we are doing. In 2004, we conducted the second CenterPoint Energy Employee Survey based on a set of questions the Hay Group developed specifically for CenterPoint Energy. The survey allows us to compare our work environment to 300 other companies and gives us an indication of how employees think we can improve.

The 2004 survey showed high employee satisfaction overall and provided both positive feedback and opportunities for further improvement in the company. The survey also indicated that employees understand and support the company's goals, and they believe they can make meaningful contributions to achieving them. Our employees are focused on our customers and are proud of the quality of service the company provides.

Our management team is carefully reviewing the suggestions made by employees and will develop and implement plans to make the suggested changes.

Employee Development – building a world-class workforce

The survey highlighted our employees' continued belief in the importance of career growth and development opportunities. Company management agrees and has made developing employee skills a key element of our corporate strategy.

We took a major step toward improving employee development in 2004 by creating CNP University, an online resource of virtual and classroom training opportunities and helpful materials. In addition to a core curriculum of required training on CenterPoint Energy values, ethics and regulatory compliance issues, employees can access three Schools of Excellence: leadership, business excellence and personal effectiveness. Services offered include assessments and team-building for workgroups at on-site training facilities and a library of books, videos and other media.

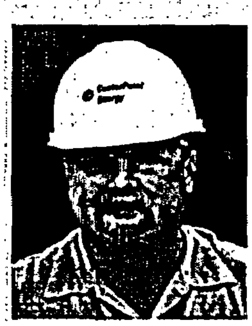
OUR EMPLOYEES LEAD THE WAY IN DELIVERING ENERGY TO OUR CUSTOMERS, VOLUNTEER SERVICE TO OUR COMMUNITIES AND VALUE TO OUR SHAREHOLDERS

Ray Robbins, Gathering Technician, stays in touch at the Sligo Plant in Haughton, La.

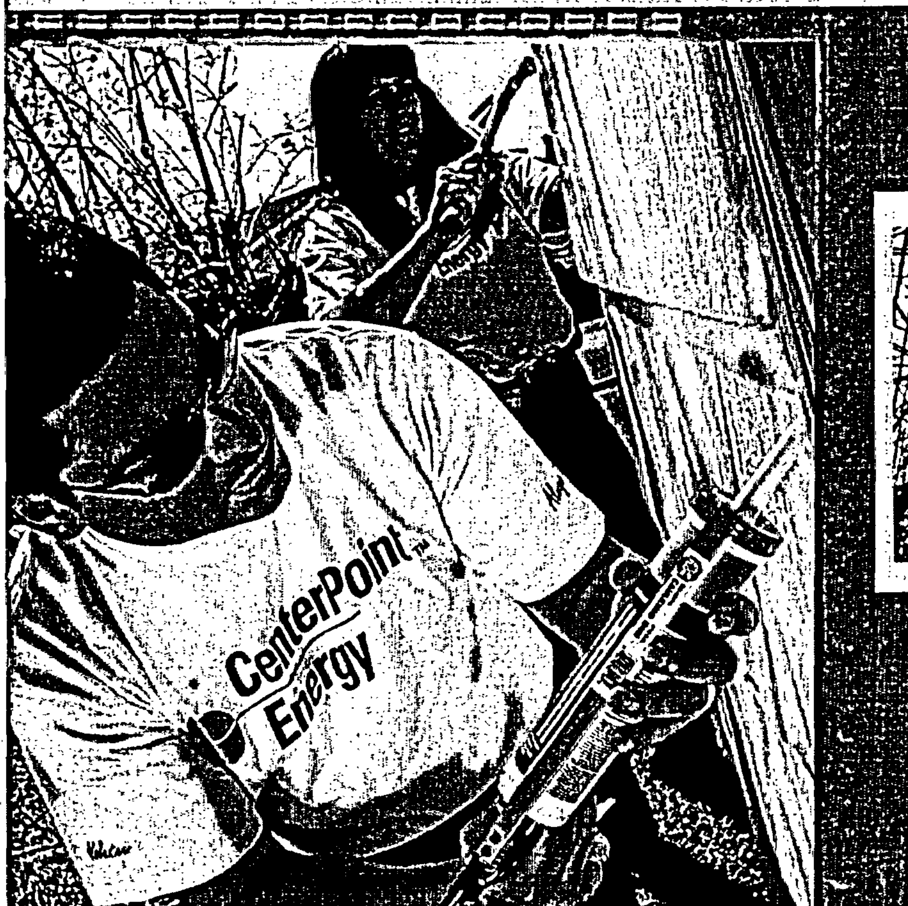
Dorothy Rodgers is a Measurement Analyst in Shreveport, La.

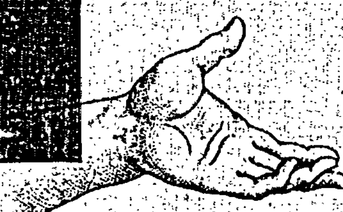
Dick Walker, Gathering Technician, works in Waskom, La.

Glenn Lea is a Construction & Maintenance Technician in New Braunfels, Texas.



CenterPoint Energy's employees are also committed to each other. As one generation of leaders prepares for retirement, it must transfer knowledge to help develop our leaders of tomorrow. Even after leaving their day-to-day employment at the company, our commitment to employees continues, as our retirement and savings plans show. In 2004, the company reaffirmed that commitment by contributing $476 million to the pension plan. In addition to benefiting both current and retired employees, this move added $350 million to shareholders' equity in 2004.





"It gives me great personal fulfillment to be involved in CenterPoint Energy's community outreach programs."

Adrian Moreno
CenterPoint Energy Volunteer

Clockwise from top left, Adrian Moreno, Service Consultant, and Donna Novak, Field Service Representative, repair a home in Houston; inset: Volunteers clear away debris during a "Trash Bash" clean-up near Galveston, Texas; and, at left, Janie Norton and Julie Beitler, Engineering Systems, help restore native plants at the Dakota Peak Shaving Station in Minnesota.

WE ROLL UP OUR SLEEVES TO HELP OUR NEIGHBORS IN THE MANY COMMUNITIES WE SERVE

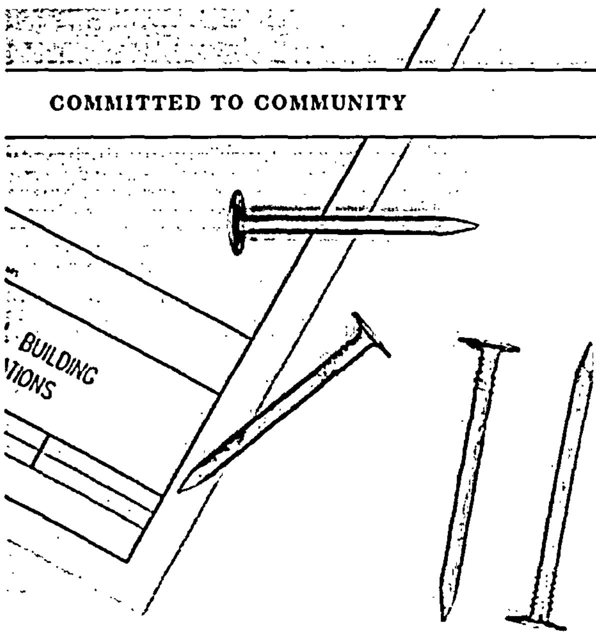
Respect for our communities is one of CenterPoint Energy's core values. Our employees take the initiative to make a difference in other people's lives through volunteer efforts, with a special focus on education and economic development.

Employee Giving – meeting community needs

CenterPoint Energy employees volunteered 95,508 hours in 2004 at corporate-sponsored walkathons, food and blood drives, fundraising events and independent initiatives. Based on a standard volunteer rate of $17.19 per hour, this represents $1.6 million in benefits to our communities. Our company and employees also made more than $2 million in direct cash contributions to support 85 United Way agencies across our service areas. Contributions by our Houston employees placed us among the top 10 givers in Houston. Also in the Houston area, the MS150 bicycle team had a record 100 plus riders and raised more than $65,000 for the fight against multiple sclerosis.

In Oklahoma, employees raised thousands of dollars for the American Cancer Society Relay for Life. In Batesville, Ark., employees participated in the Special Olympics Master's Fun Day. Employees from Alice and Kingsville, Texas, flipped 600 flapjacks at the Premont Lion's Club's 51st Annual Pancake Supper to help fund eye care and educational summer camps. In Brazoria County, Texas, employees held a holiday gift drive for disadvantaged children. In Minnesota, employees raised more than $6,000 for the Food Share program – enough to feed 318 families of four for a week by selling 6,000 flowers. Food Share purchases supplies in bulk, and every dollar raised buys eight pounds of food.

