City of San Antonio, Texas

Comprehensive Annual Financial Report

Fiscal Year Ended September 30, 2012

CITY OF SAN ANTONIO, TEXAS

Comprehensive Annual Financial Report
Year-Ended September 30, 2012

Incorporated December 14, 1837
Charter Adopted October 2, 1951
Council – Manager Form of Government

Prepared by:
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INTRODUCTORY SECTION

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Year-Ended September 30, 2012

Letter of Transmittal

CITY OF SAN ANTONIO
P O BOX 839966
SAN ANTONIO, TEXAS 78283-3966

February 28, 2013

To the Honorable Mayor, City Council and City Manager:

It is my pleasure to present the City of San Antonio's (City) Comprehensive Annual Financial Report (CAFR) for the fiscal year-ended September 30, 2012. These financial statements were prepared by the City's Finance Department and audited by the public accounting firm of Padgett Stratemann & Co., LLP. As reflected in the Independent Auditors' Report, the City's financial statements are presented fairly in all material respects in accordance with U.S. generally accepted accounting principles. Responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the management of the City.

The Management Discussion and Analysis, (MD&A) beginning on page 1, provides a narrative introduction, overview, and analysis of the basic financial statements. This transmittal letter complements the MD&A and should be read in conjunction with it.

CITY PROFILE

The City provides a vast array of municipal services. The full range of services provided to its constituents includes ongoing programs to provide health, welfare, art, cultural, and recreational services; maintenance and construction of streets and drainage; public safety through police and fire protection; and urban redevelopment and housing. The City also considers the promotion of convention and tourism and participation in economic development programs as high priorities. The funding sources from which these services are provided include ad valorem, sales and use, and hotel occupancy tax receipts; revenue payments from the City's municipally-owned utilities; grants; user fees; bond proceeds; tax increment financing; and other sources.

The City has twenty-nine legally separate entities that are considered part of the City's operations and therefore included in its annual financial statements. Seventeen of these entities are blended component units of the City, while the other twelve entities are discretely presented. Based on the size and significance of four component units (City Public Service Energy, San Antonio Water Systems, Fire and Police Pension Fund and Fire and Police Retiree Healthcare Fund), the City has additionally included excerpts of these entities' footnotes within the CAFR. For additional details on each of these twenty-nine entities and the basis for their respective presentation in our financial report, please refer to the Financial Section, entitled, Summary of Significant Accounting Policies.

The City is a home rule city that was incorporated in 1837 and chartered in 1951. The City Charter provides for a Council-Manager form of government, subject only to the limitations imposed by the Texas Constitution and the City Charter, all powers of the City are vested in an elective Council (the "City Council") which enacts legislation, adopts budgets and determines policy. The City Council is comprised of 11 members, with ten members elected from single-member districts, and the Mayor elected at-large. The term of the office of the Mayor or a member of the City Council is four full two-year terms. The City Council also appoints a City Manager who executes the laws and administers the government of the City, and serves as the City's Chief Administrative Officer. The Mayor and City Council set policy direction and the City Manager implements those policies in an efficient and effective manner. The City Manager serves at the pleasure of the City Council.

CITY PROFILE (Continued)

The City is located in South Central Texas, approximately 75 miles south of the state capital of Austin and serves as the county seat for Bexar County. San Antonians enjoy first-rate medical services, a convenient and efficient airport, an excellent highway system, mild weather, and superb recreation choices, including: championship golf courses, theme parks, historical attractions, museums, professional sporting attractions and a lively performing arts environment. As of September 30, 2012, the City's geographic area was approximately 467 square miles. The United States Census Bureau cites the City as the second most populated city in the State of Texas with 1,359,758 citizens and is ranked as the seventh most populated city in the country.

Major employers in and around the San Antonio area include the Department of Defense through Joint Base San Antonio (Lackland, Fort Sam & Randolph), United Services Automobile Association, H.E. Butt Grocery Stores, City of San Antonio, Northside, North East and San Antonio Independent School Districts, Methodist Health Care System, Baptist Health Systems and University of Texas Health Science.

ECONOMIC CONDITIONS AND OUTLOOK

As a community, San Antonio has positioned itself for long-term growth and prosperity by successfully following a strategy to diversify its economy and improve quality of life for all citizens. The economic strategy resulting from SA2020 emerges as the City's roadmap to become a leader in job creation by maintaining growth in traditional industry sectors while specifically targeting job growth in the following sectors: Healthcare and Biosciences, Information Technology and Information Security, Aerospace, and the New Energy economy. The City's SA2020 goals will be pursued through the next decade by utilizing San Antonio's unique assets, including its historical and cultural heritage, formidable local institutions (e.g. military bases, universities, medical center), and natural resources such as the Eagle Ford Shale formation in South Texas.

In addition to charting our course for continued economic prosperity, SA2020 also focuses on ongoing infrastructure improvements, neighborhood revitalization and workforce development initiatives, as well as downtown development. In February 2010, the City passed the Inner-City Reinvestment Infill Policy (ICRIP) to further support balanced and sustainable development throughout San Antonio's inner-city and southern sectors, which include Port San Antonio and Brooks City-Base. Both government and citizens are actively committed to increasing the caliber of educational and economic opportunities, expanding arts and leisure choices, revitalizing older neighborhoods, and planning for overall growth in the City. The City's cultural and geographic proximity to Mexico provides favorable conditions for international business relations. Also enhancing San Antonio's business appeal is the high quality of life the City offers and a cost-of-living that is below the national average. In addition to the favorable economic climate, excellent weather conditions year round help encourage and enhance the operation of many of San Antonio's most important industries.

Economic indicators tell the story of a resilient 2012 for San Antonio exemplifying the comparative stability of the local economy as it outperformed comparable cities impacted by the national recession. The Brookings Metropolitan Policy Program issues the quarterly series, *MetroMonitor*, which provides an understanding of how the current economic recession has 'affected America's metropolitan economies'. According to the quarterly research performed by the Brookings Institution, San Antonio is ranked 26 out of 100 largest metropolitan areas (metros) in its overall recovery performance since the Great Recession of 2008.

The Brookings *MetroMonitor* measures overall metropolitan performance as an aggregate of four measures: percent employment change, percent unemployment rate change, percent Gross Metropolitan Product (GMP) change and percent change in Housing Price Index (HPI). The December 2012 report, which examined data throughout the 3rd quarter of calendar year 2012, showed San Antonio in the top 20 (strongest performers) in increased output (ranked 19th).

ECONOMIC CONDITIONS AND OUTLOOK (Continued)

San Antonio was among the top cities that suffered a less-severe decline in overall employment. From San Antonio's pre-recession peak employment quarter to the 3rd quarter of 2012, San Antonio ranked 29th among the top 100 metros with a change of 4.1%.

San Antonio's seasonally adjusted unemployment rate for the 3rd quarter of calendar year 2012 was 6.4%, compared to the national rate of 7.8%. All metros experienced a rise in unemployment rates through the onset of the recession. However, San Antonio's unemployment rate continues to remain lower than the national rate since the Great Recession.

In addition to employment and unemployment data, GMP is a valuable measure of the total value of goods and services produced within a metro area. When measuring the percentage change in GMP from San Antonio's recession peak quarter to the 3rd quarter of 2012, San Antonio ranked 19th with an increase of 10.3%.

The national housing bubble that occurred in 2008 had little impact on San Antonio's housing market. In fact, the San Antonio housing market finished the 2012 year strong with a total of 19,940 homes sold, a 10% increase from the number of homes sold in 2011, according to the December 2012 Multiple Listing Service report by the San Antonio Board of REALTORS® (SABOR). The average sales price for December 2012 for single-family residential homes registered at $192,789 (a 4% increase from December 2011), while the month's median price was $160,200 (a 5% increase from December 2011).

San Antonio's resilient economy was fueled by several targeted industry projects in fiscal year 2012. The City utilized a combination of tax abatements, grant and loan agreements, equity investments, impact fee waivers, and nominations for State project designations that assisted in enticing businesses to move to or remain in San Antonio. In an effort to revitalize downtown and Central City neighborhoods and support economic development opportunities across the City, $4 million was provided in economic development incentive funds to retain, expand and attract job creating businesses in fiscal year 2012. The City additionally budgeted $3 million to support economic development projects and stimulate development targeted towards neighborhoods in the downtown area.

MAJOR INITIATIVES

In May 2012, voters overwhelmingly approved the largest bond program in San Antonio history for $596 million. The 2012-2017 Bond Program Project includes 140 projects including streets, bridges, sidewalks, drainage and flood control, parks, recreation and open space, library, museum and cultural arts facilities, and public safety facilities. This bond program complements the 2007 voter approved $550 million Bond Program, providing over $1 billion in investments to the City's capital infrastructure.

In September 2012, the City Council approved a $304 million contract to design and build an expansion to the Henry B. Gonzalez Convention Center, the largest single city construction project in history. The expansion will take the City's convention center from the 23rd largest to the eighth largest in the country. The expansion project is set to be completed by 2016.

Through the City's SA2020 goals, the City Council established the San Antonio Early Childhood Education Municipal Development Corporation (Pre-K 4 SA) to utilize revenue generated by an increased 1/8th-cent sales tax approved by local voters in November 2012, and state and federal dollars, for the purpose of early childhood development and education services to be implemented through full-day pre-kindergarten (Pre-K) classes for eligible four-year-olds in San Antonio. The sales tax will go into effect on April 1, 2013.

MAJOR INITIATIVES (Continued)

The program aims to improve the educational trajectory of 22,400 four-year-old children over eight years while benefitting thousands more by training area school teachers, teacher's aides, community Pre-K providers and education leaders.

The goals of Pre-K 4 SA include improving quality and quantity of Pre-K childhood education for four-year-olds citywide; achievement gaps reduced by at least 25% in Language, 33% in Math, and 90% in literacy when compared to kindergarten students who did not attend Pre-K 4 SA; by 3rd grade, students participating in the program should have closed the achievement gap by at least 10% on the STAAR reading and math assessments; 20% to 40% reduction in special education placement and grade retention; and to provide robust professional development for Pre-K through third-grade educators.

There will be a total of four Education Excellence Centers (Centers) strategically located in easily accessible locations in San Antonio—two Centers will open in the first program year (August 2013) and two additional Centers will open in the program's 2nd year (August 2014). Each Center will initially serve 350 students annually and build up to full annual enrollment of 500 children while maintaining a student to teacher ratio of two (2) teaching professionals per twenty (20) children, far lower than what is commonly found in most Pre-K classrooms throughout the City. Children in the Centers will benefit from master teachers and a curriculum to be developed on established best practices in early childhood education.

In addition to directly educating 2,000 four-year-old children per year, the Centers also will provide Professional Development and training to teachers, teacher aides, community Pre-K providers and education leaders throughout San Antonio. This professional development will include both summer in-service training and the opportunity to shadow master teachers in the Center classrooms during the school year. These programming opportunities are intended to increase the quality of Pre-K education throughout the City and to maintain the expected gains the children achieve by supporting teachers and educators from Pre-K through third grade.

Workshops will also be offered to provide parents and community providers training and advice on how to best help the children in their care. Additionally, the Centers will schedule fairs and other events to make available existing social service programs.

FINANCIAL INFORMATION

The management of the City is responsible for establishing a system of internal controls that are designed to provide reasonable assurance that assets are protected from loss, theft, or misuse. The City's accounting system supports the internal controls and procedures, which provide reliable financial records for preparing financial statements in conformity with U.S. generally accepted accounting principles. The internal control structure provides reasonable assurance that the City's assets are safeguarded as well as the reliability of financial records for preparing financial statements. The concept of reasonable assurance first recognizes that the cost of a control should not exceed the benefits likely to be derived. Secondarily, the evaluation of costs and benefits require estimates and judgments by management.

Budgetary compliance is a significant tool for managing and controlling governmental activities, as well as ensuring conformance with the City's budgetary limits and specifications. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. Levels of budgetary control, that is the levels at which expenditures cannot legally exceed appropriated amounts, are established by department within individual funds. The City utilizes an encumbrance system of accounting as one mechanism to accomplish effective budgetary control. Encumbered amounts lapse at year-end and are generally appropriated as part of the following year's budget. Another budgetary control is the monthly revenue and expenditure report detailing budget and actual balances with variances that are generated and reviewed by the Office of Management and Budget, Finance and the City Manager's Office. Each quarter, the Office of Management and Budget and Finance meet with department representatives to assess departments' expenditures based on actual to date and projected expenditures for the remainder of the fiscal year. These projected expenditures are compared against the legally adopted budget for analysis and recommendations to the City Manager's Office, and finally presented to City Council. During the mid-year budget assessments, an additional step is added to the review process related to formal adjustment recommendations to Council for adoption to modify the original budget. At fiscal year-end, as part of the annual review and close-out process, City Council will be provided information and recommendations to again approve desired budget adjustments and carryforwards for the next fiscal year.

The City further implemented available budget controls within its system of record for capital projects and grants. The system warns when cumulative expenditures are within 75.0% of total budget. The system will not allow the processing of non-payroll transactions in excess of the budget.

Each year the City prepares a five-year financial forecast (Forecast) prior to the adoption of the annual operating budget. The Forecast is a financial and budgetary planning tool that provides a current and long-range assessment of financial conditions and costs for City services. The Forecast includes the identification of service delivery policy issues that will be encountered in the next five years and that will have a fiscal impact upon the City's program of services. The Forecast also examines the local and national economic conditions that have an impact on the City's economy and ultimately, its budget. The Forecast serves as a foundation for development of the proposed budget by projecting revenues and anticipated expenditures under a defined set of assumptions. The Forecast enables the City Council and staff to identify financial issues in sufficient time to develop a proactive strategy in order to address emerging strategic issues.

After obtaining the priorities of City Council, as well as conducting reviews of each City department, the proposed City budget is presented to City Council. The proposed budget represents the City staff's professional recommendation on how to utilize revenues and expenditures in order to achieve a balanced budget, while optimizing City service deliveries. Part of the recommendations presented to City Council for fiscal year 2012 included results from efficiency initiatives that the City incorporated into its budget proposal. The Office of Management and Budget Innovation and Reform team completed major City-wide efficiency initiatives in fiscal year 2011 that were able to be incorporated into fiscal year 2012's budget. The efficiency initiatives focused on operational efficiencies; technology improvements; department consolidations; facility consolidations; and shared services. These initiatives resulted in a total estimated net cost savings of $6.9 million across all funds in fiscal year 2012 ($6.3 million of those savings in the General Fund). Over the past five years the City has implemented approximately $67 million in General Fund reductions and reduced over 1,000 civilian positions with no layoffs, while adding 471 uniform positions. The City continues its commitment to efficient and prioritized service delivery by leveraging operational improvements and investments in technology; and will continue to utilize the Innovation and Reform team to perform efficiency initiatives across the City to assist in finding new areas of improvements to leverage.

The annual budget serves as the foundation for the City of San Antonio's financial planning and control. The development of the City's Annual Budget begins in May, when all departments of the City are required to submit potential reductions and additional appropriation requests to the Office of Management and Budget. During this period, the Office of Management and Budget reviews Department's base budget, potential reductions and additional appropriation requests with each department and Executive Leadership Team member to develop budget recommendations for the City Manager's consideration. After obtaining the priorities of the community and City Council and conducting reviews of department's budget with the City Manager, the City Manager presents the proposed budget to the City Council for review in early August.

FINANCIAL INFORMATION (Continued)

During City Council review, several budget work sessions are held to review the proposed service program details included in the proposed budget. Additionally, the City is required to hold at least one public hearing on the proposed budget during the period of its consideration. City Council must adopt a final budget each year no later than September 27. The appropriated budget is prepared by fund (General Fund) and department (e.g., Fire Department).

The legal level of budgetary control is approved by City Council at the individual fund and departmental level. Expenditures by department and major category (personnel, non-personnel, and capital outlay) are further defined in the budget document. The City Manager may revise the approved department expenditure allotments during the fiscal year but in no event shall the aggregate departmental expenditure allotment exceed the appropriation available to the department unless approved by City Council.

The City Council may at any time transfer any unencumbered appropriation balance or any portion thereof within a department office or agency to another upon written recommendation by the City Manager.

As a means of managing the City's financial standing, the City established and maintains a budgeted financial reserve within the General Fund. The financial reserve provides budgetary flexibility for unexpected events, financial emergencies, and the usual fluctuation in revenue-expenditure patterns. Over the course of the past ten years, the City has increased its financial reserves from 3.85% of total appropriations to 9.0% of total appropriations since fiscal year 2009, with 2012's financial reserve amount totaling $85.3 million. The use of these funds are authorized only after an analysis has been prepared by the City Manager and presented to the City Council that outlines the cost associated with the use of the financial reserve fund.

The City utilizes a comprehensive debt management financial planning program, which is updated annually and is a major component of the City's financial planning. The model projects financing needs, measuring and assessing the cost and timing of each debt issuance. It involves comprehensive financial analysis, which utilizes computer modeling, and incorporates variables such as interest rate sensitivity, assessed value changes, annexations, and current ad valorem tax collection rates. Use of this financial management tool has assisted the City in meeting its financing needs by facilitating timely and thorough planning, which has allowed the City to capitalize on market opportunities.

AWARDS

In 2012, San Antonio was named an All-American City by the National Civic League. The City of San Antonio maintains a strong financial position with a "AAA" general obligation bond rating for the third year in a row from all three major rating agencies. The Milken Institute has ranked San Antonio No. 1 on its Best-Performing Cities List.

The Kauffman Foundation recognized San Antonio with an A+ rating for small business and *Forbes* named San Antonio one of the happiest cities for young professionals.

The City's 2012 Community Survey findings by the Office of Customer Service/311 call center, ranked the 311 call center as number one in customer satisfaction in comparison to cities of a comparable size.

San Antonio was named a "Top 50 city for cyclists" by *Bicycling Magazine*, thanks to the efforts by the Office of Sustainability which strives to improve air quality.

AWARDS (Continued)

The Comptroller of Public Accounts has awarded the City with a "Gold" Circle Award for the City's transparency efforts in the Texas Comptroller Leadership Circle program. The Gold level highlights those entities that set the bar with their transparency. This is the third year, the City has received this award.

The Office of Management and Budget received the Annual Distinguished Budget Award from the Government Finance Officers Association, recognizing outstanding achievement in preparation of the 2012 Operating and Capital Budget for the 29th consecutive year.

The Office of Management and Budget additional received a Performance Measurement Certificate of Excellence Award and was recognized for superior performance management efforts with a Certificate of Excellence from the International City/County Management Association (ICMA). San Antonio is one of 26 jurisdictions receiving this highest level of recognition this year. According to the ICMA, "Jurisdictions meeting the qualifications have demonstrated leadership in continuous improvement and community engagement, and they serve as examples for other governments to follow."

An Achievement of Excellence in Procurement (AEP) award was given to the Purchasing Division for the 15th consecutive year in recognition of organizational excellence in public procurement.

CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING

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 CAFR for the fiscal year-ended September 30, 2011. This was the 36th consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report satisfies both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

INDEPENDENT AUDITS

State statutes and the City's Charter require that an annual audit by an independent certified public accountant be conducted. The City selected the accounting firm Padgett Stratemann & Co., LLP. In addition to meeting the requirements set forth in State statutes and the City's Charter, the audit was also designed to meet the requirements of the Single Audit Act Amendments of 1996, OMB Circular A-133, *Audit of State and Local Government and Nonprofit Organizations* and *State of Texas Single Audit Circular*. The Independent Auditors' Report on the basic financial statements, Management's Discussion and Analysis (MD&A) (required supplementary information), required disclosures, and schedules are included in the Financial Section of this CAFR. The Independent Auditors' Report, along with other required reports and schedules mandated by the Single Audit Act Amendments of 1996, and OMB Circular A-133, and the *State of Texas Single Audit Circular* are in a separate document. This report can be viewed on the City's webpage, under Budget & Financial information.

ACKNOWLEDGEMENTS

The preparation of this report could not have been accomplished without the dedicated services of the entire staff of the Controller's Office of the Finance Department. Other departments and offices of the City have also contributed directly or indirectly to the preparation of this report: Financial Management; the Office of Management and Budget; and other financial staff throughout the City. I would like to express my appreciation to all who assisted in this effort.

We acknowledge the thorough, professional, and timely manner in which our independent auditor, Padgett Stratemann & Co., LLP conducted the audit.

In closing, please accept my sincere gratitude to the Mayor and City Council, City Manager, Deputy City Managers, Assistant City Managers, and their staff, for their continued support.

Respectfully submitted,

Ben Gorzell Jr., CPA
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of San Antonio
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2011

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.

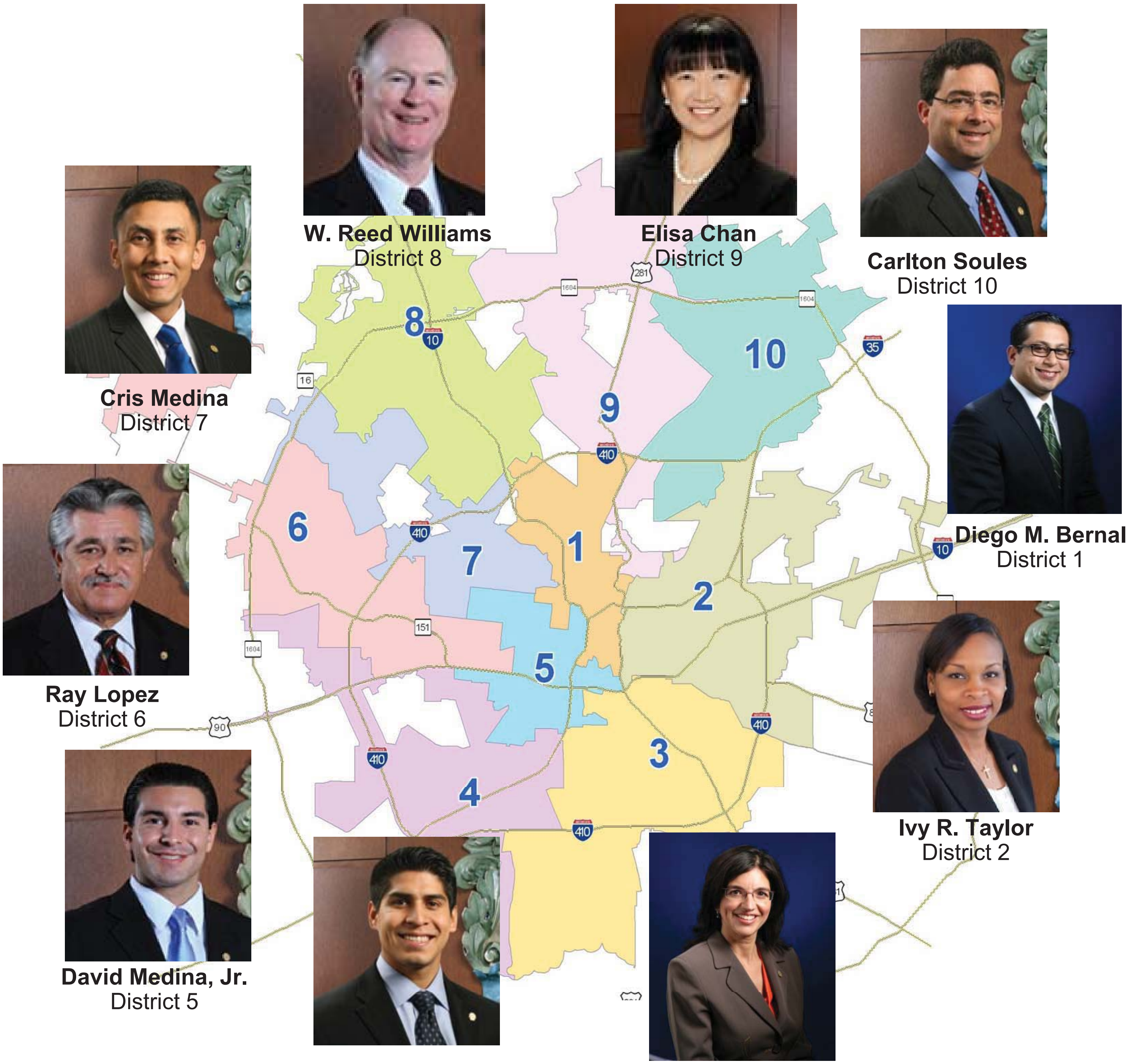
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Christopher P Morrill
President

Jeffrey R. Emer
Executive Director

City of San Antonio Mayor and City Council

Julián Castro
Mayor



W. Reed Williams
District 8

Elisa Chan
District 9

Carlton Soules
District 10

Cris Medina
District 7

Diego M. Bernal
District 1

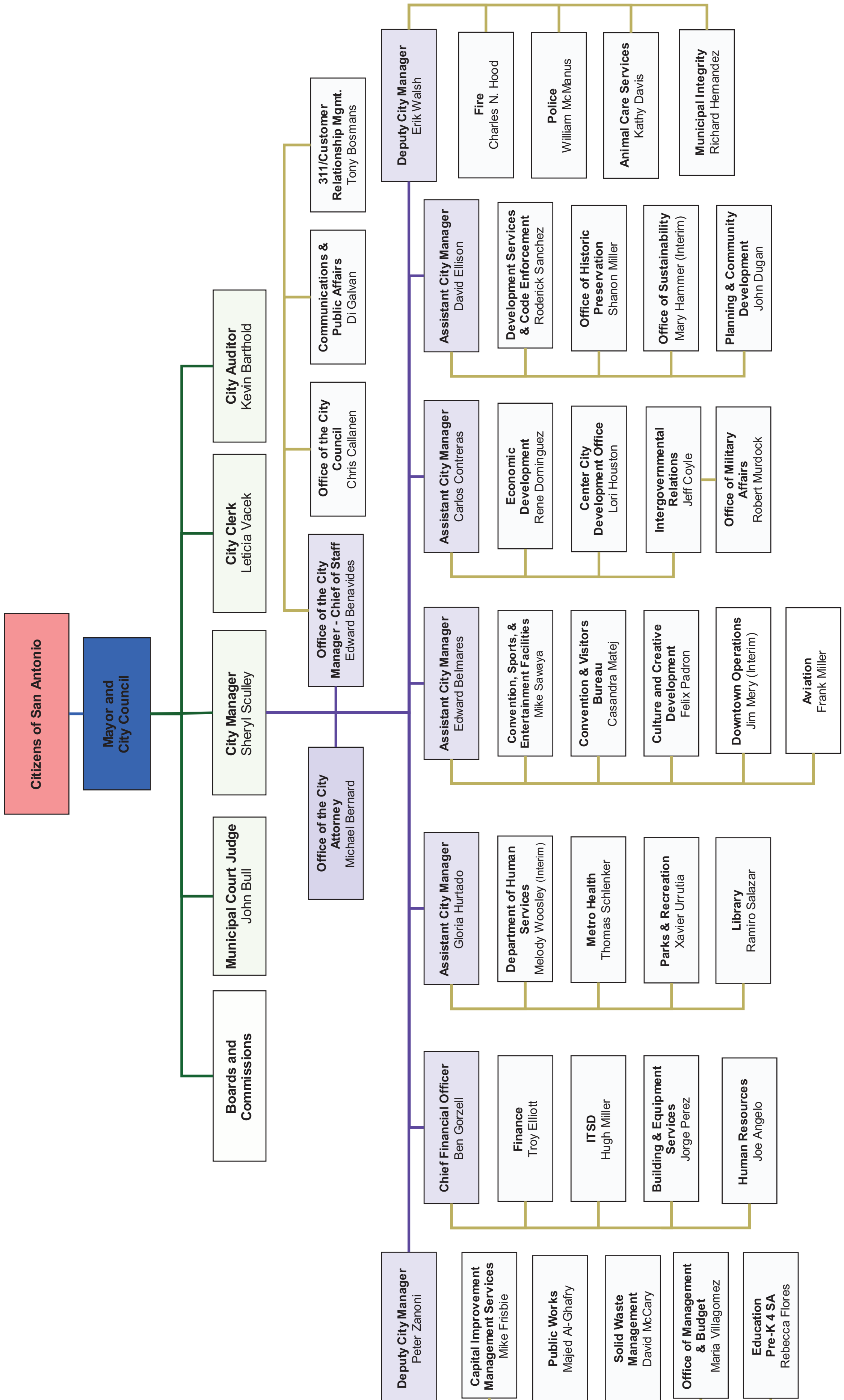
Ray Lopez
District 6

Ivy R. Taylor
District 2

David Medina, Jr.
District 5

Rey Saldaña
District 4

Leticia Ozuna
District 3


Citizens of San Antonio
Mayor and City Council
Boards and Commissions
Municipal Court Judge
John Bull
City Manager
Sheryl Sculley
City Clerk
Leticia Vacek
City Auditor
Kevin Barthold
Office of the City Attorney
Michael Bernard
Office of the City Manager - Chief of Staff
Edward Benavides
Office of the City Council
Chris Callanen
Communications & Public Affairs
Di Galvan
311/Customer Relationship Mgmt.
Tony Bosmans
Deputy City Manager
Peter Zanoni
Capital Improvement Management Services
Mike Frisbie
Public Works
Majed Al-Ghafry
Solid Waste Management
David McCary
Office of Management & Budget
Maria Villagomez
Education Pre-K 4 SA
Rebecca Flores
Chief Financial Officer
Ben Gorzell
Finance
Troy Elliott
ITSD
Hugh Miller
Building & Equipment Services
Jorge Perez
Human Resources
Joe Angelo
Assistant City Manager
Gloria Hurtado
Department of Human Services
Melody Woosley (Interim)
Metro Health
Thomas Schlenker
Parks & Recreation
Xavier Urrutia
Library
Ramiro Salazar
Assistant City Manager
Edward Belmares
Convention, Sports, & Entertainment Facilities
Mike Sawaya
Convention & Visitors Bureau
Casandra Matej
Culture and Creative Development
Felix Padron
Downtown Operations
Jim Mery (Interim)
Aviation
Frank Miller
Assistant City Manager
Carlos Contreras
Economic Development
Rene Dominguez
Center City Development Office
Lori Houston
Intergovernmental Relations
Jeff Coyle
Office of Military Affairs
Robert Murdock
Assistant City Manager
David Ellison
Development Services & Code Enforcement
Roderick Sanchez
Office of Historic Preservation
Shanon Miller
Office of Sustainability
Mary Hammer (Interim)
Planning & Community Development
John Dugan
Deputy City Manager
Erik Walsh
Fire
Charles N. Hood
Police
William McManus
Animal Care Services
Kathy Davis
Municipal Integrity
Richard Hernandez

Financial Section

Independent Auditors' Report

PS&Co. Padgett Stratemann

Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
City of San Antonio, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of San Antonio, Texas (the "City") as of and for the year ended September 30, 2012, which collectively comprise the City's basic financial statements, as listed in the 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 did not audit the financial statements of San Antonio Fire and Police Pension Fund, San Antonio Fire and Police Retiree Health Care Fund, San Antonio Housing Trust Finance Corporation, HemisFair Park Area Redevelopment Corporation, and the San Antonio Housing Trust Public Facility Corporation, blended component units, which represent 74%, 81%, and 35%, respectively, of the assets, net assets/fund balances, and revenues/additions, of the aggregate remaining fund information. We also did not audit CPS Energy, SA Energy Acquisition Public Facility Corporation, and the San Antonio Housing Trust Foundation, Inc., discretely presented component units, which represent 69%, 62%, and 81%, respectively, of the assets, net assets, and revenues, of the discretely presented component units. Those financial statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the report of the other auditors.

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. The financial statements of San Antonio Housing Trust Finance Corporation, San Antonio Housing Trust Public Facility Corporation, SA Energy Acquisition Public Facility Corporation, and the San Antonio Housing Trust Foundation, Inc. audited by other auditors were not audited in accordance with *Government Auditing Standards*. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 and the report of the other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of September 30, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 18 to the financial statements, the City restated beginning net assets to correct their net obligation for post-employment benefits other than pension.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2013, on our consideration of the City's internal control over financial reporting and on 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 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.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, Budgetary Comparison Schedule – General Fund, and Schedule of Funding Progress, on pages 1 to 12, 188, and 189 to 192, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Combining Financial Statements and Schedules and Capital Assets Used in the Operation of Governmental Funds and Schedules, on pages 193 to 251, are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Financial Statements and Schedules and Capital Assets Used in the Operation of Governmental Funds and Schedules are fairly stated in all material respects in relation to the financial statements as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Introductory and Statistical Sections are presented for the purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Padgett, Stratemann & Co., L.L.P.

Certified Public Accountants
February 28, 2013

Management's Discussion and Analysis
(Unaudited)

Management's Discussion and Analysis

The City of San Antonio (City) presents the following discussion and analysis of the City's financial performance during the fiscal year-ended September 30, 2012. This discussion and analysis is intended to assist readers in focusing on significant financial issues and changes in the City's financial position, and identifying any significant variances from the adopted budget. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal and the financial statements provided in this report. All amounts, unless otherwise indicated, are expressed in thousands of dollars.

Financial Highlights

- The assets of the City exceeded its liabilities by $2,894,998 (net assets). Of this amount, $87,061 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of $940,683, an increase of $11,323 compared to the fiscal year 2011 fund balance. Of this amount, $11,035 is nonspendable and $929,648 is spendable. Of the total spendable fund balance, $666,533 is restricted in use, $124,239 has been committed, $16,473 is assigned and $122,403 is unassigned, which is available for spending at the government's discretion.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was $158,532 or 17.9% of the total General Fund expenditures.
- Other nonmajor governmental funds had a negative unassigned fund balance totaling $36,129 as of the end of the current fiscal year. For more information see Note 16 Deficits in Fund Balances/Net Assets.

Overview of the Financial Statements

This discussion and analysis is intended to serve as the introduction to the City of San Antonio's basic financial statements, which have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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 similar to private-sector business financial presentation.

The *statement of net assets* is a presentation of the City's assets and liabilities, including capital and infrastructure assets, and long-term liabilities. This statement reports the difference between assets and liabilities as net assets. Over time, increases or decreases in net assets may help determine or help indicate whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the fiscal year. Changes in net assets are recorded when the underlying event giving rise to the change occurs regardless of the timing of the cash flows. Therefore, revenues and expenses reported in this statement for some items will not result in cash flows until future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave). 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 or charges (business-type activities). Governmental activities include general government, public safety, public works, sanitation, health services, culture and recreation, convention and tourism, urban redevelopment and housing, welfare, and economic development and opportunity. The business-type activities of the City include the Airport System, Development Services, Market Square, Parking System, and Solid Waste Management.

In addition, the basic financial statements provide information regarding the City's legally separate discretely presented component units. Discretely presented component unit financial information is reported separately from the primary government in the government-wide financial statements.

Fund Financial Statements

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Fund financial statements are used to present financial information detailing resources that have been identified for specific activities. The focus of the fund financial statements is on the City's major funds, although nonmajor funds are also presented in aggregate and further detailed in the supplementary statements. The City uses fund accounting to ensure and demonstrate compliance with requirements placed on resources. Funds are divided into three categories: governmental, proprietary, and fiduciary. Fund financial statements allow the City to present information regarding fiduciary funds, since they are not reported in the government-wide financial statements.

Governmental Funds – Governmental funds are used for essentially the same functions reported in the governmental activities in the government-wide financial statements. However, unlike the government-wide statement, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

As the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented in the governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains five individual governmental fund types for financial reporting purposes. The governmental fund types are General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General, Debt Service, Categorical Grant-In Aid, and 2007 General Obligation Bonds Funds all of which are considered to be major funds. Data from the other funds are combined into a single, aggregated presentation labeled "Nonmajor Governmental Funds." Individual fund data for each nonmajor governmental fund is provided in the form of combining statements elsewhere in this report.

Proprietary Funds – The City maintains two types of proprietary funds. *Enterprise funds* are used to report the functions presented in business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Airport System, Development Services, Market Square, Parking System, and Solid Waste Management Funds. *Internal Service Funds* are used to accumulate and allocate costs internally among the City's various functions, including, self-insurance programs, other internal services, information technology services, and capital improvements management services. The services provided by these funds predominantly support the governmental rather than the business-type functions. They have been included within the governmental activities in the government-wide financial statements and are reported alongside the enterprise funds in the fund financial statements. Information is presented separately in the proprietary funds statement of net assets and in the proprietary funds statement of revenues, expenses, and changes in fund net assets for the Airport System Fund and Solid Waste Management Fund, which are considered to be major funds. The Internal Service Funds are combined into a single aggregated presentation in the proprietary fund financial statements. Data from the other enterprise funds are combined into a single, aggregated presentation labeled "Nonmajor Enterprise Funds." Individual fund data for each nonmajor enterprise fund and each internal service fund are provided in the form of respective combining statements elsewhere in this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the primary government. Fiduciary funds are not reflected in the government-wide financial statements as the resources of those funds are not available to support the City's programs and operations. With the exception of agency funds, the accounting for fiduciary funds is much like that used for the proprietary funds.

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

Other information – In addition to the basic financial statements and the accompanying notes, this report also presents the required supplementary information of (a) the City's General Fund budgetary comparison schedule that demonstrates compliance with its budget, and (b) schedules of funding progress related to pension and postemployment plans. The Debt Service Fund, various Special Revenue Funds and specific Permanent Fund budgets, which are legally adopted on an annual basis, are also included in the CAFR as supplementary schedules within the Combining Financial Statements and Schedules.

Government-Wide Financial Statement Analysis

The following tables, graphs and analysis discuss the financial position and changes to the financial position for the City as a whole as of and for the year-ended September 30, 2012.

Net Assets
Year-Ended September 30, 2012
(With Comparative Totals for September 30, 2011)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011 (Restated)*	2012	2011	2012	2011 (Restated)*
Current and Other Assets	$ 1,341,472	$ 1,361,888	$ 239,858	$ 243,483	$ 1,581,330	$ 1,605,371
Capital Assets	3,900,533	3,806,667	634,961	646,095	4,535,494	4,452,762
Total Assets	5,242,005	5,168,555	874,819	889,578	6,116,824	6,058,133
Current and Other Liabilities	496,901	312,553	56,314	32,331	553,215	344,884
Long-term Liabilities	2,235,447	2,302,579	433,164	478,287	2,668,611	2,780,866
Total Liabilities	2,732,348	2,615,132	489,478	510,618	3,221,826	3,125,750
Net Assets:						
Investments in Capital Assets, Net of Related Debt	2,328,289	2,364,212	270,500	273,108	2,598,789	2,637,320
Restricted	104,158	126,142	104,990	90,532	209,148	216,674
Unrestricted	77,210	63,069	9,851	15,320	87,061	78,389
Total Net Assets	$ 2,509,657	$ 2,553,423	$ 385,341	$ 378,960	$ 2,894,998	$ 2,932,383

* Amounts have been restated - see Note 18 Prior Period Restatements for more information.

For the year-ended September 30, 2012, total assets exceeded liabilities by $2,894,998. The largest portion of the City's net assets, $2,598,789 (89.8%) represents its investment in capital assets less any related debt used to acquire those assets that are still outstanding, and includes assets such as land, infrastructure, improvements, buildings, machinery and equipment, and intangibles.

Capital assets are used to provide services to the citizens of San Antonio and are not available for further spending. Although the City's investment in capital assets is reported net of related debt, the resources needed to repay the debt must be provided from other sources, as capital assets cannot be used to liquidate liabilities.

Of the total net assets, $209,148 (7.2%) represents resources that are subject to external restrictions on how they may be used. The remaining $87,061 (3.0%) represents unrestricted net assets, which can be used to meet the government's ongoing obligations to citizens and creditors.