Jina Faith, valedictorian at Chavez High School gets pointers from Ben Carranza, Senior Engineer, H.O. Clarke Service Center in Houston.



Community Partnerships – building for tomorrow

We live, work, worship and play in the communities we serve. We partner with organizations to make the community a better place. We provide sponsorships, grants and assistance for education, economic development and family programs. We also support the use and development of minority and women-owned business enterprises, and in 2004, spending with these diverse suppliers was nearly 12 percent of our total qualified procurement dollars, excluding fuel and certain other expenses. Additionally, our economic development department worked with 16 companies to expand or relocate to our Houston service area, bringing 2,251 new jobs and adding $6 billion to the area's economy.

Our employees in Houston and Minnesota have partnered with Habitat for Humanity for 15 and 12 years, respectively, building homes for those in need. In June, more than 125 employees and retirees in Minnesota spent a week siding, insulating and building a home in Anoka. In Houston, we received the Texas Public Relations Association's Silver Spur Award for our partnership with the University of Houston in presenting the Power Tools for Nonprofits Conference. Over the past 11 years, this annual event has brought together more than 6,200 professionals from 2,600 nonprofit organizations to share strategies for managing political, social, economic and technological challenges for the improvement of life in our communities.

Supporting Education – helping young minds grow

CenterPoint Energy knows knowledge is power. In 2004, employees in our speaker's bureau made 574 speeches to a combined audience of 18,638 people. The Electric Universe and Energy Underground Web sites are popular resources for teachers and students. We sponsor or support education

Amanda Newsome, left, Employee Service Specialist, and Lena Clark, Project Manager, walked for the United Negro College Fund.

WE SUPPORT EDUCATIONAL AND ENVIRONMENTAL EFFORTS THROUGHOUT THE COMMUNITIES WHERE WE PROVIDE SERVICE

efforts such as the Houston Hispanic Forum's Career and Education Day, Junior Achievement and National Scholars Initiative. The Houston Independent School District recognized our 24-year partnership with the district by inducting CenterPoint Energy into the HISD Hall of Fame.

In Mississippi, the Ridgeland Chamber of Commerce recognized district manager Tina Lakey for her work with the Junior Diplomat program, which prepares future leaders. Stuart Mouton, a senior service technician in Abbeville, La., taught fourth graders that recognizing the odor of natural gas could save their lives.

CenterPoint Energy's sense of community stretches beyond our service territory. Our company and employees donated $135,000 to aid tsunami victims in southeast Asia. Our employees spent weeks away from home helping restore power to hurricane-ravaged Florida and Alabama. And the children of the Destino del Reino orphanage in Honduras will remember their CenterPoint Energy friends who built the power lines that brought them electricity.

Caring for the environment

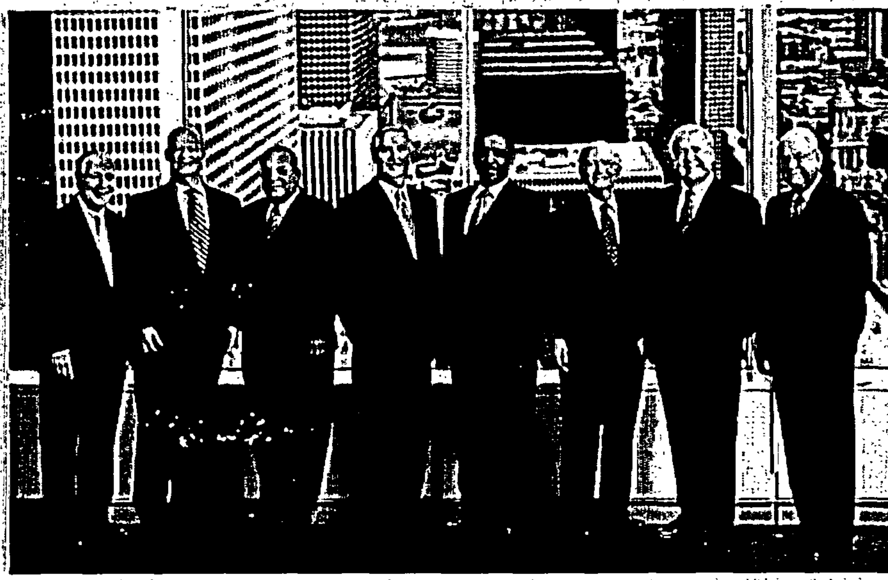
CenterPoint Energy cares about the environment in the communities where we live. Several organizations recognized us in 2004 for the work we have done to preserve our environment. In Minnesota, employees are helping restore indigenous species of plants at the Dakota Peak Shaving Station in the Minnesota River Valley.

"Trees make our communities more livable," wrote The National Arbor Day Foundation when it named CenterPoint Energy a Tree Line USA Utility in recognition of our "national leadership in caring for trees while meeting service objectives." Tree Line USA is sponsored in cooperation with the National Association of State Foresters.

CenterPoint Energy received the Mayor's Proud Partners award from Houston Mayor Bill White and the Keep Houston Beautiful program after our volunteers helped remove 11 tons of trash from a two-plus mile stretch of Galveston Bay shoreline.

The National Pollution Prevention Roundtable presented CenterPoint Energy's ENERGY STAR program a national award for helping prevent pollution through the construction of more energy efficient homes.

BOARD OF DIRECTORS



Left to Right: Michael E. Shannon, Robert T. O'Connell, O. Holcombe Crosswell, David M. McClanahan, Milton Carroll, John T. Cater, Thomas F. Madison and Derrill Cody.

Milton Carroll, 54, is Chairman of the Board. He is also Chairman and founder of Instrument Products, Inc., an oilfield equipment manufacturing company in Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1992. He is Chairman of the Governance Committee and also serves on the Compensation Committee.

John T. Cater, 69, is a private investor and former Chairman of Compass Bank – Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1983. He is the Chairman of the Compensation Committee and also serves on the Finance and Governance Committees.

Derrill Cody, 66, is presently of counsel to the law firm of McKinney & Stringer, P.C. in Oklahoma City, Okla. He is a former Executive Vice President of Texas Eastern Corporation and Chairman and Chief Executive Officer of Texas Eastern Gas Pipeline Company. He has been a CenterPoint Energy board member since 2003. He serves on the Audit, Compensation and Governance Committees.

O. Holcombe Crosswell, 64, is President of Griggs Corporation, a real estate and investment company in Houston. He has been a board member of CenterPoint Energy and its predecessor companies since 1997. He is Chairman of the Finance Committee and also serves on the Audit Committee.

Thomas F. Madison, 69, is President and Chief Executive Officer of MLM Partners, a small business consulting and investments company in Minneapolis, Minn. He is a former President of US West Communications – Markets and served as Vice Chairman of Minnesota Mutual Life Insurance Company. He has been a CenterPoint Energy board member since 2003. He serves on the Audit and Compensation Committees.

David M. McClanahan, 55, is President and Chief Executive Officer of CenterPoint Energy. He has been a member of the Board of Directors since 2002.

Michael E. Shannon, 68, is President of MEShannon & Associates, Inc., a corporate financial advisory services and investments company in Houston. He served as Chairman of the Board and Chief Administrative and Financial Officer of Ecolab, Inc., a Fortune 500 specialty chemical company. He has been a CenterPoint Energy board member since 2003. He is the Chairman of the Audit Committee and also serves on the Finance Committee.

Robert T. O'Connell, 66, is a business consultant focusing on financial, strategic and business development matters. He is a board member of Commonwealth Corporation and a member of the Boston Finance Commission, two Massachusetts public service entities. He previously served as a director of RWD Technologies, Inc.; as Senior Vice President and Chief Staff Officer of EMC Corporation; as Chief Financial Officer of General Motors Corporation and as Chairman of General Motors Acceptance Corporation. He has been a CenterPoint Energy board member since 2004 and serves on the Audit and Finance Committees.

OFFICERS

Left to Right: Dean Liollio, Preston Johnson, Georgianna Nichols, Gary Whitlock, Byron Kelley, David McClanahan, Tom Standish, Scott Rozzell, Gary Cerny and Wayne Stinnett.

Executive Committee

David M. McClanahan, 55
President
and Chief Executive Officer

Scott E. Rozzell, 56
Executive Vice President,
General Counsel
and Corporate Secretary

Gary L. Whitlock, 55
Executive Vice President
and Chief Financial Officer

Other Corporate Officers

James S. Brian, 57
Senior Vice President
and Chief Accounting Officer

Preston Johnson, Jr., 49
Senior Vice President
Human Resources and
Shared Services

Jeff W. Bonham, 42
Vice President
Government Relations

Brenda S. Cauthen, 43
Vice President
Audit Services

Walter L. Fitzgerald, 47
Vice President
and Controller

Carol R. Helliker, 44
Vice President,
Corporate Compliance Officer
and Associate General Counsel

Marc Kilbride, 52
Vice President
and Treasurer

Floyd J. LeBlanc, 45
Vice President
Corporate Communications

Joseph B. McGoldrick, 51
Vice President
Strategic Planning

Rufus S. Scott, 61
Vice President,
Deputy General Counsel
and Assistant Corporate Secretary

William J. Starr, 51
Vice President
Tax

Business Unit Leadership

Gary M. Cerny, 49
Division President
and Chief Operating Officer
CenterPoint Energy
Minnesota Gas

Byron R. Kelley, 57 *
Group President
and Chief Operating Officer
CenterPoint Energy Pipelines,
Pipeline Services and
Field Services

Constantine S. Liollio, 46
Division President
and Chief Operating Officer
CenterPoint Energy
Southern Gas Operations

Georgianna E. Nichols, 56
Division President
and Chief Operating Officer
CenterPoint Energy Houston Gas

Thomas R. Standish, 55 *
Group President and
Chief Operating Officer
CenterPoint Energy
Houston Electric &
Information Technology

Wayne D. Stinnett, 54
Division Senior Vice President
CenterPoint Energy Gas Services

* Also Corporate Officers (Senior Vice President)

The accompanying financial information regarding CenterPoint Energy and its subsidiaries should be read in conjunction with the company's consolidated financial statements as well as the management's discussion and analysis of financial condition and results of operations, which are presented in the company's 2004 Annual Report on Form 10-K.

Investors may request, without charge, the company's Annual Report on Form 10-K for the year ended Dec. 31, 2004, by writing or calling CenterPoint Energy Investor Services at 1-888-468-3020. Additional investor information can be found on the inside back cover of this report and on our Web site, www.CenterPointEnergy.com/investors.

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SELECTED FINANCIAL DATA

	Year Ended December 31,				
	2000	2001[1]	2002	2003[2]	2004[2]
	(In millions, except per share amounts)				
Revenues	$ 6,949	$ 7,148	$ 6,438	$ 7,790	$ 8,510
Income from continuing operations before extraordinary loss and cumulative effect of accounting change	52	357	482	409	205
Discontinued operations, net of tax	395	565	(4,402)	75	(133)
Extraordinary loss, net of tax	—	—	—	—	(977)
Cumulative effect of accounting change, net of tax	—	58	—	—	—
Net income (loss) attributable to common shareholders	$ 447	$ 980	$ (3,920)	$ 484	$ (905)
Basic earnings (loss) per common share:					
Income from continuing operations before extraordinary loss and cumulative effect of accounting change	$ 0.18	$ 1.23	$ 1.62	$ 1.35	$ 0.67
Discontinued operations, net of tax	1.39	1.95	(14.78)	0.24	(0.43)
Extraordinary loss, net of tax	—	—	—	—	(3.18)
Cumulative effect of accounting change, net of tax	—	0.20	—	—	—
Basic earnings (loss) per common share	$ 1.57	$ 3.38	$ (13.16)	$ 1.59	$ (2.94)
Diluted earnings (loss) per common share:					
Income from continuing operations before extraordinary loss and cumulative effect of accounting change	$ 0.18	$ 1.22	$ 1.61	$ 1.24	$ 0.61
Discontinued operations, net of tax	1.38	1.93	(14.69)	0.22	(0.37)
Extraordinary loss, net of tax	—	—	—	—	(2.72)
Cumulative effect of accounting change, net of tax	—	0.20	—	—	—
Diluted earnings (loss) per common share	$ 1.56	$ 3.35	$ (13.08)	$ 1.46	$ (2.48)
Cash dividends paid per common share	$ 1.50	$ 1.50	$ 1.07	$ 0.40	$ 0.40
Dividend payout ratio from continuing operations	833%	122%	66%	30%	60%
Return from continuing operations on average common equity	1.0%	5.8%	11.8%	25.7%	14.4%
Ratio of earnings from continuing operations to fixed charges	1.39	1.99	2.03	1.81	1.43

	2000	2001[1]	2002	2003[2]	2004[3]
	Year Ended December 31,				
	(In millions, except per share amounts)				
At year-end:					
Book value per common share	$ 19.10	$ 22.77	$ 4.74	$ 5.77	$ 3.59
Market price per common share	43.31	26.52	8.01	9.69	11.30
Market price as a percent of book value	227%	116%	169%	168%	315%
Assets of discontinued operations	$ 18,479	$ 16,840	$ 4,594	$ 4,244	$ 1,565
Total assets	35,936	32,020	20,635	21,461	18,162
Short-term borrowings	4,799	3,469	347	63	—
Long-term debt obligations, including current maturities	4,989	4,712	9,996	10,939	9,029
Trust preferred securities[4]	705	706	706	—	—
Cumulative preferred stock	10	—	—	—	—
Capitalization:					
Common stock equity	49%	55%	12%	14%	11%
Trust preferred securities	6%	6%	6%	—	—
Long-term debt, including current maturities	45%	39%	82%	86%	89%
Capital expenditures, excluding discontinued operations	$ 653	$ 802	$ 566	$ 497	$ 530

[1] 2001 net income includes the cumulative effect of an accounting change resulting from the adoption of SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" ($58 million after-tax gain, or $0.20 earnings per basic and diluted share). For additional information related to the cumulative effect of accounting change, please read Note 5 to our consolidated financial statements.

[2] 2003 net income includes the cumulative effect of an accounting change resulting from the adoption of SFAS No. 143, "Accounting for Asset Retirement Obligations" ($80 million after-tax gain, or $0.26 and $0.24 earnings per basic and diluted share, respectively), which is included in discontinued operations related to Texas Genco.

[3] 2004 net income includes an after-tax extraordinary loss of $977 million ($3.18 and $2.72 loss per basic and diluted share, respectively) based on our analysis of the Texas Utility Commission's deliberations in the 2004 True-Up Proceeding. Additionally, we recorded a net after-tax loss of approximately $133 million ($0.43 and $0.37 loss per basic and diluted share, respectively) in 2004 related to our interest in Texas Genco. For more information on these and other matters currently affecting us, please see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Executive Summary — Significant Events in 2005" in our 2004 Form 10-K.

[4] The subsidiary trusts that issued trust preferred securities have been deconsolidated as a result of the adoption of *FIN 46* "Consolidation of Variable Interest Entities, an Interpretation of Accounting Research Bulletin No. 51" (FIN 46) and the subordinated debentures issued to those trusts are now reported as long-term debt effective December 31, 2003. For additional information related to the adoption of FIN 46, please read *Note 2(n) to our consolidated financial statements.*

CONDENSED STATEMENTS OF CONSOLIDATED OPERATIONS

	Year Ended December 31, 2002	2003	2004
	(In thousands, except per share amounts)		
Revenues	$ 6,437,505	$ 7,789,681	$ 8,510,428
Expenses:			
Natural gas	2,953,871	4,297,914	5,524,451
Other operating expenses	1,586,283	1,670,783	1,632,540
Depreciation and amortization	457,608	465,571	489,642
Total	4,997,762	6,434,268	7,646,633
Operating Income	1,439,743	1,355,413	863,795
Other Income (Expense)	(685,534)	(741,578)	(519,774)
Income From Continuing Operations Before Income Taxes and Extraordinary Loss	754,209	613,835	344,021
Income Tax Expense	(272,246)	(205,064)	(138,306)
Income From Continuing Operations Before Extraordinary Loss	481,963	408,771	205,715
Discontinued Operations, net of tax	(4,402,197)	74,896	(133,083)
Income (Loss) Before Extraordinary Loss	(3,920,234)	483,667	72,632
Extraordinary Loss, net of tax	—	—	(977,336)
Net Income (Loss)	$ (3,920,234)	$ 483,667	$ (904,704)
Basic Earnings Per Share:			
Income from Continuing Operations	$ 1.62	$ 1.35	$ 0.67
Discontinued Operations, net of tax	(14.78)	0.24	(0.43)
Extraordinary Loss, net of tax	—	—	(3.18)
Net Income (Loss)	$ (13.16)	$ 1.59	$ (2.94)
Diluted Earnings Per Share:			
Income from Continuing Operations	$ 1.61	$ 1.24	$ 0.61
Discontinued Operations, net of tax	(14.69)	0.22	(0.37)
Extraordinary Loss, net of tax	—	—	(2.72)
Net Income (Loss)	$ (13.08)	$ 1.46	$ (2.48)

See Notes to the Consolidated Financial Statements in the Company's Form 10-K.