The following schedule provides a detail of the changes to the City's net assets:

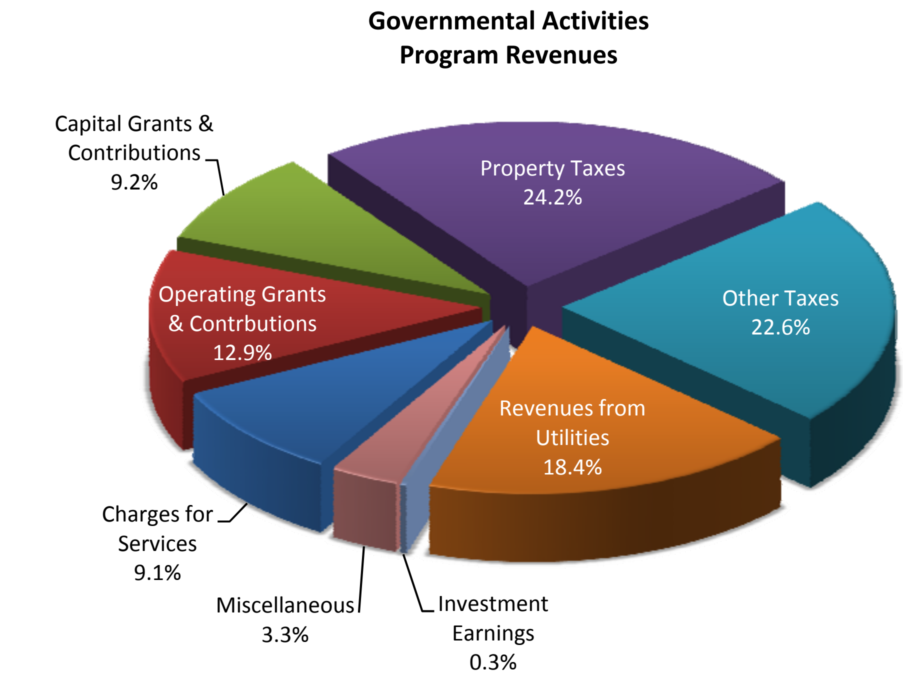
Changes in Net Assets
Year-Ended September 30, 2012
(With Comparative Totals for September 30, 2011)

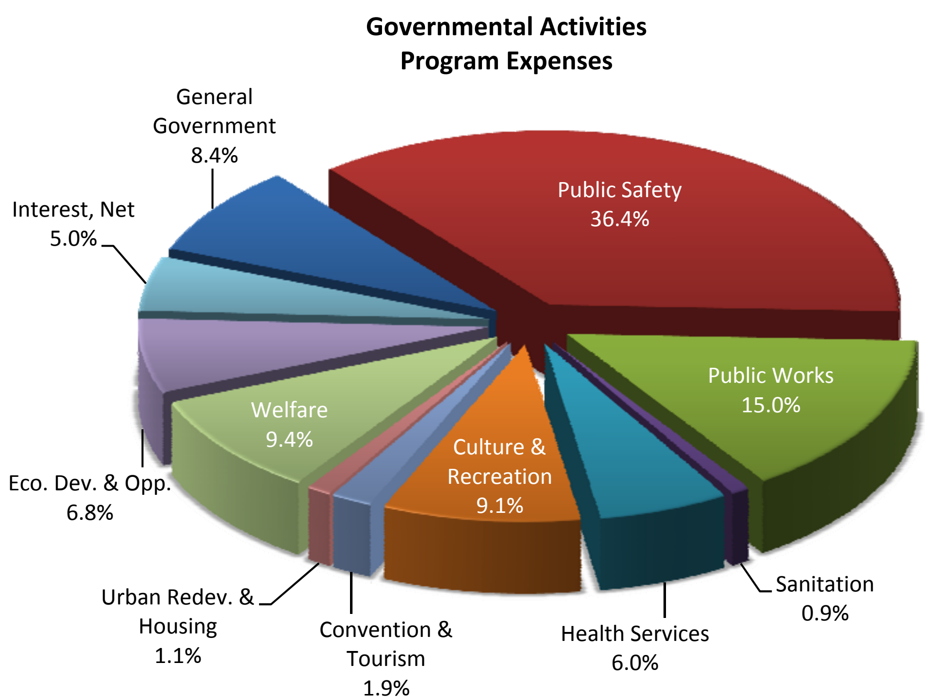
	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011 (Restated)*	2012	2011	2012	2011 (Restated)*
Revenues:						
Program Revenues:						
Charges for Services	$ 149,205	$ 151,344	$ 212,066	$ 205,396	$ 361,271	$ 356,740
Operating Grants and Contributions	211,290	267,524			211,290	267,524
Capital Grants and Contributions	149,713	137,892	34,765	40,237	184,478	178,129
General Revenues:						
Property Taxes	395,944	396,847			395,944	396,847
Other Taxes	370,243	343,804			370,243	343,804
Revenues from Utilities	299,693	308,838			299,693	308,838
Investment Earnings	5,005	6,184	827	772	5,832	6,956
Miscellaneous	53,990	40,217	1,585	450	55,575	40,667
Total Revenues	1,635,083	1,652,650	249,243	246,855	1,884,326	1,899,505
Expenses:						
Primary Government:						
Governmental Activities:						
General Government	140,761	103,617			140,761	103,617
Public Safety	613,975	607,532			613,975	607,532
Public Works	252,804	239,195			252,804	239,195
Sanitation	14,382	20,015			14,382	20,015
Health Services	101,293	101,995			101,293	101,995
Culture and Recreation	153,642	147,591			153,642	147,591
Convention and Tourism	31,892	28,735			31,892	28,735
Urban Redevelopment and Housing	13,252	13,570			13,252	13,570
Welfare	157,678	185,600			157,678	185,600
Economic Development and Opportunity	115,253	90,258			115,253	90,258
Interest on Long-Term Debt, Net	85,073	87,792			85,073	87,792
Business-Type Activities:						
Airport System			118,560	105,708	118,560	105,708
Solid Waste Management			89,405	82,128	89,405	82,128
Development Services			23,327	20,195	23,327	20,195
Market Square			2,297	2,215	2,297	2,215
Parking System			8,117	8,703	8,117	8,703
Total Expenses	1,680,005	1,625,900	241,706	218,949	1,921,711	1,844,849
Change in Net Assets						
Before Transfers	(44,922)	26,750	7,537	27,906	(37,385)	54,656
Transfers	1,156	1,404	(1,156)	(1,404)		
Net Change in Net Assets	(43,766)	28,154	6,381	26,502	(37,385)	54,656
Beginning, Net Assets (restated)	2,553,423	2,525,269	378,960	352,458	2,932,383	2,877,727
Ending, Net Assets	$ 2,509,657	$ 2,553,423	$ 385,341	$ 378,960	$ 2,894,998	$ 2,932,383

* Amounts have been restated - see Note 18 Prior Period Restatements for more information.

The City's total revenues were $1,884,326 for fiscal year-ended September 30, 2012. Revenues from governmental activities totaled $1,635,083 and revenues from business-type activities totaled $249,243. General revenues represented 59.8% of the City's total revenue, while program revenues provided 40.2% of revenue received in fiscal year 2012. Expenses for the City totaled $1,921,711. Governmental activity expenses totaled $1,680,005, or 87.4% of total expenses and business-type expenses totaled $241,706 or 12.6%.

Governmental Activities



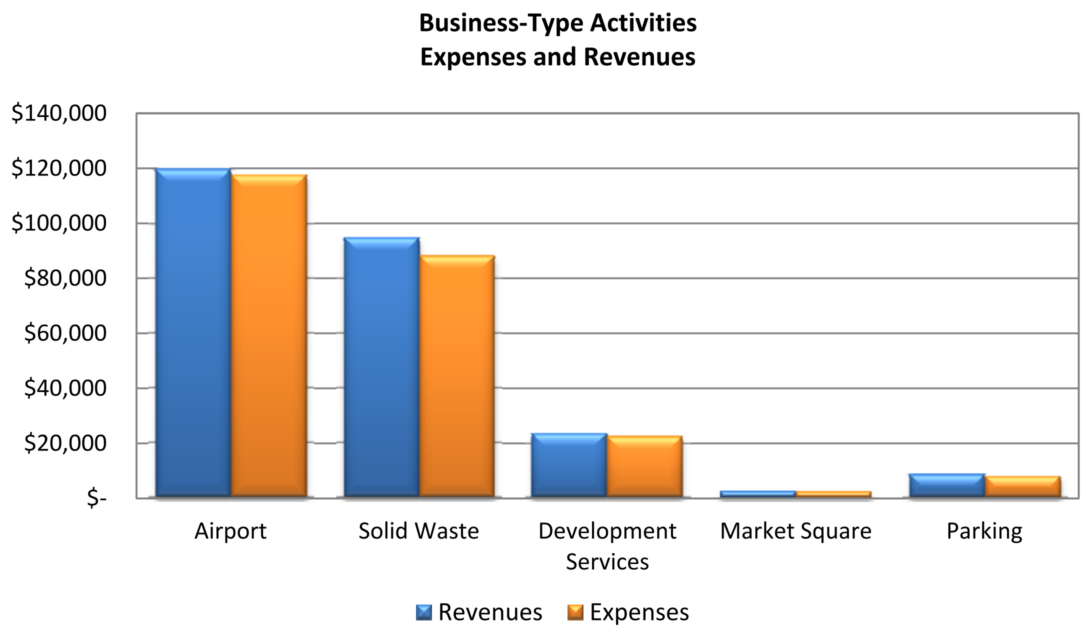


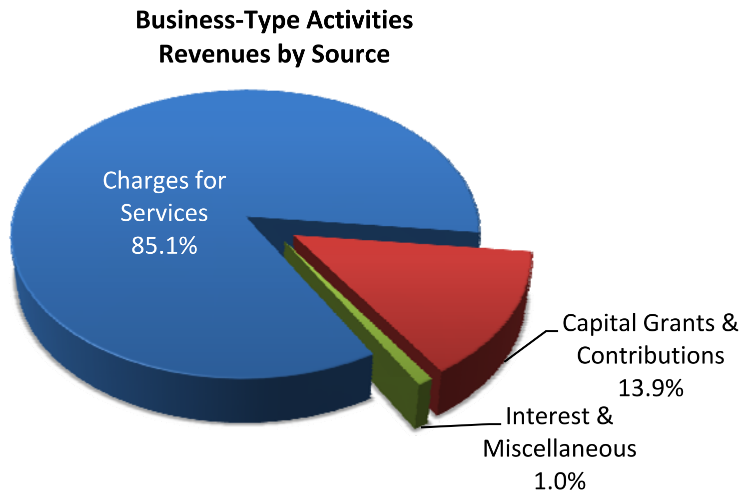
Governmental Activities decreased the City's net assets by $43,766. The reason for the change is as follows:

- Grants and Contributions revenues decreased by $44,413 due to a decrease in funding in the amount $18,043 from the American Recovery Reinvestment Act (ARRA) for welfare, sanitation, and health services. Categorical Grant-In Aid funding also decreased by $24,233 due to Federal cutbacks.
- Other Taxes increased by $26,439 due to an improvement in the local economy from the prior year. This improvement came from growth in the South Texas oil and gas industry catalyzed by the Eagle Ford Shale and an increase in tourism and convention business causing Sales and Use Taxes and Hotel Occupancy Taxes to increase by $23,108 and $4,969, respectively, from the prior year.
- CPS Energy revenues decreased by $9,534 due to more moderate weather in 2012 than that experienced in 2011. This decrease was partially offset by a $389 increase in SAWS revenues, as the 2011 drought continued into 2012.
- Miscellaneous Revenues increased by $13,773 due to the sale of capital assets in the Other Internal Services funds in the amount of $3,516. The City also received $4,508 more in donated capital assets primarily driven by the donation of land.
- General Government expenses increased by $37,144 primarily due to $13,951 in expensed assets that did not meet the threshold to be capitalized and an $11,692 increase in the General Fund driven principally by cost of living adjustments and higher accrued sick leave.
- The increase in Public Safety expenses of $13,609 from the prior fiscal year is driven primarily by changes to the Fire and Police collective bargaining agreements, which increased wages 2% and 3%, respectively.
- Public Works and Convention and Tourism expenses increased by $13,609 and $3,157, respectively, as part of the City's continued diligence and review of construction in progress (CIP) for non capitalized activities.
- Expenses for Sanitation decreased by $5,633 as a result of a $7,946 reduction in the Weatherization Assistance Program expenditures due to expiration of the grant. This decrease was partially offset by a $2,711 increase in the Retrofit Ramp Up Program expenditures.
- Culture and Recreation expenses increased by $6,051 from fiscal year 2011 due to a $2,274 increase in the General Fund driven principally by cost of living adjustments and $3,958 due to increased OPEB liability.
- Welfare decreased $27,922 from fiscal year 2011 due to an overall decrease in grant activity. Categorical Grant In-Aid decreased by $15,572 due to overall cutbacks at the Federal level, which reduced current year expenditures. The reduction was further driven by a $10,446 decrease in ARRA expenses as a result of three grants at or near expiration.
- Economic Development and Opportunity expenses increased $24,995 due to lower spending in 2011 in anticipation of HUD 108's loan expiration. The loan was subsequently extended through December 2013 with dollars being reprogrammed to be spent through the first quarter of fiscal year 2014.

Business-Type Activities

Program revenues for the City's Business-Type Activities totaled $246,831, which is $1,198 higher than the previous fiscal year. The remaining revenues were a result of investment earnings and other miscellaneous items. Expenses for Business-Type Activities were $241,706 compared to prior year's expenses of $218,949.





Business-Type Activities increased the City's net assets by $6,381 primarily because of the following:

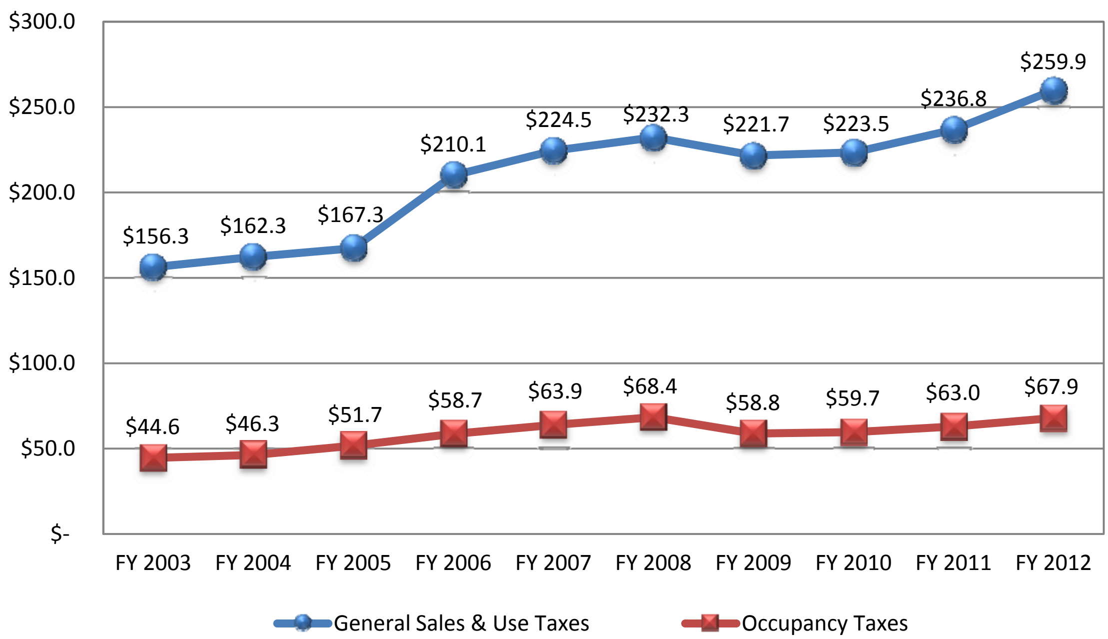
- Charges for Services increased by $6,670 primarily due to an increase in customer accounts at Solid Waste, which generated $3,266 more revenues in fiscal year 2012. Airport revenues also increased $1,494 in the current year as a result of increased international traffic and higher parking revenues. Development Services experienced increases in commercial and residential activity that contributed to $1,763 more revenues in 2012.
- Capital Grants and Contributions decreased $5,472 due to less awards received at Aviation in fiscal year 2012.
- Airport System expenses increased by $12,852 primarily due to impairment of project costs associated with Terminal C and Aviation Master Plans.
- Solid Waste expenses increased by $7,277 due to personnel expenditures driven by an additional 55 authorized full time employees in fiscal year 2012. The Solid Waste department also added resources to increase the number of curbside bulky collection from once a year to twice a year in fiscal year 2012 and incurred the cost to develop drop off centers to reduce illegal dumping.
- Development Services expenses were higher in fiscal year 2012 by $3,132 driven principally by cost of living adjustments and one time improvements in fiscal year 2012 for an economic development plan for City South and an electronic plan scanner.

Financial Analysis of Governmental Funds

Activities of the Primary Government's General Fund, Special Revenue Funds, Debt Service Fund, and Capital Projects Funds are considered general government functions. The General Fund is the City's primary operating fund. Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes other than debt service or capital projects. The Debt Service Fund is used to account for financial activity related to the City's general bonded indebtedness, as well as other long-term obligations. The Capital Projects Funds are used to account for financial activity related to the City indebtedness for Capital Projects, other agency contributions and the operating activities of those projects.

Revenues from taxes increased by $25,536, which is primarily attributable to: (1) a $18,725 increase in sales and use tax revenues in the General Fund, (2) a $3,704 increase in sales and use tax revenues in the Nonmajor Governmental Funds, and (3) a $4,969 increase in occupancy taxes in the Nonmajor Governmental Funds. The increase in sales and use taxes and occupancy taxes are results of an upswing in the economy and increased activity associated with tourism and convention business.

Revenues From Taxes ($ in millions)



The total fund balance of the General Fund at year-end was $216,513, a decrease of $16,179 from the total fund balance of $232,692 in fiscal year 2011. The total spendable General Fund balance for fiscal year 2012 is $210,713, which represents $1,003 in restricted, $47,035 in committed, $4,143 in assigned and $158,532 in unassigned fund balances. The unassigned fund balance represents amounts available for additional appropriations at the end of the fiscal year.

The total fund balance of the Debt Service Fund at year-end was $86,360, a decrease of $7,209 from the total fund balance of $93,569 in fiscal year 2011. The entire fund balance is reserved for payment of debt service.

The Categorical Grant-In Aid Fund has a fund balance of $1,008, an increase of $5,217 from the total deficit fund balance of $4,209, which is a result of more extensive monitoring of our grants and funding of prior years' grant deficits through budgeted operating resources.

The total fund balance of the 2007 General Obligation Bonds at year-end was $206,011, a decrease of $11,764 from the total fund balance of $217,775 in fiscal year 2011. This stems from capital expenditures associated with the $550,000 bond approved by voters in fiscal year 2007.

General Fund Budgetary Highlights

Variances in Budget Appropriations (Budgetary Basis) General Fund			
	Original Budget	Final Budget	Actual Results
General Government	$ 100,378	$ 94,625	$ 96,609
Public Safety	542,110	543,672	540,123
Public Works	39,761	43,937	43,711
Health Services	76,311	77,476	78,718
Sanitation	3,314	3,251	3,311
Culture and Recreation	82,303	84,205	83,644
Welfare	42,822	44,837	41,857
Economic Development and Opportunity	4,486	14,353	16,142
Transfers to Other Funds	76,184	64,636	62,662
Total	$ 967,669	$ 970,992	$ 966,777

Changes in original budget appropriations to the final amended budget appropriations resulted in a net $3,323 increase in appropriations. This increase can be summarized by the following:

- General Government had a $5,753 decrease, which is attributable to indirect cost reimbursements from other funds causing a $9,871 decrease; budget carryforwards causing a $3,615 increase; and ordinance and analyst adjustments accounting for an increase of $503.
- Public Safety contributed $1,562 to the overall increase, which was comprised of an increase of $2,234 in prior year budget carryforwards and $672 in ordinance and budget adjustments decreases.
- Of the $4,176 increase in Public Works, $3,818 consisted of budget carryforwards while the remaining $358 increase consisted of budget adjustments.
- Health Services had an increase of $1,165 from the original budget, which was due to $284 added for prior year budget carryforwards and $881 in budget adjustments during fiscal year 2012.
- Of the $1,902 increase in Culture and Recreation, $2,509 was added for budget carryforwards, while the remaining $607 decrease consisted of budget adjustments.
- Of the $2,015 increase in Welfare, $521 came from budget carryforwards while the remaining $1,494 increase consisted of budget adjustments.
- Economic Development and Opportunity had a $9,867 increase, $2,862 was a result of budget carryforwards and the remaining $7,005 was from budget adjustments.
- The $11,548 decrease in Transfers to Other Funds consisted of $15,594 increase from budget carryforwards and a decrease of $27,142 from budget adjustments.

Final budgeted appropriations for the General Fund were $970,992, while actual expenditures on a budgetary basis were $966,777, creating a positive variance of $4,215. Significant variances are as follows:

- General Government exceeded budget due to a $2,000 purchase in the Special Reserve fund for the Red Berry Mansion.
- Public Safety had a $3,549 positive variance largely due to position vacancies during the fiscal year.
- Welfare had a positive variance of $2,980 largely due to vacancies and Contribution to Outside Agencies not spent.

Financial Analysis of Proprietary Funds

Activities of the Primary Government's Airport System, Development Services, Market Square, Parking System, and Solid Waste Funds are considered proprietary funds. The Airport System handles operations at both the San Antonio International Airport and Stinson Municipal Airport. Development Services supports the activities related to the regulation of City development. Market Square accounts for all revenues and expenses associated with the management and operation of the Farmers' Market, El Mercado, the Market Square parking lot and Alameda. The Parking System handles operations of the City's parking garages and lots. Solid Waste Management handles trash collection operations, recycling, and the activities of the City's landfills. Financial analysis for the proprietary funds is on the same basis as the business-type activities. See further analysis on the funds' operations at pages 6 and 7.

Capital Assets

The City's investment in capital assets for its governmental and business-type activities as of September 30, 2012 amounts to $4,535,494 (net of accumulated depreciation). This investment in capital assets includes land, other non-depreciable assets, buildings, improvements, infrastructure, machinery and equipment, intangible assets and construction in progress. The net increase in the City's investment in capital assets for the current fiscal year was $82,732, which comprises a $93,866 increase in governmental activities and an $11,134 decrease in business-type activities.

Capital Assets
Year-Ended September 30, 2012
(With Comparative Totals for September 30, 2011)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Land	$ 1,383,564	$ 1,371,289	$ 14,599	$ 14,385	$ 1,398,163	$ 1,385,674
Construction in Progress	286,671	537,568	31,489	55,905	318,160	593,473
Non-Depreciable Intangible Assets	82,740	81,961			82,740	81,961
Other Non-Depreciable Assets	2,741	575			2,741	575
Depreciable Intangible Assets	2,802	2,711			2,802	2,711
Buildings	529,913	434,600	281,116	291,449	811,029	726,049
Improvements	449,769	359,593	283,226	262,642	732,995	622,235
Infrastructure	960,210	847,588			960,210	847,588
Machinery and Equipment	202,123	170,782	24,531	21,714	226,654	192,496
Total	$ 3,900,533	$ 3,806,667	$ 634,961	$ 646,095	$ 4,535,494	$ 4,452,762

During fiscal year 2012, the City transferred $501,917 of construction in progress to non-depreciable and depreciable asset classes for completed capital projects which were mainly comprised of city-wide streets and drainage projects, improvements to the San Antonio Riverwalk, terminal improvements at the San Antonio International Airport, improvements to the City's convention and sports facilities, a new Public Safety Headquarters building, four new fire stations, and improvements to the City's information technology systems, including Public Safety communications and reporting.

The following schedule provides a summary of the City's capital assets:

Change in Capital Assets
September 30, 2012

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	$ 6,092,675	$ 882,445	$ 6,975,120
Additions	294,816	35,416	330,232
Deletions	(51,127)	(13,714)	(64,841)
Accumulated Depreciation	(2,435,831)	(269,186)	(2,705,017)
Ending Balance	$ 3,900,533	$ 634,961	$ 4,535,494

Additional information on the City's capital assets can be found in Note 4 Capital Assets.

Debt Administration

Long-Term Debt

At the end of the current fiscal year, the City had a total of $2,349,589 in bonds, certificates, and tax notes outstanding, an increase of 1.8% over last year. Additional information on the City's long-term debt, including descriptions of the new issues, can be found in Note 6 Long-Term Debt.

Outstanding Debt Year-Ended September 30, 2012 (With Comparative Totals for September 30, 2011)		
	Governmental Activities	
	2012	**2011**
Bonds Payable:		
Tax-Exempt General Obligation Bonds	$ 810,275	$ 708,055
Taxable General Obligation Bonds	191,550	191,550
Tax-Exempt Certificates of Obligation	332,685	356,870
Tax Notes	32,015	27,450
Revenue Bonds	564,371	575,115
Capital Appreciation Bonds (CAB)	20,923	23,239
Total	$ 1,951,819	$ 1,882,279
	Business-Type Activities	
	2012	**2011**
Bonds Payable:		
Tax-Exempt General Obligation Bonds	$ 1,270	$ 1,310
Taxable General Obligation Bonds	14,900	16,075
Tax-Exempt Certificates of Obligation	1,935	2,035
Revenue Bonds	379,665	406,300
Total	$ 397,770	$ 425,720

Governmental Activities

In March 2012, the City issued $33,410 in General Improvement Refunding Bonds, Series 2012 to refund certain outstanding obligations of the City and to pay the costs of issuance.

In August 2012, the City issued additional indebtedness for a total of $185,575. This was composed of $148,600 in tax-exempt general obligation bonds, $19,340 in tax-exempt certificates of obligation, and $17,635 in tax notes.

The General Obligation Bonds, Series 2012 were issued to finance improvements to streets, bridges, and sidewalks, drainage improvements and flood control, parks, recreation, open space, and athletics, library, museum, and cultural arts facilities, and public safety facilities.

The Combination Tax and Revenue Certificates of Obligation, Series 2012 were issued for the purpose of providing funds for the payment of contractual obligations to be incurred for making permanent public improvements and for other public purposes, to include constructing, improving, renovating, demolishing, and equipping municipal facilities, public safety facilities, cultural, recreation, and park facilities, drainage facilities, sidewalks, bridges, and streets, and other expenses necessary, incidental, or related to the foregoing.

The Tax Notes, Series 2012 were issued to provide funding to acquire property interests for the Edwards Aquifer Protection Venue Program with the intent of protecting water quality and quantity in the Edwards Aquifer.

Business-Type Activities

In May 2012, the City issued $70,135 in Airport System Revenue Improvement and Refunding Bonds, Series 2012 (2012 GARBs) and $25,790 in Passenger Facility Charge and Subordinate Lien Airport System Revenue Improvement and Refunding Bonds, Series 2012 (2012 PFC Bonds).

The 2012 GARBs were issued for the purpose of refunding a portion of the City's outstanding indebtedness originally issued to finance Airport System improvements and for paying the costs of issuance.

The 2012 PFC Bonds were issued to refund the remaining portion of the 2002 PFC Bonds and to pay the costs of issuance.

Standard & Poor's, Moody's, and Fitch's underlying rating for City obligations during fiscal year 2012 were as follows:

Bond Ratings September 30, 2012			
	Standard & Poor's	**Moody's**	**Fitch**
General Obligation/Certificates of Obligation/Tax Notes	AAA	Aaa	AAA
Hotel Occupancy Tax Bonds (Prior Lien) [1]	AA-	Aa2	AA-
Hotel Occupancy Tax Bonds (Subordinate Lien - Long Term)	A+	Aa3	A+
Hotel Occupancy Tax Bonds (Variable Rate - Short Term)	A+	Aa3	A+
Airport System	A+	A1	A+
Aiport PFC	A-	A2	A
Municipal Drainage Utility System Revenue Bonds	AA+	Aa2	AA

The Constitution of the State of Texas and the City Charter limit the amount of debt the City may incur. For more information related to these limits see Note 6 Long-Term Debt. The total gross assessed valuation for the fiscal year-ended 2012 was $82,656,577, which provides a debt ceiling of $8,265,658.

Currently Known Facts

On October 11, 2012, a new component unit of the City, TPFC issued $550,374 in Public Facilities Corporation Improvement and Refunding Lease Revenue Bonds, Series 2012 (Convention Center Refinancing and Expansion Project). The Bonds were issued for the purpose of providing proceeds to (i) refund all outstanding City indebtedness issued to finance or refinance the Existing Convention Center, (ii) finance the City's acquisition, construction, and equipping of the Convention Center Expansion Project, (iii) pay capitalized interest on the current interest bonds, and (iv) pay the cost of issuing the Bonds. The Bonds have maturities ranging from 2017 to 2042, with interest rates ranging from 3.0% to 5.1%. Coinciding with TPFC's Bond issuance, the City entered into a long term lease agreement with TPFC to pay the principal and interest associated with TPFC's debt.

On November 6, 2012 San Antonio residents approved the 1/8 cent sales tax increase that will support the Pre-K 4 SA initiative. The Pre-K 4 SA Initiative would utilize revenue generated by a 1/8 cent sales tax and other state and federal dollars to provide high quality, full-day Pre-K for eligible four-year-olds in San Antonio. The sales tax increase will take effect on April 1, 2013 and last for the next eight years. With the approval of this 1/8 cent sales tax, the City has reached its maximum sales tax limit of 8.25% as authorized by state law.

For more information on other currently known facts, please see Note 19 Subsequent Events.

Requests for Information

This financial report is designed to provide a general overview of the City's position for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, P.O. Box 839966, San Antonio, TX 78283-3966.

Basic Financial Statements

Statement of Net Assets
As of September 30, 2012
(In Thousands)

	PRIMARY GOVERNMENT			
	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Assets:				
Current Assets:				
Cash and Cash Equivalents	$ 33,789	$ 3,201	$ 36,990	$ 286,715
Securities Lending Collateral	12,683	1,456	14,139	
Investments	301,979	34,352	336,331	205,486
Receivables, Net	112,617	11,509	124,126	262,232
Materials and Supplies, at Cost	7,177	823	8,000	184,517
Internal Balances	5,095	(5,095)		
Due From Other Governmental Agencies	11,802		11,802	5,702
Deposits	213		213	
Prepaid Expenses	1,617	6	1,623	103,298
Other Assets				848
Restricted Assets:				
Cash and Cash Equivalents	138,266	35,858	174,124	158,720
Securities Lending Collateral	21,345	5,664	27,009	
Investments	560,798	140,137	700,935	1,310,225
Receivables, Net	89,795	2,688	92,483	51,646
Materials and Supplies, at Cost	1,209		1,209	
Deferred Charges				3,474
Deposits	1		1	
Prepaid Expenses	175		175	3,215
Due From Other Governmental Agencies	8,140		8,140	
Total Current Assets	1,306,701	230,599	1,537,300	2,576,078
Noncurrent Assets:				
Capital Assets:				
Non Depreciable	1,755,716	46,088	1,801,804	1,600,063
Depreciable, Net	2,144,817	588,873	2,733,690	9,500,384
Assets Held for Resale				382
Receivables, Net				10,900
Prepaid Expenses				872,219
Net OPEB Asset and Pension Asset				22,450
Other Noncurrent Assets				78,247
Deferred Outflows Derivative Instrument				38,436
Unamortized Bond Issuance Costs	34,771	9,259	44,030	17,680
Total Noncurrent Assets	3,935,304	644,220	4,579,524	12,140,761
Total Assets	5,242,005	874,819	6,116,824	14,716,839
Liabilities:				
Current Liabilities:				
Accounts Payable and Current Liabilities	108,794	6,425	115,219	342,207
Accrued Interest	19	18	37	
Securities Lending Obligation	12,683	1,456	14,139	
Unearned Revenue	15,199	275	15,474	8,130
Due To Other Governmental Agencies		4	4	1,796
Restricted Liabilities:				
Accounts Payable and Current Liabilities	61,060	6,505	67,565	44,468
Accrued Interest	15,611	5,007	20,618	29,480
Securities Lending Obligation	21,345	5,664	27,009	
Unearned Revenue	62,349		62,349	
Due To Other Governmental Agencies	2,229		2,229	
Current Portion of Long-term Obligations	197,612	30,960	228,572	334,478
Total Current Liabilities	496,901	56,314	553,215	760,559
Noncurrent Liabilities:				
Noncurrent Portion of Long-term Obligations	2,235,447	433,164	2,668,611	8,559,008
Total Noncurrent Liabilities	2,235,447	433,164	2,668,611	8,559,008
Total Liabilities	2,732,348	489,478	3,221,826	9,319,567
Net Assets:				
Invested in Capital Assets, Net of Related Debt	2,328,289	270,500	2,598,789	4,296,707
Restricted for:				
Debt Service	80,245	26,116	106,361	35,775
Capital Projects	6,631	78,874	85,505	538,758
Operating and Other Reserves				93,586
Perpetual Care: Expendable	11,115		11,115	
Perpetual Care: Nonexpendable	6,167		6,167	
Unrestricted	77,210	9,851	87,061	432,446
Total Net Assets	$ 2,509,657	$ 385,341	$ 2,894,998	$ 5,397,272

The accompanying notes are an integral part of these basic financial statements.

Statement of Activities

Year-Ended September 30, 2012

(In Thousands)

FUNCTION/PROGRAM ACTIVITIES	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS — PRIMARY GOVERNMENT: GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL	COMPONENT UNITS
Primary Government:								
Governmental Activities:								
General Government	$ 140,761	$ 22,245	$ 6,060	$ 1,658	$ (110,798)	$ -	$ (110,798)	
Public Safety	613,975	12,190	15,141	3,274	(583,370)		(583,370)	
Public Works	252,804	43,164	15,112	34,117	(160,411)		(160,411)	
Sanitation	14,382	509	11,089		(2,784)		(2,784)	
Health Services	101,293	30,940	22,618	232	(47,503)		(47,503)	
Culture and Recreation	153,642	34,483	5,891	3,502	(109,766)		(109,766)	
Convention and Tourism	31,892		6,945		(24,947)		(24,947)	
Urban Redevelopment and Housing	13,252	634	8,686	183	(3,749)		(3,749)	
Welfare	157,678	15	113,160	89	(44,414)		(44,414)	
Economic Development and Opportunity	115,253	5,025	6,588	106,658	3,018		3,018	
Amortization of Bond Related Costs	(4,615)				4,615		4,615	
Interest on Long-Term Debt	89,688				(89,688)		(89,688)	
Total Governmental Activities	1,680,005	149,205	211,290	149,713	(1,169,797)		(1,169,797)	
Business-Type Activities:								
Airport System	118,560	84,395		34,686		521	521	
Solid Waste Management	89,405	93,333		5		3,933	3,933	
Development Services	23,327	23,392				65	65	
Market Square	2,297	2,316		74		93	93	
Parking System	8,117	8,630				513	513	
Total Business-Type Activities	241,706	212,066		34,765		5,125	5,125	
Total Primary Government	$ 1,921,711	$ 361,271	$ 211,290	$ 184,478	(1,169,797)	5,125	(1,164,672)	
Discretely Presented Component Units:								
CPS Energy	$ 2,295,340	$ 2,258,396	$ -	$ 25,588				$ (11,356)
San Antonio Water System	400,923	417,869		60,253				77,199
Brooks Development Authority	19,185	7,004		2,867				(9,314)
City South Management Authority	350							(350)
Main Plaza Conservancy	597	36	484					(77)
Municipal Golf Association - San Antonio	8,729	9,429		218				918
Port Authority of San Antonio	40,864	41,174						310
SA Energy Acquisition Corporation	53,979	53,052						(927)
OUR SA	177	14						(163)
San Antonio Housing Trust Foundation, Inc.	558	955						397
Total Component Units	$ 2,820,702	$ 2,787,929	$ 484	$ 88,926				56,637
General Revenues:								
Taxes:								
Property					395,944		395,944	
General Sales and Use					259,927		259,927	
Selective Sales and Use					5,200		5,200	
Gross Receipts Business					33,625		33,625	
Occupancy					67,937		67,937	
Penalties and Interest on Delinquent Taxes					3,554		3,554	
Revenues from Utilities					299,693		299,693	
Investment Earnings					5,005	827	5,832	57,868
Miscellaneous					53,990	1,585	55,575	1,380
Adjustment for STP Pension Cost								(17,056)
Transfers, net					1,156	(1,156)		
Total General Revenues and Transfers					1,126,031	1,256	1,127,287	42,192
Change in Net Assets					(43,766)	6,381	(37,385)	98,829
Net Assets - Beginning of Fiscal Year (restated)					2,553,423	378,960	2,932,383	5,298,443
Net Assets - End of Fiscal Year					$ 2,509,657	$ 385,341	$ 2,894,998	$ 5,397,272

The accompanying notes are an integral part of these basic financial statements.

Balance Sheet
Governmental Funds
As of September 30, 2012
(In Thousands)

	MAJOR FUNDS					
	GENERAL	DEBT SERVICE	CATEGORICAL GRANT-IN AID	2007 GENERAL OBLIGATION BONDS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Assets:						
Cash and Cash Equivalents	$ 10,825	$ -	$ -	$ -	$ 12,456	$ 23,281
Securities Lending Collateral	4,436				3,618	8,054
Investments	108,142				84,277	192,419
Receivables, Net	103,720				7,554	111,274
Materials and Supplies, at Cost	5,324				134	5,458
Deposits					75	75
Prepaid Expenditures	476					476
Due from:						
Other Funds	40,407				2,302	42,709
Other Governmental Agencies, Net	2,941				8,228	11,169
Restricted Assets:						
Cash and Cash Equivalents	132	49,889	1,472	17,544	69,229	138,266
Securities Lending Collateral	47		144	7,767	13,387	21,345
Investments	1,108	40,160	3,274	182,199	334,057	560,798
Receivables, Net	2	7,330	22,155	228	60,080	89,795
Materials and Supplies, at Cost			530		679	1,209
Deposits					1	1
Prepaid Expenditures			134		41	175
Due from:						
Other Funds		214	695	6,040	9,216	16,165
Other Governmental Agencies, Net					8,140	8,140
Total Assets	$ 277,560	$ 97,593	$ 28,404	$ 213,778	$ 613,474	$ 1,230,809
Liabilities and Fund Balances:						
Liabilities:						
Vouchers Payable	$ 10,977	$ -	$ -	$ -	$ 2,946	$ 13,923
Accounts Payable - Other	7,594				4,052	11,646
Accrued Payroll	5,831				468	6,299
Accrued Leave Payable	7,685				198	7,883
Deferred Revenue	19,219				7,585	26,804
Securities Lending Obligation	4,436				3,618	8,054
Due To:						
Other Funds	5,258				61	5,319
Restricted Liabilities:						
Vouchers Payable			3,333		26,392	29,725
Accounts Payable - Other		390	2,740		25,057	28,187
Accrued Payroll			334		385	719
Accrued Leave Payable					92	92
Deferred Revenue		6,633	2,842		57,780	67,255
Securities Lending Obligation	47		144	7,767	13,387	21,345
Amounts Held in Trust					2,429	2,429
Due to:						
Other Funds		4,210	17,942		36,065	58,217
Other Governmental Agencies			61		2,168	2,229
Total Liabilities	61,047	11,233	27,396	7,767	182,683	290,126
Fund Balances:						
Nonspendable	5,800		664		4,571	11,035
Restricted	1,003	86,360	344	206,011	372,815	666,533
Committed	47,035				77,204	124,239
Assigned	4,143				12,330	16,473
Unassigned	158,532				(36,129)	122,403
Total Fund Balances	216,513	86,360	1,008	206,011	430,791	940,683
Total Liabilities and Fund Balances	$ 277,560	$ 97,593	$ 28,404	$ 213,778	$ 613,474	$ 1,230,809

The accompanying notes are an integral part of these basic financial statements.

Reconciliation of the Balance Sheet to the Statement of Net Assets
Governmental Funds
As of September 30, 2012
(In Thousands)

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Fund Balances - Total Governmental Funds		$ 940,683
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Governmental Capital Assets:		
Land	1,383,564	
Other Non-Depreciable Assets	2,741	
Construction In Progress	286,671	
Non-Depreciable Intangible Assets	82,740	
Depreciable Intangible Assets	3,627	
Buildings	844,807	
Improvements	604,034	
Infrastructure	2,646,757	
Machinery and Equipment	288,428	
Less: Accumulated Depreciation	(2,317,149)	
Total Governmental Capital Assets		3,826,220
Some of the City's revenues will be collected after year-end, but are not available soon enough to pay for the current year's expenditures, and therefore, are not reported in the governmental funds as revenues, but as deferred revenues.		
Revenues previously recorded as deferred in the fund financial statements	29,560	
Unearned revenues previously recorded as income in the fund financial statements	(13,041)	
Net revenues recognized		16,519
Long-term receivables applicable in governmental activities are not due and payable in the current year and, therefore, are not reported in the governmental funds.		883
Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Statement of Net Assets.		106,711
Long-term liabilities are not due and payable in the current year, neither are associated unamortized assets' available financial resources and, therefore, are not reported in the governmental funds.		
Governmental Bonds Payable	(1,951,819)	
Unamortized Discount/(Premium) on Bonds, Net	(91,602)	
Deferred Amount on Refunding	21,492	
Capital Lease Liability	(9,200)	
Notes Payable	(46,631)	
Unamortized Bond Issuance Costs	34,771	
Net OPEB Obligation	(129,213)	
Accrued Interest Payable	(15,611)	
Pollution Remediation Payable	(1,533)	
Compensated Absences	(192,013)	
		(2,381,359)
Net Assets of Governmental Activities		$ 2,509,657

The accompanying notes are an integral part of these basic financial statements.

Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
Year-Ended September 30, 2012
(In Thousands)

	MAJOR FUNDS					
	GENERAL	DEBT SERVICE	CATEGORICAL GRANT-IN AID	2007 GENERAL OBLIGATION BONDS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:						
Taxes:						
Property	$ 242,971	$ 145,053	$ -	$ -	$ 8,636	$ 396,660
General Sales and Use	219,649				40,278	259,927
Selective Sales and Use	5,200					5,200
Gross Receipts Business	30,735				2,890	33,625
Occupancy					67,937	67,937
Penalties and Interest on Delinquent Taxes	2,124	1,268			162	3,554
Licenses and Permits	8,469					8,469
Intergovernmental	7,997		147,327		89,706	245,030
Revenues from Utilities	299,306					299,306
Charges for Services	47,960				74,269	122,229
Fines and Forfeits	14,401				406	14,807
Miscellaneous	18,044	3,825	369		21,751	43,989
Investment Earnings	1,306	101	29	782	2,136	4,354
Contributions			12,433		110,587	123,020
Total Revenues	898,162	150,247	160,158	782	418,758	1,628,107
Expenditures:						
Current:						
General Government	87,998	2,072	351	166	14,704	105,291
Public Safety	538,313		11,634		21,274	571,221
Public Works	39,744		13,407		35,546	88,697
Health Services	78,135		17,604		4,322	100,061
Sanitation	3,311		198		11,081	14,590
Welfare	40,152		114,572		1,381	156,105
Culture and Recreation	82,740		1,327		48,529	132,596
Convention and Tourism					20,158	20,158
Urban Redevelopment and Housing			941		14,961	15,902
Economic Development and Opportunity	15,185		6		99,736	114,927
Capital Outlay					301,381	301,381
Debt Service:						
Principal Retirement		111,145			6,120	117,265
Interest		69,469			17,858	87,327
Issuance Costs		320		645	767	1,732
Total Expenditures	885,578	183,006	160,040	811	597,818	1,827,253
Excess (Deficiency) of Revenues Over (Under) Expenditures	12,584	(32,759)	118	(29)	(179,060)	(199,146)
Other Financing Sources (Uses):						
Issuance of Long-Term Debt		33,410		85,803	99,772	218,985
Payments to Refunded Bond Escrow Agent		(37,892)				(37,892)
Premium/(Discount) on Long-Term Debt		4,846		13,504	12,267	30,617
Transfers In	18,877	25,186	7,519		317,004	368,586
Transfers Out	(47,640)		(2,420)	(111,042)	(208,725)	(369,827)
Total Other Financing Sources (Uses)	(28,763)	25,550	5,099	(11,735)	220,318	210,469
Net Change in Fund Balances	(16,179)	(7,209)	5,217	(11,764)	41,258	11,323
Fund Balances, October 1 (restated)	232,692	93,569	(4,209)	217,775	389,533	929,360
Fund Balances, September 30	$ 216,513	$ 86,360	$ 1,008	$ 206,011	$ 430,791	$ 940,683

The accompanying notes are an integral part of these basic financial statements.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year-Ended September 30, 2012

(In Thousands)

Amounts reported for governmental activities in the Statement of Activities are different because:

Net change in Fund Balances - Total Governmental Funds		$ 11,323
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 exceed depreciation in the current year.		
Expenditures for Capital Assets	263,513	
Pollution Remediation Capitalization	1,597	
Donated capital assets	4,508	
Less: Current Year Depreciation	(146,965)	
Less: Current Year Deletions	(35,152)	87,501
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.		(25)
The issuance of long-term debt (e.g. bonds, notes and loans) 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, discounts and similar items when debt is first issued. This amount is the net effect of these differences in the treatment of long-term debt and related items.		
Bond, Note and Loan Amounts Issued	(218,985)	
(Premium)/Discount on Long-term Debt	(30,617)	
Bond Issuance Costs	1,732	
Payments to Escrow Agent	37,892	
Amortization of Bond Premiums/Discounts, Deferred Charges, and Cost of Issuance, Net	4,615	
Principal Payments	117,265	(88,098)
The following 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:		
Interest Expense	(2,362)	
Compensated Absences	(10,657)	
Net OPEB Obligation	(31,533)	
Pollution Remediation	328	
Principal Amounts on Leases and Notes	1,619	
		(42,605)
Internal Service Funds are used by management to charge the cost of certain activities to individual funds. The net (expense) of the Internal Service Funds is reported with governmental activities.		(11,862)
Change in Net Assets of Governmental Activities		$ (43,766)

The accompanying notes are an integral part of these basic financial statements.