CONDENSED STATEMENTS OF CONSOLIDATED COMPREHENSIVE INCOME

	Year Ended December 31,		
	2002	2003	2004
	(In thousands of dollars)		
Net income (loss)	$(3,920,234)	$ 483,667	$ (904,704)
Other comprehensive income (loss), net of tax:			
Minimum pension liability adjustment	(414,254)	47,296	366,594
Other comprehensive income (loss) from continuing operations	(29,910)	30,988	(16,316)
Other comprehensive income (loss) from discontinued operations	161,176	680	(3,573)
Other comprehensive income (loss)	(282,988)	78,964	346,705
Comprehensive income (loss)	$(4,203,222)	$ 562,631	$ (557,999)

See Notes to the Consolidated Financial Statements in the Company's Form 10-K.

CONDENSED CONSOLIDATED BALANCE SHEETS

	December 31, 2003	December 31, 2004
	(In thousands)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 86,922	$ 164,645
Other current assets	1,967,944	2,158,111
Current assets of discontinued operations	301,765	513,768
Total current assets	2,356,631	2,836,524
Property, Plant and Equipment, net	8,084,924	8,186,393
Other Assets:		
Goodwill, net	1,740,510	1,740,510
Regulatory assets	4,930,793	3,349,944
Other non-current assets	405,936	997,428
Non-current assets of discontinued operations	3,942,296	1,051,158
Total other assets	11,019,535	7,139,040
Total Assets	$ 21,461,090	$ 18,161,957
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Short-term borrowings and current portion of long-term debt	$ 223,927	$ 1,835,988
Regulatory liabilities	186,239	225,158
Other current liabilities	1,794,936	2,677,080
Current liabilities of discontinued operations	332,125	448,974
Total current liabilities	2,537,227	5,187,200
Other Liabilities:		
Accumulated deferred income taxes and unamortized investment tax credits	2,292,263	2,468,833
Regulatory liabilities	1,358,030	1,081,370
Other non-current liabilities	1,278,646	705,643
Non-current liabilities of discontinued operations	1,277,760	420,393
Total other liabilities	6,206,699	4,676,239
Long-term Debt	10,777,934	7,193,016
Commitments and Contingencies		
Minority Interest in Discontinued Operations	178,673	—
Shareholders' Equity	1,760,557	1,105,502
Total Liabilities and Shareholders' Equity	$ 21,461,090	$ 18,161,957

See Notes to the Consolidated Financial Statements in the Company's Form 10-K.

CONDENSED STATEMENTS OF CONSOLIDATED CASH FLOWS

	Year Ended December 31,		
	2002	2003	2004
		(In thousands)	
Cash Flows from Operating Activities:			
Net income (loss)	$ (3,920,234)	$ 483,667	$ (904,704)
Discontinued operations, net of tax	4,402,197	(74,896)	133,083
Extraordinary loss, net of tax	—	—	977,336
Income from continuing operations	481,963	408,771	205,715
Adjustments to reconcile income from continuing operations to net cash provided by operating activities:			
Depreciation and amortization	570,443	606,209	582,096
Deferred income taxes and investment tax credit	341,552	501,318	257,407
Changes in net regulatory assets and liabilities	(1,062,130)	(772,604)	(519,830)
Changes in other assets and liabilities	123,392	(93,823)	(144,406)
Net Cash Provided By Operating Activities	455,220	649,871	380,982
Net Cash Provided By (Used In) Investing Activities	(513,301)	(504,429)	1,709,192
Net Cash Provided By (Used In) Financing Activities	722,763	(434,275)	(2,107,047)
Net Cash Provided By (Used In) Discontinued Operations	(378,586)	72,051	94,596
Net Increase (Decrease) in Cash and Cash Equivalents	286,096	(216,782)	77,723
Cash and Cash Equivalents at Beginning of Year	17,608	303,704	86,922
Cash and Cash Equivalents at End of Year	$ 303,704	$ 86,922	$ 164,645

See Notes to the Consolidated Financial Statements in the Company's Form 10-K.

CONDENSED STATEMENTS OF CONSOLIDATED SHAREHOLDERS' EQUITY

	2002		2003		2004	
	Shares	Amount	Shares	Amount	Shares	Amount
	(In thousands of dollars and shares)					
Common Stock, $0.01 par value; authorized 1,000,000,000 shares						
Balance, beginning of year	302,944	$ 3,029	305,017	$ 3,050	306,297	$ 3,063
Issuances related to benefit and investment plans	2,073	21	1,280	13	1,748	17
Balance, end of year	305,017	3,050	306,297	3,063	308,045	3,080
Additional Paid-in-Capital						
Balance, beginning of year	—	3,894,272	—	3,046,043	—	2,868,416
Issuances related to benefit and investment plans	—	11,866	—	(31,364)	—	22,919
Loss on issuance of subsidiaries' stock	—	(12,835)	—	—	—	—
Distribution of subsidiaries' stock	—	(847,200)	—	(146,263)	—	—
Other	—	(60)	—	—	—	—
Balance, end of year	—	3,046,043	—	2,868,416	—	2,891,335
Unearned ESOP stock						
Balance, beginning of year	(7,070)	(131,888)	(4,916)	(78,049)	(912)	(2,842)
Issuances related to benefit plan	2,154	53,839	4,004	75,207	912	2,842
Balance, end of year	(4,916)	(78,049)	(912)	(2,842)	—	—
Retained Earnings (Deficit)						
Balance, beginning of year		3,176,533		(1,062,083)		(700,033)
Net income (loss)		(3,920,234)		483,667		(904,704)
Common stock dividends		(318,382)		(121,617)		(122,834)
Balance, end of year		(1,062,083)		(700,033)		(1,727,571)
Accumulated Other Comprehensive Income (Loss)						
Balance, end of year:						
Minimum pension liability adjustment		(419,909)		(372,613)		(6,019)
Net deferred loss from cash flow hedges		(66,422)		(35,434)		(51,750)
Other comprehensive loss from discontinued operations		(680)		—		(3,573)
Total Accumulated Other Comprehensive Loss, end of year		(487,011)		(408,047)		(61,342)
Total Shareholders' Equity		$ 1,421,950		$1,760,557		$ 1,105,502

See Notes to the Consolidated Financial Statements in the Company's Form 10-K.

CenterPoint Energy

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Certifications

CenterPoint Energy has filed the CEO/CFO certifications required under Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 to its annual report on Form 10-K. In addition, following its annual meeting in 2004, CenterPoint Energy submitted its CEO certification to the New York Stock Exchange pursuant to Section 303A.12(a) of the NYSE's Listed Company's Manual.

CENTERPOINT ENERGY INVESTOR INFORMATION

Annual Meeting
The CenterPoint Energy, Inc. Board of Directors announced that the Annual Meeting of Shareholders will be held on Thursday, June 2, 2005, at 9 a.m. CDT in the CenterPoint Energy Tower auditorium, 1111 Louisiana Street, Houston, Texas. Shareholders who hold shares of CenterPoint Energy as of April 4, 2005, will receive notice of the meeting and be eligible to vote.

Investor Services
If you have questions about your CenterPoint Energy investor account, or if you would like to order any publications, please contact:

In Houston: (713) 207-3060
Toll Free: (800) 231-6406
Fax: (713) 207-3169

A list of publications and investor services may be found on the company's Web site at: www.CenterPointEnergy.com/investors.

Investor Services representatives are available from 8 a.m. to 4:30 p.m. Central time, Monday through Friday to help you with questions about CenterPoint Energy common stock, CenterPoint Energy Houston Electric first mortgage bonds and enrollment in the CenterPoint Energy Investor's Choice Plan. You also can enroll in Investor's Choice online at: www.netstockdirect.com.

The Investor's Choice Plan provides easy, inexpensive options, including direct purchase and sale of CenterPoint Energy common stock; dividend reinvestment; statement-based accounting and monthly or quarterly automatic investing by electronic transfer. You can become a registered CenterPoint Energy shareholder by making an initial investment of at least $250 through Investor's Choice.

CenterPoint Energy Investor Services serves as transfer agent, registrar and dividend and interest disbursing agent for CenterPoint Energy common stock and CenterPoint Energy Houston Electric first mortgage bonds.

Information Requests
Call (888) 468-3020 toll-free for additional copies of:
2004 Annual Report
2005 Proxy Statement
2004 Form 10-K

Dividend Payments
Common stock dividends are generally paid quarterly in March, June, September and December. Dividends are subject to declaration by the Board of Directors, which establishes the amount of each quarterly common stock dividend and fixes record and payment dates.

Institutional Investors
Security analysts and other investment professionals should contact Marianne Paulsen, Director of Investor Relations at (713) 207-6500.

Stock Listing
CenterPoint Energy, Inc. common stock is traded under the symbol CNP on the New York and Chicago stock exchanges.

Independent Registered Public Accounting Firm
Deloitte & Touche LLP, Houston, Texas

Corporate Office, Street Address
CenterPoint Energy, Inc.
1111 Louisiana Street
Houston, Texas 77002

Mailing Address
P.O. Box 4567
Houston, Texas 77210-4567

Telephone: (713) 207-1111

Web Address: www.CenterPointEnergy.com

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1111 Louisiana Street, Houston, TX 77002

South Texas Project Electric Generating Station and South Texas Project Nuclear Operating Company

Special Purpose Project Statements
Years Ended December 31, 2004 and 2003 and
Independent Auditors' Report

SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION AND STP NUCLEAR OPERATING COMPANY

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Deloitte.

Deloitte & Touche LLP
Suite 2300
333 Clay Street
Houston, TX 77002-4196
USA

Tel: +1 713 982 2000
Fax: +1 713 982 2001
www.deloitte.com

INDEPENDENT AUDITORS' REPORT

Texas Genco, L.P., the City of San Antonio (acting through the City Public Service Board), AEP Texas Central Company, and the City of Austin (acting through Austin Energy) (collectively, the "Participants")

We have audited the following special purpose project statements as of or for the years ended December 31, 2004 and 2003 for South Texas Project Electric Generating Station ("STPEGS"), South Texas Project Nuclear Operating Company ("STPNOC") and combined STPEGS and STPNOC, collectively, the "special purpose project statements":

STPEGS and STPNOC Combined Statements of Owners' Assets as of December 31, 2004 and 2003,

STPEGS and STPNOC Combined Balance Sheets as of December 31, 2004 and 2003,

STPEGS and STPNOC Combined Statements of Expenses and Miscellaneous Income (Deductions) for the years ended December 31, 2004 and 2003,

STPEGS and STPNOC Combined Statements of Selected Cash Flows for the years ended December 31, 2004 and 2003, and

STPEGS AND STPNOC Combined Statements of Owners' Liabilities as of December 31, 2004 and 2003.

These accompanying special purpose project statements are the responsibility of STPNOC's management. Our responsibility is to express an opinion on these special purpose project statements based on our audits.

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 special purpose project statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the special purpose project statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall special purpose project statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described in Note 1, these special purpose project statements were prepared for the purpose of complying with the requirements of Paragraph 9.3.4 of the Amended and Restated South Texas Project Participation Agreement ("Participation Agreement") dated November 17, 1997, and are not intended to be a presentation in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such special purpose project statements described in the first paragraph above present fairly, in all material respects, the combined STPEGS and STPNOC project statement information on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Participants and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

March 21, 2005

SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION AND STP NUCLEAR OPERATING COMPANY

COMBINED STATEMENTS OF OWNERS' ASSETS
DECEMBER 31, 2004 AND 2003

Account Number	ASSETS	2004	2003
101	Electric plant in-service	$ 5,920,809,171	$ 5,914,331,864
107	Construction work-in-progress	1,201,435	1,471,457
108	Accumulated provision for depreciation of electric plant in-service	59,711,785	56,995,973
120.1	Nuclear fuel in process	30,247,911	30,695,532
120.2	Nuclear fuel in stock	409,825	409,825
120.3	Nuclear fuel assemblies	218,093,010	213,958,129
120.4	Spent nuclear fuel	845,787,792	808,995,212
120.5	Accumulated provision for amortization of nuclear fuel	(982,194,220)	(922,282,293)
131	Cash	58,974	96,253
135	Working funds	1,223	5,815
143	Other accounts receivable	131,356	632,398
154	Materials and supplies	92,409,274	89,184,244
163	Stores expense undistributed	909,052	
165	Prepayments	3,711,478	2,778,841
184	Clearing accounts		
186.2	Other work-in-progress	30,245	22,553
186.4	Enrichment decommissioning and decontamination receivable from owners	21,879,701	21,698,519
186.5	Accumulated provision for amortization of enrichment decommissioning and decontamination	(15,457,449)	(13,167,380)
186.6	Pension intangible asset	3,515,738	3,991,151
	Total owners' assets	6,201,256,301	6,209,818,093
	Contra asset summary	(6,201,256,301)	(6,209,818,093)
	TOTAL	$ -	$ -

The accompanying notes are an integral part of these special purpose project statements.

SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION AND STP NUCLEAR OPERATING COMPANY

COMBINED BALANCE SHEETS
DECEMBER 31, 2004 AND 2003

Account Number	ASSETS	2004	2003
146	Total receivables from owners	$ 93,337,255	$100,333,508
	TOTAL	$ 93,337,255	$100,333,508
	LIABILITIES		
	CURRENT AND ACCRUED LIABILITIES:		
228.2	Injuries and damages reserve	$ 749,084	$ 775,581
232	Accounts payable	6,243,024	7,485,447
232	Accrued liabilities	7,505,976	12,194,654
232	Accrued payroll and related expenses	819,402	1,614,410
236	Accrued payroll taxes	520,280	624,833
242	Accrued spent fuel disposal fee	5,339,666	5,267,125
242	Other miscellaneous liabilities		
242	Incentive compensation and benefits accruals—current	11,353,610	9,363,857
242	Enrichment decommissioning and decontamination liability—current	2,335,364	2,274,970
253	Other deferred credits	7,454,309	6,483,621
	Total current and accrued liabilities	42,320,715	46,084,498
	OTHER LIABILITIES:		
228.3	Other postretirement benefit liability	25,021,424	21,208,050
228.3	Postemployment benefit liability	615,821	430,074
228.3	Pension liability	23,043,931	28,060,945
228.4	Enrichment decommissioning and decontamination liability—noncurrent	2,335,364	4,549,941
	Total other liabilities	51,016,540	54,249,010
	TOTAL	$ 93,337,255	$100,333,508

The accompanying notes are an integral part of these special purpose project statements.

SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION AND STP NUCLEAR OPERATING COMPANY

COMBINED STATEMENTS OF EXPENSES AND MISCELLANEOUS INCOME (DEDUCTIONS) YEARS ENDED DECEMBER 31, 2004 AND 2003

Account Number		2004	2003
	Miscellaneous Income (Deductions)		
421	Miscellaneous nonoperating income	$ 9,364	$ 9,311
426	Other income (deductions)	(80,813)	(68,437)
	Total miscellaneous income (deductions)	(71,449)	(59,126)
	Production Expenses		
	OPERATIONS:		
517	Supervision and engineering	34,659,144	33,098,541
519	Coolants and water	4,511,770	4,445,120
520	Steam expenses	3,820,903	3,818,334
523	Electric expenses	18,917,567	17,815,274
524	Miscellaneous nuclear power expenses	40,298,224	37,664,066
525	Rent		181
	Total operations expenses	102,207,608	96,841,516
	MAINTENANCE:		
528	Supervision and engineering	22,033,737	21,068,696
529	Structures	8,416,649	7,278,593
530	Reactor plant equipment	30,076,563	46,510,274
531	Electric plant	13,727,796	19,727,051
532	Miscellaneous nuclear plant	3,301,199	3,421,608
	Total maintenance expenses	77,555,944	98,006,222
	FUEL:		
518.101/201	Nuclear fuel amortization	59,911,928	45,604,518
518.103/203	Nuclear fuel disposal fees	20,369,888	14,736,438
518.104/204	Amortization of enrichment decommissioning and decontamination	2,290,069	2,238,928
518.105/205	Nuclear fuel credits		
	Total fuel expenses	82,571,885	62,579,884
	Total production expenses	$ 262,335,437	$ 257,427,622

The accompanying notes are an integral part of these special purpose project statements.