Statement of Net Assets
Proprietary Funds
As of September 30, 2012
(In Thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	AIRPORT SYSTEM	SOLID WASTE MANAGEMENT	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Assets:					
Current Assets:					
Unrestricted Assets:					
Cash and Cash Equivalents	$ 1,528	$ 491	$ 1,182	$ 3,201	$ 10,508
Securities Lending Collateral	716	214	526	1,456	4,629
Investments	16,958	5,149	12,245	34,352	109,560
Receivables, Net	3,839	7,458	212	11,509	460
Materials and Supplies, at Cost	767		56	823	1,719
Deposits					138
Prepaid Expenses	6			6	1,141
Due From:					
Other Funds	617	24	67	708	8,989
Other Governmental Agencies, Net					633
Total Unrestricted Assets	24,431	13,336	14,288	52,055	137,777
Restricted Assets:					
Debt Service Accounts:					
Cash and Cash Equivalents	17,897	65	1,182	19,144	
Securities Lending Collateral			205	205	
Investments	6,769	26	5,102	11,897	
Receivables, Net	1		7	8	
Construction Accounts:					
Cash and Cash Equivalents	6,492	2,715	22	9,229	
Securities Lending Collateral	2,083	53		2,136	
Investments	49,235	1,230		50,465	
Receivables, Net	78			78	
Due From Other Funds			101	101	
Improvement and Contingency Accounts:					
Cash and Cash Equivalents	6,039	865	374	7,278	
Securities Lending Collateral	2,684	384	164	3,232	
Investments	62,770	9,027	3,898	75,695	
Receivables, Net	2,583	12	7	2,602	
Other Restricted Assets:					
Cash and Cash Equivalents	1	206		207	
Securities Lending Collateral		91		91	
Investments		2,080		2,080	
Total Restricted Assets	156,632	16,754	11,062	184,448	
Total Current Assets	181,063	30,090	25,350	236,503	137,777
Noncurrent Assets:					
Capital Assets:					
Land	5,322	1,107	8,170	14,599	
Buildings	359,346	1,291	25,926	386,563	178
Improvements	396,830	9,210	11,893	417,933	244
Machinery and Equipment	15,192	35,700	2,671	53,563	192,323
Depreciable Intangible					250
Construction in Progress	27,810	1,786	1,893	31,489	
Total Capital Assets	804,500	49,094	50,553	904,147	192,995
Less: Accumulated Depreciation	235,838	17,409	15,939	269,186	118,682
Net Capital Assets	568,662	31,685	34,614	634,961	74,313
Unamortized Bond Issuance Costs	8,999	20	240	9,259	
Total Noncurrent Assets	577,661	31,705	34,854	644,220	74,313
Total Assets	$ 758,724	$ 61,795	$ 60,204	$ 880,723	$ 212,090

The accompanying notes are an integral part of these basic financial statements.

Statement of Net Assets
Proprietary Funds
As of September 30, 2012
(In Thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	AIRPORT SYSTEM	SOLID WASTE MANAGEMENT	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Liabilities:					
Current Liabilities:					
Payable from Current Unrestricted Assets:					
Vouchers Payable	$ 1,144	$ 694	$ 219	$ 2,057	$ 4,723
Accounts Payable-Other	908	769	1,445	3,122	3,068
Claims Payable					68,249
Accrued Payroll	469	462	315	1,246	886
Accrued Interest	18			18	19
Current Portion of Accrued Leave Payable	1,646	1,312	839	3,797	2,483
Securities Lending Obligation	716	214	526	1,456	4,629
Unearned Revenue	202		73	275	8
Current Portion of Capital Lease Liability	170	5,037		5,207	1,269
Current Portion of Accrued Landfill Postclosure Costs		129		129	
Due To:					
Other Funds		151	60	211	4,824
Other Governmental Agencies			4	4	
Total Payable from Current Unrestricted Assets	5,273	8,768	3,481	17,522	90,158
Payable from Restricted Assets:					
Vouchers Payable	5,451	1,011	21	6,483	
Accrued Bond Interest	4,755	113	139	5,007	
Securities Lending Obligation	4,767	528	369	5,664	
Current Portion of Bonds and Certificates	18,115	145	1,300	19,560	
Due to Other Funds			101	101	
Current Portion of Unamortized Premium/(Discount)	3,323	20	10	3,353	
Current Portion of Deferred Amount on Refunding	(906)	(2)	(178)	(1,086)	
Other Payables			22	22	
Total Payable from Restricted Assets	35,505	1,815	1,784	39,104	
Total Current Liabilities	40,778	10,583	5,265	56,626	90,158
Noncurrent Liabilities:					
Bonds and Certificates (net of current portion)	361,550	3,060	13,600	378,210	
Unamortized Premium/(Discount) (net of current portion)	12,495	119	59	12,673	
Deferred Amount on Refunding (net of current portion	(3,281)	(35)	(1,336)	(4,652)	
Accrued Leave Payable (net of current portion)	781	332		1,113	396
Capital Lease Liability (net of current portion)	2,918	13,187		16,105	3,724
Net OPEB and Pension Obligation	9,128	10,907	6,725	26,760	16,693
Pollution Remediation	1,040			1,040	
Accrued Landfill Postclosure Costs (net of current portion)		1,915		1,915	
Total Noncurrent Liabilities	384,631	29,485	19,048	433,164	20,813
Total Liabilities	425,409	40,068	24,313	489,790	110,971
Net Assets:					
Invested In Capital Assets, Net of Related Debt	228,291	21,050	21,159	270,500	69,320
Restricted:					
Debt Service	19,911	53	6,152	26,116	
Capital Projects	65,944	8,651	4,279	78,874	
Unrestricted	19,169	(8,027)	4,301	15,443	31,799
Total Net Assets	$ 333,315	$ 21,727	$ 35,891	$ 390,933	$ 101,119
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(5,592)	
Net assets of business-type activities				$ 385,341	

The accompanying notes are an integral part of these basic financial statements.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
Year-Ended September 30, 2012
(In Thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	AIRPORT SYSTEM	SOLID WASTE MANAGEMENT	NONMAJOR ENTERPRISE FUNDS	TOTAL	INTERNAL SERVICE FUNDS
Operating Revenues:					
Charges for Services	$ 84,395	$ 93,333	$ 34,338	$ 212,066	$ 254,961
Total Operating Revenues	84,395	93,333	34,338	212,066	254,961
Operating Expenses:					
Personal Services	30,037	32,123	20,617	82,777	57,878
Contractual Services	8,654	26,774	2,847	38,275	40,947
Commodities	2,196	5,833	586	8,615	4,533
Materials					26,967
Claims					112,787
Other	7,095	17,581	6,110	30,786	16,920
Depreciation	27,462	3,841	1,556	32,859	17,915
Total Operating Expenses	75,444	86,152	31,716	193,312	277,947
Operating Income (Loss)	8,951	7,181	2,622	18,754	(22,986)
Nonoperating Revenues (Expenses):					
Investment Earnings	639	90	98	827	633
Other Nonoperating Revenue	21,285	1,372	213	22,870	1,921
Gain on Sale of Capital Assets	23	5		28	3,488
Interest and Debt Expense	(18,461)	(668)	(854)	(19,983)	
Other Nonoperating Expense	(23,896)	(1,268)	(351)	(25,515)	(211)
Total Nonoperating Revenues (Expenses)	(20,410)	(469)	(894)	(21,773)	5,831
Change in Net Assets Before Contributions and Transfers	(11,459)	6,712	1,728	(3,019)	(17,155)
Capital Contributions	13,378		74	13,452	
Transfers In (Out):					
Transfers In		255	4,593	4,848	8,047
Transfers Out	(199)	(2,097)	(3,708)	(6,004)	(5,650)
Total Transfers In (Out)	(199)	(1,842)	885	(1,156)	2,397
Change In Net Assets	1,720	4,870	2,687	9,277	(14,758)
Net Assets - October 1	331,595	16,857	33,204		115,877
Net Assets - September 30	$ 333,315	$ 21,727	$ 35,891		$ 101,119
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				(2,896)	
Change in Net Assets of Business-Type Activities				$ 6,381	

The accompanying notes are an integral part of these basic financial statements.

Statement of Cash Flows
Proprietary Funds
Year-Ended September 30, 2012
(In Thousands)

	BUSINESS-TYPE ACTIVITIES ENTERPRISE FUNDS				GOVERNMENTAL ACTIVITIES
	AIRPORT SYSTEM	SOLID WASTE MANAGEMENT	NONMAJOR ENTERPRISE FUNDS	TOTALS	INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:					
Cash Received from Customers	$ 81,593	$ 93,760	$ 34,448	$ 209,801	$ 256,378
Cash Payments to Suppliers for Goods and Services	(18,413)	(51,526)	(8,922)	(78,861)	(196,190)
Cash Payments to Employees for Service	(27,643)	(28,627)	(19,230)	(75,500)	(54,054)
Net Cash Provided by Operating Activities	35,537	13,607	6,296	55,440	6,134
Cash Flows from Noncapital Financing Activities:					
Transfers In from Other Funds		255	4,593	4,848	8,047
Transfers Out to Other Funds	(199)	(2,097)	(3,708)	(6,004)	(5,650)
Due to Other Funds	(464)	(1,166)	(10)	(1,640)	927
Due from Other Funds	(610)	5,248	544	5,182	(5,458)
Cash Received from Other Nonoperating Revenues	21,285	1,372	189	22,846	1,813
Net Cash Provided by (Used for) Noncapital Financing Activities	20,012	3,612	1,608	25,232	(321)
Cash Flows from Capital and Related Financing Activities:					
Contributed Capital	13,378			13,378	
Acquisitions and Construction of Capital Assets	(30,131)	(5,346)	(1,870)	(37,347)	(19,672)
Principal Payments on Long-Term Debt	(26,759)	(140)	(1,175)	(28,074)	
Interest and Fees Paid on Long-Term Debt	(18,642)	(581)	(862)	(20,085)	
Interest Paid on Notes and Leases	(285)	(119)		(404)	18
Principal Payments on Notes and Leases		(5,218)		(5,218)	(1,135)
Proceeds from Sale of Assets	29	11		40	4,582
Net Cash (Used for) Capital and Related Financing Activities	(62,410)	(11,393)	(3,907)	(77,710)	(16,207)
Cash Flows from Investing Activities:					
Purchases of Investment Securities	(187,591)	(19,525)	(25,099)	(232,215)	(121,258)
Maturity of Investment Securities	194,665	16,544	21,870	233,079	132,000
Purchases of Investments for Securities Lending	(1,023)	(22)	(293)	(1,338)	(1,543)
Proceeds from Cash Collected for Securities Lending Cash Collateral	1,023	22	293	1,338	1,543
Investments Earnings	556	96	87	739	571
Net Cash Provided by (Used for) Investing Activities	7,630	(2,885)	(3,142)	1,603	11,313
Net Increase in Cash and Cash Equivalents	769	2,941	855	4,565	919
Cash and Cash Equivalents, October 1	31,188	1,401	1,905	34,494	9,589
Cash and Cash Equivalents, September 30	$ 31,957	$ 4,342	$ 2,760	$ 39,059	$ 10,508
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	$ 8,951	$ 7,181	$ 2,622	$ 18,754	$ (22,986)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	27,462	3,841	1,556	32,859	17,915
Changes in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(1,332)	427	139	(766)	1,951
(Increase) in Due from Other Governmental Agencies			(2)	(2)	(519)
(Increase) Decrease in Materials and Supplies	(121)		4	(117)	(53)
(Increase) in Prepaid Expenses	(6)			(6)	(165)
Increase (Decrease) in Vouchers Payable	359	(790)	202	(229)	(85)
Increase in Claims Payable					9,382
Increase (Decrease) in Accounts Payable - Other	(700)	(547)	417	(830)	(2,405)
Increase in Accrued Payroll	84	64	34	182	34
Increase in Accrued Leave Payable	301	128	29	458	165
Increase in Net OPEB and Pension Obligation	2,009	3,304	1,324	6,637	3,626
(Decrease) in Pollution Remediation Liability		(1)		(1)	
(Decrease) in Unearned Revenue	(1,470)		(29)	(1,499)	(15)
(Decrease) in Due to Other Governmental Agencies					(711)
Net Cash Provided by Operating Activities	$ 35,537	$ 13,607	$ 6,296	$ 55,440	$ 6,134
Noncash Investing, Capital and Financing Activities					
Acquisitions and Construction of Capital Assets from Debt Proceeds and Leases	$ -	$ 5,514	$ -	$ -	$ -
Contributed Capital			74	74	

The accompanying notes are an integral part of these basic financial statements.

Statement of Fiduciary Net Assets/Balance Sheet
Fiduciary Funds
As of September 30, 2012
(In Thousands)

	FIRE AND POLICE PENSION AND HEALTH CARE FUNDS	PRIVATE PURPOSE TRUST FUND - SAN ANTONIO LITERACY PROGRAM	AGENCY FUNDS
Assets:			
Current Assets:			
Cash and Cash Equivalents	$ 151,237	$ 24	$ 8,274
Security Lending Collateral	116,323		86
Investments:			
Common Stock	932,738		
U.S. Government Securities	66,026		2,029
Corporate Bonds	355,235		
Mutual Funds	54,550		
Hedge Funds	183,353		
Real Estate	301,208		
Alternative	367,646		
Receivables:			
Accounts	76,445		89
Accrued Interest	4,579		6
Accrued Revenue	21		
Total Current Assets	2,609,361	24	10,484
Capital Assets:			
Machinery and Equipment	457		
Buildings	1,468		
Total Capital Assets	1,925		
Less: Accumulated Depreciation	597		
Net Capital Assets	1,328		
Total Assets	$ 2,610,689	$ 24	$ 10,484
Liabilities:			
Vouchers Payable	$ 3,573	$ -	$ 24
Accounts Payable - Other	24,102		10,374
Claims Payable	2,561		
Accrued Payroll	195		
Securities Lending Obligation	116,323		86
Total Liabilities	146,754		$ 10,484
Net Assets:			
Net Held in Trust for Pension, OPEB Benefits and Other Purposes	$ 2,463,935	$ 24	

The accompanying notes are an integral part of these basic financial statements.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year-Ended September 30, 2012
(In Thousands)

	FIRE AND POLICE PENSION AND HEALTH CARE FUNDS	PRIVATE PURPOSE TRUST FUND - SAN ANTONIO LITERACY PROGRAM
Additions:		
Contributions:		
Employer	$ 94,898	$ -
Employee	47,436	
Other Contributions	747	
Total Contributions	143,081	
Investment Earnings:		
Net Increase in Fair Value of Investments	249,490	
Real Estate Income, Net	7,892	
Interest and Dividends	40,551	
Securities Lending	386	
Other Income	274	
Total Investment Earnings	298,593	
Less: Investment Expenses		
Investment Management Fees and Custodian Fees	(11,051)	
Less: Securities Lending Expenses		
Borrower Rebates and Lending Fees	(50)	
Net Investment Earnings	287,492	
Total Additions	430,573	
Deductions:		
Benefits	129,890	
Refunds of Contributions	697	
Administrative Expense	4,777	
Total Deductions	135,364	
Change in Net Assets	295,209	
Net Assets - October 1	2,168,726	24
Net Assets - September 30	$ 2,463,935	$ 24

The accompanying notes are an integral part of these basic financial statements.

Statement of Net Assets
Discretely Presented Component Units
As of September 30, 2012
(In Thousands)

	CPS ENERGY	SAN ANTONIO WATER SYSTEM	NONMAJOR COMPONENT UNITS	TOTAL
Assets:				
Current Assets:				
Unrestricted Assets:				
Cash and Cash Equivalents	$ 148,746	$ 118,636	$ 19,333	$ 286,715
Investments	135,640	69,413	433	205,486
Receivables, Net:				
Notes			15,852	15,852
Accounts	197,041	46,356	529	243,926
Accrued Interest	300	1,333	821	2,454
Materials and Supplies, at Cost	178,747	5,576	194	184,517
Due from Other Governmental Agencies			5,702	5,702
Prepaid Expenses	66,592	2,408	34,298	103,298
Other Assets			848	848
Total Unrestricted Assets	727,066	243,722	78,010	1,048,798
Restricted Assets:				
Debt Service Accounts:				
Cash and Cash Equivalents	518	11,698	14,908	27,124
Investments		36,035	11,073	47,108
Receivables - Accrued Interest	3		96	99
Capital Projects Accounts:				
Cash and Cash Equivalents	60,970	41,619		102,589
Investments	56,425	141,445		197,870
Receivables - Accrued Interest	640			640
Ordinance Accounts:				
Investments	530,830			530,830
Receivables - Accrued Interest	1,892			1,892
Other Restricted Accounts:				
Cash and Cash Equivalents	22,371	364	6,272	29,007
Investments	424,866	109,551		534,417
Receivables			49,015	49,015
Deferred Charges			3,474	3,474
Prepaid Expenses	3,215			3,215
Total Restricted Assets	1,101,730	340,712	84,838	1,527,280
Total Current Assets	1,828,796	584,434	162,848	2,576,078
Noncurrent Assets:				
Capital Assets:				
Land	131,566	93,331	40,063	264,960
Intangible Assets		205,533		205,533
Infrastructure			83,654	83,654
Buildings			234,231	234,231
Utility Plant in Service	10,705,109	3,843,415		14,548,524
Machinery and Equipment		158,439	18,228	176,667
Construction in Progress	595,994	522,438	9,791	1,128,223
Water Rights and Other Depreciable Intangible Assets		1,347		1,347
Nuclear Fuel	701,735			701,735
Total Capital Assets	12,134,404	4,824,503	385,967	17,344,874
Less: Accumulated Depreciation	4,859,007	1,271,438	113,982	6,244,427
Assets Held for Resale			382	382
Net Capital Assets	7,275,397	3,553,065	272,367	11,100,829
Other Noncurrent Assets:				
Receivables		7,985	2,915	10,900
Prepaid Expenses	377,654		494,565	872,219
Net OPEB and Pension Asset	22,450			22,450
Other Noncurrent Assets	75,975		2,272	78,247
Deferred Outflows Derivative Instrument	16,184	18,380	3,872	38,436
Unamortized Bond Issuance Costs		17,680		17,680
Total Noncurrent Assets	7,767,660	3,597,110	775,991	12,140,761
Total Assets	$ 9,596,456	$ 4,181,544	$ 938,839	$ 14,716,839

The accompanying notes are an integral part of these basic financial statements.

Statement of Net Assets
Discretely Presented Component Units
As of September 30, 2012
(In Thousands)

	CPS ENERGY	SAN ANTONIO WATER SYSTEM	NONMAJOR COMPONENT UNITS	TOTAL
Liabilities:				
Current Liabilities:				
Payable from Current Unrestricted Assets:				
Accounts Payable and Other Current Liabilities	$ 298,248	$ 36,626	$ 7,333	$ 342,207
Unearned Revenue			8,130	8,130
Due to Other Governmental Agencies			1,796	1,796
Current Portion of Long-term Lease/Notes Payable			5,372	5,372
Current Portion of Deferred Lease/Leaseback	22,561			22,561
Current Portion of Other Payables	28,779	10,565	881	40,225
Total Payable from Current Unrestricted Assets	349,588	47,191	23,512	420,291
Payable from Restricted Assets:				
Accounts Payable and Other Current Liabilities		44,468		44,468
Accrued Bond and Certificate Interest		12,871	16,609	29,480
Current Portion of Bonds and Certificates	195,375	44,780	23,325	263,480
Current Portion of Commercial Paper		2,840		2,840
Total Payable from Restricted Assets	195,375	104,959	39,934	340,268
Total Current Liabilities	544,963	152,150	63,446	760,559
Noncurrent Liabilities:				
Bonds and Certificates (Net of Current Portion)	4,484,440	1,849,450	610,992	6,944,882
Commercial Paper (Net of Current Portion)	130,000	212,090		342,090
Unamortized Premium/(Discount) on Bonds and Certificates	106,527	30,238	(178)	136,587
Deferred Amount on Refunding	(32,688)	(33,148)		(65,836)
Long-Term Lease/Notes Payable (Net of Current Portion)			43,365	43,365
Deferred Lease/Leaseback (Net of Current Portion)	430,530			430,530
Net Pension and OPEB Obligation		81,234		81,234
Other Payables (Net of Current Portion)	613,469	27,090	5,597	646,156
Total Noncurrent Liabilities	5,732,278	2,166,954	659,776	8,559,008
Total Liabilities	6,277,241	2,319,104	723,222	9,319,567
Net Assets:				
Invested in Capital Assets, Net of Related Debt	2,515,218	1,599,612	181,877	4,296,707
Restricted for:				
Debt Service		34,862	913	35,775
Employee Benefit Plans				
Capital Projects	536,756		2,002	538,758
Operating and Other Reserves		89,923	3,663	93,586
Unrestricted	267,241	138,043	27,162	432,446
Total Net Assets	$ 3,319,215	$ 1,862,440	$ 215,617	$ 5,397,272

The accompanying notes are an integral part of these basic financial statements.

Statement of Activities
Discretely Presented Component Units
Year-Ended September 30, 2012
(In Thousands)

		Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	EXPENSES	**CHARGES FOR SERVICES**	**OPERATING GRANTS AND CONTRIBUTIONS**	**CAPITAL GRANTS AND CONTRIBUTIONS**	**CPS ENERGY**	**SAN ANTONIO WATER SYSTEM**	**NONMAJOR COMPONENT UNITS**	**TOTALS**
CPS Energy	$ 2,295,340	$ 2,258,396	$ -	$ 25,588	$ (11,356)	$ -	$ -	$ (11,356)
San Antonio Water System	400,923	417,869		60,253		77,199		77,199
Nonmajor Component Units	124,439	111,664	484	3,085			(9,206)	(9,206)
Total	$ 2,820,702	$ 2,787,929	$ 484	$ 88,926	(11,356)	77,199	(9,206)	56,637
			General Revenues:					
			Investment Earnings		49,686	6,180	2,002	57,868
			Miscellaneous				1,380	1,380
			Adjustment for STP Pension Cost		(17,056)			(17,056)
			Total General Revenues		32,630	6,180	3,382	42,192
			Change in Net Assets		21,274	83,379	(5,824)	98,829
			Net Assets - Beginning of Fiscal Year		3,297,941	1,779,061	221,441	5,298,443
			Net Assets - End of Fiscal Year		$ 3,319,215	$ 1,862,440	$ 215,617	$ 5,397,272

The accompanying notes are an integral part of these basic financial statements.

Comprehensive Annual Financial Report
Table of Notes to Financial Statements
Year-Ended September 30, 2012

Note 1 Summary of Significant Accounting Policies

The financial statements of the City of San Antonio (the City) have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) for local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted body for establishing governmental accounting and financial reporting standards. The following is a summary of significant accounting policies of the City.

Reporting Entity

In the evaluation of how to define the City for financial reporting purposes, management considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations Are Component Units—an amendment of GASB Statement No. 14*. The underlying concept of the financial reporting entity is that elected officials are "accountable" to their constituents for their actions. One of the objectives of this concept is to provide users of governmental financial statements with a basis for assessing the accountability of those elected officials.

The financial reporting entity consists of: (a) the primary government (in these financial statements the primary government is the City), (b) component units, which are legally separate organizations for which the City is financially accountable or the services rendered by the component unit are provided entirely or almost entirely to the City (blended), and (c) component units, the nature and significance of their relationship with the City is such that exclusion from the reporting entity's financial statements would be misleading or incomplete (discretely presented).

Using the criteria of GASB Statements No. 14 and No. 39 outlined below, potential component units were evaluated for inclusion in or exclusion from the reporting entity, whether the organizations were financially accountable or not, and were further evaluated for financial statement presentation. Based on their individual relationships with the City, some component unit financial statements were blended as though they are part of the City and others were discretely presented.

The following criteria (as set forth in GASB Statements No. 14 and No. 39) were used in the evaluation of potential component units of the City:

1) Legally separate
2) Financial accountability
   a) Appointment of a voting majority
   b) Imposition of will
   c) Financial benefit to or burden on the City
   d) Fiscal dependency
3) The relationship with the City is such that exclusion would cause these financial statements to be misleading or incomplete
4) Service rendered by the potential component unit is provided entirely or almost entirely to the City
5) The City or its component units, are entitled to, or have the ability to access the majority of the resources received or held by the separate organization.

Note 1 Summary of Significant Accounting Policies (Continued)

Reporting Entity (Continued)

The criteria outlined above were excerpted from GASB Statements No. 14 and No. 39. For a more detailed explanation of the criteria established by the Statements, the reader is referred to the *Codification of Governmental Accounting and Financial Reporting Standards*, as of June 30, 2012, published by GASB, Section-2600. GASB Statement No. 39 further clarifies that a "not for profit" may not be financially accountable to the City, but may be considered a component unit based on the nature and significance of its relationship with the City. Predicated upon the application of the criteria outlined above, the following is a brief overview of component units included in the reporting entity.

Blended Component Units

The relationships among the following component units and the City meet the criteria, as set forth in GASB Statements No. 14 and No. 39, for inclusion in the reporting entity and are such that the financial statements are blended with those of the City.

As set forth in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, the City excludes fiduciary funds and component units that are fiduciary in nature from the government-wide financial statements. The City's component units that are fiduciary in nature are the San Antonio Fire and Police Pension Fund and the San Antonio Fire and Police Retiree Health Care Fund. These component units are presented in the Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. Following is a brief description of the City's blended component units:

Convention Center Hotel Finance Corporation P.O. Box 839966 San Antonio, TX 78283-3966 Contact: Margaret Villegas Telephone No. (210) 207-5734	The Convention Center Hotel Finance Corporation (CCHFC) was established in fiscal year 2005 in accordance with state laws for the purposes of, and to act on behalf of the City in local economic development to stimulate business and commercial activity in the City. The CCHFC is governed by a board of directors, which is comprised of the City Council of San Antonio.
Empowerment Zone Development Corporation P.O. Box 839966 San Antonio, TX 78283-3966 Contact: Rene Dominguez Telephone No. (210) 207-8080	The Empowerment Zone Development Corporation (EZDC) was established in fiscal year 2004 in accordance with state laws for the purposes of, and to act on behalf of the City in local economic development to stimulate business and commercial activity in the City. The EZDC is governed by a board of directors, which is comprised of the City Council of San Antonio. This is a dormant entity with no activity or balance in fiscal year 2012. There are no financial statements to incorporate.
San Antonio Early Childhood Education Municipal Development Corporation P.O. Box 839966 San Antonio, TX 78283-3966 Contact: Rebecca Flores Telephone No. (210) 207-8239	The San Antonio Early Childhood Education Municipal Development Corporation (PreK4SA) was established in fiscal year 2012 in accordance with state laws for the purpose of, and to act on behalf of the City to develop and run authorized programs for early childhood education services. PreK4SA is governed by a board of trustees appointed by the City Council of San Antonio. PreK4SA had minimal activity through September 30, 2012, as such an audit is not deemed necessary.

Year-Ended September 30, 2012 - 28 - Amounts are expressed in thousands

Note 1 Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

San Antonio Fire and Police Pension Fund
11603 W. Coker Loop, Ste 201
San Antonio, TX 78216
Contact: Warren Schott
Telephone No. (210) 534-3262

The San Antonio Fire and Police Pension Fund (Pension Fund) is a single employer defined benefit plan established in accordance with state law. The Pension Fund is administered by a nine-member board of trustees, including two members of the City Council of San Antonio, and the Mayor or his appointee. The City and Pension Fund participants are obligated to make all contributions to the Pension Fund in accordance with rates established by state laws. Benefit levels are also set by state laws. Services rendered by the Pension Fund are exclusively for the benefit of eligible firefighters and police officers, upon retirement.

San Antonio Fire and Police Retiree Health Care Fund
11603 W. Coker Loop, Ste 130
San Antonio, TX 78216
Contact: James Bounds
Telephone No. (210) 494-6500

The City of San Antonio Firefighters' and Police Officers' Retiree Prefunded Group Health Plan was created in October 1989, in accordance with the provisions of the City's contracts with the local fire and police unions, respectively, to provide post-employment health care benefits to uniformed employees who retired on or after October 1, 1989. Pursuant to the passage of Senate Bill 1568 in 1997, a separate and distinct statutory trust, the San Antonio Fire and Police Retiree Health Care Fund (Health Fund), was created to provide these post-employment health care benefits for eligible uniformed employees of the City. The Health Fund is administered by a nine-member board of trustees, including two members of the City Council of San Antonio and the Mayor or his appointee. The City, active employees and retirees on behalf of their dependents are obligated to make all contributions to the Health Fund in accordance with rates established by state laws. Benefits are established pursuant to legislation enacted by the State with the Health Fund Board's ability to modify those benefits within certain parameters.

San Antonio Health Facilities Development Corporation
100 W. Houston St., 19th Floor
San Antonio, TX 78205
Contact: Rene Dominguez
Telephone No. (210) 207-8080

The San Antonio Health Facilities Development Corporation (HFDC) was established by Ordinance No. 55400, dated June 3, 1982, in accordance with state laws for the purposes of, and to act on behalf of the City as, a corporation under the Texas Health Facilities Development Act of 1981. The HFDC is authorized to issue tax-exempt health facility revenue bonds, for which the City is not obligated in any manner, to finance health related projects in support of the promotion, expansion, and improvement of health facilities. The City Council of San Antonio comprises the board of directors that govern HFDC.

San Antonio Housing Trust Finance Corporation
P.O. Box 15915
San Antonio, TX 78212
Contact: John Kenny
Telephone No. (210) 735-2772

The San Antonio Housing Trust Finance Corporation (HTFC) was established in fiscal year 1997 under the Texas Housing Finance Corporations Act (the Act), in accordance with state laws for the purposes of, and to act on behalf of the City in, carrying out the purposes of the Act, including the issuance of single family and multi-family revenue bonds. HTFC is managed by a five-member board of directors, which is appointed by the City Council of San Antonio.

Note 1 Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

San Antonio Industrial Development Authority
100 W. Houston St., 19th Floor
San Antonio, TX 78205
Contact: Rene Dominguez
Telephone No. (210) 207-8080

The San Antonio Industrial Development Authority (IDA) was established by Resolution No. 79-48-100 dated October 11, 1979, in accordance with state laws for the purposes of benefiting and accomplishing public purposes of, and to act on behalf of the City as a corporation under the Development Corporation Act of 1979. The IDA is authorized to issue tax-exempt industrial revenue bonds, for which the City is not obligated in any manner, to finance qualified projects, which may further the promotion and development of commercial, industrial, and manufacturing enterprises to advance and encourage employment and public welfare. The IDA is governed by a board of directors, which is comprised of the City Council of San Antonio.

San Antonio Public Library Foundation
625 Shook
San Antonio, TX 78212
Contact: Tracey Ramsey
Telephone No. (210) 225-4728

The San Antonio Public Library Foundation (the Foundation) was created in 1983 to emphasize the important role the private sector has in helping to enhance library resources and services. The Foundation works to raise funds from several sources, including individuals, corporations and charitable foundations for the sole benefit of the City's libraries and to raise awareness of reading. The library board of trustees' Chairman and two additional members of the library board of trustees are members of the 100+ member Foundation Board. The Foundation is a self-governing agency, as such the City has no control over its board of trustees, how its funds are expended, or access to the Foundation's funds. The purpose of the Foundation is exclusively to support the San Antonio Public Library System and to increase the awareness and use of the library through financial support and programmatic efforts.

San Antonio Texas Municipal Facilities Corporation
P.O. Box 839966
San Antonio, TX 78283-3966
Contact: Margaret Villegas
Telephone No. (210) 207-5734

The San Antonio Texas Municipal Facilities Corporation (TMFC) was established in fiscal year 2001 in accordance with state laws for the purposes of, and to act on behalf of the City in acquiring, constructing, equipping, financing, operating, and maintaining land and other municipal facilities for the City. The TMFC is governed by a board of directors, which is comprised of the City Council of San Antonio.

Starbright Industrial Development Corporation
P.O. Box 839966
San Antonio, TX 78283-3966
Contact: Margaret Villegas
Telephone No. (210) 207-5734

The Starbright Industrial Development Corporation (SIDC) was established in fiscal year 2003 in accordance with state laws for the purposes of, and to act on behalf of the City in the promotion and development of commercial, industrial, and manufacturing enterprises, to advance and encourage employment and public welfare, including but not limited to the acquisition of land. The SIDC is governed by a board of directors, which is comprised of the City Council of San Antonio.

Note 1 Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

HemisFair Park Area Redevelopment Corporation
c/o City of San Antonio
434 S. Alamo Street
San Antonio, TX 78205
Contact: Omar Gonzalez
Telephone No. (210) 560-5733

The HemisFair Park Area Redevelopment Corporation (HPARC) was established in fiscal year 2009 in accordance with state laws for the purposes of, and to act on behalf of the City in, assisting with acquiring property, planning, developing, constructing, managing and financing projects within HemisFair Park and its surrounding area in order to promote economic development, employment, and to stimulate business, housing, tourism, and commercial activity within the City. The HPARC is governed by eleven members approved by the City Council of San Antonio.

San Antonio Education Facilities Corporation
100 W. Houston St., 19th Floor
San Antonio, TX 78205
Contact: Rene Dominguez
Telephone No. (210) 207-8080

The San Antonio Education Facilities Corporation (EFC), formerly the City of San Antonio Higher Education Authority was established in 1984, in accordance with state laws for the purpose of aiding nonprofit institutions of higher education in providing educational, housing, and other related facilities in accordance with, and subject to the provisions of Section 53.35 (b) Texas Education Code (the Code), all to be done on behalf of the City and its duly constituted authority and instrumentality. The Code authorizes EFC to issue revenue bonds, for which the City is not obligated in any manner to finance qualified projects that meet the purpose of the Code. The EFC is governed by a board of directors, which is comprised of the City Council of San Antonio.

Westside Development Corporation
2300 W. Commerce, Ste 207
San Antonio, TX 78207-3839
Contact: Ramon Flores
Telephone No. (210) 207-8204

Westside Development Corporation (WDC) was established in fiscal year 2006 in accordance with state laws for the purposes of promoting economic development and redevelopment opportunities in the west side of San Antonio. WDC seeks to generate new capital investment, create more higher paying jobs, and reduce the poverty level in the area. In addition, WDC functions as a land development corporation that has the power to buy, sell, and accept land as a nonprofit without the restrictions placed upon a municipality. WDC is governed by a board of directors nominated by a City Council committee and appointed by the City Council of San Antonio. Representatives of key stakeholders and Westside advocates are the policy-setting oversight authority for WDC, comprised of 17 members.

San Antonio Economic Development Corporation
100 W. Houston St., 19th Floor
San Antonio, TX 78205
Contact: Rene Dominguez
Telephone No. (210) 207-8080

The San Antonio Economic Development Corporation (EDC) was established in fiscal year 2010 as a nonprofit corporation to promote, assist, and enhance economic development activities for the City. EDC was organized for the purposes of undertaking any statute-authorized projects to benefit and accomplish the public purpose of promoting economic development in the City. The affairs of EDC are managed by a board of directors appointed by the City Council of San Antonio. The City Council may remove a director at any time without cause. EDC's budget is not effective until adopted by the City Council.

Note 1 Summary of Significant Accounting Policies (Continued)

Blended Component Units (Continued)

San Antonio Housing Trust Public Facility Corporation
2515 Blanco Rd.
San Antonio, TX 78212
Contact: John Kenny
Telephone No. (210) 735-2772

San Antonio Housing Trust Public Facility Corporation (HTPFC) was established in fiscal year 2010 as a nonprofit corporation, organized for the purpose of assisting the City in financing, refinancing, or providing public facilities. HTPFC was created to provide a tool to develop affordable housing. HTPFC enables housing resources to be better coordinated and directed to accomplish the City's revitalization goals, and gives the City another tool to establish housing in downtown and other areas targeted for development. HTPFC's board of directors is appointed by the City Council of San Antonio, and consists of five City Council members.

Texas Public Facilities Corporation
P.O. Box 839966
San Antonio, TX 78283-3966
Contact: Margaret Villegas
Telephone No. (210) 207-5734

Texas Public Facilities Corporation (TPFC) was established in fiscal year 2012 in accordance with state laws for the purpose of, and to act on behalf of the City, to effectuate the buyout of the City's existing Hotel Revenue Bonds and funding for the expansion of the City's Convention Center through issuance of 2012 Lease Revenue Bonds. The TPFC is governed by a board of directors, which is comprised of the City Council of San Antonio. As TPFC had minimal activity through September 30, an audit is not deemed necessary.

The blended component units with different fiscal year-ends from the City are the Foundation with a fiscal year-end of December 31st, and PreK4SA with a fiscal year-end of June 30th.

It is management's belief that to exclude essential disclosures from the City's financial statements as they pertain to the Pension Fund and Health Fund would be misleading. Therefore, relevant disclosures have been included in the City's financial statements.

The City noted that WDC did not complete audits of their fiscal year 2012 activities in time for the City to include in its financial statements. It is management's belief that the exclusion of this component unit's statements does not materially misrepresent the City's financial statements. WDC was not reported in fiscal year 2011 either so a restatement is not needed.

The City additionally noted that the Foundation has an audit performed biennially, with the latest done in 2011. Since the Foundation's review was not available in time for fiscal year 2012, fiscal year 2011 numbers are reported. It is management's belief that the exclusion of the component unit's fiscal year 2012 numbers does not materially misrepresent the City's financial statements.

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Note 1 Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units

The relationship among the following component units and the City is such that they meet the criteria, as set forth in GASB Statements No. 14 and No. 39, for inclusion in the reporting entity as discretely presented component units.

Brooks Development Authority
1 B.D.A. Crossing, Ste 100
Brooks City-Base, TX 78235-5355
Contact: Roland Lozano
Telephone No. (210) 678-3306

The Brooks Development Authority (BDA) is a special district and political subdivision of the State of Texas. It was established on September 27, 2001, as a defense base development authority in accordance with state laws for the purposes of, and to act on behalf of the City in, improving mission effectiveness, reducing the cost of providing quality installation support through improved capital asset management, and promoting economic development for Brooks Air Force Base and in the surrounding community. An eleven-member board of directors appointed by the City Council of San Antonio governs the BDA for two-year terms and oversees the Brooks Technology and Business Park in support of the Brooks City-Base Project. The City's ability to impose its will on BDA is through the City Council having the power to remove board members.

City South Management Authority
c/o City of San Antonio
1400 S. Flores
San Antonio, TX 78204
Contact: Christopher Looney
Telephone No. (210) 207-5889

City South Management Authority (CSMA) is a political subdivision of the State of Texas established at the request of the City for the purposes of supporting economic development, creating sustainable communities, and promoting the unique historical, cultural and environmental assets of the City's southern edge. CSMA was established by the City in fiscal year 2005, with a fifteen-member board; six appointed by the City, six by Bexar County, and three appointed collectively by Southwest, East Central, and Southside Independent School Districts. The issuance of bonds or notes must be approved by the City Council of San Antonio.

CPS Energy
P.O. Box 1771
San Antonio, TX 78296-1771
Contact: Gary W. Gold
Telephone No. (210) 353-2523

CPS Energy, a municipally owned utility, provides electricity and natural gas to San Antonio and the surrounding areas. CPS Energy is governed by a board of trustees, which is comprised of four members appointed by the City Council of San Antonio and has the City's Mayor as an ex-officio member. The user rates for services and charges and the issuance of bonds are approved by the City Council.

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Note 1 Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units (Continued)

Main Plaza Conservancy
111 Soledad, Ste 825
San Antonio, TX 78205
Contact: Jane Pauley-Flores
Telephone No. (210) 225-9800

Main Plaza Conservancy (MPC), a nonprofit organization that provides the management of Main Plaza, was incorporated in October 2007. MPC operates and maintains Main Plaza in coordination with the City and Bexar County to develop and implement a strategy to increase awareness of the historical and cultural significance of Main Plaza, and to organize cultural and artistic events at Main Plaza for the benefit of the citizens, residents and visitors of San Antonio. MPC is governed by a seven-member board of directors, with one representative from both the City and Bexar County. MPC must obtain written permission from the City Manager or designee on such items as security guidelines, charges for admittance, improvements and changes to Main Plaza, and debt issuances.

Municipal Golf Association – San Antonio
2315 Avenue B
San Antonio, TX 78215
Contact: James E. Roschek
Telephone No. (210) 268-5110

Municipal Golf Association – San Antonio (MGA-SA) was established in fiscal year 2007 in accordance with state laws for the purposes of, and to act on behalf of the City in, operating and promoting the City's municipal golf facilities. MGA-SA is governed by a fifteen member board of directors, which is comprised of seven members selected by MGA-SA according to the approved process contained in its by-laws; two ex-officio member positions from City staff who are appointed by the City Manager; and six members appointed by the City Council of San Antonio.

Urban Renewal Agency of the City of San Antonio dba Office of Urban Redevelopment of San Antonio
c/o City of San Antonio
1400 S. Flores
San Antonio, TX 78204
Contact: Lori Houston
Telephone No. (210) 207-6357

The Urban Renewal Agency of the City of San Antonio dba Office of Urban Redevelopment of San Antonio (OUR SA) was created under the provisions of the Urban Renewal Law of the State of Texas. OUR SA is responsible for implementing the City's Urban Renewal Program and may designate for urban renewal in such areas as it deems advisable, subject to approval by the City Council of San Antonio. OUR SA receives a majority of its operating funds from the sale of land owned by the entity. OUR SA is governed by a six-member board of commissioners appointed by the City Council of San Antonio.

SA Energy Acquisition Public Facility Corporation
P.O. Box 1771
San Antonio, TX 78296-1771
Contact: Gary W. Gold
Telephone No. (210) 353-2523

SA Energy Acquisition Public Facility Corporation (SAEAPFC) was established in 2007, in accordance with state laws for the purposes of, and to act on behalf of the City in, the financing and acquisition of electric energy and power, oil, gas, coal and other liquid, gaseous or solid hydrocarbon fuels for the electric and gas systems of the City. SAEAPFC is governed by a seven-member board of directors appointed by the City Council of San Antonio for two-year terms. Board members are subject to removal by the City Council for cause, or at will.

Note 1 Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units (Continued)

Port Authority of San Antonio dba Port San Antonio
907 Billy Mitchell Blvd,
San Antonio, TX 78226-1802
Contact: Maria Booth
Telephone No. (210) 362-7800

The Port Authority of San Antonio dba Port San Antonio (the Port) is a special district and political subdivision of the State of Texas that was originally established in 1996 as a local development authority under the Development Corp Act of 1979 for the purpose of monitoring the proposed closing of Kelly; conducting comprehensive studies of all issues related to the closure, conversion, redevelopment, and future use of Kelly; reviewing all options relative to the most appropriate uses of Kelly and the surrounding area; formulating and adopting a comprehensive plan for the conversion and redevelopment of Kelly and submitting such plan to the appropriate agency or agencies of the federal government; and implementing such plan as it relates to Kelly and the surrounding area. The Port is governed by an eleven-member board of directors, appointed at will by the City Council of San Antonio. The Port is authorized to issue bonds which the City is not obligated in any manner, to finance projects as permitted by state laws.

San Antonio Housing Trust Foundation, Inc.
2515 Blanco Rd.
San Antonio, TX 78212
Contact: John Kenny
Telephone No. (210) 735-2772

San Antonio Housing Trust Foundation, Inc. (HTF) is a nonprofit entity incorporated in 1990 under the laws of the State of Texas. HTF was organized for the purposes of supporting charitable, educational, and scientific undertakings, and specifically for providing housing for low- and middle-income families, promoting public health, safety, convenience, and welfare, revitalizing neighborhoods and the downtown area through appropriate housing activities, and to provide administrative and other support for the operations of the City of San Antonio Housing Trust Fund, a Permanent Fund of the City. HTF is governed by an eleven-member board of directors appointed by the City Council of San Antonio. HTF administers the HTFC. The City has the ability to appoint, hire, reassign, or dismiss those persons responsible for the day-to-day operations of the HTF as it authorizes a contract for the administration and management of the operations on an annual basis.

San Antonio Water System
P.O. Box 2449
San Antonio, TX 78298-2449
Contact: Doug Evanson
Telephone No. (210) 233-3803

On May 19, 1992, the consolidation of water systems, agencies and activities into one institution through a refunding of the then outstanding water and sewer bonds of the former City Water Board, Alamo Water Conservation and Re-Use District, and the City's Sewer and Stormwater System, resulted in the creation of the San Antonio Water System (SAWS). The City Council of San Antonio determined that the interests of the citizens and the customers would best be served by placing authority for management and control of SAWS, as consolidated, with a board of trustees. This board of trustees includes the City's Mayor as an ex-officio member, along with six members appointed by the City Council for four-year staggered terms. The rates for user charges and bond issuance authorizations are approved by the City Council.

Note 1 Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units (Continued)

San Antonio Water System District Special Project
P.O. Box 2449
San Antonio, TX 78298-2449
Contact: Doug Evanson
Telephone No. (210) 233-3803

On November 8, 2011, voters in the Bexar Metropolitan Water District (BexarMet) voted to dissolve the utility and transfer responsibility to the San Antonio Water System. As authorized be Senate Bill 341 by the Texas Legislature and approved by the City Council of San Antonio, the San Antonio Water System District Special Project (DSP) will operate as a component unit of the City during the transition of BexarMet's operations into SAWS for a period lasting up to five years. The board of trustees includes the City's Mayor as an ex-officio member, along with six members appointed by the City Council for four-year staggered terms. The rates for user charges and bond issuance authorizations are approved by the City Council. Given the timeframe of DSP's creation, financial statements did not exist for inclusion in the fiscal year 2012 CAFR.

San Antonio Housing Trust Reinvestment Corp.
2515 Blanco Rd
San Antonio, TX 78212
Contact: John Kenny
Telephone No. (210) 735-2772

San Antonio Housing Trust Reinvestment Corporation (HTRC) was created to act as a duly constituted authority of the City and is authorized by the City Council of San Antonio to aid, assist, and act on behalf of the City to promote for the common good and general welfare of reinvestment zones. As HTRC had no activity through September 30, an audit is not deemed necessary in fiscal year 2012.

Discretely presented component units with different fiscal year-ends from the City are CPS Energy and SAEAPFC with fiscal year-ends of January 31st and SAWS and DSP with fiscal year-ends of December 31st.

It is management's belief that to exclude essential disclosures from the City's financial statements as they pertain to CPS Energy and SAWS would be misleading. CPS Energy and SAWS have been identified as major discretely presented component units as they both relate to total component units and to the primary government. Therefore, relevant disclosures have been included in the City's financial statements.

Essential disclosures related to the above mentioned discretely presented and blended component units are included in the complete financial statements of each of the individual component units. These statements, where done, may be obtained at the respective entity's administrative office.

Related Organizations

The City Council of San Antonio appoints members to the board of commissioners for the Housing Authority of the City of San Antonio (SAHA) and a majority of the board of directors for Keep San Antonio Beautiful, Inc. However, the City's accountability for these entities does not extend beyond making appointments to their boards and the coordination and approval of strategic plans for SAHA.

Note 1 Summary of Significant Accounting Policies (Continued)

Basic Financial Statements - GASB Statement No. 34

Government-Wide and Fund Financial Statements – The basic financial statements include three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The government-wide financial statements report information on all nonfiduciary activities of the primary government and its component units. MD&A introduces the basic financial statements and provides an analytical overview of the City's financial activities. Additionally, for the most part, the effect of interfund activity has been removed from the statements.

The Statement of Net Assets – Reflects both short-term and long-term assets and liabilities. In the government-wide Statement of Net Assets, governmental activities are reported separately from business-type activities. Governmental activities are supported by taxes and intergovernmental revenues, whereas business-type activities are normally supported by user fees and charges for services. Long-term assets, such as capital assets and unamortized bond issuance costs, and long-term obligations, such as debt, are now reported in the governmental activities. The components of net assets are presented in three separate components: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted. Interfund receivables and payables within governmental and business-type activities have been eliminated in the government-wide Statement of Net Assets, which minimizes the duplication of assets and liabilities within the governmental and business-type activities. The net amount of interfund transfers between governmental, proprietary and fiduciary funds is the balance reported in the Statement of Net Assets. Discretely Presented Component units are also reported in the Statement of Net Assets.

The Statement of Activities – Reflects both the gross and net cost format. The net cost (by function or business-type activity) is usually covered by general revenues (property tax, sales and use tax, revenues from utilities, etc.). Direct (gross) expenses of a given function or segment are offset by charges for services, operating and capital grants and contributions. Program revenues must be directly associated with the function of program activity. The presentation allows users to determine which functions are self-supporting and which rely on the tax base in order to complete their mission. Internal Service Fund balances, whether positive or negative, have been eliminated against the expenses and program revenues shown in the governmental and business-type activities of the Statement of Activities.

A reconciliation detailing the change in net assets between the government-wide financial statements and the fund financial statements is presented separately for governmental funds. In order to achieve a break-even result in the Internal Service Fund activity, differences in the basis of accounting and reclassifications are allocated back to user departments. These allocations are reflected in the government-wide statements. Any residual amounts of the Internal Service Funds are reported in the governmental activity column.

The proprietary funds have a reconciliation presented in the proprietary funds' Statement of Net Assets and Statement of Revenues, Expenses, and Changes in Fund Net Assets related to the Internal Service Fund allocation.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets and other debits, liabilities, fund balances and other credits, revenues and expenditures, or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the proceeds of revenue sources, those proceeds' restrictions or commitments for which they are to be spent and the means by which spending activities are controlled. The City has three types of funds: governmental, proprietary, and fiduciary. The fund financial statements provide more detailed information about the City's most significant funds, but not on the City as a whole. Major governmental and enterprise funds are reported separately in the fund financial statements. Nonmajor funds are aggregated in the fund financial statements and independently presented in the combining statements.

The criteria used to determine if a governmental or enterprise fund should be reported as a major fund are as follows: the total assets, liabilities, revenues or expenditures/expenses of that governmental or enterprise fund are at least 10.0% of the corresponding element total for all funds of that category or type (that is, total governmental or total enterprise funds), and the same element that met the 10.0% criterion above in the governmental or enterprise fund is at least 5.0% of the corresponding element total for all governmental and enterprise funds combined.

The following is a brief description of the major governmental funds that are separately presented in the fund financial statements:

- The General Fund is always presented as a major fund.
- The Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs, except those that are accounted for in enterprise funds.
- The Categorical Grant-In-Aid Fund, a special revenue fund, accounts for the receipt and disbursement of all federal and state grants (with non-cash in-kind contributions from external agencies for federal grants), except for Community Development Block Grants, HUD 108 loans, HOME Investment Partnership Grants, Confiscated Property, and the American Recovery and Reinvestment Act Grants.
- The 2007 General Obligation Bonds Fund, a capital projects fund, accounts for the receipt and disbursement of $550,000 in bond sales for physical infrastructure development and improvement projects approved by a bond election held on May 12, 2007. These projects are within five areas: streets and pedestrian, drainage improvements, parks and recreation, library and public health.

The following is a brief description of the major enterprise funds that are separately presented in the fund financial statements:

- The Airport System accounts for the operation of the San Antonio International Airport and Stinson Municipal Airport. Financing for the Airport System operations is provided by user fees, while financing for the Airport System's capital is primarily funded by City issued revenue bonds (repaid with user fees), grants and facility charges assessed to users.
- Solid Waste Management accounts for the operation and maintenance of the City's solid waste and environmental management programs. Financing for Solid Waste Management is provided by user fees, while financing for the Solid Waste Management's capital is primarily funded by City issued bonds and master leases repaid with user fees.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Governmental Funds

General Fund is the primary operating fund for the City, which accounts for and reports all financial resources of the general government not accounted for and reported in another fund.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service and capital projects. The specific revenue sources are the foundation for the fund's designation and are expected to continue to compromise a substantial portion of the inflows reported in the fund. If the fund no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources, the fund's remaining resources and activities are reported in the General Fund.

Debt Service Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for principal and interest as well as financial resources that are being accumulated for principal and interest maturing in future years.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets, except those financed by enterprise funds and trust funds.

Permanent Funds are used to account for and report resources that are 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.

The governmental funds that have legally adopted budgets are the General Fund, Debt Service Fund, Special Revenue Funds (excluding HOME Program, Categorical Grant-In-Aid, HUD 108 Loan Program, Community Development Program, American Recovery and Reinvestment Act, Tax Increment Reinvestment Zone, and most Community Services Funds), and City Cemeteries.

Proprietary Funds

Enterprise Funds are used to account for and report operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the expenses (including depreciation) of providing goods or services to the general public on a continuing basis should be financed or recovered primarily through user charges.

Internal Service Funds are used to account for and report the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. The City's self-insurance programs, data processing programs, other internal service programs, and Capital Improvements Management Services (CIMS) are accounted for in these funds.

Note 1 Summary of Significant Accounting Policies (Continued)

Fund Accounting (Continued)

Fiduciary Funds

Trust and Agency Funds are used to account for and report assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and other governmental units. These include the Pension Fund and Retiree Health Fund, which account for resources for pension and retiree health care benefits for the City's firefighters and police officers. The Private Purpose Trust Fund includes reporting on funds restricted for the City's literacy programs. The Agency Funds account for the City's sales and use tax to be remitted to the State of Texas, various fees for other governmental entities, unclaimed property, and various deposits held. Pension Fund, Health Fund, and the Private Purpose Trust Fund are accounted for in essentially the same manner as proprietary funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Measurement Focus and Basis of Accounting

Primary Government (City)

The government-wide financial statements present information about the City as a whole. Government-wide financial statements exclude both fiduciary funds and fiduciary component units. The Statement of Net Assets and the Statement of Activities are reported using the 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. The City recognizes revenue from property taxes in the period for which they were levied. Other taxes and fees are recognized as revenue in the year they are earned. Revenues from grants and similar items are recognized in the fiscal year the qualifying expenditures are made and all other eligibility requirements have been satisfied.

Program revenues are presented in the government-wide Statement of Activities. The City reports program revenues in three categories: (1) charges for services, (2) operating grants and contributions, and (3) capital grants and contributions. Further descriptions of these three categories follow. They are presented separately as a reduction of the total expense to arrive at the net expense of each functional activity. Program revenues are revenues generated by transactions with outside parties who purchase, use, or directly benefit from a program. They also include amounts such as grants and contributions received from outside parties that restrict the use of those resources to specific programs.

1) Charges for services are revenues generated by those who purchase goods or services from the City. Examples of charges for services include airport landing fees, solid waste collection and disposal fees, vacant lot clean up, and food establishment licenses. Fines and forfeitures, license and permits and intergovernmental revenues as reported in the General Fund are also reported under charges for services.
2) Operating grants and contributions are those revenues that are restricted in the way they may be spent for operations of a particular program.
3) Capital grants and contributions are also restricted revenues whose resources may only be spent to purchase, build or use capital assets for specified programs.

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Primary Government (City) (Continued)

All governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. This means that only current assets and current liabilities are generally included in their balance sheets and revenues are recognized in the accounting period in which they become available and measurable. “Available” means collectible within the current period, or soon enough thereafter, to be used to pay liabilities of the current period. Revenues from property taxes, sales and use taxes, occupancy taxes, gross receipts taxes, municipal court fines and fees, licenses, revenues from utilities, investment earnings, and charges for services are recorded on the modified accrual basis of accounting, and therefore, are considered susceptible to accrual. The City’s availability period is no more than 60 days beyond the end of the fiscal year. Grant revenues are recognized when reimbursable expenditures are made, all other eligibility requirements imposed by the provider have been met and the City receives reimbursement within 60 days of the fiscal year-end. Grant funds received in advance and delinquent property taxes are recorded as deferred revenue until earned and available.

Gross receipts and sales and use taxes are considered available when received by intermediary collecting governments, and are recognized at that time. Anticipated refunds of such taxes are recorded as liabilities and reductions of revenue when they are measurable and their validity seems certain.

Expenditures are recognized in the accounting period in which the fund liability is incurred; however, accrued leave, debt service expenditures, claims and judgments, arbitrage rebates, post-employment obligations, and pollution remediation are recorded only when the liability is matured.

The reported fund balance (net current assets) for each fund is considered a measure of "current financial resources." Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they are said to present a summary of sources and uses of "current financial resources" during the period.

Special reporting treatments are applied to governmental fund materials and supplies, prepaid expenditures, and deposits to indicate that they do not represent "current financial resources," since they do not represent net current assets. Such amounts are generally offset by fund balance nonspendable accounts.

Proprietary, Pension, Private Purpose Trust, Health Funds, and governmental and business-type activities are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses and related liabilities, including claims, judgments, and accrued leave, are recognized when they are incurred. These funds are accounted for on a cost of services or "economic resources" measurement focus. Consequently, all assets and all liabilities (whether current or noncurrent) associated with their activity are included in their balance sheets. The reported proprietary fund net assets are segregated into three components: (1) invested in capital assets, net of related debt, (2) restricted, and (3) unrestricted net assets. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net assets.

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

Primary Government (City) (Continued)

Proprietary funds report both operating and nonoperating revenues and expenses in the Statement of Revenues, Expenses, and Changes in Fund Net Assets. The City defines operating revenues as those receipts generated by a specified program offering either a good or service. For example, parking garage and street lot fees are operating revenues of the Parking System Fund. This definition is consistent with GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting,* which defines operating receipts as cash receipts from customers and other cash receipts that do not result from transactions defined as capital and related financing, noncapital financing or investing activities. Operating expenses include personal services, contractual services, commodities, other expenses (such as insurance), and depreciation. Revenues and expenses not fitting the above definitions are considered nonoperating.

The City's proprietary funds, Pension, Private Purpose Trust and Health Funds and business-type activities, as well as its discretely presented component units, apply all applicable GASB Statements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, APB Opinions, and ARBs issued on or before November 30, 1989, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. The City has the option to apply FASB Statements after November 30, 1989 but has chosen not to apply those statements.

CPS Energy

CPS Energy's operating revenue includes receipts from energy sales and miscellaneous revenue related to the operation of electric and gas systems.

CPS Energy revenues are recorded when earned. Customers' meters are read and bills are prepared monthly based on billing cycles. Rate tariffs include adjustment clauses that permit recovery of electric and gas fuel costs. CPS Energy has used historical information from the relative prior fiscal years as partial bases to estimate and record earned revenue not yet billed. This process has involved an extrapolation of customer usage over the days since the last meter read through the last day of the monthly period. Also included in unbilled revenue are the over/under-recoveries of electric and gas fuel costs and regulatory assessments.

CPS Energy's electric fuel cost adjustment clause also permits recovery of regulatory assessments. Specifically, beginning in March 2000, CPS Energy began recovering assessments from the Public Utility Commission of Texas (PUCT) 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 Energy as a wholesale provider of power to other utilities.

Miscellaneous revenue includes late payment fees, rental income, jobbing and contract work, and ancillary services. Operating expenses are recorded as incurred and include those costs that result from the ongoing operations of the electric and gas systems.

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

CPS Energy (Continued)

Nonoperating revenue consists primarily of investment income, including fair market value adjustments, and grant programs. The amortization of net gains from the lease/leaseback of J.K. Spruce Unit 1 is also included. Certain miscellaneous income amounts from renting general property and providing various services are also recorded as nonoperating revenue when they are not directly identified with the electric or gas systems. These amounts for fiscal year 2012 were recorded net of expenses.

CPS Energy accounts for decommissioning by recognizing a liability and expense for a pro rata share of projected decommissioning costs as determined by the most recent cost study. A new cost study is performed every five years, and in years subsequent to the latest study, estimated annual decommissioning expense and an increase in the liability is calculated by applying the effects of inflation and the ratio of years of plant usage to total plant life.

Additionally, due to requirements under the Code of Federal Regulations governing nuclear decommissioning trust funds, guidance under FASB 71, *Accounting for the Effects of Certain Types of Regulation*, has been followed. Under this guidance, the zero fund net assets approach is applied in accounting for the Decommissioning Trusts. In accordance with FASB 71, the cumulative effect of activity in the Trusts has been recorded as a regulatory liability reported on the balance sheet as STP decommissioning costs refundable since any excess funds are payable to customers. Going forward, prolonged unfavorable economic conditions could result in the assets of the Trusts being less than the estimated decommissioning liability. In that case, instead of an excess as currently exists, there would be a deficit that would be reported as STP decommissioning net costs recoverable. This amount would be receivable from customers.

To reflect funding methodology, the Allowance for Funds Used During Construction (AFUDC) rate includes both a debt and an equity component. The new blended rate is composed of 50.0% equity and 50.0% debt based on construction funding forecasts. The investment rate is reviewed quarterly to determine if any adjustments are necessary. Alternate AFUDC rates are applied to projects costing more than $100,000, reflecting the method by which they are funded.

Federal stimulus funds have been made available to CPS Energy as a subrecipient for a portion of the grant funds allocated to the State of Texas for a number of programs under the American Recovery and Reinvestment Act of 2009. Used primarily for the weatherization of qualifying homes, grant receipts are recorded as nonoperating income and are to reimburse CPS Energy for costs, recorded as operating expenses, incurred in the administration of the program. This accounting treatment results in no impact to fund net assets. Revenues associated with the stimulus programs are exempt from City payment. Grant funding received by CPS Energy is subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agencies for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

Note 1 Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting (Continued)

San Antonio Water System (SAWS)

SAWS revenues are recorded as services are provided. Customers' meters are read and bills are prepared monthly based on billing cycles. SAWS uses historical information to estimate and record earned revenue not yet billed.

SAWS' principal operating revenues are charges to customers for water supply, water delivery, wastewater, and chilled water and steam services. Operating expenses include the cost of service, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonoperating revenues consist primarily of interest income earned on investments, including the changes in fair value of investments. Nonoperating expenses consist primarily of interest expense, amortization of debt related costs, sales of capital assets and payments to the City.

Current Year GASB Statement Implementations

In fiscal year 2012, the City implemented the following GASB Statements:

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans,* is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other post-employment benefit (OPEB) plans (that is, agent employers). The City does not employ the alternative measurement method, and its OPEB measurements are completed within the minimum frequency required; therefore, the implementation of this GASB Statement did not impact the City.

GASB Statement No. 64, *Derivative Instruments; Applications of Hedge Accounting Termination Provisions – an amendment of GASB Statement 53*, is to clarify whether an effective hedging relationship continues after the replacement of swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establishes when the effective hedging relationship continues and hedge accounting should continue to be applied. The City does not currently participate in hedge activities; however its major component units, CPS Energy & SAWS may. The impact of implementing this Statement would be through their financial statements and required note disclosures.

Future GASB Statement Implementations

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, improves financial reporting by addressing issues related to service concession arrangements (SCAs). The requirements of this Statement improve financial reporting by establishing recognition, measurement, and disclosure requirements for SCAs for both transferors and governmental operators, requiring governments to account for and report SCAs in the same manner, which improves the comparability of financial statements. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The City will implement this Statement in fiscal year 2013.

Note 1 Summary of Significant Accounting Policies (Continued)

Future GASB Statement Implementations (Continued)

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34,* improves financial reporting for a governmental financial reporting entity. The requirements of this Statement result in financial reporting entity financial statements being more relevant by improving guidance for including, presenting, and disclosing information about component units and equity interest transactions of a financial reporting entity. This Statement provides amendments to Statement No. 14, *The Financial Reporting Entity,* and Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* The requirements of this Statement are effective for fiscal periods beginning after June 15, 2012. The City will implement this Statement in fiscal year 2013.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, improves financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This requirement will bring the authoritative accounting and financial reporting literature together in one place. This Statement will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, resulting in more consistent application of applicable guidance. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2011. The City will implement this Statement in fiscal year 2013.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This Statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments,* and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The requirements of this Statement will improve financial reporting by standardizing the presentation of deferred outflows of resources and deferred inflows of resources and their effects on a government's net position. It alleviates uncertainty about reporting those financial statement elements by providing guidance where none previously existed. The requirements of this Statement are effective for fiscal periods beginning after December 15, 2012. The City will implement this Statement in fiscal year 2013.

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4, *Elements of Financial Statements*. The Statement also provides other financial reporting guidance related to the impact of the financial statement element changes to include charges in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. The City will implement this Statement in fiscal year 2014.

Note 1 Summary of Significant Accounting Policies (Continued)

Future GASB Statement Implementations (Continued)

GASB Statement No. 66, Technical Corrections—2012 (*an amendment of GASB Statements No. 10 and No. 62)*, improves accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* and No. 62, *Codification of Accounting and Financial Reporting Guidance.* This Statement amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. This Statement also amends Statement No. 62 by modifying the specific guidance on accounting for (1) operating lease payments, (2) investments of purchased loan or group of loans, and (3) service fees related to mortgage loans. These changes clarify how to apply Statement No. 13*, Accounting for Operating Leases with Scheduled Rent Increases*, and result in guidance that is consistent with the requirements in Statement No. 48*, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. The City will implement this Statement in fiscal year 2014.

GASB Statement No. 67, *Financial Reporting for Pension Plans (an amendment of GASB Statement No. 25)* will improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 25 and No. 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide post-employment benefits other than pensions. This Statement is effective for financial statements for fiscal years beginning after June 15, 2013. The City will implement this Statement in fiscal year 2014.

GASB Statement No. 68**,** *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)* will improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of Statement No. 50*,* as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements No. 27 and No. 50 remain applicable for pensions that are not covered by the scope of this Statement. This Statement is effective for financial statements for fiscal years beginning after June 15, 2014. The City will implement this Statement in fiscal year 2015.

Note 1 Summary of Significant Accounting Policies (Continued)

Future GASB Statement Implementations (Continued)

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, this Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term *government combinations* includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. This Statement is effective for financial statements for fiscal years beginning after December 15, 2013. The City will implement this Statement in fiscal year 2015.

The City has not fully determined the effects that implementation of Statements No. 60 through 63 and No. 65 through 69 will have on the City's financial statements.

Cash and Cash Equivalents and Investments

The City's investment practices are governed by state statutes and by the City's own Investment Policy. City cash is required to be deposited in Federal Deposit Insurance Corporation (FDIC) insured banks located within the State of Texas. A pooled cash and investment strategy is utilized, which enables the City to have one central depository. Investments are pooled into two primary categories: operating funds and debt service funds. The balances in these funds are invested in an aggregate or pooled amount, with principal and interest income distributed to each respective fund on a pro rata basis. In addition, the City may purchase certain investments with the available balance of a specific fund for the sole benefit of such fund. Fair Market value of the City's investments is determined by quoted market prices. As of September 30, 2012, the City's investment portfolio did not contain any derivative or alternative investment products, nor was it leveraged in any way, except as noted in the Pension Fund and Health Fund. For a listing of authorized investments, see Note 3 Cash and Cash Equivalents and Investments.

The City, CPS Energy, and SAWS account for, and report investments, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. The Pension Fund and the Health Fund report investments at fair value, in accordance with GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*. The City's policy with respect to money market investments, which have a remaining maturity of one year or less at the time of purchase, is to report those investments at amortized cost, which approximates fair value. Amortization of premium or accretion of discount is recorded over the term of the investments.

For purposes of the statement of cash flows, the City, CPS Energy, and SAWS consider all highly liquid investments with an original maturity of approximately 90 days or less to be cash equivalents.

Materials and Supplies and Prepaid Items

Materials and supplies consist principally of expendable items held for consumption and are stated at cost, based on first-in first-out and lower of average cost or market methods. For governmental and proprietary fund types, the "consumption" method is used to account for certain materials and supplies. Under the consumption method, these acquisitions are recorded in material and supplies accounts and charged as expenditures for governmental funds and as expenses for proprietary funds when used.

Note 1 Summary of Significant Accounting Policies (Continued)

Materials and Supplies and Prepaid Items (Continued)

Prepaid items are goods and services that are paid in advance. These payments reflect costs applicable to future accounting periods, and are recorded in both government-wide and fund financial statements. Using the consumption method, prepaid items are charged as expenditures for governmental funds and as expenses for proprietary funds as the goods or services are used.

Capital Assets and Depreciation

Primary Government (City)

All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair value on the date donated. Capital assets recorded under capital leases are recorded at the present value of future minimum lease payments. Depreciation on all exhaustible capital assets of the City is charged as an expense with accumulated depreciation being reported in the Statement of Net Assets. Depreciation is provided over the estimated useful lives of the assets using the straight-line method.

The City has established capitalization thresholds for buildings, improvements, infrastructure, machinery and equipment, furniture and office equipment, and intangible assets (e.g. right of ways, easements, internally generated software). Some intangible assets may have an indefinite life. For those assets, depreciation is not calculated. The estimated useful lives and capitalization thresholds applied are as follows:

Assets	Useful Life (Years)	Capitalization Threshold
Buildings	15-40	$ 100
Improvements (other than buildings)	20-40	100
Infrastructure	15-100	100
Machinery and Equipment	5-20	5
Furniture and Office Equipment	5-10	5
Intangible Assets	5-40	100

CPS Energy

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. Except for certain assets that may become impaired, the cost of depreciable plant that is retired, plus removal costs and less salvage, is charged to accumulated depreciation. Per the financial reporting requirements of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, any losses associated with capital asset impairments will be charged to operations, not to accumulated depreciation.

CPS Energy's utility plant is stated at the cost of construction, including expenses for contracted services; direct equipment, material and labor; indirect costs, including general engineering, labor, equipment and material overheads; and AFUDC, or capitalized interest. AFUDC is applied to projects estimated to require 30 days or more to complete.

Year-Ended September 30, 2012 - 48 - Amounts are expressed in thousands

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued)

CPS Energy (Continued)

Proceeds from customers to partially fund construction expenses are reported as contributed capital in the Statement of Activities as increases in fund net assets in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*. The amount reported for contributed capital was $25,588 for January 31, 2012, including donated assets of $4,402. The portion of these balances that represent contributions received from customers as payments for utility extensions and services was $21,103 at January 31, 2012.

Except for nuclear fuel, which is amortized over units of production, CPS Energy computes depreciation using the straight-line method over the estimated service lives of the depreciable property according to asset type. Total depreciation as a percent of total depreciable assets, excluding nuclear fuel, was 3.3% for fiscal year 2012.

The estimated useful lives of capital assets were as follows:

Assets	Useful Life (Years)
Buildings and Structures	20-60
Systems and Improvements:	
Generation	18-60
Transmission and Distribution	20-55
Gas	50-65
Machinery and Equipment	4-30
Mineral Rights and Other	20-40
Nuclear Fuel	Units of Production

Beginning February 1, 2011, CPS Energy changed its capitalization thresholds for all categories of computer software. Thresholds contained in CPS Energy's capitalization policy for fiscal year 2012 were as follows:

Assets	Capitalization Threshold
Land, Land Improvements and Certain Easements	Capitalize All
Buildings and Building Improvements	$ 10
Computer Software:	
Purchased	50
Internally Developed	50
Enhancements/Upgrades	50
Computer Hardware	3
All Other Assets	3

Year-Ended September 30, 2012 - 49 - Amounts are expressed in thousands

Note 1 Summary of Significant Accounting Policies (Continued)

Capital Assets and Depreciation (Continued)

San Antonio Water System (SAWS)

SAWS' capital assets in service are capitalized when the unit cost is greater than or equal to $5. Utility plant additions are recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Also included in capital assets are intangible assets, which consist of purchased water rights and land easements, costs associated with acquiring additional Certificates of Convenience and Necessity (CCN) related to new service areas, and development costs for internally generated computer software. Overhead consists of internal costs that are clearly related to the acquisition of capital assets. Assets acquired through capital leases are recorded on the cost basis and included in utility plant in service. Assets acquired through contributions, such as those from developers, are recorded at estimated fair market value at date of donation. Maintenance, repairs, and minor renewals are charged to operating expense; major plant replacements are capitalized. Capital assets are depreciated and property under capital lease is amortized on the straight-line method. This method is applied to all individual assets except distribution mains and intangible assets. Groups of mains are depreciated on the straight-line method using rates estimated to fully depreciate the costs of the asset group over their estimated average useful lives. Intangible assets not considered to have indefinite useful lives are amortized over their estimated useful life. All capital assets are periodically reviewed for potential impairment. The following table shows an estimated range of useful lives used in providing for depreciation of capital assets:

Assets	Useful Life (Years)
Structures and Improvements	25-50
Pumping and Purification Equipment	10-50
Distribution and Transmission System	25-50
Collection System	50
Treatment Facilities	25
Equipment and Machinery	5-20
Furniture and Fixtures	3-10
Computer Equipment	5
Software	3-10
Intangible Assets (Definite Useful Life)	20

General Bonded Debt Service

The ad valorem tax rate is allocated each year between the General Fund and the Debt Service Fund. Amounts estimated to be required for debt service on general bonded debt are provided by allocated property taxes, investment earnings within the Debt Service Fund, and transfers from other funds.

Year-Ended September 30, 2012 - 50 - Amounts are expressed in thousands

Note 1 Summary of Significant Accounting Policies (Continued)

Accrued Leave

Primary Government (City)

In the governmental fund financial statements, the City accrues annual leave and associated employee related costs when matured (payable from available resources) for both civilian and uniformed employees. The matured portion of the City's compensatory time is also accrued annually for both civilian and uniformed employees. In addition, the City accrues the matured portion of its uniformed employees' accrued sick leave, holiday, and bonus pay.

For governmental fund types, the matured current portion of the liability resulting from the accrual of these leave liabilities is recorded in the respective governmental fund and reported in the fund financial statements, while the entire vested liability is reported in the government-wide financials. The current and long-term portions of the liability related to proprietary fund types are accounted for in the respective proprietary funds.

CPS Energy

Employees earn vacation benefits based upon their employment status and years of service.

San Antonio Water System (SAWS)

It is SAWS' policy to accrue employee vacation pay as earned as well as the employer portion of Social Security taxes and required pension contributions related to the accrued vacation pay. Sick leave is not accrued as a terminating employee is not paid for accumulated sick leave.

Insurance

Activity for the City's self-insurance programs is recorded in the Internal Service Funds. Assets and obligations related to property and casualty liability, employee health benefits, workers' compensation, unemployment compensation, and employee wellness are included.

The City is insured for property loss on a primary basis through Great American Insurance Company of New York. Excess liability coverage for casualty losses is provided by Star Insurance Company. Related liabilities are accrued based on the City's estimates of the aggregate liability for claims made and claims incurred but not reported prior to the end of the fiscal year. The City determines and accrues loss liabilities based on an actuarial assessment of historical claim data and industry trends performed annually.

The City also provides employee health insurance, which includes a pro rata share of retiree health benefits, workers' compensation, and unemployment benefits under its self-insurance programs. The City is a member of the Texas Municipal League Workers' Compensation Joint Insurance Fund, and uses this fund as a mechanism for administering workers' compensation claims that occurred prior to September 30, 1986. Workers' compensation claims that occurred after October 1, 1986 are administered by third-party administrators. In addition, as of September 30, 2012, the City has excess workers' compensation coverage through FM Global. The City records all workers' compensation loss contingencies, including claims incurred but not reported. The City determines and accrues workers' compensation liabilities based on an actuarial assessment of historical claim data and industry trends performed annually.

Note 1 Summary of Significant Accounting Policies (Continued)

Insurance (Continued)

Employee and retiree health benefit liabilities are determined and accrued based upon the City's estimates of aggregate liabilities for unpaid benefits utilizing claim lag data from the City's third party administrator. The City additionally determines and accrues post-employment liabilities based on an actuarial assessment of historical claim data performed bi-annually and reviewed annually. Current year unpaid benefit liabilities for retirees are netted against the post-employment liability as additional contributions.

Regarding unemployment compensation, the City is subject to the State of Texas Employment Commission Act. Under this Act, the City's method for providing unemployment compensation is to reimburse the State for claims paid by the State.

All insurance carriers providing coverage for the City are required to possess an A.M. Best Company rating of A- or better; where A- denotes "Excellent." A.M. Best is an industry recognized rating service for insurance companies. For a more detailed explanation of the City's self-insurance programs, see Note 13, Risk Financing.

Fund Balance

Fund balances are classified as Nonspendable, Restricted, Committed, Assigned and Unassigned based on the extent to which the City is bound to observe constraints imposed on the use of the resources in the governmental funds. The classifications are as follows:

- Nonspendable – The nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash.
- Restricted – The fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or it's imposed by law through enabling legislation.
- Committed – The committed fund balance includes amounts that can be used only for the specific purposes imposed by formal action (ordinance) of City Council. Those committed amounts cannot be used for other purposes unless City Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.
- Assigned – Amounts in the assigned fund balance are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund assigned amounts represent intended uses established by City Council or City management.
- Unassigned – Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and does not have a specific purpose. In the governmental funds, other than the General Fund, if expenditures incurred exceeded the amounts restricted, committed or assigned, the fund may report a negative unassigned fund balance.

Generally, the City would apply restricted, committed or assigned resources prior to unassigned resources when expenditure is incurred for purposes for which more than one of the classification of fund balance is available. See Note 15 Fund Balance Classifications.

Note 1 Summary of Significant Accounting Policies (Continued)

Allocation of Indirect Expenses

The City recovers indirect costs in the General Fund through the application of departmental indirect cost rates. These rates are developed and documented in the City's departmental indirect cost rate plan. In this plan, each department is classified by function. Indirect costs are budgeted by department and are used as a basis for the City's actual indirect cost allocation. Base rates are then applied to actual indirect costs recovered and indirect costs are reclassified to reduce general government expenditures. For fiscal year 2012, general government expenditures were reduced by $9,871, resulting in increased expenditures/expenses in other governmental functions and in business-type activities in the amounts of $7,669 and $2,202, respectively.

Long-Term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts are amortized over the life of the debt. Debt refundings (carrying value of the debt net of any unamortized costs of the old debt) are deferred and amortized over the shorter of the life of the original bonds or the life of the refunding bonds.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the period of issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Bond Issuance Costs

In the government-wide and proprietary fund financial statements, bond issuance costs are reported as assets in the Statement of Net Assets and amortized over the life of the debt.

In the fund financial statements, governmental fund types recognize bond issuance costs as expenditures of the funds during the period in which proceeds of debt issuances are recorded.

Elimination of Internal Activity

Elimination of internal activity, particularly related to Internal Service Fund transactions, is needed to make the transition from governmental funds to government-wide activities. The overriding objective in eliminating the effects of Internal Service Fund activity is to adjust the internal charges to cause a break-even result. Eliminating the effect of Internal Service Fund activity requires the City to look back and adjust the Internal Service Funds' internal charges. Net income derived from Internal Service Fund activity would cause a pro rata reduction in the charges made to the participating funds/functions. Conversely, an Internal Service Fund net loss would require a pro rata increase in the amounts charged to the participating funds/functions. Therefore, eliminations made to the Statement of Activities remove the doubling up effect of Internal Service Fund activity. The residual internal balances between the governmental and business–type activities are reported in the Statement of Net Assets and the internal balance amounts that exist within the governmental funds or within business-type funds are eliminated. The City reports Internal Service Fund balances in both governmental and business-type activities, based on the pro rata share of the amounts charged to the participating funds/functions.

Note 1 Summary of Significant Accounting Policies (Continued)

Elimination of Internal Activity (Continued)

The City has four Internal Service Funds: Other Internal Services, Information Technology Services, Self-Insurance Funds, and CIMS. Other Internal Services and Information Technology Services charge user fees for requested goods or services. Building maintenance, a component of the Other Internal Services Fund, charges are based on the space occupied by departments. Information Technology Services also charges a monthly amount based on the number of personnel positions in each department. Through the tracking of these charges to the applicable departments, the net income or loss is allocated back to the user department, based on actual charges incurred.

The Self-Insurance Funds generate their revenues through fixed assessments charged to the various funds each year. The Employee Benefits Fund charges pro rata user fees to employees, and additionally generates revenue through a pro rata user fee charged to retirees. The net income or loss generated by the Self-Insurance Funds is allocated back, based on the same allocation by which the revenues are received over time.

CIMS generates revenues by charging a capital administrative fee for projects worked on. The fund additionally generates revenue through reimbursements of costs incurred for various arts and general service activities. The net income or loss generated is allocated back to the user funds, based on actual charges incurred.

Use of Estimates

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

Application of Restricted and Unrestricted Net Assets

The City may receive funding from an organization whose expenditures are restricted to certain allowable costs. In situations where both restricted and unrestricted net assets are expended to cover allowable expenses, the City will first expend the restricted net assets and cover additional costs with unrestricted net assets. The City reserves the right to selectively defer the use of restricted assets.

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Note 2 Property Taxes

Property taxes are levied and due upon receipt on October 1, attached as an enforceable lien on property as of January 1, and become delinquent the following February 1. Property tax billing and collections are performed via an inter-local agreement with the Bexar County Tax Assessor/Collector's Office.

The City is permitted by the Municipal Finance Law of the State of Texas to levy taxes up to $2.50 per $100 of taxable valuation (note amounts are not reflected in thousands). The tax rate approved by City ordinance for the fiscal year-ended September 30, 2012, was $0.56569 per $100 taxable valuation, which means that the City has a tax margin of $1.93431 per $100 taxable valuation (note that tax rate amounts are not reflected in thousands). This could raise an additional $1,367,194 per year based on the net taxable valuation of $70,681,199 before the limit is reached.

The City has approved a “TIF Manual” for the utilization of Tax Increment Financing (TIF) and the creation of Tax Increment Reinvestment Zones (TIRZ) pursuant to Chapter 311 of the Texas Tax Code. The City has utilized TIF as a vehicle to fund in whole or in part eligible capital costs for public infrastructure related to economic development, commercial, and residential projects. As of September 30, 2012, there are 24 existing TIRZ with a total taxable captured value of $1,165,789. For fiscal year 2012, this total taxable captured value produced $6,516 in tax increment revenues for use by the City to fund capital costs of certain public infrastructure improvements in the TIRZ. The existing TIRZ have initial terms ranging from 13 years to 30 years which are anticipated to expire starting in fiscal year 2013 through fiscal year 2033. It is estimated that the City will contribute approximately $472,461 in tax increment revenues in aggregate over the life of these TIRZ projects.

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Note 3 Cash and Cash Equivalents, Securities Lending and Investments

Summary of Cash and Cash Equivalents, Securities Lending and Investments

A summary of cash and cash equivalents, securities lending and investments for the primary government (City), Pension Fund, Health Fund, CPS Energy, and SAWS are presented below as of each entity's respective fiscal year. The information is provided in order to facilitate reconciliation between the Statement of Net Assets and the following note disclosures:

Totals from Statement of Net Assets

	City [1]	Fire and Police Pension Fund [2]	Fire and Police Retiree Health Care Fund [2]	CPS Energy [3]	SAWS [4]
Unrestricted:					
Cash and Cash Equivalents	$ 36,990	$ 143,456	$ 7,781	$ 148,746	$ 118,636
Security Lending Collateral	14,139	114,207	2,116		
Investments	336,331	2,030,123	230,633	135,640	69,413
Total Unrestricted	387,460	2,287,786	240,530	284,386	188,049
Restricted:					
Cash and Cash Equivalents	182,422			83,859	53,681
Security Lending Collateral	27,095				
Investments	702,964			1,012,121	287,031
Total Restricted	912,481			1,095,980	340,712
Total Cash and Cash Equivalents, Securities Lending Collateral and Investments	$ 1,299,941	$ 2,287,786	$ 240,530	$ 1,380,366	$ 528,761

[1] Private Purpose Trust and Agency Funds, City South Management Authority and Our SA's cash, security lending collateral and investments are included in the City's pooled cash, security lending collateral and investments but are not available for City activities and are excluded from the primary government's Statement of Net Assets. The Private Purpose Trust and Agency assets are presented above as Restricted Cash and Cash Equivalents of $8,298, Security Lending Collateral of $86, and Investments of $2,029. City South Management Authority and Our SA's assets are presented in the Discretely Presented Component Unit's Statement of Net Assets. WDC is not included in these financial statements.