(Continued)

SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION AND STP NUCLEAR OPERATING COMPANY

COMBINED STATEMENTS OF EXPENSES AND MISCELLANEOUS INCOME (DEDUCTIONS) YEARS ENDED DECEMBER 31, 2004 AND 2003

Account Number		2004	2003
	ADMINISTRATIVE AND GENERAL EXPENSES		
920	Administrative and general salaries	$ 12,307,942	$ 12,415,007
921	Office supplies and expenses	1,934,364	2,368,273
923	Outside services employed	5,236,989	3,596,851
924	Nuclear property insurance	2,265,754	1,548,668
925	Injuries and damages	1,589,395	1,636,444
926	Employee pensions and other benefits	36,594,945	29,719,632
930	Miscellaneous general expenses	3,948,370	3,747,241
935	Maintenance of general plant	4,156,524	5,060,583
408	Taxes other than income taxes	7,450,835	7,495,435
	Total administrative and general expenses	75,485,118	67,588,134
	Total operating expenses	337,820,555	325,015,756
	Total expenses and miscellaneous (income) deductions	337,892,004	325,074,882
457	Allocation to owners	$(337,892,004)	$(325,074,882)
	NET INCOME	$ -	$ -

The accompanying notes are an integral part of these special purpose project statements.

(Concluded)

SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION AND STP NUCLEAR OPERATING COMPANY

COMBINED STATEMENTS OF SELECTED CASH FLOWS YEARS ENDED DECEMBER 31, 2004 AND 2003

	2004	2003
CASH FLOWS USED IN OPERATING ACTIVITIES:		
Expenses and miscellaneous income (deductions)	$ (337,892,004)	$ (325,074,882)
Adjustments to reconcile net expenses and miscellaneous income (deductions) to net cash used in operating activities:		
Amortization of enrichment decommissioning and decontamination assessment	2,290,069	2,238,928
Amortization of nuclear fuel	59,911,928	45,604,518
Change in inventory—nuclear fuel	(40,479,841)	(39,072,968)
Change in inventory—materials and supplies	(3,225,030)	(2,371,351)
Change in other accounts receivable	(10,930,423)	(578,172)
Change in prepayments	(932,637)	809,591
Change in undistributed stores expense	(909,052)	1,612,523
Change in enrichment decommissioning and decontamination assessment	(181,182)	(192,227)
Change in other assets	472,313	830,477
Change in accounts payable and accrued liabilities	(5,931,101)	(19,667,216)
Change in accrued payroll and related expenses	(899,561)	(832,772)
Change in enrichment decommissioning and decontamination—current	60,394	48,056
Change in enrichment decommissioning and decontamination—noncurrent	(2,214,576)	(2,130,800)
Change in incentive compensation accrued	2,960,441	4,918,730
Change in injuries and damages reserve	(26,498)	(27,605)
Change in accrued spent fuel disposal fee	72,541	2,607,805
Change in other miscellaneous accrued liabilities		(375,000)
Change in postemployment benefits liability	185,747	(103,326)
Change in pension liability	(6,356,469)	7,223,146
Change in other postretirement benefits liability	3,813,374	3,016,685
Change in owners receivables due to additional minimum pension liability	(1,814,868)	(3,979,274)
Change in additional minimum pension liability	1,339,455	4,285,361
Change in net expenses due to energy credit funding	290,511	
Total adjustments	(2,504,465)	3,865,109
Net cash used in operating activities	(340,396,469)	(321,209,773)
CASH FLOWS FROM INVESTING ACTIVITIES—Capital expenditures	(8,923,097)	(5,383,518)
CASH FLOWS FROM FINANCING ACTIVITIES—Cash funding from owners	349,282,287	326,629,274
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(37,279)	35,983
CASH AND CASH EQUIVALENTS—Beginning of year	96,253	60,270
CASH AND CASH EQUIVALENTS—End of year	$ 58,974	$ 96,253

The accompanying notes are an integral part of these special purpose project statements.

(Continued)

SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION AND STP NUCLEAR OPERATING COMPANY

COMBINED STATEMENTS OF SELECTED CASH FLOWS
YEARS ENDED DECEMBER 31, 2004 AND 2003

	Texas Genco, L.P.	City of San Antonio	AEP Texas Central Company	City of Austin	Total
December 31, 2004					
Cash funding from owners:					
Operations	$101,363,213	$92,052,666	$82,906,047	$52,663,014	$328,984,940
Spent fuel disposal fee	6,255,298	5,668,339	5,118,880	3,254,830	20,297,347
TOTAL	$107,618,511	$97,721,005	$88,024,927	$55,917,844	$349,282,287
December 31, 2003					
Cash funding from owners:					
Operations	$ 96,875,886	$88,037,529	$79,262,089	$50,325,136	$314,500,640
Spent fuel disposal fee	3,694,111	3,402,558	3,070,454	1,961,511	12,128,634
TOTAL	$100,569,997	$91,440,087	$82,332,543	$52,286,647	$326,629,274

The accompanying notes are an integral part of these special purpose project statements.

(Concluded)

SOUTH TEXAS PROJECT ELECTRIC GENERATING STATION AND STP NUCLEAR OPERATING COMPANY

COMBINED STATEMENTS OF OWNERS' LIABILITIES
YEARS ENDED DECEMBER 31, 2004 AND 2003

	Texas Genco, L.P.	City of San Antonio	AEP Texas Central Company	City of Austin	Total
December 31, 2004					
South Texas Project Electric Generating Station:					
Accrued spent fuel disposal fee	$ 1,644,260	$ 1,498,266	$ 1,345,302	$ 851,838	$ 5,339,666
Enrichment decommisioning and decontamination liability	1,438,584	1,307,804	1,177,024	747,317	4,670,729
Accounts payable	4,234,692	3,849,720	3,464,748	2,199,840	13,749,000
Other liabilities	230,718	209,743	188,769	119,854	749,084
STP Nuclear Operating Company:					
Incentive compensation and benefit accruals	5,792,839	5,266,217	4,739,595	3,009,267	18,807,918
Other liabilities	15,406,424	14,005,841	12,605,256	8,003,337	50,020,858
Adjustment for Austin and CPSB funding	4,804	(5,559)	3,931	(3,176)	-
Total owners' liabilities	$ 28,752,321	$ 26,132,032	$ 23,524,625	$ 14,928,277	$ 93,337,255
December 31, 2003					
South Texas Project Electric Generating Station:					
Accrued spent fuel disposal fee	$ 1,624,955	$ 1,464,233	$ 1,329,555	$ 848,382	$ 5,267,125
Enrichment decommisioning and decontamination liability	2,102,073	1,910,975	1,719,877	1,091,986	6,824,911
Accounts payable	6,061,471	5,510,428	4,959,386	3,148,816	19,680,101
Other liabilities	238,879	217,163	195,447	124,093	775,582
STP Nuclear Operating Company:					
Incentive compensation and benefit accruals	4,881,023	4,437,294	3,993,564	2,535,596	15,847,477
Other liabilities	15,997,000	14,542,727	13,088,455	8,310,130	51,938,312
Adjustment for CPSB funding	32,268	(75,432)	26,401	16,763	-
Total owners' liabilities	$ 30,937,669	$ 28,007,388	$ 25,312,685	$ 16,075,766	$ 100,333,508

The accompanying notes are an integral part of these special purpose project statements.

1. THE PROJECT AND ITS SIGNIFICANT ACCOUNTING POLICIES

The South Texas Project Electric Generating Station ("STPEGS") consists of two 1,250-megawatt nuclear steam electric generating units and all interests in property, facilities and structures used therewith or related thereto on or adjacent to the South Texas Project ("STP") site, a parcel of land in Matagorda County, Texas, consisting of approximately 12,200 acres.