[2] The Fire and Police Pension Fund and the Fire and Police Retiree Health Care Fund are separately issued fiduciary component units and are excluded from the primary government's Statement of Net Assets.

[3] For the fiscal year ended January 31, 2012.

[4] For the fiscal year ended December 31, 2011.

Summary of Cash and Cash Equivalents

	City	Fire and Police Pension Fund	Fire and Police Retiree Health Care Fund	CPS Energy	SAWS
Deposits with Financial Institutions	$ 68,479	$ 222	$ 4,843	$ 26,301	$ 114,818
Investments with Original Maturities of Less than Ninety Days	148,782	143,234	2,938	206,206	57,469
Cash with Other Financial Agents	1,933				
Petty Cash Funds	100			98	
Cash on Hand	118				30
Total Cash and Cash Equivalents	$ 219,412	$ 143,456	$ 7,781	$ 232,605	$ 172,317

Year-Ended September 30, 2012 - 56 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Summary of Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Summary of Investments

	City	Fire and Police Pension Fund	Fire and Police Retiree Health Care Fund	CPS Energy	SAWS
U.S. Treasury, Government Agencies, Money Market Mutual Funds, and Governmental Investment Pool	$ 1,184,286	$ 143,234	$ 2,938	$ 1,081,775	$ 413,913
Repurchase Agreements	1,227				
Fixed Income Securities [1]	2,564				
Corporate Bonds		355,235		63,007	
Foreign Bonds				9,534	
Government & Agency Notes		66,026			
Common Stock		908,163	18,182	199,651	
Mutual Funds			54,550		
Real Estate		257,428	43,780		
Hedge Funds		174,760	8,593		
International Equities - Common Stock			6,393		
Alternative Investment		268,511	99,135		
Total Investments	1,188,077	2,173,357	233,571	1,353,967	413,913
Less: Investments with Original Maturities of Less than Ninety Days included in Cash and Cash Equivalents	(148,782)	(143,234)	(2,938)	(206,206)	(57,469)
Total	$ 1,039,295	$ 2,030,123	$ 230,633	$ 1,147,761	$ 356,444

[1] These investments are reported under a blended component unit (the Foundation). As the Foundation is a self-governing agency the City has no control over or rights to the Foundation's investments. Further breakout of these investments was not attainable.

City monies are deposited in demand accounts at the City’s depository. The City utilizes a pooled cash and investment strategy with each fund’s cash balance and pro rata shares of highly liquid investments, including U.S. Treasury securities, U.S. government agency securities, and repurchase agreements with original maturities of ninety days or less, summarized by fund type and included in the combined Statement of Net Assets as cash and cash equivalents. Overdrafts, which result from a fund overdrawing its share of pooled cash, are reported as interfund payables by the overdrawn fund and as interfund receivables of either the General Fund or another fund within a similar purpose.

The City’s investment portfolio is managed in accordance with the Texas Public Funds Investment Act, as amended, and its own Investment Policy. Authorized investments include demand accounts, certificates of deposit, obligations of the U.S. Treasury and U.S. government agencies, commercial paper, repurchase agreements, money market mutual funds and government investment pools. The City maintains in its investment portfolio U.S. Treasury securities and U.S. government agency securities with original maturities greater than ninety days. Each fund’s pro rata share of these investments with original maturities greater than ninety days is combined with similar nonpooled securities (i.e., securities purchased and held for specific funds), including U.S. Treasury securities and U.S. government agency securities, and are reported as investments in the combined Statement of Net Assets, as of September 30, 2012.

Year-Ended September 30, 2012 - 57 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City)

The City's policy with respect to money market investments that have a remaining maturity of one year or less at the time of purchase is to report these investments at amortized cost. Amortized cost approximates fair value for these investments. The increase in fair value for investments of the City with a remaining maturity of greater than one year at the time of purchase was $370 for the year-ended September 30, 2012.

On July 2012, the City began participating in TexPool, a government investment pool. The TexPool investments consist exclusively of United States government securities, its agencies or instrumentalities, repurchase agreements collateralized by United States government securities, its agencies or instrumentalities, and AAA-rated no-load money market mutual funds. The Comptroller of Public Accounts is the sole officer, director, and shareholder of the Texas Treasury Safekeeping Trust Company (the "Trust Company"), which is authorized to operate TexPool. Federated Investors, Inc. manages the assets under an agreement with the Comptroller, acting on behalf of the Trust Company. Although TexPool is not registered with the Security and Exchange Commission as an investment company, the City believes TexPool operates as a Rule 2a-7-like pool, as described in GASB Statement No. 59, *Financial Instruments Omnibus*. As such, TexPool uses amortized cost to report net assets and share prices, since that amount approximates fair value.

In accordance with GASB Statement No. 40, *Deposit and Investment Risk Exposure*, the following table and narrative addresses the interest rate risk exposure by investment type, using the weighted average maturity (WAM) method, custodial credit risk, interest rate risk, credit risk, and concentration of credit risk. The City does not hold any foreign securities; therefore, foreign currency risk is not applicable.

A summary of the City's cash and cash equivalents is provided at the beginning of Note 3, with a comparison to the Statement of Net Assets and Statement of Fiduciary Net Assets.

City Investments

	Carrying Amount [1]	Fair Value [1]	Allocation [2]	Rating [3]	WAM
U.S. Government Agency Securities	$ 870,147	$ 870,195	73.2%	AA+/A-1+	.59 years
U.S. Treasuries	169,704	170,026	14.2%	N/A	.45 years
Money Market Mutual Fund	108,976	108,976	9.2%	AAAm	1 day
Government Investment Pool	35,089	35,089	3.1%	AAAm	1 day
Fixed Income Securities [4]	2,564	2,564	0.2%		
Repurchase Agreement	1,227	1,227	0.1%	N/A	1 day
Total City Investments	$ 1,187,707	$ 1,188,077	100.0%		

[1] The Carrying Amount and Fair Value include blended component unit investments for SIDC, TMFC, CCHFC, and the Foundation, which total $24,831.

[2] The allocation is based on fair value.

[3] Standard & Poors Rating.

[4] These investments are reported under a blended component unit (the Foundation). As the Foundation is a self-governing agency the City has no control over or rights to the Foundation's investments. Further breakout of these investments, ratings and WAM were not attainable.

Year-Ended September 30, 2012 - 58 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Custodial Credit Risk (Deposits) – Collateral pledged for demand accounts and certificates of deposit is required to be held in the City's name in the custody of a third-party institution that customarily provides such custodial services at 102.0% of all deposits not covered by federal deposit insurance. Obligations that may be pledged as collateral are obligations of the U.S. government and its agencies and obligations of the State and its municipalities, school districts, and district corporations.

Written custodial agreements are required which provide, among other things, that the collateral securities are held separate from the assets of the custodial banks. The City periodically determines that the collateral has a market value adequate to cover the deposits (not less than 102.0% of the deposit amount) and that the collateral has been segregated either physically or by book entry. At fiscal year-end, cash deposits for the City were entirely collateralized by the City's depository with securities consisting of U.S. government and its agencies or U.S. government guaranteed obligations held in book entry form by the Federal Reserve Bank in the City's name.

Custodial Credit Risk (Investments) – The City's investment securities are held at the City's depository bank's third-party custodian, The Bank of New York Mellon, in the depository bank's name "as a custodian for the City". Assets pledged as collateral must generally be a type of security specifically authorized to be held as a direct investment; must be held by an independent third party; and must be pledged in the name of the City.

Interest Rate Risk – The City manages exposure to value losses resulting from rising interest rates by limiting the investment portfolio's weighted-average maturity to five years. Per the City's Investment Policy, investments are diversified across issuers and maturity dates so that fewer funds will be subject to interest rate risk occurrence at any given time. In addition, the City generally follows a laddered approach to investing, whereby blocks of roughly the same increments are invested at similarly increased maturity lengths. This approach provides security that all investments will not become due at one particularly advantageous or disadvantageous period of time, thereby spreading the risk. 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 City invests in money market mutual funds and government investment pool with 100.0% overnight liquidity. Additionally, the City has entered into several repurchase agreements with 100.0% overnight liquidity for investment of certain bond proceeds.

Credit Risk – The City's Investment Policy requires the purchase of securities that are of the highest credit quality, based on current ratings provided by nationally recognized credit rating agencies. The City deems investments in U.S. Treasury securities and U.S. government agency securities that are guaranteed to be without credit risk. To limit the City's credit risk, investments in other debt securities will consist of securities rated 'A' or better by at least two nationally recognized rating agencies. As of September 30, 2012, the City's investment portfolio, with the exception of the repurchase agreement, the money market mutual fund investments, and the government investment pool consisted only of U.S. Treasury securities and U.S. government agency securities. Investments in U.S. government agency securities, including Federal Home Loan Mortgage Corporation, Federal National Mortgage Association, Federal Home Loan Bank, Federal Agricultural Mortgage Corporation and Federal Farm Credit Bank were rated 'AA+' (Long-term) and 'A-1+' (Short-term) by Standard & Poor's. The investments in the money market mutual fund and governmental investment pool were rated 'AAAm' by Standard & Poor's, and all repurchase agreements were greater than 100.0% collateralized with U.S. government agency securities.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Concentration of Credit Risk – Although the City's Investment Policy does not limit the amount of the portfolio invested in any one U.S. government agency, the City manages exposure to concentration of credit risk through diversification. As of September 30, 2012, the U.S. government agency's 73.2% securities allocation was as follows: Federal National Mortgage Association 12.6%, Federal Home Loan Mortgage Corporation 15.3%, Federal Home Loan Bank 34.4%, Federal Agricultural Mortgage Corporation 7.9%, and Farm Federal Credit Bank 3.0%.

Securities Lending – The City engages in securities lending transactions under a contract with its lending agent, Frost Bank. Authority to engage in these transactions is authorized under the Texas Public Funds Investment Act (the Act) and the City's Investment Policy. The City has authorized Frost Bank to loan up to 100.0% of the par value of its investments in the Pooled Operating Funds Portfolio, consisting of agency and treasury securities, in securities lending transactions for fiscal year 2012.

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions,* provides guidance for reporting and disclosing securities lending transactions. This guidance includes reporting certain securities lending collateral on the balance sheet as an asset, with a corresponding liability for the obligation to repay the collateral.

In securities lending transactions, the City, through its lending agent, transfers securities to approved borrowers in exchange for collateral and simultaneously agrees to return the collateral for the same securities in the future. Cash collateral received from borrowers may be invested in 'AAA'-rated money market mutual funds or investments that adhere to the Act and the City's Investment Policy. The liquidity provided by the money market mutual funds allows for the easy return of collateral upon termination of a security loan. As of September 30, 2012, all cash collateral was invested in next day money market funds. The money market mutual funds' overnight liquidity is a shorter maturity than the term of the securities lending loan which can vary for one day to the length of the maturity of the security.

Securities lending income is earned if the investment returns on the cash collateral exceeds the rebate paid to borrowers of the securities. The income is then split with the lending agent to cover its fees based on a contractually negotiated rate (70.0% allocated to the City and 30.0% allocated to Frost Bank). In the event that the investment income of the cash collateral does not provide a return that exceeds the rebate or if the investment incurs a loss of principal, the payment to the borrower would come from the City and the lending agent based on the negotiated rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium for the securities borrowed. This income is split at the same rate as the earnings for cash collateral. The collateral pledged to the City for the loaned securities is held by the lending agent or the tri-party bank. These securities are not available to the City for selling or pledging unless the borrower is in default of the loan.

All collateral received is required to have a fair value of 102.0% of the loaned securities. Securities are marked to market daily and additional cash or securities are required from the borrower if the fair value of the collateral falls below 102.0%. Cash collateral is reported on the balance sheet as an asset, with a corresponding liability for the obligation to repay the cash collateral. Noncash collateral for securities lending activities is not recorded as an asset because it remains under the control of the transferor, except in the event of default.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

In the event of default, where the borrower is unable to return the securities borrowed, the City has authorized the lending agent to seize the borrower's collateral. The collateral would then be used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities may not be able to be replaced. The lending agent has indemnified the City from any loss due to borrower default in the event the collateral is insufficient to replace the securities.

At September 30, 2012, the City had no custodial credit risk exposure to borrowers because the amount of collateral held by the City exceeded the amount of the securities loaned to the borrowers. There were no violations of legal or contractual provisions nor were there any borrower or lending agent default losses related to securities lending in fiscal year 2012.

As of September 30, 2012, the City had no credit risk exposure to borrowers because the amounts the City owed to borrowers exceeded the amounts the borrowers owed.
At September 30, 2012, there was a total of $861,749 in securities, or 88.7% of the market value of the City's Pooled Operating Funds Portfolio, plus accrued interest, on loan. In exchange, the City received $41,234 in cash collateral and $838,294 in securities collateral, or 102.1% of the market value of the corresponding securities loaned. Income generated from securities lending transactions, net of rebates to borrowers of $104, amounted to $2,987 in fiscal year 2012, of which 30.0% was paid as fees to the lending agent totaling $896.

Fire and Police Pension Fund

Investments of the Fire and Police Pension Fund (Pension Fund), a blended component unit, are administered by the Fire and Police Pension Fund Board of Trustees. Investments of the Pension Fund are reported at fair value and include corporate bonds, common stock, U.S. Treasury securities, U.S. government agency securities, notes, mortgages, hedge funds, contracts and real estate. Equity and fixed income securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Notes, mortgages, and contracts are valued on the basis of future principal and interest payments discounted at prevailing interest rates. The fair value of real estate investments is based on independent appraisals and on the equity position of real estate partnerships in which the Pension Fund has invested. The fair values of private equity investments are estimated by the General Partners based on consideration of various factors, including current net asset valuations of underlying investments in limited partnerships, the financial statements of investee limited partnerships prepared in accordance with GAAP, and other financial information provided by the General Partners of investee-limited partnerships. Investment income is recognized as earned. Net appreciation/(depreciation) in fair value of investments includes gains and losses that are being recognized based on the change in the market value of the investments, but have not been realized because the assets have not been sold or exchanged as of the balance sheet date. The Pension Fund's assets are invested as authorized by Texas state law. The fair value of the Pension Fund's cash and investments are $2,287,786. A summary of the Pension Fund's cash, cash equivalents, and investments can be found at the beginning of Note 3.

Credit Risk – Using Standard and Poor's rating system for fixed income securities as of September 30, 2012, 4.0% of the Pension Fund's bonds were rated 'AAA', 12.0% were rated 'AA', 10.0% were rated 'A', 12.0% were rated 'BBB', 19.0% were rated 'BB', 18.0% were rated 'B', 3.0% were rated 'CCC', and 22.0% were unrated or not rated.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Fund (Continued)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Pension Fund will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. As of September 30, 2012, the Pension Fund had cash deposits held by investment managers in the amount of $942 that were uninsured and uncollateralized.

Interest Rate Risk – Only the fixed income securities of the Pension Fund are subject to interest rate risk due to the possibility that prevailing interest rates could change before the securities reach maturity. Securities that are subject to interest rate risk as of September 30, 2012 amount to $421,261 and have a weighted-average maturity (WAM) of 7.49 years. Securities that are subject to interest rate risk are shown in the following table.

Investment Type	Fair Value	Weighted-Average Maturity WAM (Years)
Corporate Bonds	$ 65,798	8.54
Government Agencies	3,760	7.34
Government Bonds	54,107	11.00
Mortgage-backed securities	44,483	4.34
Municipal/Provincial bonds	8,159	12.41
Non-Government Backed C.M.O.s	10,017	23.40
Bank Loans	124,590	4.95
GoldenTree[1]	31,641	
Wellington Emerging Market Debt[2]	78,706	
Total Interest Rate Sensitive Securities	$ 421,261	

[1] GoldenTree is a commingled fund invested in high-yield corporate bonds. They report their portfolio effective duration in lieu of WAM as 3.56 as of September 30, 2012.

[2] Wellington, a commingled fund, also invests in emerging market debt. They report the effective duration of the portfolio in lieu of WAM. The effective duration for Wellington was 6.89 as of September 30, 2012.

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Year-Ended September 30, 2012 - 62 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Fund (Continued)

Foreign Currency Risk – The Pension Fund's investments include investments in equities, bonds, and cash in foreign currency denominations. Equities denominated in foreign currencies as of September 30, 2012 amounted to $312,680 in equities, $65,455 in bonds and $942 in cash. Detailed as follows:

Country	Equities	Bonds	Cash	Total
Argentine Peso	$ 8	$ -	$ -	$ 8
Australian Dollar	10,313	8,828	42	19,183
Bermuda Dollar	715			715
Brazilian Real	12,782	4,730		17,512
Canadian Dollar	6,627			6,627
Swiss Franc	13,264		113	13,377
Chinese Yuan	9,758	24		9,782
Chilean Peso	773	708		1,481
Colombian Peso		622		622
Czech Republic Krona	617			617
Danish Krone	1,452		31	1,483
Egyptian Pound	15			15
European Union	71,047	6,049	51	77,147
British Pound	35,961	6,298	206	42,465
Hong Kong Dollar	7,776		13	7,789
Hungarian Forint		3,460		3,460
Indonesian Rupiah	601			601
Israeli New Shekel	2,074		18	2,092
Indian Rupee	5,659			5,659
Japanese Yen	55,070		246	55,316
South Korean Won	17,842	3,863		21,705
Cayman Dollar	210			210
Mexican Peso	9,044	13,601		22,645
Morocco Dirham	30			30
Malaysian Ringgit	1,740	3,654		5,394
Norwegian Krone	2,712		38	2,750
New Zealand Dollar	82	3,550		3,632
Pakistani Rupee	30			30
Peruvian Nuevo Sol		559		559
Philippine Peso	83			83
Polish Zloty	2,256	5,177		7,433
Russian Ruble	5,747			5,747
Swedish Krona	5,414		183	5,597
Singapore Dollar	4,306		1	4,307
Thai Baht	7,465			7,465
Turkey New Lira	5,898			5,898
Taiwan Dollar	10,458			10,458
Uruguay Peso		205		205
South African Rand	4,851	4,127		8,978
	$ 312,680	$ 65,455	$ 942	$ 379,077

Year-Ended September 30, 2012 - 63 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Fund (Continued)

Securities Lending – State statutes and Pension Fund policies allow for securities lending transactions. The Pension Fund has entered into an agreement with its custodial bank to lend the Pension Fund's securities to one or more borrowers for a fee. It is the policy of the Pension Fund and the custodial bank to require that collateral equal to 102.0% and 105.0% for domestic and international securities, respectively, of the loaned securities be maintained by the custodial bank. Collateral may be in the form of cash, U.S. government securities, or irrevocable letters of credit. Until such time as the loan is terminated, the borrower retains all incidents of ownership with respect to the collateral. In the event that the borrower fails to repay the borrowed securities, the Pension Fund may suffer a loss. Management of the Pension Fund considers the possibility of such a loss to be remote. Cash open collateral is invested in a short-term investment pool with an average weighted maturity of 30 days at September 30, 2012.

As of September 30, 2012, the Pension Fund had lending arrangements outstanding with a total market value of $111,157 which were fully collateralized with cash and securities. Cash collateral of $114,207 is recorded in the accompanying Statements of Plan Net Assets. Net income for the year-ended September 30, 2012, under the securities lending arrangement, was $331.

Cash Collateral Pool	
U.S. Treasury Notes	$ 2,256
U.S. Treasury Bills	6,446
U.S. Asset Backed Securities	2,667
U.S. Repo Agreements	31,826
U.S. Sweep Vehicle	1,030
U.S. Agencies Bonds	17,781
U.S. Time Deposits	1,781
International Commercial Paper	1,765
International Certificates of Deposit	32,406
International Time Deposits	12,235
International Asset Backed Securities	1,043
International Corporate Notes	275
International MM demand accts.	2,696
Total	$ 114,207

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Year-Ended September 30, 2012 - 64 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Fund (Continued)

Derivatives and Structured Investments – The Pension Fund has only limited involvement with derivatives and other structured financial instruments. The Pension Fund's investment philosophy regarding the use of derivatives and other structured financial instruments is to use derivatives to replicate exposures to equity or fixed income securities. The fair value of structured financial instruments held by the Pension Fund at September 30, 2012, was approximately $10,017 in commercial mortgage obligations and is included with investments in the Statement of Plan Net Assets. The Pension Fund also invests in hedge funds which may employ the use of derivatives to reduce volatility. The Pension Fund's total investment in hedge funds was $174,760 as of September 30, 2012.

As of September 30, 2012, the Pension Fund foreign-held currency forward contracts, converted to United States currency, is as follows:

Currency	Nominal Amount USD	Maturity Date
Australian Dollar	$ (8,356)	10/10/2012
Brazilian Real	180	11/19/2012
British Pound	5,236	12/13/2012
Chilean Peso	2,816	10/18/2012
Euro	(1,215)	11/5/2012
Indonesian Rupia	3,401	3/20/2013
New Zealand Dollar	(3,272)	12/14/2012
Turkish Lira	3,562	11/9/2012
Total	$ 2,352	

Fire and Police Retiree Health Care Fund

The Fire and Police Retiree Health Care Fund (Health Fund) Board of Trustees administers investments of the Health Fund, a blended component unit. Investments are reported at fair value. Short-term investments are reported at amortized cost, which approximates fair value. Securities traded on national or international exchanges are valued at the last reported sales price at current exchange rates. Investments that do not have an established market value are reported at estimated fair value.

Alternative investments are substantially held in the form of nonmarketable limited partnerships interests, private real estate investment trusts, and open-ended hedge funds. These investments are subject to the terms of the respective partnerships' or other types of governing documents which may limit the Health Fund's withdrawal to specified times and conditions and restrict the transferability of the Health Fund's interest. The fair valuation of these investments is based on net asset values as set by the partnerships' fund managers or general partners. These net asset values may differ from the value that would have been used had a ready market for the investments existed. Such differences could be material.

Year-Ended September 30, 2012 - 65 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Retiree Health Care Fund (Continued)

All investment income, including changes in the fair value of investments, is reported as additions in the Statement of Changes in Plan Net Assets.

The Health Fund's assets are invested as authorized by the Investment Policy. The Health Fund utilizes an investment consultant that makes recommendations to the Health Fund as to the appropriate target portfolio weightings among the major asset classes (e.g. stocks, mutual funds, limited liability partnerships, cash, etc.) within the Health Fund. Additionally, the Health Fund has hired certain investment managers to exercise full discretionary authority as to all buy, hold, and sell decisions for each security under management, subject to the guidelines as defined in the Investment Policy. All of the Health Fund's assets are held by a custodial bank, Frost Bank of San Antonio, Texas.

Investments authorized by the Health Fund's Investment Policy include U.S. equities, including common stocks, securities convertible into common stock, and open or closed end mutual funds; international equity; certain fixed income assets such as corporate bonds and certificates of deposit; commercial paper; private equity; and alternative investments, including real estate, absolute return hedge funds, and natural resources. The cash portion of the Health Fund will be invested in a short-term money market mutual fund administered by the custodian bank.

The fair value of the Health Fund's cash and investments at September 30, 2012 is $240,530. A summary of the Health Fund's cash, cash equivalents, and investments can be found at the beginning of Note 3.

Custodial Credit Risk (Deposits) – The Health Fund's deposits that are held with Frost Bank in non-interest bearing demand accounts are covered under the new FDIC Transaction Account Guarantee Program. Under this program, through December 31, 2012, all non-interest bearing transaction accounts are fully guaranteed by the FDIC for the entire amount in the account. Coverage under this program is in addition to and separate from the coverage available under the FDIC's general deposit rules. It does not appear that deposits the Health Fund holds in demand accounts are exposed to custodial credit risk as of September 30, 2012.

The Health Fund does not have deposit or investment policies related to custodial credit risk as of September 30, 2012. The Health Fund is aware of these risks and monitors such risks, if any, as part of its day-to-day operations and through its daily dealings with the custodian bank.

Custodial Credit Risk (Investments) – The custodial credit risk for investments is the risk that, in the event of failure of the counterparty to an investment transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. At September 30, 2012, the Health Fund's common stock investments are held at Frost Bank's third-party custodian, Bank of New York. Since the investments are maintained separately from the bank's assets, in the event of failure of the bank, the investments held in trust would not be affected.

Credit Risk – In accordance with the Health Fund's Investment Policy, investments in money market mutual fund must be rated at least 'A-2' by Standard and Poor's (S & P). The Health Fund's investments' rating from S & P was 'AAAm' by S&P.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

Primary Government (City) (Continued)

Fire and Police Retiree Health Care Fund (Continued)

The Health Fund's investments in Mutual Funds – Fixed Income are not rated by a nationally recognized statistical ranking organization.

Interest Rate Risk – As a means of limiting its exposure to fair value losses arising from rising interest rates, the Health Fund's Investment Policy limits the maturities of money market mutual funds to 2 years at time of purchase. At September 30, 2012, the money market fund weighted average to maturity is 41 days.

Securities Lending – The Health Fund participates in a securities lending program as a means to augment income. The program is operated in accordance with a contract between the Health Fund and its custodian bank, Frost Bank, and compliance with State statutes and Health Fund policies. Securities are lent to select borrowers for a fee. It is the policy of the Health Fund and the custodian bank to require that collateral equal 100.0% of the loaned security's market value plus accrued interest for domestic government or agency securities loaned, and 102.0% of the loaned security's market value plus accrued interest for approved, domestic nongovernment or agency securities loaned. Collateral is maintained by the custodian bank and may be in the form of cash, U.S. government securities, or irrevocable letters of credit. Until such time as the loan is terminated, the borrower retains all incidents of ownership with respect to the collateral. In the event the borrower fails to repay the borrowed securities when due and the value of the collateral is insufficient to replace the borrowed securities, the Health Fund may suffer a loss. Management of the Health Fund considers the possibility of such a loss to be remote.
At September 30, 2012, the Health Fund was not exposed to credit risk to borrowers because the amounts owed to borrowers exceeded the amount the borrowers owed. There were no violations of legal or contractual provisions nor were there any borrower or lending agent default losses in fiscal year 2012.

At September 30, 2012, there was a total of $2,116 in securities out on loan to borrowers. In exchange, the Health Fund received $2,116 in securities collateral invested in open-ended money market type mutual funds, or 106.0% of the market value of the corresponding securities loaned.

Subscribed Capital Commitments – As of September 30, 2012, the Fund had non-binding commitments to invest capital in 22 investment companies under investment capital subscription agreements. These commitments are subject to periodic calls from the investment companies. The amount of this investment capital committed under the subscription agreements totaled to $94,182. As of September 30, 2012, $22,090 of this total had been called.

CPS Energy

CPS Energy's 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. CPS Energy's investments with a maturity date of one year or longer from the purchase date are accounted for using fair value. As available, fair values are determined by using generally accepted financial reporting services, publications, and broker/dealer information. The specific identification method is used to determine costs in computing gains or losses on sales of securities. CPS Energy reports all investments of the Decommissioning Trusts at fair market value.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

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 noncurrent assets. Restricted funds consist primarily of unspent bond or commercial paper proceeds, debt service required for the New Series Bonds, Junior Lien Obligations and Tax-Exempt Commercial Paper, the Flexible Rate Revolving Note and funds for future construction or contingencies. This category also includes customer assistance programs where proceeds are received from outside parties. The assets of the Decommissioning Trusts are also considered restricted.

The Repair and Replacement Account is restricted in accordance with CPS Energy's bond ordinances. In compliance with a bond ordinance, CPS Energy's board of trustees authorized that a portion of the Repair and Replacement Account be designated a Community Infrastructure and Economic Development (CIED) Fund.

CPS Energy's cash deposits at January 31, 2012 were either insured by federal depository insurance or collateralized by banks. All noninterest-bearing cash deposits were fully insured by the FDIC in accordance with the Dodd-Frank financial reform legislation that was enacted in the summer of 2010. CPS Energy's Investment Policy was revised effective March 1, 2011, to allow for a reduction in collateral to the extent of FDIC coverage. For deposits that were collateralized, the securities were U.S. government, U.S. government agency, or U.S. government-guaranteed obligations held in book entry form by the Federal Reserve Bank of New York in CPS Energy's name.

Since the assets in the Decommissioning Trusts are restricted for use only for decommissioning at some future date, securities lending cash collateral has been treated as long-term and thus has been classified as an investment in the Decommissioning Trusts. Consistent with other investments in the Decommissioning Trusts, securities lending cash collateral is shown separately on the table that lists investments by type in the Decommissioning Trust section of this Note.

Cash, Cash Equivalents and Securities Lending Cash Collateral as of January 31, 2012		
Cash and Cash Equivalents:		
Petty Cash funds on hand	$	98
Deposits with financial institutions:		
Unrestricted CPS Energy Deposits		26,078
Restricted CPS Energy Deposits:		
Debt Service		156
Project Warm		67
Investments with original maturities of less than 90 days:		
CPS Energy unrestricted (current)		122,570
CPS Energy restricted (noncurrent)		61,353
Decommissioning Trusts - restricted (noncurrent)		22,283
Total Cash and Cash Equivalents	$	232,605

CPS Energy's cash, cash equivalents and investments can be separated in the following manner:

- Those directly managed by CPS Energy, and
- Those managed through the Decommissioning Trusts.

Year-Ended September 30, 2012 - 68 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

For financial reporting purposes, cash, cash equivalents and investments managed directly by CPS Energy have been consistently measured as of the end of the fiscal year. The Decommissioning Trusts are reported on a calendar-year basis.

Summary of Cash and Cash Equivalents, Along with Current and Noncurrent Investments as of January 31, 2012	
Cash and Cash Equivalents:	
CPS Energy unrestricted and restricted	$ 210,322
Decommissioning Trusts - restricted	22,283
Total Cash and Cash Equivalents	232,605
Gross Investments - current and noncurrent:	
CPS Energy - unrestricted and restricted	914,325
Decommissioning Trusts - restricted	439,642
Total Gross Investments	1,353,967
Investments with original maturities of less than 90 days also included in Cash Equivalents:	
CPS Energy unrestricted and restricted	(183,923)
Decommissioning Trusts - restricted	(22,283)
Total Investments also included in Cash Equivalents	(206,206)
Net Current and Noncurrent Investments	1,147,761
Total Cash, Cash Equivalents and Investments	$ 1,380,366

CPS Energy's investments and the investments held in the Decommissioning Trusts are subject to the rules and regulations of the Public Funds Investment Act (PFIA). The PFIA regulates what types of investments can be made, requires written investment policies, mandates training requirements of investment officers, requires internal management reports to be produced at least quarterly, and provides for the selection of authorized brokers. In September 2005, the Texas legislature passed a law to allow the decommissioning trust funds for municipally owned nuclear power plants to hold investments authorized by Subtitle B, Title 9, of the Property Code (i.e., corporate bonds and equities such as common stocks).

CPS Energy's allowable investments are defined by CPS Energy Board Resolution, CPS Energy Investment Policy, bond ordinances, Tax-Exempt Commercial Paper (TECP) Ordinance and State law. These investments are subject to market risk, and their market value will vary as interest rates fluctuate. All CPS Energy direct investments are held in trust custodial funds by an independent bank.

CPS Energy's investments in the Decommissioning Trusts are held by an independent trustee. Investments are limited to those defined by CPS Energy Board Resolution, the South Texas Project Decommissioning Trust Investment Policy, the Investment Strategy Committee, the Trust Agreements and State law, as well as PUCT and Nuclear Regulatory Commission (NCR) guidelines. Allowable investments for the Decommissioning Trusts include those directly permissible for CPS Energy, as well as equities and corporate bonds (including international securities traded in U.S. dollars and on U.S. stock exchanges). In accordance with the Decommissioning Trusts' Investment Policy, total investments can include a maximum of 60.0% equity securities.

Year-Ended September 30, 2012 - 69 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Permissible Investments		
Investment Description	**CPS Energy Direct Investments**	**Decommissioning Trusts**
U.S. Government, Government Agency, or U.S. Government-guaranteed obligations	✓	✓
Collateralized mortgage obligation issued by the U.S. Government	✓	✓
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	✓	✓
Other specific types of secured or guaranteed investments	✓	✓
Equities	N/A	✓
Corporate bonds	N/A	✓
International securities	N/A	✓
Securities lending	✓	✓

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Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Cash, Cash Equivalents and Investments by Fund as of January 31, 2012	
Unrestricted	
Cash and Cash Equivalents	$ 148,746
Investments	135,640
Total Unrestricted (current)	284,386
Restricted	
Debt Service	
Cash and Cash Equivalents	518
Total Debt Service	518
Capital Projects	
Cash and Cash Equivalents	60,970
Investments	56,425
Total Capital Projects	117,395
Ordinance	
Investments	530,830
Total Ordinance	530,830
Other	
Project Warm	
Cash and Cash Equivalents	88
Investments	7,507
Total Project Warm	7,595
Decommissioning Trusts	
Cash and Cash Equivalents	22,283
Investments	417,359
Total Decommissioning Trusts	439,642
Total Other	447,237
Total Restricted	
Cash and Cash Equivalents	83,859
Investments	1,012,121
Total Restricted (noncurrent)	1,095,980
Total Cash, Cash Equivalents and Investments (unrestricted and restricted)	$ 1,380,366

CPS Energy's cash equivalents and fixed-income investments are exposed to interest rate risk, credit risk (including custodial credit risk and concentration of credit risk), and foreign currency risk. Equity investments are exposed to credit risk (including custodial credit risk and concentration of credit risk) and foreign currency risk. Interest rate risk is the exposure to fair market value losses resulting 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 market 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) risks. Additionally, equity investments are exposed to political, legal, event and general economic risks. Due to market fluctuations, it is possible that substantial changes in the market value of investments could occur after the end of the reporting period.

Year-Ended September 30, 2012 - 71 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

CPS Energy's investments and the investments in the Decommissioning Trusts are managed with a conservative focus. The investment policies are structured to ensure compliance with bond ordinances, the PFIA, the Public Funds Collateral Act, the NRC, the PUCT, other applicable state statutes, and CPS Energy board of trustee resolutions relating to investments. CPS Energy identifies and manages risks by following an appropriate investment oversight strategy, establishing and monitoring compliance with investment policies and procedures, and continually monitoring prudent controls over risks.

Summary of Investments by Organizational Structure and Type as of January 31, 2012

CPS Energy Investments	
U.S. Treasury, Government Agencies and Money Market Funds	$ 914,325
Decommissioning Trusts	
U.S. Treasury, Government Agencies and Money Market Funds	167,450
Corporate Bonds	63,007
Foreign Bonds	9,534
Subtotal	239,991
Common Stock	199,651
Total Decommissioning Trusts	439,642
Grand Total - all Investments	$ 1,353,967

In accordance with State law, the Decommissioning Trusts' Investment Policy allows for investment in additional types of securities, such as corporate bonds and equity securities. The policy provides guidelines to ensure all funds are invested in authorized securities in order to earn a reasonable return. The primary emphasis is placed on long-term growth commensurate with the need to preserve the value of the assets and, at the time funds are needed for decommissioning costs, on liquidity. The Investment Policy continues to follow the "prudent person" concept.

In accordance with GASB Statement No. 40, additional disclosures have been provided in this Note that address investment exposure to interest rate risk, credit risk (including custodial credit risk and concentration of credit risk), and foreign currency risk, as applicable. The disclosure requirements of this Statement do not apply to equity securities since they are not directly or immediately exposed to these risks. CPS Energy and the Decommissioning Trusts do not have custodial credit risk, as all investments are held either by an independent trustee or bank and are in CPS Energy's or the Decommissioning Trusts' names.

CPS Energy Investments – In accordance with GASB Statement No. 40, the following tables address credit risk and interest rate risk exposure by investment type using the weighted-average maturity (WAM) method. Since CPS Energy does not hold foreign instruments in its direct investments (those held by CPS Energy), foreign currency risk is not applicable.

Interest Rate Risk – In accordance with its Investment Policy, CPS Energy manages exposure to fair market value losses resulting from rising interest rates by limiting the portfolio's WAM to two years or less. WAM is defined as the weighted-average time to return a dollar of principal. It is used as an estimate of the interest rate risk of a fixed-income investment. CPS Energy invests the cash collateral received from securities lending and other funds in money market mutual funds that have no fixed maturities.

Year-Ended September 30, 2012 - 72 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Concentration of Credit Risk – In accordance with its Investment Policy, CPS Energy manages exposure to concentration of credit risk through diversification and by limiting its investment in each federal agency to 35.0% and investment in any other issuer of debt securities to 5.0% of the total fixed-income portfolio. Additionally, certificates of deposit are limited to 35.0% per issuer.

Investment Type	Carrying Value	Market Value	Allocation	Weighted-Average Maturity (Years)
U.S. Treasuries	$ 37,068	$ 37,068	4.1%	0.2
U.S. Agencies:				
Federal Home Loan Mortgage Corp.	108,189	108,192	11.8%	4.6
Federal National Mortgage Assn.	204,150	204,152	22.3%	3.8
Federal Home Loan Bank	71,575	71,575	7.8%	1.6
Federal Farm Credit Bank	47,579	47,579	5.2%	3.8
Municipal Bonds	108,725	108,755	11.9%	1.3
Commercial Paper	49,911	49,911	5.5%	0.2
Money Market Mutual Funds	287,128	287,128	31.4%	N/A
Total Fixed-Income Investments	$ 914,325	$ 914,360	100.0%	1.9

Credit Risk – In accordance with its Investment Policy, CPS Energy manages exposure to credit risk by limiting its fixed-income investments to a credit rating of 'A' or better. Due to the Standard & Poor's (S&P) downgrade of U.S. government debt securities in August 2011, the Investment Policy was revised effective September 1, 2011. This revision removed the requirement that all investments in securities issued by the U.S. Government Agencies, the state of Texas, and Texas Agencies must be rated 'AAA'. As of January 31, 2012, CPS Energy held no direct investments with a long-term credit rating below 'Aa3' or a short-term debt rating below 'SP-1'.

Credit Rating	Carrying Value	Market Value	Allocation
U.S. Treasuries	$ 37,068	$ 37,068	4.0%
AAA	300,238	300,236	32.8%
Aaa	7,816	7,816	0.8%
AA+	435,760	435,763	47.7%
Aa1	800	800	0.1%
AA	17,551	17,551	1.9%
Aa2	657	657	0.1%
AA-	8,533	8,533	0.9%
Aa3	3,536	3,536	0.4%
Short-term:			
A-1	49,911	49,911	5.5%
MIG1	6,851	6,863	0.8%
SP-1+	45,604	45,626	5.0%
Total Fixed-Income Investments	$ 914,325	$ 914,360	100.0%

Decommissioning Trust Investments – As mentioned above, the Decommissioning Trusts report their assets on a calendar-year basis; therefore, the tables in this section are as of December 31. These tables address interest rate risk exposure by investment type, credit risk, concentration of credit risk and foreign currency risk. All investments held by the Decommissioning Trusts are long-term in nature and are recorded at market value.

Year-Ended September 30, 2012 - 73 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Interest Rate Risk – Generally, the long-term nature of the liabilities and the limited need for daily operating liquidity allow interim fluctuations in market value to occur without jeopardizing the ultimate value of the assets. Where long-term securities are held, the interim market value of assets can be sensitive to changes in interest rates. As the general level of interest rates moves up and down, the interim market value of longer-maturity bonds may change substantially.

To mitigate this interest rate risk, a limitation is placed on the duration of the fixed-income portfolio. Weighted-average duration is defined as the weighted-average time to return 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 and 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 overall portfolio duration should not deviate from the weighted-average duration of the Investment Strategy Committee's specified fixed-income index by more than +/- 1.5 years. The Investment Strategy Committee's fixed-income index is based on the Barclays Capital Aggregate Index, which is 5.0 for 2011.

Concentration of Credit Risk – In accordance with the Investment Policy, exposure to concentration of credit risk is managed through diversification and by limiting investments in each government-sponsored entity to 30.0% and investments in any nongovernment-sponsored issuer to 5.0% of the total fixed-income portfolio (excluding cash collateral from securities lending). At December 31, 2011, total nongovernment-sponsored (corporate and foreign) issuers amounted to 38.6% of the 28% Decommissioning Trust and 18.9% of the 12% Decommissioning Trust.

The following tables list the fixed-income investment holdings by type:

	28% Interest			12% Interest		
Investment Type	Market Value [1]	Allocation	Weighted-Average Duration (Years)	Market Value [1]	Allocation	Weighted-Average Duration (Years)
U.S. Treasuries	$ 9,591	5.8%	7.3	$ 9,493	20.0%	5.6
U.S. Agencies:						
Federal National Mortgage Assn.	39,719	24.1%	2.5	11,185	23.5%	2.8
Federal Home Loan Mortgage Corp.	17,121	10.4%	3.1	4,036	8.5%	3.1
Small Business Administration	3,761	2.3%	5.8			
Government National Mortgage Assn.	2,970	1.8%	3.2	3,238	6.8%	5.9
Municipal Bonds - Texas	532	0.3%	5.5	1,517	3.2%	12.6
Municipal Bonds - Other States	9,301	5.7%	9.9	4,725	10.0%	9.1
Corporate Bonds	54,025	32.9%	6.2	8,982	18.9%	5.9
Foreign Bonds	9,534	5.8%	5.7			
AIM Money Market	17,965	10.9%	N/A	4,318	9.1%	N/A
Total Fixed-income Investments	$ 164,519	100.0%	5.0	$ 47,494	100.0%	5.4
Cash Collateral - Securities Lending	20,506			7,472		
Total Portfolio	$ 185,025			$ 54,966		
Combined Decommissioning Trust Funds Total	$ 239,991					

[1] Market Value and carrying value are the same amount.