The Amended and Restated South Texas Project Participation, Operating and Transition Agreements ("Agreements"), dated November 17, 1997, provide for the licensing, construction, operation and maintenance of the jointly owned and operated electric generation facilities of STPEGS. The Participants are: Texas Genco, L.P., a successor in ownership to Reliant Energy, Incorporated, ("Texas Genco") and a wholly-owned subsidiary of CenterPoint Energy; the City of San Antonio, acting through the City Public Service Board of San Antonio ("CPSB"); AEP Texas Central Company ("AEP"); and the City of Austin, acting through Austin Energy ("Austin") (collectively, the "Participants"). Ownership percentages are 30.8%, 28.0%, 25.2% and 16.0% for Texas Genco, CPSB, AEP and Austin, respectively.

Effective October 1, 1997, the Participants formed an operating company, STP Nuclear Operating Company ("STPNOC"), which performs all responsibilities previously performed by the predecessor to Texas Genco, as project manager. STPNOC is considered a not-for-profit entity for taxation purposes and all operating expenses are incurred on behalf of STPEGS and are fully reimbursed by the Participants. As of December 31, 2004 and 2003, and for the years then ended, STPNOC was the project manager for all aspects of STPEGS except for the construction, operation and maintenance of power and transmission lines, for which AEP is responsible, and switchyard maintenance, for which Texas Genco is responsible. Procurement of nuclear fuel (other than fabrication) is the responsibility of the owners.

In 2004, AEP announced that they had entered into an agreement with Cameco, to sell their ownership share in STPEGS. However, CPSB and Texas Genco have elected to exercise their right of first refusal as specified in the Agreements, and acquire AEP's ownership interest. It is anticipated that the transfer of AEP's ownership interest will be completed in 2005. CenterPoint Energy has signed an agreement to sell its ownership interest in Texas Genco to Texas Genco LLC. This transaction is expected to be completed in 2005.

Basis of Accounting and Account Classifications—The accounting records of STPEGS and STPNOC, collectively "the Project" are maintained on the accrual basis of accounting, as required by the Project's Conduct of Accounting Policy, and are in compliance with generally accepted accounting principles in the United States of America except for, but not limited to, project financing, ad valorem taxes, sales and use tax, depreciation, and decommissioning expense which are not considered in the records of the Project or in these special purpose project statements.

The accounting records are also maintained and the accompanying amounts are classified in accordance with the Agreements and with the Federal Energy Regulatory Commission's "Uniform System of Accounts Prescribed for Public Utilities and Licensees," as adopted by the Public Utility Commission of Texas ("PUCT").

The financial statements have been modified effective December 2002 to reflect both STPEGS and STPNOC financial information. Labor related liabilities were previously broken out in a separate STPNOC balance sheet due to the affiliate transaction rules of the PUCT. However, subsequent to deregulation of the electric generation industry in the state of Texas, there is no longer a reason to show them separately. Instead, all liabilities (labor and non-labor related) are now presented in one financial statement.

Use of Estimates—Preparation of these special purpose project statements in conformity with the Agreements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and reported amounts of expenses during the period. Actual results could differ from these estimates.

Electric Plant In-Service—Electric plant in-service is stated at the original cost of construction which includes the cost of contracted services, direct labor, materials and overhead items. Additions to electric plant in-service, betterments to existing property and replacements of units of property are capitalized at cost. Maintenance repairs and minor replacement costs are charged to operating expense when incurred.

Construction Work-in-Progress—Construction work-in-progress includes capital modifications or additions to electric plant in-service. Expenditures are accumulated and classified through work orders. As work orders are completed and the asset is placed in-service, the related costs are transferred to electric plant in-service.

Accumulated Provision for Depreciation of Electric Plant In-Service—Upon retirement, the historical cost of the asset removed from service, net of salvage value plus the cost to retire, is accumulated through work orders and transferred from electric plant in-service to accumulated provision for depreciation of electric plant in-service on the Statements of Owners' Assets. The historical cost of the asset is the unitized value which is based on allocated construction costs determined principally from engineering estimates. At December 31, 2004 and 2003, this account includes warranty credits received from equipment vendors. STPEGS accounts for these credits as salvage value received prior to the retirement of warranty equipment.

Nuclear Fuel—Nuclear fuel includes nuclear fuel materials as well as refinement, conversion, enrichment and fabrication costs incurred to produce nuclear fuel assemblies. Nuclear fuel assemblies are amortized using a units-of-production method whereby an amortization rate is derived by dividing the unamortized value of an assembly by the calculated remaining million British Thermal Units ("MMBTUs") for such assembly. Amortization expense is then computed from measurements of MMBTUs produced by each fuel assembly, multiplied by the previously determined amortization rate.

Materials and Supplies—Materials and supplies are carried at the lower of average cost or net realizable value. During the years ended December 31, 2004 and 2003, STPEGS wrote off $195,000 and $317,000, respectively, of excess and obsolete materials and supplies as a result of the Project's ongoing assessment of its inventory.

Enrichment Decommissioning and Decontamination Assessment and Liability—As of December 31, 2004, STPEGS has two years remaining for payment of a Department of Energy Enrichment Decommissioning and Decontamination Assessment. STPEGS accounts for the remaining amount as a liability and a receivable from the Participants. Included in the receivable (account 186.4) amount is an asset for the prepayment of nine months of Enrichment Decommissioning and Decontamination Assessment.

Operating Costs—Under the provisions of the Agreements, costs incurred to operate STPEGS are shared by the Participants in the same proportion as their respective ownership percentages in the generating unit and common facilities, except for the spent fuel disposal fee which is shared based on each participants portion of electricity generated and sold.

Federal Income Tax Status—No provision for federal income taxes has been recorded in the accompanying project statements as each Participant is responsible for the reporting and payment of such taxes. STPNOC has filed a corporate tax return for 2003 which indicates that it has no taxable income. A similar tax filing requirement exists for 2004.

2. PENSION PLANS AND OTHER POSTRETIREMENT BENEFITS

STPNOC has a noncontributory defined benefit pension plan covering most employees. This plan provides benefits that are based on years of service and the employee's highest paid consecutive 36 months during the last 120 months before termination of employment. The assets in the plan at December 31, 2004 and 2003 were invested in various equity and fixed income securities. For the 2003 plan year, a contribution of approximately $12.1 million was made in September 2004. For the 2004 plan year contributions of $3.0 million were made. No further contributions are required for the 2004 plan year.

Employees whose pension benefits exceed the $205,000 Employee Retirement Income Security Act limitations are covered by a supplementary nonqualified, unfunded pension plan which is being provided for by charges to STPEGS's expense sufficient to meet the projected benefit obligations. The accruals for the cost of this plan are based on substantially the same actuarial methods and economics as the noncontributory defined benefit pension plan.

STPNOC has a defined benefit postretirement plan that provides medical, dental and life insurance benefits for substantially all retirees and eligible dependents. STPNOC retains the right to change or terminate these benefits. The cost of these benefits is recognized in the financial statements during an employee's active working career with STPNOC. STP has a trust to partially meet the obligations of the plan.

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Change in benefit obligation:				
Benefit obligation—beginning of period	$ 113,605,579	$ 91,796,456	$ 50,706,188	$ 39,272,037
Service cost	5,968,054	4,907,173	3,814,000	2,914,518
Interest cost	7,039,311	6,132,465	2,928,000	2,578,149
Amendments		721,889		
Actuarial loss	6,445,575	11,907,596	4,450,341	8,509,771
Benefits paid	(1,900,000)	(1,860,000)	(3,128,538)	(2,568,287)
Benefit obligation—end of period	131,158,519	113,605,579	58,769,991	50,706,188
Change in plan assets:				
Fair value of plan assets—beginning of period	68,081,151	59,622,815	9,865,446	9,145,039
Actual return on plan assets	8,737,456	10,318,336	400,129	1,219,748
Employer contributions	15,070,286		2,614,626	2,068,946
Benefits paid	(1,900,000)	(1,860,000)	(3,128,538)	(2,568,287)
Fair value of plan assets—end of period	89,988,893	68,081,151	9,751,663	9,865,446
Funded status—end of period	(41,169,626)	(45,524,428)	(49,018,328)	(40,840,742)
Unrecognized net actuarial loss	29,727,071	27,249,992	25,754,278	21,622,066
Unrecognized prior service cost	3,515,738	3,991,151	(2,298,634)	(2,585,634)
Unrecognized transition obligation			541,260	596,260
Additional minimum pension liability	(15,117,114)	(13,777,660)		
Accrued benefit cost	$ (23,043,931)	$ (28,060,945)	$ (25,021,424)	$ (21,208,050)
Weighted-average assumptions:				
Discount rate	6.00%	6.25%	6.00%	6.25%
Expected return on plan assets	8.50%	9.00%	8.50%	9.00%
Rate of compensation increase	3.00%	3.00%	3.00%	3.00%

	Pension Benefits		Other Benefits	
	2004	2003	2004	2003
Components of net periodic benefit cost:				
Service cost	$ 5,968,054	$ 4,907,173	$ 3,814,000	$2,914,518
Interest cost	7,039,311	6,132,465	2,928,000	2,578,149
Expected return on plan assets	(6,175,106)	(5,280,992)	(890,000)	(813,579)
Amortization of prior service cost	475,413	415,802	(287,000)	(287,293)
Amortization of transition (asset) obligation			55,000	55,209
Recognized net actuarial (gain) loss	1,406,145	1,048,698	808,000	638,627
Net periodic benefit cost	$ 8,713,817	$ 7,223,146	$ 6,428,000	$5,085,631

Actuarial estimates for STPNOC's postretirement benefit plan assumed a weighted average annual rate of increase in the per capita costs of covered health care benefits of 11.50% for 2004 trending down to 4.50% for 2010 and beyond. Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one-percentage-point change in assumed health care trend rates would have the following effects:

	2004	2003
One-percentage-point increase:		
Effect on total of service and interest cost components	$ 1,096,881	$ 912,425
Effect on postretirement benefit obligation	8,209,705	6,381,042
One-percentage-point decrease:		
Effect on total of service and interest cost components	(936,279)	(745,921)
Effect on postretirement benefit obligation	(6,814,884)	(5,327,177)

	Target Allocation 2005	Percentage of Plan Assets at September 30 2004	2003
1. Plan Assets			
Retirement Plan			
a. Equity Securities	55%	47.4%	58.5%
b. Debt Securities	35%	43.1%	30.5%
c. Other	10%	9.5%	11.0%
d. Total	100%	100%	100%
OPEB Plan			
a. Equity Securities	50%	52%	52%
b. Debt Securities	50%	48%	48%
c. Other	0%	0%	0%
d. Total	100%	100%	100%

2. EXPLANATION OF LONG TERM RATE OF RETURN ASSUMPTION

The target asset allocation percentages shown above for the pension and postretirement benefit Trust Funds are consistent with the Funds' overall investment strategies and objectives, which are to preserve the capital of the Funds and maximize investment earnings in excess of inflation, while maintaining an acceptable level of volatility. These objectives are expected to be achieved through investment strategies which manage liquidity retirements while observing the critical need to maintain a long term horizon in making investment decisions, and ensuring efficient and effective management of the portfolios. The investment strategies are designed to achieve targeted real rates of return in excess of inflation over this planning horizon. The overall expected long-term rate of return on assets assumptions reflect historical Trust Fund investment returns, as well as future return expectations, consistent with the Funds' investment strategies and objectives.

Cash Flows
Retirement Plan

1. Expected contributions for fiscal year ending 12/31/2005	
a. Expected employer contributions	$ -
b. Expected employee contributions	$ -
2. Estimated future benefit payments reflecting expected future service for the fiscal year(s) ending	
a. 12/31/2005	$ 2,535,435
b. 12/31/2006	2,713,728
c. 12/31/2007	2,936,820
d. 12/31/2008	3,258,172
e. 12/31/2009	3,652,811
f. 12/31/2010 - 12/31/2014	28,848,732

Other Accounting Items

	Fiscal Year Ending	
	12/31/2004	12/31/2003
Amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties	$ -	$ -
Alternative amortization methods used to amortize		
Prior service cost	Straight Line	Straight Line
Unrecognized net (gain) or loss	Straight Line with 10% corridor	Straight Line with 10% corridor
Employer commitments to make future plan amendments (that serve as the basis for the employer's accounting for the plan)	None	None
Description of special or contractual termination benefits recognized during the period	N/A	N/A
Cost of benefits described above	N/A	N/A
Explanation of any significant change in benefit obligation or plan assets not otherwise apparent in the above disclosures	N/A	N/A
Measurement date used	9/30/2004	9/30/2003

Cash Flows

OPEB Plan

1. Expected employer contributions for fiscal year ending 12/31/2005 $ 2,069,278

2. Estimated future benefit payments reflecting expected future service for the fiscal year(s) ending

	Gross Benefit*	Rx Drug Subsidy	Net Benefit
a. 12/31/2005	$ 2,476,000	$ -	$ 2,476,000
b. 12/31/2006	2,864,000	49,000	2,815,000
c. 12/31/2007	3,281,000	82,000	3,199,000
d. 12/31/2008	3,675,000	110,000	3,565,000
e. 12/31/2009	4,057,000	145,000	3,912,000
f. 12/31/2010 - 12/31/2014	26,853,000	1,401,000	25,452,000

* Includes Prescription Drug Benefits.

Other Accounting Items

	Fiscal Year Ending	
	12/31/2004	12/31/2003
Market related value of assets	Fair Value	Fair value
Amount of future annual benefits of plan participants covered by insurance contracts issued by the employer or related parties	$ -	$ -
Alternative amortization methods used to amortize		
Prior service cost	Straight Line	Straight Line
Unrecognized net (gain) or loss	Straight Line with 10% corridor	Straight Line with 10% corri
Employer commitments to make future plan amendments (that serve as the basis for the employer's accounting for the plan)	None	None
Description of special or contractual termination benefits recognized during the period	N/A	N/A
Cost of benefits described above	N/A	N/A
Explanation of any significant change in benefit obligation or plan assets not otherwise apparent in the above disclosures	N/A	N/A
Measurement date used	9/30/2004	9/30/2003

STPNOC has a contributory savings plan for substantially all employees. STPNOC contributes 70% of an employee's contribution up to 6% of an employee's salary. Expenses recognized for contributions during 2004 and 2003 were approximately $3,967,000 and $3,933,000, respectively.

STPNOC has deferred compensation programs and supplemental retirement plans with certain key individuals. These additional benefits are non-funded. As of December 31, 2004 and 2003, accrued liabilities associated with these additional benefits were approximately $6,609,000 and $5,769,000, respectively.

3. SEVERANCE

In September 2004, STPNOC announced an involuntary severance plan which impacted approximately 60 individuals. This plan offered benefits in accordance with a previously announced STPNOC policy. These benefits generally gave 2 weeks pay for every year of service, along with certain employee benefits being subsidized at active employee rates for six months. Outplacement assistance was also generally made available. Termination benefit costs of $2.8 million were recorded as operating expense in 2004 with $2.4 million of payments made during the year ended December 31, 2004.

4. COMMITMENTS, CONTINGENCIES AND OTHER

The Project is a party to various claims and lawsuits resulting from normal construction and operating activities. While the ultimate outcome is not currently determinable, project management believes that any future costs associated with these actions will be immaterial to these statements.

The Participants maintain nuclear property and nuclear liability insurance coverage as required by law and periodically review available limits and coverage for additional protection. There can be no assurance that all potential losses or liabilities will be insurable or that the amount of insurance will be sufficient to cover them. Any losses not covered by insurance would be borne by the Participants.

5. SUPPLEMENTAL DISCLOSURES TO THE COMBINED STATEMENT OF SELECTED CASH FLOWS

Noncash investing activities included in the statement of cash flows were approximately $0 and $690,000 for the years ended December 31, 2004 and 2003, respectively. These items represent capital retirements (net of salvage) and other noncash items related to the plant.

6. SUPPLEMENTAL DISCLOSURE TO THE COMBINED STATEMENT OF OWNERS' LIABILITIES

On December 31, 2004 and 2003 CPSB had over funded its ownership interest by $9,926 and $104,761, respectively, due to estimated funding, and on December 31, 2004 Austin had over funded its ownership interest by $5,672. A corresponding reduction from their January 2004 and 2005 payment reduced this over funding. Adjustments were made to the owners' liabilities to reflect the actual receivable by owner.

7. NEW ACCOUNTING PRONOUNCEMENTS

On May 19, 2004, the FASB issued FASB Staff Position ("FSP") 106-2 *Accounting and Disclosure Requirements Related to the Medicare Prescription Drug Improvement and Modernization Act of 2003*. In September 2004, the Company recognized the impact of this legislation and elected to recognize the impact retroactive to April 1, 2004. The impact on the second quarter for the retroactive application of FSP 106-2 was a decrease in pension and employee benefits expense for approximately $192,000.

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