Year-Ended September 30, 2012 - 74 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Credit Risk – In accordance with the Investment Policy, exposure to credit risk is managed by limiting all fixed-income investments to a credit rating of 'BBB-' or better from at least two nationally recognized credit rating agencies. If a security's rating falls below the minimum investment grade rating of 'BBB-' after it has been purchased, the Investment Policy allows investment managers to continue to hold the security as long as the total fair value of securities rated below investment grade does not exceed 5.0% of the total fixed-income portfolio. As noted in the following tables, which list the fixed-income holdings by credit rating, investments with a credit rating below 'BBB-' totaled 1.1% of the fixed-income portfolio for the 28% Trust. There were no securities with a credit rating below 'BBB-' held in the 12% Trust at December 31, 2011. Standard & Poor's (S&P) ratings are provided when available; if no S&P rating is available, the Moody's rating is listed.

The following table lists the fixed-income investment holdings by credit rating:

	28% Interest		12% Interest	
Credit Rating	Market Value [1]	Allocation	Market Value [1]	Allocation
U.S. Treasuries	$ 9,591	5.2%	$ 9,493	17.3%
AAA	50,040	27.0%	13,597	24.7%
Aaa	1,768	1.0%		
AA+	62,387	33.7%	20,967	38.1%
AA	1,165	0.6%	1,638	3.0%
Aa1	70	0.0%		
Aa2			306	0.6%
AA-	2,813	1.5%		
Aa3	219	0.1%		
A+	7,949	4.3%	1,245	2.3%
A	5,092	2.8%	561	1.0%
A-	17,066	9.2%	2,725	5.0%
A1	123	0.1%		
BBB+	7,389	4.0%	2,402	4.4%
Baa	102	0.1%		
BBB	11,011	6.0%	1,238	2.2%
BBB-	6,135	3.3%	794	1.4%
B+	187	0.1%		
CCC	428	0.2%		
CC	52	0.0%		
Not rated	1,438	0.8%		
Total Fixed-income Portfolio	$ 185,025	100.0%	$ 54,966	100.0%

[1] Market Value and carrying value are the same amount.

Foreign Currency Risk – With the exception of dedicated foreign-equity portfolios, all investments authorized for purchase by the Decommissioning Trusts are U.S. dollars. This reduces the potential foreign currency risk exposure to the portfolio. All foreign bonds outstanding were issued in the U.S. and amounted to $9,500 as of December 31, 2011. In accordance with the Investment Policy, investments in international portfolios are limited to international commingled funds, American Depository Receipts and Exchange Traded Funds that are diversified across countries and industries. The international portfolio will be limited to 20.0% of the total equity portfolio. At December 31, 2011, total foreign equity securities amounted to 12.4% of the 28% Trust's equity portfolio. There were no foreign equity securities held by the 12% Trust at December 31, 2011.

Year-Ended September 30, 2012 - 75 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Securities Lending – CPS Energy and the Decommissioning Trusts engage in securities lending transactions under a contract with their lending agent, Frost Bank. Authority to engage in these transactions is granted under each entity's Investment Policy. CPS Energy and the Decommissiong Trusts are authorized to loan up to 70.0% and 100.0%, respectively, of their investments in securities lending transactions.

GASB Statement No. 28, *Accounting and Financial Reporting for Securities Lending Transactions,* provides guidance for entities reporting and disclosing securities lending transactions. This guidance includes reporting certain securities lending collateral on the balance sheet as an asset, with a corresponding liability for the obligation to repay the collateral.

In securities lending transactions, CPS Energy and the Decommissioning Trusts, through their lending agent, transfer securities to brokers/dealers in exchange for collateral and simultaneously agree to return the collateral for the same securities in the future. Cash collateral received from the borrower is invested entirely in money market mutual funds. The liquidity provided by the money market mutual funds allows for the easy return of collateral at the termination of a security loan.

Lending income is earned if the returns on the cash collateral invested exceed the rebate paid to borrowers of the securities. The income is then shared with the lending agent to cover its fees based on a contractually negotiated rate split. However, if the investment of the cash collateral does not provide a return exceeding the rebate or if the investment incurs a loss of principal, part of the payment to the borrower would come from CPS Energy's or the Decommissioning Trusts' resources and the lending agent based on the rate split.

Loans that are collateralized with securities generate income when the borrower pays a loan premium for the securities loaned. This income is split at the same ratio as the earnings for cash collateral. The collateral pledged to CPS Energy or the Decommissioning Trusts for the loaned securities is held by the lending agent. These securities are not available to CPS Energy or the Decommissioning Trusts for selling or pledging unless the borrower is in default of the loan.

Any collateral received is required to have a fair value of 102.0% of the loaned securities. Securities are marked to market daily and additional cash or securities are required from the borrower if the market value of the collateral falls below 100.0%. Cash collateral is reported on the balance sheet as an asset, with a corresponding liability for the obligation to repay the cash collateral. Noncash collateral for securities lending activities is not recorded as an asset because it remains under the control of the transferor, except in the event of default.

In the event of default, where the borrower is unable to return the securities loaned, CPS Energy and the Decommissioning Trusts have authorized the lending agent to seize the collateral held. The collateral would then be used to replace the borrowed securities where possible. Due to some market conditions, it is possible that the original securities may not be able to be replaced. The lending agent has indemnified CPS Energy and the Decommissioning Trusts from any loss due to borrower default in the event the collateral is not sufficient to replace the securities.

At January 31, 2012, neither CPS Energy nor the Decommissioning Trusts had any credit risk exposure to borrowers because the amounts CPS Energy and the Decommissioning Trusts owed to borrowers exceeded the amounts the borrowers owed. There were no violations of legal or contractual provisions nor were there any borrower or lending agent default losses related to securities lending in fiscal year 2012.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

CPS Energy (Continued)

Direct Investments – At January 31, 2012, there was a total of $355,907 in securities, or 38.9% of CPS Energy's direct investments, out on loan to brokers/dealers. In exchange, CPS Energy received $363,076 in securities collateral, or 102.2% of the market value of the corresponding securities loaned. Income generated from securities lending transactions amounted to $1,119 in fiscal year 2012, of which 30.0% was paid as fees to the lending agent totaling $336.

Decommissioning Trusts – For the 28% Decommissioning Trust at December 31, 2011, there was a total of $45,869 in securities, or 15.0% of the Decommissioning Trust's investments, out on loan to brokers/dealers. In exchange, the Trust received $20,506 in cash collateral and $26,446 in securities collateral, or a total of 102.4% of the market value of the corresponding securities loaned. Income generated from securities lending transactions for the Decommissioning Trust amounted to $63 in calendar year 2011, of which 30.0% was paid as fees to the lending agent totaling $19.

For the 12% Decommissioning Trust at December 31, 2011, there was a total of $19,011 in securities, or 18.1% of the Decommissioning Trust's investments, out on loan to brokers/dealers. In exchange, the Trust received $7,472 in cash collateral and $11,953 in securities collateral, or a total of 102.2% of the market value of the corresponding securities loaned. Income generated from securities lending transactions for this Decommissioning Trust amounted to $27 in calendar year 2011, of which 30.0% was paid as fees to the lending agent totaling $8.

San Antonio Water System (SAWS)

SAWS is permitted by City Ordinance No. 75686, SAWS' Investment Policy and Texas state law, to invest in direct obligations of the U.S. or its agencies and instrumentalities. Other allowable investments include direct obligations of the State of Texas or its agencies and instrumentalities; secured certificates of deposit issued by depository institutions that have their main office or a branch office in the State of Texas; defined bankers acceptances and commercial paper; collateralized direct repurchase agreements, reverse repurchase agreements; no-load money market mutual funds; investment pools; and other types of secured or guaranteed investments. These investments are subject to market risk, interest rate risk, and credit risk, which may affect the value at which these investments are recorded. Investments other than money market investments are reported at fair value. Under the provisions of GASB Statement No. 31, money market investments, including U.S. Treasury and agency obligations, with a remaining maturity at time of purchase of one year or less are reported at cost. San Antonio Water System Retirement Plan (SAWSRP) unallocated separate accounts are valued at fair value. A summary of SAWS cash, cash equivalents, and investments can be found at the beginning of Note 3.

Custodial Credit Risk (Deposit) – All funds are deposited in demand and savings accounts or certificates of deposit at Frost Bank, SAWS' general depository bank. Additionally funds have been deposited in certificates of deposit at Bank of America, BBVA-Compass Bank and Lone Star National Bank. As required by state law, all deposits are fully collateralized and/or are covered by federal depository insurance. At December 31, 2011, the collateral pledged is being held by the Federal Reserve Bank of Boston under SAWS' name so SAWS incurs no custodial credit risk. As of December 31, 2011, the bank balance of demand and savings account was $47,173 and the reported amount was $34,848, which included $30 of cash on hand, and certificates of deposits totaled $80,000.

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

San Antonio Water System (SAWS) (Continued)

Custodial Credit Risk (Investment) – All investments, with the exception of those held in escrow, are securities issued by agencies of the United States and are held in safekeeping by SAWS' depository bank, Frost Bank and registered as accounts of SAWS. Funds held in escrow are Money Market Funds managed by Frost Bank or Wells Fargo Bank and are invested in securities issued by the U.S. government or by U.S. agencies.

As of December 31, 2011, SAWS had the following investments and maturities:

	Investments Maturities (in Days)					
Investment Type	90 Days or Less	91 to 180	181 to 365	Greater than 365	Fair Value	Reported
U.S. Treasury Securities	$ 8,829	$ -	$ -	$ -	$ 8,829	$ 8,829
U.S. Agency Discount Notes	56,005	32,842			88,847	88,838
U.S. Agency Coupon Notes	92,821	81,670	66,974	17,292	258,757	258,777
Money Market Funds:						
Frost National Bank	35,868				35,868	35,868
U.S. Bank	10,489				10,489	10,489
Wells Fargo Bank	11,112				11,112	11,112
	$ 215,124	$ 114,512	$ 66,974	$ 17,292	$ 413,902	$ 413,913
Percentage of Portfolio	52.0%	27.7%	16.1%	4.2%	100.0%	

Interest Rate Risk – As a means of limiting its exposure to fair value losses due to rising interest rates, SAWS' Investment Policy limits its investment maturities to no more than five years. As indicated in the table above, 95.8% of SAWS' investment portfolio is invested in maturities less than one year.

Credit Risk – In accordance with its Investment Policy, SAWS manages exposure to credit risk by limiting its investments in obligations of other states and cities to those with a credit rating of 'A' or better. Additionally, any investments in commercial paper require a rating of at least 'A-1' or 'P-1'. As of December 31, 2011, SAWS held no direct investments with a credit rating below 'AA+'.

Credit Rating	Carrying Value	Market Value	Allocation	Investment Policy Limit
A-1/AAA	$ 146,307	$ 146,316	35.3%	Max. = 100.0%
AA+	267,606	267,586	64.7%	
Total Portfolio	$ 413,913	$ 413,902	100.0%	

Concentration of Credit Risk – SAWS' Investment Policy does not limit the amount it may invest in U.S. Treasury securities, government-guaranteed securities, or government-sponsored entity securities. However, in order to manage its exposure to credit risk, SAWS' Investment Policy does limit the amount that can be invested in any one government-sponsored issuer to no more than 50.0% of the total investment portfolio, and no more than 5.0% of the total investment portfolio on any non-government issuer unless it is fully collateralized. As of December 31, 2011, the following investments in any one organization that represent more than 5.0% of total SAWS investments are: 26.0% in Federal Home Loan Bank, 21.0% in Federal National Mortgage Association, and 21.0% in Federal Home Loan Mortgage Corporation.

Year-Ended September 30, 2012 - 78 - Amounts are expressed in thousands

Note 3 Cash and Cash Equivalents, Securities Lending and Investments (Continued)

San Antonio Water System (SAWS) (Continued)

The following is a reconciliation of deposits and investments disclosed in the Note to the amounts presented for cash and cash equivalents and investments in the balance sheet for 2011:

	December 31, 2011
Reported amounts in Note for:	
Deposits, including certificates of deposit	$ 114,848
Investments	413,913
Total Deposits and Investments	$ 528,761
Totals for Balance Sheet:	
Cash and Cash Equivalents:	
Unrestricted cash and cash equivalents	$ 118,636
Restricted cash and cash equivalents:	
Debt Service Fund	11,698
Capital Projects Accounts	41,619
Other Restricted Accounts:	
Reserve Fund	364
Total Cash and Cash Equivalents	$ 172,317
Investments:	
Unrestricted current investments	$ 69,413
Restricted current investments:	
Debt Service Accounts	36,035
Capital Project Accounts	35,767
Other Restricted Accounts:	
Operating reserve	35,227
Customer deposits	8,701
Total Other Restricted Accounts	43,928
Total Current Investments	$ 185,143
Restricted noncurrent investments:	
Capital Project Accounts	$ 105,678
Other Restricted Accounts:	
Reserve Fund	65,623
Total Cash, Cash Equivalents and Investments	$ 528,761

Year-Ended September 30, 2012 - 79 - Amounts are expressed in thousands

Note 4 Capital Assets

Primary Government (City)

In November 2003, GASB issued Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, which establishes guidance for accounting and reporting for the impairment of assets and for insurance recoveries. Impairments of $658 were identified and reduced in capital assets for governmental activities. As a part of the City's continued diligence and review of CIP the City expensed $30,353 for non capitalized activities. Capital asset activity for governmental activities, to include Internal Service Funds, for the year-ended September 30, 2012 is as follows:

Capital Assets - Governmental Activities

Governmental Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non-Depreciable Assets:					
Land	$ 1,371,289	$ 12,395	$ (120)	$ -	$ 1,383,564
Construction in Progress	537,568	242,994	(30,353)	(463,538)	286,671
Non-Depreciable Intangible Assets	81,961	775		4	82,740
Other Non-Depreciable Assets	575	2,166			2,741
Total Non-Depreciable Assets	1,991,393	258,330	(30,473)	(463,534)	1,755,716
Depreciable Assets:					
Intangible Assets	3,014	250		613	3,877
Buildings	731,433	583	(4,044)	117,013	844,985
Improvements	484,877		(974)	120,375	604,278
Infrastructure	2,470,282		(732)	177,207	2,646,757
Machinery and Equipment	411,676	35,653	(14,904)	48,326	480,751
Total Depreciable Assets	4,101,282	36,486	(20,654)	463,534	4,580,648
Accumulated Depreciation:					
Intangible Assets	(303)	(772)			(1,075)
Buildings	(296,833)	(19,754)	1,515		(315,072)
Improvements	(125,274)	(29,278)	43		(154,509)
Infrastructure	(1,622,696)	(63,851)			(1,686,547)
Machinery and Equipment	(240,902)	(51,225)	13,499		(278,628)
Total Accumulated Depreciation	(2,286,008)	(164,880)	15,057		(2,435,831)
Total Depreciable Assets, net	1,815,274	(128,394)	(5,597)	463,534	2,144,817
Total Capital Assets, net	$ 3,806,667	$ 129,936	$ (36,070)	$ -	$ 3,900,533

Depreciation expense was charged to governmental functions as follows:	
General Government	$ 30,591
Public Safety	12,984
Public Works	79,016
Health Services	1,002
Sanitation	91
Welfare	1,169
Culture and Recreation	13,543
Convention and Tourism	8,253
Urban Redevelopment and Housing	192
Economic Development and Opportunity	124
Depreciation on Capital Assets Held by City's Internal Service Funds are Charged to Various Functions Based on Asset Usage	17,915
Total Depreciation Expense for Governmental Activities	$ 164,880

The capital assets of Internal Service Funds are included in governmental activities. In fiscal year 2012, Internal Service Funds capital assets increased by $25,198, and decreased by $12,357, of which $127 are impairments, resulting in an ending balance of $192,995. Depreciation expense of $17,915 resulted in an ending accumulated depreciation balance of $118,682, to arrive at net book value of $74,313.

Year-Ended September 30, 2012 - 80 - Amounts are expressed in thousands

Note 4 Capital Assets (Continued)

Primary Government (City) (Continued)

The City capitalizes interest incurred on construction projects, in accordance with GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and other Governmental Entities That Use Proprietary Fund Accounting*. In fiscal year 2012, the City capitalized construction period interest for the Airport System in the amount of $585. Interest costs for Solid Waste Management and the nonmajor enterprise funds were not capitalized as the construction in progress in these funds during fiscal year 2012 were funded by capital contributions from governmental funds. Impairments of $12,971 were identified for the Airport System and reduced in capital assets for business-type activities. Neither Solid Waste Management nor the nonmajor enterprise funds had impaired assets during fiscal year 2012.

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Note 4 Capital Assets (Continued)

Primary Government (City) (Continued)

Capital asset activity for business-type activities for the year-ended September 30, 2012, is as follows:

Capital Assets - Business-Type Activities	Beginning Balance	Increases	Decreases	Transfers	Ending Balance
Non-Depreciable Assets:					
Land:					
Airport System	$ 5,322	$ -	$ -	$ -	$ 5,322
Solid Waste Mgmt	893	214			1,107
Nonmajor Enterprise Fund	8,170				8,170
Total Land	14,385	214			14,599
Construction in Progress:					
Airport System	50,211	22,895	(13,681)	(31,615)	27,810
Solid Waste Mgmt	1,342	2,919		(2,475)	1,786
Nonmajor Enterprise Fund	4,352	1,830		(4,289)	1,893
Total Construction in Progress	55,905	27,644	(13,681)	(38,379)	31,489
Total Non-Depreciable Assets	70,290	27,858	(13,681)	(38,379)	46,088
Depreciable Assets:					
Buildings:					
Airport System	359,139			207	359,346
Solid Waste Mgmt	757	398		136	1,291
Nonmajor Enterprise Fund	25,926				25,926
Total Buildings	385,822	398		343	386,563
Improvements:					
Airport System	365,813			31,017	396,830
Solid Waste Mgmt	6,870			2,340	9,210
Nonmajor Enterprise Fund	7,605			4,288	11,893
Total Improvements	380,288			37,645	417,933
Machinery and Equipment:					
Airport System	14,391	425	(15)	391	15,192
Solid Waste Mgmt	28,993	6,725	(18)		35,700
Nonmajor Enterprise Fund	2,661	10			2,671
Total Machinery and Equipment	46,045	7,160	(33)	391	53,563
Total Depreciable Assets	812,155	7,558	(33)	38,379	858,059
Accumulated Depreciation:					
Buildings:					
Airport System	(83,485)	(10,356)			(93,841)
Solid Waste Mgmt	(114)	(58)			(172)
Nonmajor Enterprise Fund	(10,774)	(660)			(11,434)
Total Buildings	(94,373)	(11,074)			(105,447)
Improvements:					
Airport System	(113,951)	(16,121)			(130,072)
Solid Waste Mgmt	(1,803)	(344)			(2,147)
Nonmajor Enterprise Fund	(1,892)	(596)			(2,488)
Total Improvements	(117,646)	(17,061)			(134,707)
Machinery and Equipment:					
Airport System	(10,949)	(985)	9		(11,925)
Solid Waste Mgmt	(11,665)	(3,439)	14		(15,090)
Nonmajor Enterprise Fund	(1,717)	(300)			(2,017)
Total Machinery and Equipment	(24,331)	(4,724)	23		(29,032)
Total Accumulated Depreciation	(236,350)	(32,859)	23		(269,186)
Total Depreciable Assets, net	575,805	(25,301)	(10)	38,379	588,873
Total Capital Assets, net	$ 646,095	$ 2,557	$ (13,691)	$ -	$ 634,961

Year-Ended September 30, 2012 - 82 - Amounts are expressed in thousands

Note 4 Capital Assets (Continued)

CPS Energy

CPS Energy's plant-in service includes three power stations that are solely owned and operated by CPS Energy. In total, there are 20 generating units at these three power stations—four are coal-fired and 16 are gas-fired. The four gas-fired generating units at the W.B. Tuttle power station and the power station were retired in early fiscal year 2012. The following is a list of power stations and relative generating units in service at January 31, 2012:

Power Station	Generating Units	Type
Calaveras	6	Coal (4)/Gas (2)
Braunig	8	Gas
Leon Creek	6	Gas

In fiscal year 2012, CPS Energy announced plans to deactivate its J.T. Deely Units 1 and 2 coal-fired power plants in fiscal year 2018 instead of the projected dates of fiscal year 2032 and fiscal year 2033, respectively. Depreciation will be accelerated beginning in fiscal year 2014 to account for the early closure. To continue operating the units, CPS Energy would need to install $550,000 in flue gas desulfurization equipment (commonly referred to as scrubbers) to cut sulfur dioxide emissions in order to be compliant with new, more stringent environmental regulations scheduled to take effect in the future. Refer to Note 19, Subsequent Events, for CPS Energy's April 2012 purchase of a gas plant intended to ultimately provide generation capacity to replace J.T. Deely Units 1 and 2.

On January 31, 2012, CPS Energy purchased approximately eight acres of land and a shell building in northwest San Antonio to serve as the site of a new data and control center and other customer and support staff functions.

Other notable capital assets in electric and gas plant include supporting coal yard assets, a fleet of railcars, a transmission network for the movement of electric power from the generating stations to substations, electric and gas distribution systems, and metering.

Included in the general plant are: the Energy Management Center; the main office complex; the construction and customer service centers; the Villita Assembly Building; and a fleet of automobiles, trucks, and work equipment.

Intangible assets consist of easements and software.

Impairments – No capital asset impairments were identified for fiscal year 2012.

Investment in STP – STP is currently a two-unit nuclear power plant located in Matagorda County, Texas. It is maintained and operated by the STP Nuclear Operating Company (STPNOC), a nonprofit Texas corporation special-purpose entity. It is financed and controlled by the owners – CPS Energy; the City of Austin; and NRG South Texas LLP, a wholly owned subsidiary of NRG Energy, Inc. CPS Energy's 40.0% interest in STP Units 1 and 2 is included in plant assets. See Note 10 for more information on CPS Energy's South Texas Project.

Year-Ended September 30, 2012 - 83 - Amounts are expressed in thousands

Note 4 Capital Assets (Continued)

CPS Energy (Continued)

On October 29, 2007, the CPS Energy board of trustees approved a resolution enabling CPS Energy to participate in development activities related to new nuclear generation units to be constructed near Bay City, Texas, on a site where STP Units 1 and 2 currently operate. These generation units are referred to as STP Units 3 and 4. At January 31, 2010, CPS Energy held a 50.0% interest in the development. As a result of a litigation settlement with CPS Energy's partner in the project, Nuclear Innovation North America, Inc. (NINA), CPS Energy's ownership in STP Units 3 and 4 was reduced from 50.0% to 7.6% effective March 1, 2010. Including AFUDC of $21,000, project costs incurred by CPS Energy to date of $391,187 are included as construction in progress. Effective fiscal year 2012, AFUDC is not being recorded for the STP Units 3 and 4 project since efforts have been limited primarily to licensing-related activities. For more detailed information on project development and legal events associated with STP Units 3 and 4, see Note 10 for more information on CPS Energy's South Texas Project.

STP Capital Investment, Net		
		January 31, 2012
STP Capital Assets, net		
Land	$	5,701
Construction in progress, STP Units 1&2		57,542
Construction in progress, STP Units 3&4		391,187
Electrical and general plant		1,108,024
Software		56
Nuclear Fuel		94,738
Total STP Capital Assets, net	$	1,657,248
Total CPS Energy Capital Assets, net	$	7,275,397
STP Capital Investments as a percentage of total CPS Energy Capital Assets, net		22.8%

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Year-Ended September 30, 2012 - 84 - Amounts are expressed in thousands

Note 4 Capital Assets (Continued)

CPS Energy (Continued)

The following tables provide more detailed information on the activity of CPS Energy's net capital assets as presented on the balance sheet, including capital asset activity for fiscal year 2012:

Capital Assets - CPS Energy	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Non-Depreciable Assets:					
Land	$ 41,023	$ -	$ 12,545	$ (2)	$ 53,566
Land Easements	78,278		584	(862)	78,000
Construction in Progress	671,735	312,639	(388,380)		595,994
Total Non-Depreciable Assets	791,036	312,639	(375,251)	(864)	727,560
Depreciable Capital Assets:					
Utility Plant in Service:					
Electric Plant	8,878,516	37,992	303,445	(75,505)	9,144,448
Gas Plant	693,348	5,120	22,020	(109)	720,379
General Plant	594,459	33,317	40,873	(19,735)	648,914
Software	180,364	2,256	8,913	(165)	191,368
Nuclear Fuel	655,508	46,227			701,735
Total Depreciable Capital Assets	11,002,195	124,912	375,251	(95,514)	11,406,844
Accumulated Depreciation Depletion and Amortization:					
Utility Plant in Service:					
Electric Plant	(3,444,883)	(272,805)		83,281	(3,634,407)
Gas Plant	(259,136)	(16,086)		1,228	(273,994)
General Plant	(210,195)	(49,129)		18,930	(240,394)
Software	(89,040)	(14,153)		(22)	(103,215)
Nuclear Fuel	(572,936)	(34,061)			(606,997)
Total Accumulated Depreciation Depletion and Amortization	(4,576,190)	(386,234)		103,417	(4,859,007)
Total Capital Assets, net	$ 7,217,041	$ 51,317	$ -	$ 7,039	$ 7,275,397

Cash flow information – Cash paid for additions and net removal costs was $392,469. This included $391,324 in additions to construction in progress and electric, gas and general plant, partially offset by $5,827 in AFUDC and $4,401 in donated assets.

Other – The increases in electric plant included Automated Meter Infrastructure (AMI) and distribution infrastructure. Depreciation and amortization of utility plant in service totaled $352,300, which included $160 related to intangible assets.

The decrease in accumulated depreciation is greater than the decrease in those respective asset classes because removal costs are not capitalized; however, they are included within the accumulated depreciation calculation.

Year-Ended September 30, 2012 - 85 - Amounts are expressed in thousands

Note 4 Capital Assets (Continued)

San Antonio Water System (SAWS)

SAWS' interest expense during the construction period is capitalized as part of the cost of capital assets. For the year-ended December 31, 2011, interest capitalized was $11,024. Capital asset activity for SAWS is as follows:

Capital Assets - San Antonio Water System	Beginning Balance	Increases	Transfers	Decreases	Ending Balance
Non-Depreciable Assets:					
Land	$ 82,055	$ -	$ 11,528	$ (252)	$ 93,331
Intangible Assets:					
Acquisition of Water Rights	205,179			(16)	205,163
Other	370				370
Construction in Progress	415,810	279,660	(169,060)	(3,972)	522,438
Total Non-Depreciable Assets	703,414	279,660	(157,532)	(4,240)	821,302
Depreciable Assets:					
Utility Plant in Service:					
Structures and Improvements	485,454	25	19,484		504,963
Pumping and Purification	143,187	68	3,121		146,376
Distribution and Transmission System	1,620,288	2,532	47,156	(2,726)	1,667,250
Treatment Facilities	1,444,176		80,650		1,524,826
Total Utility Plant in Service	3,693,105	2,625	150,411	(2,726)	3,843,415
Machinery and Equipment:					
Machinery and Equipment	107,176	8,526	3,229	(2,617)	116,314
Furniture and Fixtures	5,052				5,052
Computer Equipment	20,557	1,896	71	(9,231)	13,293
Software	19,878	239	3,821	(158)	23,780
Total Machinery and Equipment	152,663	10,661	7,121	(12,006)	158,439
Intangible Assets	1,347				1,347
Total Depreciable Assets	3,847,115	13,286	157,532	(14,732)	4,003,201
Accumulated Depreciation:					
Utility Plant in Service:					
Structures and Improvements	(109,866)	(10,271)			(120,137)
Pumping and Purification	(30,636)	(3,539)			(34,175)
Distribution and Transmission System	(448,036)	(37,250)		2,726	(482,560)
Treatment Facilities	(516,897)	(33,161)			(550,058)
Machinery and Equipment:					
Machinery and Equipment	(50,752)	(8,748)		2,535	(56,965)
Furniture and Fixtures	(4,124)	(214)			(4,338)
Computer Equipment	(13,838)	(2,561)		9,207	(7,192)
Software	(13,513)	(2,529)		130	(15,912)
Intangible Assets		(101)			(101)
Total Accumulated Depreciation	(1,187,662)	(98,374)		14,598	(1,271,438)
Total Depreciable Assets, net	2,659,453	(85,088)	157,532	(134)	2,731,763
Total Capital Assets, net	$ 3,362,867	$ 194,572	$ -	$ (4,374)	$ 3,553,065

Year-Ended September 30, 2012 - 86 - Amounts are expressed in thousands

Note 4 Capital Assets (Continued)

San Antonio Water System (SAWS) (Continued)

Asset Impairment – SAWS periodically reviews its capital assets for possible impairment. As part of SAWS' capital improvement program, SAWS incurs costs to design capital improvement projects. These costs are included in capital assets as Construction in Progress. Periodically the actual construction of these projects may not occur due to changes in plans. Once it has been determined that construction will not proceed, any incurred design costs are charged off to operating expenses. Design costs were charged off totaling $3,972 in 2011. Of the amount charged off in 2011, $2,700 related to the design of assets to be constructed in connection with a water project with the Lower Colorado River Authority (LCRA). In conjunction with a settlement of SAWS' lawsuit against LCRA, this water project was cancelled and the design costs were written off.

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Note 5 Receivables and Payables

Primary Government (City)

Disaggregation of Receivables

Net receivables at September 30, 2012 are as follows:

	Accounts	Taxes	Note and Loans	Accrued Interest	Other	Total Net Receivables
Governmental Activities	$ 122,581	$ 26,303	$ 35,254	$ 1,258	$ 17,016	$ 202,412
Business-Type Activities:						
Airport System	$ 5,323	$ -	$ 1,000	$ 178	$ -	$ 6,501
Solid Waste Management	7,445			25		7,470
Nonmajor Enterprise Funds	199			27		226
Total Business-Type Activities	$ 12,967	$ -	$ 1,000	$ 230	$ -	$ 14,197

The receivable balances for Governmental Activities have been reduced by estimated allowances for doubtful accounts of $54,235 against customer and other receivables, $5,412 against property and occupancy taxes, and $19,785 against other receivables. The receivable balances for Business-Type Activities have been reduced by estimated allowances for doubtful accounts of $175 against customer and other receivables.

The only receivables not expected to be collected within one year are $34,488 for notes and loans receivables, net of allowance for doubtful accounts, related to General Government, Urban Redevelopment and Housing, and Economic Development and Opportunity. These notes and loans have a corresponding deferred revenue balance recorded within the respective funds. $29,507 of the notes and loans receivable balance are non-interest bearing, and relate to Urban Redevelopment and Housing and Economic Development and Opportunity functions.

Disaggregation of Payables

Payables at September 30, 2012 are as follows:

	Accounts	Accrued Payroll	Other	Total Payables
Governmental Activities	$ 161,950	$ 7,904	$ -	$ 169,854
Business-Type Activities:				
Airport System	$ 7,503	$ 469	$ -	$ 7,972
Solid Waste Management	2,474	462		2,936
Nonmajor Enterprise Funds	1,685	315	22	2,022
Total Business-Type Activities	$ 11,662	$ 1,246	$ 22	$ 12,930

Year-Ended September 30, 2012 - 88 - Amounts are expressed in thousands

Note 5 Receivables and Payables (Continued)

Primary Government (City) (Continued)

Interfund Receivable and Payable Balances

As of September 30, 2012, the interfund receivable and payable balances represent short-term loans resulting from (1) timing differences between the dates that transactions are recorded in the accounting system and (2) short-term borrowings at fiscal year-end. Of the $40,407 due from other funds in the General Fund, $34,879 is a result of overdraws of pooled cash. Except for internal loans from the Other Internal Service Fund of $648 and $118 to the Nonmajor Governmental Fund and General Fund, respectively, all interfund balances are expected to be paid within one year. See Note 6 Long-Term Debt, for additional information regarding the internal loans.

The following is a summary of interfund receivables and payables for the City as of September 30, 2012:

Summary Table of Interfund Receivables and Payables
As of September 30, 2012

	Due from Other Funds	Due To Other Funds
General Fund:		
Categorical Grant-In-Aid	$ 17,942	$ 691
Debt Service Fund	4,210	200
Airport System Fund		105
Internal Service Funds	608	918
Nonmajor Enterprise Funds	60	19
Nonmajor Governmental Funds	17,574	3,325
Solid Waste Management Fund	13	
Total General Fund	40,407	5,258
Debt Service Fund:		
General Fund	200	4,210
Solid Waste Management Fund	14	
Total Debt Service Fund	214	4,210
Categorical Grant-In-Aid:		
General Fund	691	17,942
Nonmajor Governmental Funds	4	
Total Categorical Grant-In-Aid	695	17,942
2007 General Obligation Bonds:		
Nonmajor Governmental Funds	6,040	
Total 2007 General Obligation Bonds	6,040	
Airport System Fund:		
General Fund	105	
Internal Service Funds	402	
Nonmajor Governmental Funds	110	
Total Airport System Fund	617	
Solid Waste Management Fund:		
General Fund		13
Debt Service Fund		14
Internal Service Funds	22	124
Nonmajor Governmental Funds	2	
Total Solid Waste Management Fund	24	151

(Continued)

Year-Ended September 30, 2012 - 89 - Amounts are expressed in thousands

Note 5 Receivables and Payables (Continued)

Primary Government (City) (Continued)

Interfund Receivable and Payable Balances (Continued)

Summary Table of Interfund Receivables and Payables (Continued) As of September 30, 2012	Due from Other Funds	Due To Other Funds
Nonmajor Governmental Funds:		
General Fund	$ 3,325	$ 17,574
Categorical Grant-In-Aid		4
2007 General Obligation Bonds		6,040
Airport System Fund		110
Solid Waste Management Fund		2
Nonmajor Governmental Funds	4,634	4,634
Nonmajor Enterprise Funds	101	101
Internal Service Funds	3,458	7,661
Total Nonmajor Governmental Funds	11,518	36,126
Nonmajor Enterprise Funds:		
General Fund	19	60
Nonmajor Governmental Funds	101	101
Internal Service Funds	48	
Total Nonmajor Enterprise Funds	168	161
Internal Service Funds:		
General Fund	918	608
Airport System Fund		402
Solid Waste Management Fund	124	22
Nonmajor Governmental Funds	7,661	3,458
Nonmajor Enterprise Funds		48
Internal Service Funds	286	286
Total Internal Service Funds	8,989	4,824
Total	$ 68,672	$ 68,672

CPS Energy

Disaggregation of Receivables – Net customer accounts receivable as of January 31, 2012, included $18,032 for unbilled revenue receivables and $150,752 for billed utility services, which include an allowance of $15,373. Interest and other receivables included $7,370 for regulatory-related receivables and $20,887 for other miscellaneous receivables, which include an allowance of $18,115.

Disaggregation of Payables – At January 31, 2012, accounts payable and accrued liabilities included $180,950 related to standard operating supplier and vendor payables, including fuels payable; $43,846 for employee-related payables; and $73,452 for other miscellaneous payables and accrued liabilities.

San Antonio Water System (SAWS)

Disaggregation of Receivables – Gross customer accounts receivables as of December 31, 2011, included $26,588 from customers, $20,294 in unbilled revenue, and $9,764 receivable from other governmental agencies, less an allowance of $2,305.

Disaggregation of Payables – At December 31, 2011, accounts payable and other current liabilities included $30,494 in accounts payable, $4,576 in vacation payable, $1,556 in accrued payroll and benefits, $35,767 in construction contracts, and $8,701 in customer deposits.

Year-Ended September 30, 2012 - 90 - Amounts are expressed in thousands

Note 6 Long-Term Debt

Primary Government (City)

Governmental Activity Long-Term Debt

Issuances

The City's debt management and on-going capital improvement financing for infrastructure and "quality of life" purposes resulted in the issuance of additional indebtedness during fiscal year 2012:

On March 27, 2012, the City issued $33,410 in General Improvement Refunding Bonds, Series 2012 to refund certain outstanding obligations of the City. The net proceeds from the sale of the General Improvement Refunding Bonds, Series 2012, which included a premium of $4,846, was used to fund an escrow account for the redemption, discharge, and defeasance of the refunded obligations. As a result of defeasing the debt, the City will realize a total decrease of $4,762 in debt service payments and total deferred charges of $636. Through this defeasance, the City obtained an economic gain (difference between the present values of the debt service payments on the old and new debt) of $7,815. The Bonds have maturities ranging from 2013 to 2024, with interest rates ranging from 2.0% to 5.0%.

On August 2, 2012, the City issued $148,600 in General Improvement Bonds, Series 2012 and $19,340 in Combination Tax and Revenue Certificates of Obligation, Series 2012. The General Improvement Bonds, Series 2012 were issued to finance improvements to: streets, bridges, and sidewalks; drainage improvements and flood control; parks, recreation, open space, and athletics; library, museum, and cultural arts facilities; and public safety facilities; and costs of issuance related to the bonds. The Bonds have maturities ranging from 2013 to 2032, with interest rates ranging from 2.0% to 5.0%.

The Combination Tax and Revenue Certificates of Obligation, Series 2012 were issued to provide funds for the payment of contractual obligations to be incurred for making permanent public improvements and for other public purposes, to include constructing, improving, renovating, demolishing, and equipping municipal facilities, public safety facilities, cultural, recreation, and park facilities, drainage facilities, sidewalks, bridges and streets, and other expenses necessary, incidental, or related to the foregoing. The Bonds have maturities ranging from 2014 to 2032, with interest rates ranging from 1.0% to 5.0 %

On August 8, 2012, the City issued $17,635 in Tax Notes, Series 2012. The Tax Notes, Series 2012, were issued to provide funds to acquire property interests for the Edwards Aquifer Protection Venue Program with the intent of protecting water quality and quantity in the Edwards Aquifer (the "Project") and the payment of costs of various professional services necessary for and related to the design and installation of the Project, including but not limited to the cost of necessary consultants, advisors, and designers and/or engineers. The debt service for the Tax Notes will be paid from the collection of the 1/8th-of-one-cent sales tax, which was approved in November of 2010 for the Edwards Aquifer Protection Venue Program. The Tax Notes have maturities ranging from 2013 to 2016, with interest rates ranging from 1.5% to 2.0%.

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

Pledges

The City of San Antonio's General Obligation, Certificates of Obligation, and Tax Notes are pledged by ad-valorem taxes levied upon all taxable property located within the City, within the limitations prescribed by law. The Certificates of Obligations are additionally secured by a lien on and pledge of certain pledged revenues of the City's municipal parks system not to exceed $1 during the entire period the Certificates of Obligation or interest thereon remains outstanding in order to permit the Certificates of Obligation to be sold for cash.

The Hotel Occupancy Tax Revenue Bonds are secured by Hotel Occupancy Tax (HOT) currently levied at 9.0% of which 7.0% is designated as "General HOT" and 2.0% is designated as the "Expansion HOT". The General HOT is comprised of the pledged 1.8% HOT and the pledged 5.2% HOT. The Series 1996 HOT Bonds are secured by prior liens on revenues from the General HOT and a lien on the revenues from the Expansion HOT. The 2004A, 2006, and the 2008 HOT Bonds are secured by subordinate liens on revenues from the General HOT. The 2008 HOT Bonds are additionally supported by an irrevocable direct-pay Letter of Credit originally dated as of July 11, 2008 issued by Wells Fargo Bank, National Association, whom also serves as the remarketing agent. The current Letter of Credit agreement was amended on July 6, 2010 and July 10, 2012 and was extended to July 11, 2013.

The 2008 HOT Bonds were issued as variable-rate bonds and as such have interest rates set on a weekly basis.

The Municipal Drainage Utility System Revenue Bonds are secured by a lien on Stormwater revenues.

The Municipal Facilities Corporation Lease Revenue Bonds are paid by annually appropriated lease payments made by the City which equal the annual debt service on the Bonds.

The Starbright Industrial Development Corporation Contract Revenue Bonds are secured with a pledge of utility revenue received by the City from CPS Energy.

The Convention Center Hotel Finance Corporation Contract Revenue Empowerment Zone Bonds are secured by net operating revenues to be received from the Convention Center Hotel operations. In the event the net operating revenues are insufficient to pay all debt service, City tax revenues will be pledged in the following order of priority: first, from the Convention Center Hotel State HOT revenues; second, from Convention Center Hotel State sales tax revenues; third, from Convention Center Hotel 7.0% local HOT revenues; and fourth, from available Expansion HOT revenues on a subordinate basis.

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

Prior Years' Defeased Debt

In prior years, the City advance refunded, prior to maturity, certain general obligation bonds, revenue bonds, certificates of obligation and tax notes. The refunding bonds were utilized to purchase securities, which are direct obligations of the United States of America (the Purchased Securities). The Purchased Securities plus cash were deposited into irrevocable escrow accounts in amounts scheduled to mature in principal amounts that, when added to interest earned on the Purchased Securities plus remaining balances in the escrow fund, are fully sufficient to make timely payment on the principal, premium if any, and interest scheduled to come due on the refunded obligations. The refunded obligations represent a legal defeasance and are no longer a liability of the City; therefore, they are not included in the City's financial statements. On September 30, 2012, $123,215 of previously defeased bonds was outstanding.

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Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

The following table is a summary of changes for the year-ended September 30, 2012 for governmental activity debt:

Governmental Activity Long-Term Debt							
	Time of Original Issuance						
Issue	Original Amount	Final Principal Payment	Interest Rates (%)	Balance Outstanding October 1, 2011	Additions During Year	Deletions During Year	Balance Outstanding September 30, 2012
Tax-Exempt General Obligation Bonds:							
Series 2001	$ 84,945	2022	3.000-5.250	$ 1,780	$ -	$ (1,780)	$ -
Series 2002 Forward Refunding	251,280	2013	4.000-5.250	21,040		(11,615)	9,425
Series 2002	55,850	2023	2.000-5.500	6,690		(6,690)	
Series 2003	40,905	2014	2.750-5.000	13,800		(4,120)	9,680
Series 2003A	56,515	2016	2.000-5.000	30,670		(7,845)	22,825
Series 2004	33,570	2024	2.375-4.750	12,935		(11,270)	1,665
Series 2005	116,170	2025	3.500-5.250	99,430		(6,645)	92,785
Series 2006 Forward Refunding	33,090	2016	5.250-5.500	22,820		(6,065)	16,755
Series 2006 Refunding	170,785	2026	3.500-5.000	129,465		(2,860)	126,605
Series 2007 Refunding	121,220	2028	4.000-5.000	81,965		(4,160)	77,805
Series 2008	75,060	2028	4.000-5.500	72,355		(2,810)	69,545
Series 2010 Refunding	155,710	2023	2.000-5.000	146,820		(11,785)	135,035
Series 2010A	8,800	2020	5.000	8,800			8,800
Series 2011	59,485	2031	2.000-5.000	59,485		(2,145)	57,340
Series 2012 Refunding	33,410	2024	2.000-5.000		33,410		33,410
Series 2012	148,600	2032	2.000-5.000		148,600		148,600
Total Tax-Exempt General Obligation Bonds	$ 1,445,395			$ 708,055	$ 182,010	$ (79,790)	$ 810,275
Taxable General Obligation Bonds:							
Series 2010B BABs	$ 191,550	2040	4.314-6.038	$ 191,550	$ -	$ -	$ 191,550
Total Taxable General Obligation Bonds	$ 191,550			$ 191,550	$ -	$ -	$ 191,550
Tax-Exempt Certificates of Obligation:							
Series 2002	$ 69,930	2023	3.000-5.500	$ 11,905	$ -	$ (11,905)	$ -
Series 2004	29,525	2024	2.000-5.000	17,800		(15,225)	2,575
Series 2005	10,535	2025	4.000-5.250	10,535		(550)	9,985
Series 2006	73,155	2026	3.500-4.375	59,675		(2,935)	56,740
Series 2007	106,755	2028	4.000-5.000	62,500		(7,135)	55,365
Series 2008	85,005	2028	3.500-5.500	76,300		(3,110)	73,190
Series 2010	38,375	2019	4.000-5.000	38,375			38,375
Series 2011	79,780	2031	2.000-5.000	79,780		(2,665)	77,115
Series 2012	19,340	2032	1.000-5.000		19,340		19,340
Total Tax-Exempt Certificates of Obligation	$ 512,400			$ 356,870	$ 19,340	$ (43,525)	$ 332,685
Tax Notes:							
Series 2007A	$ 21,270	2012	4.000-5.000	$ 4,780	$ -	$ (4,780)	$ -
Series 2008	15,320	2013	3.500-5.000	6,710		(3,295)	3,415
Series 2010A	9,655	2013	2.000-4.000	6,515		(3,215)	3,300
Series 2011	9,445	2016	2.000-4.000	9,445		(1,780)	7,665
Series 2012	17,635	2016	1.500-2.000		17,635		17,635
Total Tax Notes	$ 73,325			$ 27,450	$ 17,635	$ (13,070)	$ 32,015
Revenue Bonds:							
Series 1996 Hotel Occupancy Tax [1]	$ 182,012	2017	5.100-6.020	$ 15,275	$ -	$ (2,884)	$ 12,391
Series 2004A Hotel Occupancy Tax	10,390	2029	5.000	10,390			10,390
Series 2006 Hotel Occupancy Tax Ref	72,620	2026	4.000-4.500	70,775		(290)	70,485
Series 2008 Hotel Occupancy Tax Ref	135,000	2034	Variable	129,105		(505)	128,600
Series 2003 Municipal Drainage	44,150	2028	3.500-5.000	34,780		(1,400)	33,380
Series 2005 Municipal Drainage	61,060	2030	3.500-5.250	52,440		(1,655)	50,785
Series 2010 Municipal Facility Corp Ref	9,090	2020	1.000-3.250	8,825		(905)	7,920
Series 2011 Municipal Facility Corp	27,925	2041	2.000-5.000	27,925			27,925
Convention Series 2005A	129,930	2039	5.000	129,930			129,930
Convention Series 2005B	78,215	2028	4.500-5.310	73,745		(2,500)	71,245
Starbright Industrial Development Corp.	24,685	2033	2.180-5.110	21,925		(605)	21,320
Total Revenue Bonds	$ 775,077			$ 575,115	$ -	$ (10,744)	$ 564,371
Total	$ 2,997,747			$ 1,859,040	$ 218,985	$ (147,129)	$ 1,930,896

[1] A portion of the Hotel Occupancy Tax Revenue Bonds Series 1996 was sold as Capital Appreciation Bonds (CABS). Interest on the CABS accrete from date of delivery and will be payable only at maturity or redemption. Interest accreted decreased by $4,706 due to the bond payment's maturity schedule, and decreased by $2,316 for interest on the remaining maturities outstanding, resulting in an ending balance of $20,923, which increases revenue bonds payable. This increase is reflected in the combined Statement of Net Assets but is not reflected in this table.

Year-Ended September 30, 2012 - 94 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

Annual Requirements

The annual requirement to amortize all general obligation bonds, certificates of obligation, tax notes, and all revenue bonds outstanding as of September 30, 2012 are as follows:

Principal and Interest Requirements									
	General Obligation Bonds [2]			Certificates of Obligation		Tax Notes		Revenue Bonds	
Year Ending September 30,	Principal	Interest	Direct Subsidy[1]	Principal	Interest	Principal	Interest	Principal	Interest
2013	$ 74,065	$ 48,211	$ (3,825)	$ 19,690	$ 15,134	$ 12,825	$ 852	$ 11,666	$ 27,045
2014	66,220	45,296	(3,825)	25,355	14,438	6,230	427	11,970	26,672
2015	54,515	42,224	(3,825)	30,700	13,304	6,400	264	12,005	26,268
2016	54,445	39,646	(3,825)	20,745	11,920	6,560	96	12,398	25,860
2017	51,450	37,026	(3,825)	21,675	10,986			13,067	25,409
2018-2022	292,280	142,911	(18,896)	80,955	42,273			107,605	114,837
2023-2027	202,030	81,763	(16,379)	94,375	22,082			133,060	85,852
2028-2032	115,460	42,124	(12,502)	39,190	3,915			131,205	52,458
2033-2037	53,775	21,337	(7,468)					95,955	21,255
2038-2041	37,585	4,597	(1,609)					35,440	3,011
Total	$ 1,001,825	$ 505,135	$ (75,979)	$ 332,685	$ 134,052	$ 32,015	$ 1,639	$ 564,371	$ 408,667

[1] The City issued Build America Bonds (BABs) in fiscal year 2010. These BABs are eligible for Direct Subsidies or rebates from the Federal Government for issuing the debt as taxable instruments. In fiscal year 2012, the City collected $3,825 in Direct Subsidies.

[2] Includes both Tax-Exempt and Taxable General Obligation Bonds

In May 2012, the citizens authorized the City to sell $596,000 in debt for the 2012-2017 Municipal Bond Program. The program includes 140 projects designed to improve and enhance existing, as well as acquire or construct, new local streets, bridges, sidewalks, drainage facilities, parks, athletic facilities, libraries, and public health centers. The Bonds are categorized in five areas: Streets, Bridges and Sidewalks Improvements; Drainage and Flood Control Improvements; Parks, Recreation, and Open Space Improvements; Library, Museum and Cultural Arts Facilities Improvements; and Public Safety Facilities Improvements. The Bonds are pledged with and will be repaid from ad valorem tax revenue the City collects on an annual basis.

Authorized but Unissued General Obligation Debt				
Authorization Date	Purpose	Amount Authorized	Bonds Previously Issued [1]	Bonds Authorized but Unissued
5/12/2012	Streets, Bridges, and Sidewalks	$ 337,441	$ 34,548	$ 302,893
5/12/2012	Drainage and Flood Control	128,031	13,533	114,498
5/12/2012	Parks, Recreation and Open Space	87,150	16,688	70,462
5/12/2012	Library, Museum and Cultural Art Facilities	29,032	3,852	25,180
5/12/2012	Public Safety Facilities	14,346	3,577	10,769
Total		$ 596,000	$ 72,198	$ 523,802

[1] Includes a portion of the net reoffering premium on the General Improvement Bonds, Series 2012 issuance in the amount of $22,246 allocated against the voted authorization.

Year-Ended September 30, 2012 - 95 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

Debt Limitation

The amount of debt that the City may incur is limited by City Charter and by the Constitution of the State of Texas. The City Charter establishes a limitation on the general obligation debt supported by ad valorem taxes to an amount not to exceed 10.0% of the total assessed valuation. The total assessed valuation for the fiscal year 2012 was $82,656,577, which provides a debt ceiling of $8,265,658. The total outstanding debt that is secured by an ad valorem tax pledge is $1,384,630 including $18,105 that is reported in business-type activities.

The Constitution of the State of Texas provides that the ad valorem taxes levied by the City for debt service and maintenance and operation purposes shall not exceed $2.50 for each $100 of assessed valuation of taxable property. There is no limitation within the $2.50 rate for interest and sinking fund purposes; however, it is the policy of the Attorney General of the State of Texas to prohibit the issuance of debt by a city if such issuance produces debt service requirements that exceed the amount that can be paid from $1.50 tax rate calculated at 90.0% collections (please note that dollar figures in this paragraph are not reflected in thousands).

Notes Payable and Interfund Borrowings

In September 2004, City Council authorized the submission of a $57,000 HUD 108 loan application to HUD, which was received August 2006. Proceeds of the loan have been utilized to fund various capital improvement projects including streets and drainage projects, and to fund improvements to public health facilities, parks, libraries, and community recreation and cultural facilities. The City is required to expend the funds by December 31, 2013. The loan amount outstanding as of September 30, 2012 is $45,865.

In certain instances, after an evaluation of project/purchase funding requirements, it has been determined that some funds or operations may require temporary financing. As an alternative to the issuance of external debt to finance those projects/purchases, the City has authorized internal temporary financing from available cash balances in the Internal Service Equipment Replacement Fund (Other Internal Service Fund) to meet those needs. In May 2008, a loan was authorized from the City's Other Internal Service Fund to the City's Tax Increment Reinvestment Zone to finance the purchase of the draft River North Master Plan, in an amount not to exceed $650. The principal amount of the loan was $648, with quarterly interest to be calculated at the City's pooled investment portfolio rate. The City's average rate for the fiscal year-ended September 30, 2012 was 0.2%, resulting in interest of $1. Cumulative interest incurred through fiscal year 2012 was $16. Repayment of the principal and interest on this loan will occur as funding is available and authorized for disbursement from the revenues of the TIRZ.

The following is a summary of changes in the loan for the fiscal year-ended September 30, 2012:

Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012
$ 648	$ -	$ -	$ 648

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

Notes Payable and Interfund Borrowings (Continued)

In June 2009, a loan in the amount of $460 was authorized from the City's Other Internal Service Fund to the General Fund to finance the City's participation in an interagency agreement with the San Antonio Water System to implement a water efficiency project at the HemisFair Fountain. Upon completion of the project, the City received a one-time rebate.

The HemisFair Fountain uses an estimated 36,000 gallons of water each year which equates to an annual estimated cost of $130 to the Downtown Operations Department (General Fund). These savings, along with the one-time rebate and interest earnings, will be transferred to the Other Internal Service Fund to reimburse the Other Internal Service Fund for its loan for the capital project. Interest earned in fiscal year 2012 using the City's average rate for the fiscal year-ended September 30, 2012 of 0.2% was $1. Cumulative interest incurred through fiscal year 2012 was $12.

The following is a summary of changes in the loan for the fiscal year-ended September 30, 2012:

Balance October 1, 2011	Additions	Reductions	Balance September 30, 2012
$ 193	$ -	$ 75	$ 118

Leases

The City leases property and equipment from others. Leased property having elements of ownership are recorded in the government-wide financial statements. The related obligations, in amounts equal to the present value of minimum lease payments payable during the remaining term of the leases, are also recorded in the government-wide financial statements. Other leased property, not having elements of ownership, are classified as operating leases. Both capital and operating lease payments are recorded as expenditures when matured in the governmental fund financial statements. Total expenditures for operating leases for the fiscal year-ended September 30, 2012 were approximately $8,066.

The City has entered into various lease purchase agreements for the acquisition of printers and related components, fire fighting gear, various fire trucks and parts, an inventory theft detection system, hybrid vehicles, energy/water saving conservation improvements, in-car police video equipment, and various medical emergency services equipment. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the date of inception. Payments on each of the lease purchases will be made from budgeted annual appropriations to be approved by the City Council. The assets acquired through capital leases for governmental activities are as follows:

Machinery and Equipment	$ 32,336
Less: Accumulated Depreciation	(22,934)
Total	$ 9,402

Year-Ended September 30, 2012 - 97 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental Activity Long-Term Debt (Continued)

Leases (Continued)

As of September 30, 2012, the City had future minimum lease payments under capital and operating leases with a remaining term in excess of one year for governmental activities as follows:

	Capital Leases	Operating Leases	Total
Fiscal Year Ending September 30:			
2013	$ 2,710	$ 6,859	$ 9,569
2014	2,291	4,770	7,061
2015	2,011	3,702	5,713
2016	2,011	2,925	4,936
2017	753	1,788	2,541
2018-2022	3,765	5,606	9,371
2023-2027	3,200	2,359	5,559
2028-After		7,092	7,092
Future Minimum Lease Payments	16,741	$ 35,101	$ 51,842
Less: Interest	(2,548)		
Present Value of Future Minimum Lease Payments	14,193		
Less: Current Portion	(2,302)		
Capital Lease, Net of Current Portion	$ 11,891		

Business-Type Activity Long-Term Debt

Business-Type Activity long-term debt applies to those City operations that relate to business and quasi-business activities where net income and capital maintenance are measured (Enterprise Funds). Long-term debt, which is to be repaid from enterprise fund resources, is reported in the respective proprietary fund. The long-term indebtedness of the City's Enterprise Funds is presented in the discussion that follows.

Issuances

On May 1, 2012, the City issued $70,135 in Airport System Revenue Refunding Bonds, Series 2012 (AMT) (2012 GARBs) and $25,790 in Passenger Facility Charge and Subordinate Lien Airport System Revenue Refunding Bonds, Series 2012 (AMT) (2012 PFC Bonds).

The 2012 GARBs were issued for the purpose of currently refunding a portion of the City's outstanding indebtedness originally issued to finance Airport System improvements and for paying the costs of issuance. The City's net proceeds from the sale of the 2012 GARBs, which included a premium of $7,184, were used for the redemption of the 2002 GARBs. As a result of converting the debt, the City will realize a total decrease of $16,640 in debt service payments and total deferred charges of $2,095. Through this redemption, the City realized an economic gain (difference between the present values of the debt service payments on the old and new debt plus the City's cash contribution) of $38,626. The 2012 GARBs have maturities ranging from 2013 to 2027, with interest rates ranging from 2.0% to 5.0%.

Year-Ended September 30, 2012 - 98 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Business-Type Activity Long-Term Debt (Continued)

Issuances (Continued)

The 2012 PFC Bonds were issued for the purpose of refunding a portion of the City's outstanding indebtedness originally issued to finance Airport System, PFC related, improvements, and for paying the costs of issuance. The City's net proceeds from the sale of the 2012 PFC Bonds, which included a premium of $2,542, were used for the redemption of the 2002 PFC Bonds. As a result of converting the debt, the City will realize a total decrease of $5,648 in debt service payments and total deferred charges of $740. Through this redemption, the City realized an economic gain (difference between the present values of the debt service payments on the old and new debt plus the City's cash contribution) of $13,856. The 2012 PFC Bonds have maturities ranging from 2013 to 2027, with interest rates ranging from 2.0% to 5.0%.

Pledges

The Airport System includes the City of San Antonio International Airport and Stinson Municipal Airport and all land, buildings, structures, equipment, and facilities pertaining thereto. The Airport System's long-term debt consists of Airport System Revenue Improvement Bonds (GARB) and Passenger Facility Charge and Subordinate Lien Bonds (PFC). GARBs are payable from and secured solely by an irrevocable first lien on and pledge of the gross revenues of the Airport System. Gross revenues of the Airport System include all revenues of any nature derived from contracts or use agreements with airlines and other users of the Airport System and its facilities. PFCs are payable from and secured by an irrevocable first lien on and pledge of the PFC revenues and a first lien on and pledge of the subordinate net revenues.

The Parking System operation includes the ownership and operation of parking facilities, parking lots, parking meters, and retail/office space. Long-term debt is allocated to the Parking System on a pro rata basis from proceeds received from the issuance of taxable general obligation debt and is paid from revenues derived from the operation of the Parking System. The allocated debt is secured by an ad valorem tax pledge.

Solid Waste Management was established on a financially self-supporting basis in 1988. Revenues are received from garbage collection fees which are utilized to pay operating costs and indebtedness. Long-term debt is allocated to Solid Waste Management on a pro rata basis from proceeds received from the issuance of general obligation and certificates of obligation debt for Solid Waste Management related improvements and is paid from revenues derived from the operation of Solid Waste Management. The allocated debt is secured by an ad valorem tax pledge.

Capitalized Interest Costs – Interest costs incurred on revenue bonds and other borrowing totaled $17,855 for the Airport System and $0 for Solid Waste Management. For fiscal year 2012, the amount of $585 was capitalized for the Airport System and included as an addition to construction in progress. Neither Solid Waste Management nor nonmajor enterprise funds' interest costs were capitalized as the construction in progress in these funds during fiscal year 2012 was funded by capital contributions from governmental funds.

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Business-Type Activity Long-Term Debt (Continued)

Prior Years' Defeased Debt

In prior years, the City advance refunded, prior to maturity, certain revenue bonds. The refunding bonds were utilized to purchase securities, which are direct obligations of the United States of America (the Purchased Securities). The Purchased Securities plus cash were deposited into irrevocable escrow accounts in amount scheduled to mature in principal amounts that, when added to interest earned on the Purchased Securities plus remaining balances in the escrow fund, are fully sufficient to make timely payment on the principal, premium if any, and interest scheduled to come due on the refunded obligations. The refunded obligations represent a legal defeasance and are no longer a liability of the City; therefore, they are not included in the City's financial statements. On September 30, 2012, $19,935 of previously defeased bonds was outstanding.

The following table is a summary of changes in debt obligations for the fiscal year ended September 30, 2012:

Business-Type Long-Term Debt							
	Time of Original Issuance						
Issue	Original Amount	Final Principal Payment	Interest Rates (%)	Balance Outstanding October 1, 2011	Additions During Year	Deletions During Year	Balance Outstanding September 30, 2012
Airport System:							
Revenue Bonds:							
Series 2002	$ 92,470	2027	5.000-5.750	$ 80,020	$ -	$ (80,020)	$ -
Series 2002 PFC	37,575	2027	4.000-5.750	29,255		(29,255)	
Series 2003 Refunding	50,230	2013	5.500-6.000	9,745		(4,845)	4,900
Series 2005 PFC	38,085	2030	3.375-5.250	32,635		(1,045)	31,590
Series 2006	17,850	2014	5.000	9,145		(2,645)	6,500
Series 2007	82,400	2032	4.950-5.250	78,370		(2,165)	76,205
Series 2007 PFC	74,860	2032	5.000-5.250	67,650		(1,870)	65,780
Series 2010A Refunding	42,220	2040	2.000-5.250	42,220			42,220
Series 2010B Refunding	20,885	2018	3.197-4.861	20,885			20,885
Series 2010 PFC Refunding	37,335	2040	2.000-5.375	36,375		(715)	35,660
Series 2012 Refunding	70,135	2027	2.000-5.000		70,135		70,135
Series 2012 PFC Refunding	25,790	2027	2.000-5.000		25,790		25,790
Subtotal	$ 589,835			$ 406,300	$ 95,925	$ (122,560)	$ 379,665
Parking System:							
Taxable General Obligation Bonds:							
Series 2004 Refunding	$ 13,245	2016	2.800-4.650	$ 5,955	$ -	$ (1,175)	$ 4,780
Series 2008 Refunding	10,120	2024	5.820-6.570	10,120			10,120
Subtotal	$ 23,365			$ 16,075	$ -	$ (1,175)	$ 14,900
Solid Waste Management:							
Tax-Exempt General Obligation Bonds:							
Series 2006 Refunding	$ 1,000	2026	3.500-5.000	$ 765	$ -	$ (40)	$ 725
Series 2010 Refunding	545	2021	2.000-5.000	545			545
Tax-Exempt Certificate of Obligations:							
Series 2006	400	2026	3.500-5.000	335		(15)	320
Series 2007	2,500	2028	4.000-5.000	1,700		(85)	1,615
Subtotal	$ 4,445			$ 3,345	$ -	$ (140)	$ 3,205
Total	$ 617,645			$ 425,720	$ 95,925	$ (123,875)	$ 397,770

Year-Ended September 30, 2012 - 100 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Business-Type Activity Long-Term Debt (Continued)

The annual requirements to amortize long-term debt for the City's Enterprise Funds related to general obligation bonds, certificates of obligation, and revenue bonds outstanding at September 30, 2012 are as follows:

Principal and Interest Requirements									
	Airport System			Parking System			Solid Waste Management		
Year Ending September 30,	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2013	$ 18,115	$ 18,654	$ 36,769	$ 1,300	$ 810	$ 2,110	$ 145	$ 151	$ 296
2014	18,665	17,483	36,148	1,480	750	2,230	150	145	295
2015	16,710	16,696	33,406	1,000	694	1,694	165	137	302
2016	17,400	16,019	33,419	1,000	648	1,648	165	129	294
2017	18,195	15,225	33,420	1,025	625	1,650	180	120	300
2018-2022	83,245	64,123	147,368	6,100	2,137	8,237	1,020	452	1,472
2023-2027	99,695	43,039	142,734	2,995	297	3,292	1,195	196	1,391
2028-2032	71,345	20,486	91,831				185	8	193
2033-2037	22,205	7,121	29,326						
2038-2040	14,090	1,522	15,612						
Total	$ 379,665	$ 220,368	$ 600,033	$ 14,900	$ 5,961	$ 20,861	$ 3,205	$ 1,338	$ 4,543

Leases

The City has entered into various lease purchase agreements for the acquisitions of refuse collection containers, refuse collections trucks, brush grappler trucks, brush tractor/trailer combinations, and energy/water saving conservation improvements. These lease agreements qualify as capital leases for accounting purposes and have been recorded at the present value of their future minimum lease payments as of the date of inception. Payments on each of the lease purchases will be made from budgeted annual appropriations to be approved by the City Council. While the garbage containers met the criteria for capital lease recognition these items were expensed in the initial period leased as their individual costs were below the City's capitalization threshold.

The assets acquired through capital leases for business-type activities are as follows:

Machinery and Equipment	$ 17,215
Less: Accumulated Depreciation	(7,645)
Total	$ 9,570

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Year-Ended September 30, 2012 - 101 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Business-Type Activity Long-Term Debt (Continued)

As of September 30, 2012 the City had future minimum payments under capital and operating leases with a remaining term in excess of one year for business-type activities as follows:

	Capital Leases	Operating Leases	Total
Fiscal Year Ending September 30,			
2013	$ 5,778	$ 452	$ 6,230
2014	4,529	404	4,933
2015	4,481	383	4,864
2016	3,083	234	3,317
2017	1,202	39	1,241
2018-2022	3,043		3,043
2023-After	1,175		1,175
Future Minimum Lease Payments	23,291	$ 1,512	$ 24,803
Less: Interest	(1,979)		
Present Value of Future Minimum Lease Payments	21,312		
Less: Current Portion	(5,207)		
Capital Leases, Net of Current Portion	$ 16,105		

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Year-Ended September 30, 2012 - 102 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental and Business-Type Activities Long-Term Debt

Long-term obligations and amounts due within one year:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities:					
Bonds Payable:					
Tax-Exempt General Obligation Bonds	$ 708,055	$ 182,010	$ (79,790)	$ 810,275	$ 74,065
Taxable General Obligation Bonds	191,550			191,550	
Tax-Exempt Certificates of Obligation	356,870	19,340	(43,525)	332,685	19,690
Tax Notes	27,450	17,635	(13,070)	32,015	12,825
Revenue Bonds	575,115		(10,744)	564,371	11,666
Gross Bonds Payable	1,859,040	218,985	(147,129)	1,930,896	118,246
Unamortized (Discount) / Premium	73,504	30,616	(12,518)	91,602	16,061
Deferred Amount on Refunding	(23,168)	(636)	2,312	(21,492)	(2,347)
Net Bonds Payable	1,909,376	248,965	(157,335)	2,001,006	131,960
Other Payables:					
Capital Lease Liability	17,045		(2,852)	14,193	2,302
Accrued Leave Payable	192,175	41,060	(30,368)	202,867	61,125
Notes Payable	48,816		(2,185)	46,631	2,225
Pollution Remediation Liability [4]	1,545	537	(549)	1,533	
Net Pension / OPEB Obligation [1, 2]	110,749	35,157		145,906	
Total Other Payables	370,330	76,754	(35,954)	411,130	65,652
Total Governmental Activities Long-Term Liabilities	$ 2,279,706	$ 325,719	$ (193,289)	$ 2,412,136	$ 197,612
Business-Type Activities:					
Bonds Payable:					
Tax-Exempt General Obligation Bonds	$ 1,310	$ -	$ (40)	$ 1,270	$ 40
Taxable General Obligation Bonds	16,075		(1,175)	14,900	1,300
Tax-Exempt Certificates of Obligation	2,035		(100)	1,935	105
Revenue Bonds	406,300	95,925	(122,560)	379,665	18,115
Gross Bonds Payable	425,720	95,925	(123,875)	397,770	19,560
Unamortized (Discount) / Premium	7,783	9,726	(1,483)	16,026	3,353
Deferred Amount on Refunding	(4,017)	(2,835)	1,114	(5,738)	(1,086)
Net Bonds Payable	429,486	102,816	(124,244)	408,058	21,827
Other Payables:					
Capital Lease Liability	21,140	5,514	(5,342)	21,312	5,207
Accrued Leave Payable	4,453	7,064	(6,607)	4,910	3,797
Accrued Landfill Postclosure Costs [3]	2,045		(1)	2,044	129
Pollution Remediation Liability [4]	1,040			1,040	
Net OPEB Obligation [2]	20,123	6,637		26,760	
Total Other Payables	48,801	19,215	(11,950)	56,066	9,133
Total Business-Type Activities Long-Term Liabilities	$ 478,287	$ 122,031	$ (136,194)	$ 464,124	$ 30,960

NOTE: Interest accreted decreased by $4,706 due to the bond payment's maturity schedule, and decreased by $2,316 for interest on the remaining maturities outstanding, resulting in an ending balance of $20,923, which increases governmental activities' revenue bonds payable. This increase is reflected in the combined Statement of Net Assets but is not reflected in this table.

1 See Note 8, Pension & Retirement Plans for a description of the pension program.

2 See Note 9, Post-employment Retirement Benefits for a description of the post-employment program.

3 See Note 11, Commitments and Contingencies for a description of the Landfill Postclosure Care Costs.

4 See Note 12, Pollution Remediation Obligation for a description of the Pollution Remediation Liability.

Year-Ended September 30, 2012 - 103 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Governmental and Business-Type Activities Long-Term Debt

Accrued Leave

The following is a summary of accrued leave for the fiscal year-ended September 30, 2012:

Governmental Activities					
Fund Type	**Short-Term Available**	**Short-Term Remaining**	**Total Short-Term**	**Long-Term**	**Total**
Governmental Funds	$ 7,975	$ 50,667	$ 58,642	$ 141,346	$ 199,988
Internal Service Funds		2,483	2,483	396	2,879
Total Governmental Activities	$ 7,975	$ 53,150	$ 61,125	$ 141,742	$ 202,867

The General Fund accounts for approximately 70.0% of the City's employees; therefore, most of the accrued leave liability has been liquidated from the General Fund. When a City employee terminates, the fund that his or her salary was charged to throughout the year will be the same fund that will pay their accrued leave.

Business-Type Activities			
Fund	**Short-Term**	**Long-Term**	**Total**
Airport System	$ 1,646	$ 781	$ 2,427
Solid Waste Management	1,312	332	1,644
Nonmajor Enterprise Funds	839		839
Total Business-Type Activities	$ 3,797	$ 1,113	$ 4,910

Conduit Debt Obligations

The City facilitates the issuance of bonds to enable IDA, EFC and the EZDC, component units of the City, to provide financial assistance to various entities for the acquisition, construction, or renovation of facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired property transfers to the entity served by the bond issuance. As of September 30, 2012, the aggregate principal amounts payable are as follows: seven series of EFC Revenue Bonds in the amount of $109,720; two series of IDA Revenue Bonds in the amount of $11,200; and two series of EZDC Revenue Bonds in the amount of $39,900.

The City also facilitates the issuance of tax-exempt revenue bonds to enable the HFC to provide financing of residential developments for persons of low and moderate income. The bonds are secured by the property financed and are payable solely from, and secured by, a pledge of rental receipts. As of September 30, 2012, 19 series of tax-exempt revenue bonds were outstanding, with an aggregate principal amount payable of $214,111 and an aggregate principal amount issued of $228,459.

Year-Ended September 30, 2012 - 104 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

Primary Government (City) (Continued)

Conduit Debt Obligations (Continued)

To provide for the acquisition and construction of certain airport facilities, the City has issued Special Airport Facilities Revenue Refunding Bonds, Series 1995. The bond is payable pursuant to lease agreements, which stipulate that various commercial entities are obligated to pay amounts to a third-party trustee in lieu of lease payments to the City. These payments are sufficient to pay for the principal, premium, interest, and purchase price of the bond when they become due. The aggregate principal amount outstanding for the Special Airport Facilities Revenue Refunding Bonds, Series 1995 at September 30, 2012 was $2,600.

The City entered into an agreement with the Port to fund renovations at the Port, in the amount of $20,000. The Department of Housing and Urban Development (HUD) provides the funding for the loan through a Section 108 Loan. The loan is secured by pledged Port revenues and property and is payable solely from payments received by the Port. As of September 30, 2012, the aggregate amount of the outstanding loan totaled $9,328.

The City has authorized HTFC to issue single family and multi-family mortgage revenue bonds used to provide affordable housing to the citizens of San Antonio. The bonds are payable solely out of the revenues and receipts derived from any residential development or home mortgage financed by the bonds. As of September 30, 2012, the amount of conduit debt was $44,440.

The City also facilitates the issuance of tax-exempt revenue bonds for SAEAPFC to enter into long-term prepaid purchases of natural gas. SAEAPFC in turn, sells contracted volumes of the prepaid gas to CPS Energy on a monthly basis at a discounted rate, which is passed on to CPS Energy’s gas customers through reduced utility costs. The bonds are secured by the gas supplier and are payable primarily from the contracted volume sales and associated gas swap payments. As of September 30, 2012, SAEAPFC has one series of tax-exempt revenue bonds with an aggregate principal amount outstanding of $542,590.

Neither the City, the State of Texas, nor any political subdivision of the State of Texas other than the Port, is obligated in any manner for repayment of the aforementioned bonds, loans or leases. Accordingly, the bonds, loans, and leases are not reported as liabilities in the accompanying financial statements.

CPS Energy

To support its long-term capital financing needs, CPS Energy uses several types of debt instruments. As of January 31, 2012 these included fixed-rate and variable-rate bonds, as well as commercial paper. Relative to the bond instruments, provisions may be included that allow for refunding after specified time periods during the bond term.

Subject to applicable timing restrictions that may prevent early payoff, CPS Energy also has the option to defease or extinguish debt. A defeasance occurs when funds are placed in an irrevocable trust to be used solely for satisfying scheduled payments of both interest and principal of the defeased debt, which fully discharges the bond issuer’s obligation. At the time of an extinguishment, since the issuer no longer has the legal obligation, the defeased debt is removed from the balance sheet, the related unamortized costs are expensed, and the gain or loss is immediately recognized.

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

Current refundings involve issuing new debt (refunding bonds) to redeem existing debt (refunded bonds) that can be called within 90 days of the call date of the refunding bonds. Advance refunding of bonds involves issuing new debt to redeem existing debt that cannot be called within 90 days of issuing the refunding bonds. In these circumstances, the refunding bond proceeds are irrevocably escrowed with a third party. These proceeds, and income thereon, are used to pay the debt service on the refunded bonds until the refunded bonds can be called. Refunding bonds are generally issued to achieve debt service savings.

For current and advance refundings, the difference between the reacquisition price and the net carrying amount of the old debt is deferred and reported as a deduction or addition to the new debt liability. The deferred amount is amortized as a component of interest expense over the shorter remaining life of the refunding or the refunded debt.

As of January 31, 2012, the bond ordinances for New Series Bonds issued on and after February 1, 1994 contained, among others, the following provisions:

Revenue deposited in CPS Energy's General Account shall be pledged and appropriated to be used in the following priority for:

- Maintenance and operating expenses of CPS Energy;
- Payments of the New Series Bonds;
- Payment of prior lien bonds, including junior lien obligations;
- Payment of the notes and the credit agreement (as defined in the ordinance authorizing commercial paper);
- Payment of any inferior lien obligations issued, which are inferior in lien to the New Series Bonds, the prior lien bonds and the notes and credit agreement;
- An annual amount equal to 6.0% of the gross revenue of CPS Energy to be deposited in the Repair and Replacement Account;
- Cash payments and benefits to the General Fund of the City not to exceed 14.0% of the gross revenues of CPS Energy; and
- Any remaining net revenues of CPS Energy in the General Account to the Repair and Replacement Account, which is used to partially fund construction costs.

The maximum amount in cash to be transferred or credited to the City's General Fund from the net revenues of CPS Energy during any fiscal year shall not exceed 14.0% of the gross revenues of CPS Energy, less the value of gas and electric services of CPS Energy used by the City for municipal purposes and the amounts expended during the fiscal year for additions to the street lighting system and other authorized exclusions. The percentage of gross revenues of CPS Energy to be paid over, or credited to, the City's General Fund each fiscal year shall be determined (within the 14.0% limitation) by the governing body of the City.

The net revenues of CPS Energy 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 CPS Energy.

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

The junior lien obligations are composed of two categories of debt: fixed interest rate and variable interest rate. The junior lien fixed interest rate debt is similar to the senior lien New Series Bonds, as they have fixed and set interest rates for the life of the bonds. The junior lien, Variable-Rate Demand Obligation ("VRDO") bonds are debt instruments of CPS Energy. The junior lien obligations are payable solely from, and equally and ratably secured by, a junior lien on and pledge of the net revenues of CPS Energy, 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 ordinances authorizing the issuance of the junior lien obligations as noted below:

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 CPS Energy to the City and all other consumers, which shall be reasonable and nondiscriminatory and which will produce income and revenues sufficient to pay:

- All operation and maintenance expenses, depreciation, replacement and betterment expenses, and other costs as may be required by Chapter 1502 of the Texas Government Code, as amended;
- 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;
- 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;
- To the extent the same are reasonably anticipated to be paid with available revenues, the interest on and principal of all notes, and the credit agreement (as defined in the ordinance authorizing the commercial paper); and
- Any legal debt or obligation of CPS Energy as and when the same shall become due.

As of January 31, 2012, the Tax-Exempt Commercial Paper (TECP) Ordinance contains, among others, the following provisions:

To secure the payment of TECP principal and interest, a pledge is made of:

- Proceeds from:
  - The sale of bonds and additional notes issued for such purposes, and
  - The sale of TECP;
- Loans under and pursuant to the revolving credit agreement; and
- The net revenues of CPS Energy, after payment on New Series Bond requirements and prior lien bond obligations.

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

Revenue Bonds

The American Recovery and Reinvestment Act of 2009 provided authority for the issuance of Build America Bonds (BABs), which were issuable in calendar years 2009 and 2010 as taxable bonds. The BABs permitted the issuer to receive subsidy payments equal to 35.0% of the bond's interest directly from the U.S. Department of the Treasury. In fiscal year 2010, CPS Energy issued $375,000 of taxable New Series 2009C Revenue Direct Subsidy BABS. In fiscal year 2011, CPS Energy issued $380,000 of taxable New Series 2010A Revenue Direct Subsidy BABs, $300,000 of Junior Lien Taxable Series 2010A Revenue Direct Subsidy BABs (2010A Junior Lien BABs) and $200,000 of Junior Lien Taxable Series 2010B Revenue Refunding Direct Subsidy BABs (2010B Junior Lien BABs).

On November 10, 2011, CPS Energy issued $50,915 of New Series 2011 Revenue Refunding Bonds. Proceeds, including the premium associated with the bonds, were issued to refund $57,400 par value of the New Series 2002 Bonds. This refunding transaction resulted in a net present value debt service savings of $7,700 or 13.4% of the par amount of the bonds being refunded. The true interest cost for this issue, which has two term bonds maturing in 2016 and 2017, is 1.6%.

The total subsidy received for the 2009C and 2010A Senior Lien BSBs and the 2010A and 2010B Junior Lien BABs was $26,100 for fiscal year 2012.

CPS Energy Revenue Bond Summary

Issuance	Maturities	Weighted-Average Yield on Outstanding Bonds at January 31, 2012	January 31, 2012
Tax Exempt new series bonds 1994A-2009D	2011-2034	4.8%	$ 3,002,000
Taxable new series bonds[1] 2009C and 2010A	2033-2041	3.8%	755,000
Total New Series Bonds		4.4%	3,757,000
Taxable series bonds[1] 2010A-2010B	2037-2041	3.9%	500,000
Tax Exempt Variable-Rate Series Bonds 2003-2004	2024-2033		397,615
Total series bonds			897,615
Total Long-Term Revenue Bonds Outstanding			4,654,615
Less: Current Maturities of Bonds			170,175
Total Revenue Bonds Outstanding, Net of Current Maturities			$ 4,484,440

[1] Direct Subsidy Build America Bonds

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Year-Ended September 30, 2012 - 108 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

Revenue Bonds (Continued)

As of January 31, 2012, principal and interest amounts due for all revenue bonds outstanding for each of the next five years and thereafter to maturity are:

CPS Energy
Principal and Interest Requirements

Year	Principal	Interest	Direct Subsidy	Total
2013	$ 170,175	$ 227,002	$ (26,132)	$ 371,045
2014	183,610	218,001	(26,132)	375,479
2015	157,035	208,284	(26,132)	339,187
2016	155,115	200,192	(26,132)	329,175
2017	166,135	192,416	(26,132)	332,419
2018-2022	937,335	835,025	(130,659)	1,641,701
2023-2027	929,730	584,857	(130,659)	1,383,928
2028-2032	586,670	448,759	(130,659)	904,770
2033-2037	737,204	318,054	(109,568)	945,690
2038-2041	631,606	90,258	(31,590)	690,274
Totals	$ 4,654,615	$ 3,322,848	$ (663,795)	$ 7,313,668

The above table includes senior lien and junior lien bonds. Interest on the senior lien bonds and the junior lien fixed-rate bonds are based upon the stated coupon rates of each series of bonds outstanding. The direct subsidy associated with the BABs has been presented in a separate column. CPS Energy has taken the position that the BABs direct subsidy should be deducted when calculating total debt service since the subsidy is received directly by the trustee to be used solely for debt service payments.

The 2003 Junior Lien Bonds were issued as variable-rate bonds and as such have interest rates that reset on a weekly basis. On December 1, 2010, the 2004 Junior Lien Bonds were remarketed for a two-year term at an interest rate of 1.2%. This interest rate will remain in effect until the next interest reset date of December 1, 2012. The total interest amounts for all revenue bonds outstanding included a blended interest rate for the 2003 and 2004 Junior Lien Bonds of 0.5% at January 31, 2012.

The interest rate term mode for the junior lien variable-rate 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 bonds, or portion thereof, will bear interest at the corresponding daily, weekly, auction, commercial paper, term, or fixed rate.

Year-Ended September 30, 2012 - 109 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

Revenue Bonds (Continued)

Long-Term Debt Activity							
Issue	Original Amount	Final Principal Payment	Interest Rates (%)	Balance Outstanding February 1, 2011	Additions During Year	Decreases During Year	Balance Outstanding January 31, 2012
Revenue and Refunding Bonds:							
1994A Tax Exempt	$ 684,700	2012	5.008	$ 67,465	$ -	$ (67,465)	$ -
2002 Tax Exempt	436,090	2017	4.055	326,060		(116,720)	209,340
2002 Tax Exempt	140,615	2015	4.751	10,525			10,525
2003 Tax Exempt Junior Lien	250,000	2033	Variable	250,000			250,000
2003A Tax Exempt	93,935	2014	3.675	74,210		(1,680)	72,530
2003 Tax Exempt	350,490	2013	3.081	50,325			50,325
2004 Tax Exempt Junior Lien	160,000	2027	Variable	147,615			147,615
2005 Tax Exempt	294,625	2020	4.381	294,625			294,625
2005 Tax Exempt	240,675	2025	4.683	239,800			239,800
2005A Tax Exempt	197,335	2025	4.571	195,215			195,215
2006A Tax Exempt	384,185	2025	4.555	344,285		(14,615)	329,670
2006B Tax Exempt	128,845	2021	3.974	95,250		(9,240)	86,010
2007 Tax Exempt	46,195	2018	4.159	46,195			46,195
2007 Tax Exempt	403,215	2032	4.575	402,130			402,130
2008 Tax Exempt	287,935	2032	4.582	287,935			287,935
2008A Tax Exempt	158,030	2016	3.736	106,620		(22,400)	84,220
2009A Tax Exempt	442,005	2034	4.863	439,500			439,500
2009C Taxable	375,000	2039	3.944	375,000			375,000
2009D Tax Exempt	207,940	2021	3.720	203,065			203,065
2010A Taxable	380,000	2041	3.834	380,000			380,000
2010A Taxable Junior Lien	300,000	2041	3.806	300,000			300,000
2010B Taxable Junior Lien	200,000	2037	4.101	200,000			200,000
2011 Tax Exempt	50,915	2017	1.600		50,915		50,915
Bonds Outstanding				4,835,820	50,915	(232,120)	4,654,615
Bond Current Maturities				(174,690)		4,515	(170,175)
Bond (Discount)/Premium				117,262	7,775	(18,510)	106,527
Bond Reacquisition Costs				(45,844)	(2,256)	15,412	(32,688)
Revenue Bonds, Net				4,732,548	56,434	(230,703)	4,558,279
Tax Exempt Commercial Paper (TECP)			Variable	130,000			130,000
Total Long-Term Debt, Net				$ 4,862,548	$ 56,434	$ (230,703)	$ 4,688,279

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Year-Ended September 30, 2012 - 110 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

CPS Energy (Continued)

Flexible Rate Revolving Note

In fiscal year 2010, the San Antonio City Council adopted an ordinance authorizing the establishment of the Flexible Rate Revolving Note (FRRN) Private Placement Program, under which CPS Energy may issue taxable or tax-exempt notes, bearing interest at fixed or variable rates in an aggregate principal amount at any one time outstanding not to exceed $100,000. This ordinance provides for funding to assist in the interim financing of eligible projects that include the acquisition or construction of improvements, additions, or extensions to CPS Energy, including capital assets and facilities incident and related to the operation, maintenance, and administration of fuel acquisition and development and facilities for the transportation thereof; capital improvements to CPS Energy; and refinancing or refunding of any outstanding obligations secured by the net revenues of CPS Energy; or with respect to the payment of any obligation of CPS Energy pursuant to any credit. Under the program, maturity dates cannot extend beyond November 1, 2028.

On May 10, 2010, CPS Energy issued a $25,200 taxable Flexible Rate Revolving Note, Series A, under its taxable Note Purchase Agreement with JPMorgan Chase Bank, N.A., which currently serves as the note purchaser under the program. On May 11, 2010, the proceeds from the note, along with cash, were used to defease $25,700 in principal amounts of the allocable portion of the debt associated with the common facilities of STP Units 1 and 2 that were assigned to NINA in March 2010 when CPS Energy reduced its ownership share of STP Units 3 and 4 to 7.6%. The outstanding FRRN balance at January 31, 2012 was $25,200.

The FRRN has been classified as short-term in accordance with the financing terms under the taxable Note Purchase Agreement and is reported on the balance sheet under current maturities of debt. At January 31, 2012, only the taxable facility was being utilized through the taxable Note Purchase Agreement. The taxable notes are being secured by a pledge of investment collateral and a limited, subordinate and inferior lien on and pledge of net revenues in the amount of $100. The current taxable Note Purchase Agreement will expire on December 31, 2012, but through an annual renewal process may be extended through November 1, 2028.

Accrued Leave

As of January 31, 2012 the accruals for employee vested benefits were $16,900. These accruals are reported under Accounts Payable and Other Current Liabilities.

San Antonio Water System (SAWS)

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

City Ordinance No. 75686 also provides for no free services except for municipal firefighting purposes.

Note 6 Long-Term Debt (Continued)

San Antonio Water System (SAWS) (Continued)

SAWS has a contract with CPS Energy, the City-owned electricity and gas utility, for the provision of reuse water. According to City Ordinance No. 75686, the revenues derived from the contract have been restricted in use to only reuse activities and are excluded from gross revenue for purposes of calculating any transfers to the City's General Fund.

Revenue Bonds

On April 27, 2011, SAWS issued $46,555 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2011. The proceeds from the sale of the bonds were used to (i) refund $50,235 City of San Antonio, Texas Water System Revenue and Refunding Bonds, Series 2001 (the "Series 2001 Bond"), and (ii) pay the cost of issuance. The refunding of the Series 2001 Bonds reduced total debt service payments over the next sixteen years by approximately $5,800 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of approximately $4,300. The bonds are secured together with other currently outstanding Senior Lien Obligations solely by a lien on a pledge of net revenues.

On August 18, 2011, SAWS issued $24,550 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2011 through the Texas Water Development Board. The bonds were sold under the Water Infrastructure Fund Loan Program (the "WIF"). The proceeds from the sale of the bonds were used to (i) finance portions of the Brackish Groundwater Desalination Project, and (ii) pay the cost of issuance. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On August 18, 2011, SAWS issued $18,095 City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2011A through the Texas Water Development Board. The bonds were sold under the State Revolving Fund (SRF) Program. The proceeds from the sale of the bonds were used to (i) finance capital improvement projects which qualify under the Texas Water Development Board program, (ii) refund $2,000 in outstanding commercial paper notes, and (iii) pay the cost of issuance. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On October 6, 2011, SAWS issued $165,090 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2011A. The proceeds from the sale of the bonds were used to (i) refund $34,625 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2002 (the "Series 2002 Bond"), (ii) refund $80,455 City of San Antonio, Texas Water System Revenue Bonds, Series 2002-A (the "Series 2002-A Bonds"), (iii) refund $60,000 in outstanding commercial paper notes, and (iv) pay the cost of issuance. The refunding of the Series 2002 Bonds and Series 2002-A Bonds reduced total debt service payments over the next twenty-two years by approximately $15,700 and resulted in an economic gain of approximately $10,500. The bonds are secured together with other currently outstanding Senior Lien Obligations solely by a lien on a pledge of net revenues.

Senior Lien Water System Revenue Bonds, comprised of Series 2002, Series 2002-A, Series 2004, Series 2005, Series 2007, Series 2009, Series 2009A, Series 2009B, Series 2010B, Series 2011, and Series 2011-A outstanding in the amount of $1,507,950 at December 31, 2011, are collateralized by a senior lien and pledge of the gross revenues of SAWS after deducting and paying the current expenses of operation and maintenance of SAWS and maintaining a two-month operating reserve for such expenses. Interest rates range from 1.1% to 6.2%, exclusive of any federal interest subsidy on the Series 2009B and 2010B Build America Bonds.

Note 6 Long-Term Debt (Continued)

San Antonio Water System (SAWS) (Continued)

Revenue Bonds (Continued)

Junior Lien Water System Revenue Bonds, comprised of Series 2001, Series 2001-A, Series 2002, Series 2002-A, Series 2003, Series 2004, Series 2004-A, Series 2007, Series 2007A, Series 2008, Series 2008A, Series 2009, Series 2009A, Series 2010, Series 2010A, Series 2011, and Series 2011A outstanding in the amount of $386,280 at December 31, 2011, are collateralized by a junior lien and pledge of the gross revenues of SAWS after deducting the current expenses of operation and maintenance of SAWS, maintaining a two-month operating reserve for such expenses, and paying debt service on senior lien debt. Interest rates range from 0.0% to 5.0%.

The Federal Tax Reform Act of 1986 requires issuers of tax-exempt debt to make payments to the United States Treasury for investment income received at yields that exceed the issuer's tax exempt borrowing rates. The Treasury requires payment for each issue every five years. The estimated liability is updated annually for all tax-exempt issuances or changes in yields until such time payment of the calculated liability is due. A liability is recorded once payment appears to be probable. As of December 31, 2011, SAWS had a recorded arbitrage liability of $258 related to the Series 2007A junior lien bonds.

The following summarizes transactions of the Revenue Bonds for the year-ended December 31, 2011:

	Beginning Balance Jan. 1, 2011	Additions	Reductions	Ending Balance Dec. 31, 2011	Due Within One Year
Bonds Payable	$ 1,844,985	$ 254,290	$ 205,045	$ 1,894,230	$ 44,780
Deferred Amounts for Issuance (Discounts)/Premiums	(18,641)	16,652	921	(2,910)	
Total Bonds payable, Net	$ 1,826,344	$ 270,942	$ 205,966	$ 1,891,320	$ 44,780

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Year-Ended September 30, 2012 - 113 - Amounts are expressed in thousands

Note 6 Long-Term Debt (Continued)

San Antonio Water System (SAWS) (Continued)

Revenue Bonds (Continued)

The following table shows the annual debt service requirements on SAWS' debt obligations for each of the next five years and then in five year increments:

Annual Debt Service Requirements
Revenue and Refunding Bonds

	Senior Lien				Junior Lien	
Year Ended December 31,	Principal	Interest Expense	Direct Subsidy[1]	Net Interest	Principal	Interest Expense
2012	$ 25,590	$ 75,386	$ (4,014)	$ 71,372	$ 19,190	$ 8,111
2013	26,830	73,464	(4,006)	69,458	19,895	10,555
2014	27,990	72,270	(3,997)	68,273	20,430	10,032
2015	29,285	70,945	(3,969)	66,976	21,005	9,802
2016	30,615	69,538	(3,920)	65,618	23,895	9,524
2017-2021	203,005	320,987	(18,612)	302,375	114,460	36,667
2022-2026	302,905	257,840	(16,424)	241,416	70,010	22,711
2027-2031	279,405	178,899	(13,336)	165,563	43,900	14,122
2032-2036	327,225	109,341	(7,857)	101,484	31,605	7,728
2037-2041	255,100	25,023	(1,400)	23,623	21,890	1,449
Total	$ 1,507,950	$ 1,253,693	$ (77,535)	$ 1,176,158	$ 386,280	$ 130,701

[1] Federal interest rate subsidy on Build America Bonds is utilized to pay interest on those bonds but is reported as nonoperating revenue.

SAWS is required to comply with various debt covenant provisions included in the ordinances which authorized the bond issuances. SAWS is in compliance with all significant provisions of the ordinances.

Prior Years' Defeased Debt

In current and prior years, SAWS defeased certain revenue bonds by placing revenues or proceeds of new bond issues in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in SAWS' financial statements. At December 31, 2011, $147,515 of bonds outstanding were considered defeased.

Accrued Leave

SAWS records an accrual for vacation payable for all full-time employees and pays unused vacation hours available at the end of employment with the final paycheck. These accruals are reported under Other Payables.

Year-Ended	Liability Beginning Balance	Current-Year Accruals	Payments	Liability Ending Balance	Estimated Due Within One Year
December 31, 2011	$ 6,613	$ 5,458	$ (4,576)	$ 7,495	$ 4,576

Year-Ended September 30, 2012 - 114 - Amounts are expressed in thousands

Note 7 Commercial Paper Programs

Primary Government (City)

The City had no Commercial Paper debt during fiscal year 2012.

CPS Energy

In 1988, the City Council adopted an ordinance authorizing the issuance of up to $300,000 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 $450,000. 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 and/or a pledge of net revenues of CPS Energy. Such pledge of net revenues is subordinate and inferior to the pledge securing payment of existing New Series Bonds and junior lien obligations. The program's scheduled maximum maturities cannot extend beyond November 1, 2028.

TECP Outstanding	$ 130,000
Weighted Average Interest Rate of Outstanding TECP	0.2%
Average Life of Outstanding TECP (Approximate Number of Days)	64

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 amended revolving credit agreement, effective September 6, 2007, CPS Energy may borrow up to an aggregate amount not to exceed $450,000 for the purpose of paying principal due under the TECP program. On September 6, 2007, the revolving credit agreement was extended until November 1, 2012. At January 31, 2012, there was no amount outstanding under the revolving credit agreement. Further, there have been no borrowings under the agreement since inception.

San Antonio Water System (SAWS)

SAWS maintains a commercial paper program that is used to provide funds for the interim financing of a portion of its capital improvements. The City Council of the City of San Antonio has authorized the commercial paper program in an amount of $500,000. Notes payable under the program cannot exceed maturities of 270 days.

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

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

- Dealer Agreements with Goldman, Sachs & Co., J.P. Morgan Securities Inc., and Ramirez & Co., Inc.
- Revolving Credit Agreement with Bank of America, N.A., State Street Bank and Trust Company, and U.S. Bank National Association
- Issuing and Paying Agency Agreement with The Bank of New York Mellon Trust Company, N.A.

Year-Ended September 30, 2012 - 115 - Amounts are expressed in thousands

Note 7 Commercial Paper Programs (Continued)

San Antonio Water System (SAWS) (Continued)

The borrowings under the commercial paper program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the commercial paper program and (ii) borrowing under and pursuant to the revolving credit agreement. The capacity of the revolving credit agreement is $350,000 and the agreement expires in July 2013.

Commercial paper notes of $214,930 are outstanding as of December 31, 2011. Of this balance, $103,810 relates to the refunding of the Series 2003 Bonds while the remaining $111,120 proceeds were used solely for financing of capital improvements. Interest rates on the notes outstanding at December 31, 2011 range from 0.1% to 0.2% and maturities range from 27 to 69 days. The outstanding notes had an average rate of 0.2% and averaged 39 days to maturity.

SAWS intends to reissue maturing commercial paper, in accordance with the terms of the revolving credit agreement, and ultimately refund such maturities with proceeds from the issuance of long-term revenue bonds. Consistent with this intent, and since SAWS has the available $350,000 revolving credit agreement described above, SAWS has classified nearly all outstanding commercial paper notes as long-term debt. In accordance with the amortization schedule of the interest rate swap agreement discussed in Note 13, Risk Financing, SAWS intends to redeem $2,840 of commercial paper in 2012. Therefore, this portion of the commercial paper is classified as a current liability.

The following summarizes transactions of the program for the year-ended December 31, 2011.

	Beginning Balance January 1, 2011	Additions	Reductions	Ending Balance December 31, 2011
Tax Exempt Commercial Paper Notes	$ 244,650	$ 35,000	$ 64,720	$ 214,930

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Year-Ended September 30, 2012 - 116 - Amounts are expressed in thousands

Note 8 Pension and Retirement Plans

Primary Government (City)

General Plan Information

The City of San Antonio, SAWS, and CPS Energy participate in several contributory retirement plans. These are funded plans covering substantially all full-time employees. Payroll and contribution information as of the year-end for each entity is presented as follows:

Contributory Pension and Retirement Plans						
Entity	**Title**	**Type of Plan**	**Covered Payroll** [3]	**Employee Contribution**	**Employer Contribution**	**Total Contribution**
City	Fire and Police Pension Plan	Single Employer Defined Benefit Plan	$ 285,658	$ 35,193	$ 70,389	$ 105,582
	Texas Municipal Retirement System (TMRS) - Civilian	Nontraditional Hybrid Defined Benefit Agent Plan	$ 276,095	$ 16,570	$ 28,171	$ 44,741
Component Units:						
SAWS	Texas Municipal Retirement System (TMRS)[1]	Nontraditional Hybrid Defined Benefit Agent Plan	$ 84,611	$ 2,538	$ 4,997	$ 7,535
	SAWSRP Contract[1]	Single Employer Defined Benefit Plan	$ 85,394	$ -	$ 9,171	$ 9,171
CPS Energy	CPS All Employee Plan[2]	Single Employer Defined Benefit Plan	$ 228,525	$ 11,781	$ 37,687	$ 49,468

[1] Fiscal year ended December 31, 2011.

[2] Fiscal year ended January 31, 2012.

[3] Covered payroll presented in this table for the City is as of September 30, 2012.

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Year-Ended September 30, 2012 - 117 - Amounts are expressed in thousands

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Plan

The Pension Fund is a single-employer defined benefit retirement plan established in accordance with the laws of the State of Texas. The governing document for the Pension Fund is found in Vernon's Texas Civil Statutes, Article 6243o. The pension law governing the Pension Fund was amended on October 1, 2009. The Pension Fund meets the criteria of a "fiduciary fund" of the City as established by *Governmental Accounting Financial and Reporting Standards* and is therefore included in the City's financial statements as a pension trust fund. A more complete description of the Pension Fund is provided in the Pension Fund's separately issued financial statements.

At September 30, 2012, membership of the Pension Fund consisted of:

Retirees and beneficiaries receiving benefits	2,235
Active participants	3,926
Total	6,161

Currently, the Pension Fund provides retirement benefits to eligible employees of the fire and police departments of the City who have served for 20 years or more. Employees who terminate prior to accumulating 20 years of service may apply to receive a refund of their contributions. Upon application for a service retirement pension from the Pension Fund, retiring employees are entitled to a retirement annuity computed based on the average of the employee's total salary, excluding overtime pay, for the highest three years of the last five years. A retirement annuity under this subsection may not exceed, as of the date of retirement, 87.5% of the member's average total salary.

There is a provision for the Backwards Deferred Retirement Option Plan (BackDROP), which, as of October 1, 2009, permits retiring members who had actual service credit of at least 20 years and one month to elect to receive a lump-sum payment for a number of full months of service elected by the member that does not exceed the lesser of the number of months of service credit the member had in excess of 20 years or 60 months and a reduced annuity payment. For purposes of a BackDROP benefit calculation, the participant's salary beyond 34 years of service is used to determine the participant's average salary.

There is also a provision for a 13th and 14th pension check. At the end of each fiscal year, the Board may authorize the disbursement of a 13th monthly pension check if the yield on the Pension Fund's investments exceeds the actuarial projections for the preceding five year period by at least 100 basis points. In the same way, the Board may authorize a 14th monthly pension check if the annualized yield on the Pension Fund's investments exceeds the actuarial projections for the preceding five year period by at least 300 basis points. The 13th and 14th pension checks are paid to each retiree and beneficiary receiving a pension at the end of the fiscal year and are in an amount equal to the pension check paid in the last month of the preceding fiscal year of the Pension Fund (retirees/beneficiaries with less than one year of benefits will receive a prorated check, and no check will be paid to members who retired after the end of the fiscal year). Authorization for one year does not obligate the Board to authorize a 13th and 14th check for any other year. The Pension Fund did not meet the criteria for the 13th and 14th checks for the year ended September 30, 2012.

Year-Ended September 30, 2012 - 118 - Amounts are expressed in thousands

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Plan (Continued)

The Pension Fund also provides benefits when service is terminated by reason of death or disability. The employee's beneficiary or the employee shall be entitled to one-half of the average of the employee’s total salary, excluding overtime pay, or vested benefit as is provided in the computation of normal retirement benefits, whichever is higher. If a member dies after retiring, spouses or beneficiaries who were married to or dependents of the member at the time of retirement receive the same annuity paid to the member as of the date of the member’s death up to the maximum benefit. The maximum benefit for surviving spouses and dependent children is equal to a 27-year service pension. As of October 1, 2009, the allocation of death benefits between a surviving spouse and the dependent children of a member is 75.0% to the spouse and 25.0% to the children. The spousal death benefit for a spouse who married a retiree after retirement and at least five years prior to the date of the retiree’s death is the same as a spouse who married a member prior to retirement. At October 1, 2009 amendments establish a 55-year-old minimum age for marriage-after-retirement spouses to begin receiving annuity payments for those that qualify for such annuity payments. As of October 1, 2009, the spousal death benefit for a spouse who married a retiree after retirement, and less than five years prior to the date of the retiree’s death, was $15,000 if there are no other beneficiaries (note figure not reflected in thousands).

The Pension Fund provides a disability annuity equal to 87.5% of average total salary, if the member suffers a catastrophic injury. A catastrophic injury is described as an irreparable physical bodily injury suffered during the performance of high-risk line of duty activities, when the injury results in the individual being unable to obtain any sort of employment sufficient to generate income above the poverty level.

The surviving spouse of an active member may elect to receive benefits in the form of a lump-sum payment and reduced annuity, similar to a BackDROP election made by a retiring member.

The estate of an active member who dies and does not leave a beneficiary will receive either 10 times the amount of an annuity computed according to the Annuity Computation mentioned above, using the deceased member’s service credit and average total salary as of the date of death, or the deceased member’s contributions that were picked up by the City. The estate of a retired member who dies and does not leave a beneficiary will receive a lump-sum benefit equal to 10 times the amount of the annuity awarded by the Board effective on the retiree’s date of retirement, less any retirement or disability annuity and any lump-sum payments paid to the retiree.

The Pension Fund also provides benefits when an eligible member is killed in the line of duty. The member’s surviving spouse and dependent children are entitled to a total pension equal to the member’s base salary at the time of death.

Another important provision of the Pension Fund is the Cost of Living Adjustment (COLA). The COLA is based on the Consumer Price Index for all Urban Consumers – U.S. City Average (CPI) as published by the Bureau of Labor Statistics. Members whose retirement, disability, or death occurred before August 30, 1971, receive an increase equal to 100.0% of the increase in the CPI. Members whose retirement, disability, or death occurred after August 30, 1971, but before October 1, 1999, receive an increase equal to 100.0% of the increase in the CPI up to 8.0% and 75.0% of the increase in the CPI in excess of 8.0%. Members whose retirement, disability, or death occurred after October 1, 1999 receive an increase equal to 75.0% of the increase in the CPI.

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Fire and Police Pension Plan (Continued)

The Pension Fund is funded in accordance with Texas state statues and are not actuarially determined. The City was required to contribute 24.6% of salary, excluding overtime pay, in 2012. The employee contribution rate was 12.3% in 2012. New fire fighters and police officers are immediately eligible for membership after they receive state certification and complete all other requirements. The new member contributes to the Pension Fund upon becoming eligible. As part of the amendments effective October 1, 2009, from October 1, 2009 to December 31, 2009, members who served probationary time prior to becoming a member were allowed to elect to purchase service credit for that time. If the member elected to purchase the service credit, the member was responsible for paying 3 times the member's contribution rate that would have been due during the probationary period, with interest calculated from the time of the probation until the amount was paid. The interest rate was 8.0%, which was the Pension Fund's assumed actuarial rate of return on the assets.

The Pension Fund has a provision that allows the fire chief and police chief to opt out of membership in the Pension Fund.

The annual required contributions for fiscal year 2012 were determined as part of the October 2011 actuarial valuations, using the entry-age actuarial cost method. The actuarial assumptions included (a) an 7.8% investment rate of return and (b) a projected annual salary increase of 4.0%. Both (a) and (b) include inflation components of 4.0%. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a five year period. The unfunded actuarial liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at October 1, 2011 was 9.1 years which, as reported under GASB guidelines, does not consider the assumption of payroll growth rate. The amounts of the actuarial value of assets represent estimates based upon the assumptions described above. Changes in those assumptions will result in changes in such estimates in the future. The amounts of benefits ultimately to be paid could differ materially from the current estimates.

Contributions for the year-ended September 30, 2012 were as follows:

	Amount	Percentage of Covered Payroll
Employer	$ 70,389	24.6%
Employee	35,193	12.3%
Total	$ 105,582	

The City of is responsible for funding the deficiency, if any, between the amount available to pay all retirement annuities and other benefits owed by the Pension Fund and the amount required to pay such benefits.

The Pension Fund issues a publicly available financial report that includes financial statements and required supplemental information. That report may be obtained by writing to the Fire and Police Pension Fund of San Antonio, 11603 W. Coker Loop, Suite 201, San Antonio, Texas 78216 or by calling (210) 534-3262.

Year-Ended September 30, 2012 - 120 - Amounts are expressed in thousands

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Texas Municipal Retirement System (TMRS)

The City provides benefits for all eligible employees (excluding firefighters and police officers) through a nontraditional, joint contributory, hybrid defined benefit plan in TMRS. TMRS is a statewide agent multiple-employer public employee retirement system created by law in 1948 to provide retirement and disability benefits to city employees. TMRS as of December 31, 2011, is the agent for 847 participating entities. It is the opinion of the TMRS management that the plans in TMRS are substantially defined benefit plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the TMRS plan.

Since its inception, TMRS has used the traditional Unit Credit actuarial funding method. This method accounts for liability accrued as of the valuation date but does not project the potential future liability of provisions adopted by a participating government. Two-thirds of the governments participating in TMRS have adopted the Updated Service Credit and Annuity Increases provisions on an annually repeating basis. These provisions are considered to be “committed” benefits (or likely to be guaranteed); as such, for the December 31, 2007 valuation, TMRS’ Board adopted the Projected Unit Credit (PUC) actuarial funding method, which facilitates advance funding for future updated service credits and annuity increases that are adopted on an annually repeating basis. These changes had a significant impact on TMRS’ Unfunded Actuarial Accrued Liability (UAAL) and funded position as well as the City’s contribution requirements. As of December 31, 2006, the City’s Plan had a UAAL of $178,521 with a funded ratio of 72.2%. After adoption of these changes, as of December 31, 2007 the City’s Plan had a UAAL of $317,720 with a funded ratio of 60.1%.

The Board also adopted a change in the amortization period from a 25-year “open” to a 25-year “closed” period. TMRS Board rules provide that, whenever a change in actuarial assumptions or methods results in a contribution rate increase in an amount greater than 0.5%, the amortization period may be increased up to 30 years, unless a participating government requests that the period remain at 25 years. For governments with repeating features, these changes resulted initially in higher required contributions and lower funded ratios. To assist in this transition to higher rates, the Board approved an eight-year phase-in period, which allowed governments the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full required contribution rate. As a result of these changes, the City’s contribution rate was projected to increase from 12.5% to 16.7%. Due to the significant increase in contribution requirements, the City selected to phase-in the contribution rate in fiscal year 2009 from 12.5% to 13.1% with an ultimate projected rate to be in excess of 18.0% after phase-in (or triple the employee contribution rate).

The City additionally created a work plan to review and address the changes being made by TMRS. Six focus groups with employees and retirees were held to obtain input via a survey on their TMRS benefits and priorities to assist the City in evaluating its options and decisions made on the TMRS Board. Furthermore, the City engaged a legal firm to provide legal advice on TMRS and other pension related issues. The legal firm engaged an actuarial firm to evaluate the assumptions and results of TMRS’ report to provide a historical performance analysis of the funds within TMRS, and assist in exploring viable pension alternatives. A task force of current employees and retirees was formed to provide input regarding the work to be completed by this actuarial firm.

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

The City further adopted a plan change in 2010 removing the annually repeating Cost of Living Adjustment (COLA) feature as a way to mitigate future contribution increases. This change does not prevent adoption of either ad hoc or annually repeating COLAs in the future, but it did reduce the City's contribution rate in 2010 from 13.9% to 12.3%.

TMRS legislation was passed during the State's 82nd Legislative Session to combine the Municipal Accumulation Fund (MAF), Current Service Annuity Reserve Fund (CSARF), and the Employees Savings Fund (ESF), into a single city trust fund. Under TMRS, assets were held in trust in three distinct accounts, which were called "funds." The MAF holds city contributions and interest. The ESF holds member contributions and interest. When a member retires, the accumulated contributions and interest in the member's account transfer from the ESF, along with matching funds from the city's MAF into the CSARF. The basic retirement benefit is therefore fully funded at the time of a member's retirement and is then paid monthly to the retiree from the CSARF. At the time a member retires, the basic retirement benefit becomes a liability of TMRS. Since the passage of House Bill 360 in 2009, each year the ESF and CSARF were credited, by law, with 5.0% interest. This guaranteed interest credit resulted in a highly leveraged (positive or negative) interest credit to the MAF. In years when TMRS as a whole earned less than the amount needed to provide the 5.0% guaranteed interest credit to the ESF and CSARF, additional funding was needed from the MAF. Additionally, as each city's plan matured and retirements increased, more funds transferred into the CSARF from the ESF and the MAF, and the MAF balance, combined with the highly leveraged interest allocations, would have resulted in city contribution rates more volatile than a typical pension plan.

Restructuring, or combining, funds eliminated the leverage inherent in the asset structure and helped to make city contribution rates less volatile. Under a restructured pension fund, at the time of retirement, money would not be transferred to the CSARF (it would stay in the combined/single trust fund of the city). By reallocating the CSARF assets and liabilities and the ESF assets into each city's single trust fund, all future investment earnings based on that city's contributions for active and retired members would be directly applied to that specific city's trust assets and included in the funding equation, resulting in decreased liabilities and contribution rates. Additionally, a city's funded ratio would improve because the city would receive "credit" for the excess of the assets over liabilities for those retirements that are currently being paid from the CSARF; and the city's annual required contribution would be reduced since the city would receive interest on a larger base of assets over a longer period of time. The vast majority of defined benefit plans are funded under a similar structure. This proposal passed as Senate Bill 350 and was enacted in June 2011. This legislation permitted the actuarial valuation to be completed, as if restructuring occurred on December 31, 2010.

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

In addition to the restructuring, the actuarial assumptions were updated based on an actuarial experience study that was adopted by the TMRS board at its May 2011 meeting (the review compared actual to expected experience for the four-year period of January 1, 2006 through December 31, 2009). The City's UAAL as of December 31, 2010 prior to restructuring was calculated at $201,451 with a funded ratio of 73.0%. The City's UAAL using the new rate structure was calculated to $100,426 with a funded ratio of 90.6%. Further, the amortization periods differed; prior to restructuring the period was 25.6 years; after restructuring the period was 24.1 years, resulting in a reduction to the contribution rate from 12.6% to 10.0% for the first quarter of calendar year 2012. TMRS permitted the City to early implement this contribution rate reduction in the first quarter of fiscal year 2012, resulting in a first quarter difference of 2.6%, or $1,810 in ARC, not being funded. This NPO will be funded through salary assessments to each City department with full-time, civilian employees.

In the fiscal year 2012 budget, City Council adopted a one-time annuity increase that was provided to retired employees and to beneficiaries of deceased employees. The amount of the increase is computed as the sum of the prior service and current service annuities on the effective date of retirement of the person on whose service the annuities are based. This number was multiplied by 70.0% of the percentage change in the Consumer Price Index for All Urban Consumers, from December of the year immediately preceding the effective date of the person's retirement to the December that is 13 months before the effective date of the increase. This one-time annuity increase caused the contribution rate to increase from 10.0% to 10.3%, effective January 1, 2012.

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

Members are eligible to retire upon attaining the normal retirement age of 60 and above with 5 or more years of service, or with 20 years of service regardless of age. The TMRS plan also provides death and disability benefits. A member is vested after five years, but must leave accumulated contributions in the TMRS plan. If a member withdraws the contributions with interest, the member would not be entitled to the City-financed monetary credits, even if vested.

TMRS provisions and contribution requirements are adopted by the governing body of the City within the options available in the state statutes governing TMRS and within the actuarial constraints contained in the statutes.

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Contribution requirements are actuarially determined by TMRS' actuary (see summary of TMRS Actuarial Assumptions and Methods at the end of Note 8). The contribution rate for the City's employees is 6.0% and the matching percent was 10.3% for calendar year 2011, both as adopted by the governing body of the City (see summary of contribution information at the beginning of Note 8). Under the state law governing TMRS, the employer's contribution rates are annually determined by the actuary, using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually; the prior service contribution rate amortized the unfunded (overfunded) actuarial liability (asset) over the applicable period for the City. Both the normal cost and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

The normal cost contribution finances the currently accruing monetary credits due to the City matching percentage, which are the obligation of the City as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percentage of payroll necessary to satisfy the obligation of the City to each employee at the time the employee's retirement becomes effective. The prior service contribution rate amortizes the UAAL over the remainder of the plan's 22.1-year amortization period. When the City periodically adopts updated service credits and increases annuities in effect, the increased UAAL is being amortized over a new 22.1-year period. Currently, the UAAL is amortized over a constant 22.1-year period as a level percentage of payroll. Contributions are made monthly by both the employees and the City. All current year required contributions of the employees and the City were made to TMRS. Due to the fact that the City requires the contribution rates in advance for budget purposes, there is a one-year lag between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect.

Investments are reported at fair value. The fair values of fixed income securities are valued by the custodian using the last trade date price information supplied by various pricing data vendors. Fair values of the equity index funds (comingled funds) are determined based on the funds' net asset values at the date of valuation. Short-term investment funds are reported at cost, which approximates market value. Security transactions are reported on a trade date basis.

Membership as of the Valuation Date	**12/31/2011**
Number of :	
Active Members	5,961
Retirees and beneficiaries	3,530
Inactive members	2,079
Total	11,570

Year-Ended September 30, 2012 - 124 - Amounts are expressed in thousands

Note 8 Pension and Retirement Plans (Continued)

Primary Government (City) (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

TMRS' administration costs are funded from a portion of TMRS' annual investment earnings.

TMRS issues a publicly available financial report that includes financial information and required supplementary information for TMRS; the report also provides detailed explanations of the contributions, benefits, and actuarial methods and assumptions used related to participating municipalities. The report may be obtained by writing to the TMRS, P.O. Box 149153, Austin, Texas 78714-9153 or by calling (800) 924-8677. In addition, the report is available on TMRS' website at www.TMRS.com. The required schedule of funding progress follows immediately the notes to the financial statements, and they present multi-year trend information regarding the actuarial value of plan assets relative to the actuarial liability for benefits.

City Deferred Compensation

City of San Antonio has a deferred compensation plan for its employees, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular employees, permits them to defer a portion of their salary on a pre-taxed basis until future years. The compensation deferred under this plan is not available to employees until termination, retirement, death, loan, or qualifying unforeseeable emergency. Participation in the plan is voluntary. Beginning with FY 2012, the City of San Antonio implemented a matching contribution of up to 1% of base salary to eligible executives who participate in the plan. City of San Antonio has no liability for losses under this plan but does have the usual fiduciary responsibilities of a plan sponsor.

San Antonio Water System (SAWS)

SAWS' pension program includes benefits provided by TMRS, the San Antonio Water System Retirement Plan (SAWSRP), the San Antonio Water System Deferred Compensation Plan (SAWSDCP), and Social Security. The following information related to TMRS was prepared as of December 31, 2010, while the information related to the SAWSRP was prepared as of January 1, 2011.

Texas Municipal Retirement System (TMRS)

SAWS provides pension benefits for all of its eligible employees through a nontraditional, joint contributory, hybrid defined benefit plan in the statewide TMRS, one of more than 837 administered by TMRS, an agent multiple-employer public employee retirement system.

Benefits depend upon the sum of the employee's contributions to the plan, with interest, and SAWS financed monetary credits, with interest. At retirement, the benefit is calculated as if the sum of the employee's accumulated contributions with interest and the employer-financed monetary credits with interest were used to purchase an annuity. The plan provisions are adopted by SAWS within the options available and actuarial constraints in the state statutes governing TMRS.

Note 8 Pension and Retirement Plans (Continued)

San Antonio Water System (SAWS) (Continued)

Texas Municipal Retirement System (TMRS) (Continued)

Under the state law governing TMRS, SAWS' contribution rate is determined annually by an actuary using the Projected Unit Credit actuarial cost method. This rate consists of the normal cost contribution rate and the prior service contribution rate, which is calculated to be a level percentage of payroll from year to year. The normal cost contribution rate finances the portion of an active member's projected benefit allocated annually. The prior service contribution rate amortizes the unfunded actuarial liability over the applicable period for SAWS. Both the normal costs and prior service contribution rates include recognition of the projected impact of annually repeating benefits, such as Updated Service Credits and Annuity Increases.

There is a delay in the valuation and when the rate becomes effective, for example the 2011 contribution rate is based on the December 31, 2009 valuation results. SAWS contributes to TMRS at the actuarially determined rate. Both the employees and SAWS make monthly contributions.

Beginning with the December 31, 2007 actuarial valuation, a change was made in the funding method and the amortization period used in the valuation. To assist in this transition to higher rates, TMRS approved an eight-year phase-in period beginning in 2009, which allows governments the opportunity to increase their contributions gradually (approximately 12.5% each year) to their full rate (or their required contribution rate). SAWS elected to transition the increase in its contribution rate over the eight-year phase-in period. As a result of these changes, SAWS' actuarially required contribution for 2011 was 5.9% while the phased-in rate of 2011 was 4.6% of salary. The current contribution rate for employees is 3.0% of salary.

TMRS
Schedule of Contributions

	2011
Employer Contribution	$ 4,967
Employee Contribution	$ 2,538
Employer Contribution Rate	5.9%

San Antonio Water System Retirement Plan (SAWSRP)

SAWSRP is a single-employer defined benefit pension plan controlled by the provisions of Ordinance No. 75686, which serves as a supplement to TMRS and Social Security. SAWS has delegated the authority to manage certain plan assets and administer the payment of benefits to Principal Financial Group.

SAWS provides supplemental pension benefits for all persons customarily employed at least 20 hours per week and five months per year through this defined benefit pension plan. Employees are eligible to participate in SAWSRP on January 1 of the calendar year following date of hire. A member does not vest in this plan until completion of five years of service.

Year-Ended September 30, 2012 - 126 - Amounts are expressed in thousands

Note 8 Pension and Retirement Plans (Continued)

San Antonio Water System (SAWS) (Continued)

San Antonio Water System Retirement Plan (SAWSRP) (Continued)

SAWSRP membership consisted of:

	January 1, 2011
Active Employees	1,609
Retirees and beneficiaries currently receiving benefits[1]	517
Terminated employees entitled to benefits but not yet receiving them	403
Total	2,529

[1]Does not include retirees whose benefits have been purchased.

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

- Twenty years of vesting service regardless of age, or
- Five years of vesting service and at least age 60.

An employee is automatically 100% vested upon attainment of age 65 or upon becoming totally and permanently disabled.

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

The normal retirement benefit under the Principal Financial Group contract is equal to the following:

- 1.2% of the average compensation, times years of credited service not in excess of 25 years, plus
- 0.8% of the average compensation, times years of credited service in excess of 25 years but not in excess of 35 years, plus
- 0.4% of the average compensation, times years of credited service in excess of 35 years.

Upon retirement, an employee must select from one of seven alternative payment plans. Each payment plan provides for monthly payments as long as the retired employee lives. The options available address how plan benefits are to be distributed to the designated beneficiary of the retired employee. The program also provides death and disability benefits.

Year-Ended September 30, 2012 - 127 - Amounts are expressed in thousands

Note 8 Pension and Retirement Plans (Continued)

San Antonio Water System (SAWS) (Continued)

San Antonio Water System Retirement Plan (SAWSRP) (Continued)

SAWSRP's funding policy provides for actuarially determined periodic contributions so that sufficient assets will be available to pay benefits when due. Contribution requirements are established and may be amended by SAWS. Active members are not required to make contributions. Any obligation with respect to SAWSRP shall be paid by SAWS. Investment expenses, including investment manager and custodial services, are funded through investment earnings. Administrative expenses, including investment actuarial and consultant services, are funded through investment earnings and/or contributions.

A summary of the actuarial assumptions utilized in determining SAWS' contribution requirements is as follows:

SAWSRP Actuarial Assumptions

Actuarial Cost Method	Entry Age Normal - Frozen Initial Liability Period
Amortization Method	Level Dollar
Remaining Amortization Period	30 Years - Closed Period
Asset Valuation Method	Smoothed Market Value (4 years)
Investment Rate of Return	8.0%
Inflation Rate	None
Salary Scale	Table S-5 from the Actuary's Pension Handbook plus 3.4%
Cost of Living Adjustments	None

San Antonio Water System Deferred Compensation Plan (SAWSDCP)

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

CPS Energy

All Employee Plan

The CPS Energy 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 ten 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 before age 62 with less than 25 years of service.

Year-Ended September 30, 2012 - 128 - Amounts are expressed in thousands

Note 8 Pension and Retirement Plans (Continued)

CPS Energy

All Employee Plan (Continued)

The Plan is sponsored by and may be amended at any time by CPS Energy, acting by and through an Oversight Committee, which includes the President and CEO, the Chief Financial Officer and the Audit Committee Chair of CPS Energy's board of trustees. Plan assets are segregated from CPS Energy's assets and are separately managed by an Administrative Committee whose members are appointed by the Oversight Committee.

The Plan reports results on a calendar-year basis, and the separately audited financial statements, which contain historical trend information, may be obtained by contacting Benefit Trust Administration at CPS Energy. Plan net assets had a market value of $1,054,003 at December 31, 2011.

In addition to the defined-benefit pension plan, CPS Energy has two Restoration Plans that were effective as of January 1, 1998, which supplement benefits paid from the Plan due to Internal Revenue Code restrictions on benefit and compensation limits. The benefits due under those Restoration Plans have been paid annually by CPS Energy.

Employees who retired prior to 1983 receive annuity payments from an insurance carrier, as well as some benefits directly from CPS Energy. The costs for the benefits directly received from CPS Energy were $91 for fiscal year 2012. These costs were recorded when paid.

Funding Policy – The current policy of CPS Energy is to use each actuarial valuation as the basis for determining monthly employer contributions to the Plan during the fiscal year beginning in the calendar year after the valuation year. The January 1, 2010, valuation was the basis for contributions in fiscal year 2012. CPS Energy establishes funding levels, considering annual actuarial valuations and recommendations of the Administrative Committee, which is composed of a cross-functional group of active and retired CPS Energy employees, using both employee and employer contributions. Generally, participating employees contribute 5.0% of their total compensation and are typically fully vested in CPS Energy's matching contribution after completing seven years of credited service or upon reaching age 40. Employee contributions commence with the effective date of participation and continue until normal or early retirement, completion of 44 years of benefit service, or termination of employment. The employee contribution interest crediting rate was 8.0% for fiscal year 2012.

The balance of Plan contributions is the responsibility of CPS Energy, giving consideration to actuarial information, budget controls, legal requirements, compliance, and industry and/or community norms. For fiscal year 2012, the amount to be funded was established using a general target near the 30-year funding contribution level as determined by the Plan's actuary. CPS Energy's contributions in relation to the annual required contribution (ARC) amounted to 16.5% of covered payroll in fiscal year 2012.

Annual Pension Cost and Net Pension Obligation – CPS Energy's annual pension cost (APC) and net pension obligation (NPO) for fiscal year 2012 is presented at the end of this Note. The NPO may be either positive, reflecting a liability, or negative, reflecting an asset. The term net pension obligation, as used in this Note, refers to either situation.

Note 8 Pension and Retirement Plans (Continued)

CPS Energy (Continued)

All Employee Plan (Continued)

Funded Status and Funding Progress – The funded status of the Plan as of January 1, 2010 valuation date is presented at the end of this Note. The schedule of funding progress, presented as required supplementary information, presents multi-year trend information that shows whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions – Beginning with the 2008 Plan year, the cost method was revised to project January 1 data to February 1 of the next calendar year based on assumptions. Actuarial valuation methods used for the February 1, 2010 valuation included: (a) the five-year smoothed market for asset valuation, (b) the projected unit credit for the actuarial cost method for the actuarial accrued liability, and (c) the 20-year level-dollar open method for amortization of prior service costs.

The cost method was revised for the 2010 Plan year to eliminate the 13-month projection from January 1 to February 1 of the succeeding year. Instead, the January 1 valuation results were used to determine the contributions for the fiscal year commencing in the succeeding calendar year. There was no change in actuarial valuation methods for the 2011 Plan year.

Significant actuarial assumptions used for the January 1, 2010, actuarial valuation included (a) a rate of return on the investment of present and future assets of 7.8%, (b) projected salary increases averaging 5.5%, and (c) post retirement cost-of-living increases of 1.5%. The projected salary increases included an inflation rate of 3.0%.

Three-Year Trend Information

Trend information compares the annual required contribution to annual pension cost and the resultant net pension obligation, as required by GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers*.

Three-Year Trend Information

Pension Plan	Fiscal Year	Annual Required Contribution (ARC)	Interest on Net Pension Obligation (NPO)	Adjustment To ARC	Annual Pension Cost (APC)	Contributions In Relation to ARC	Increase (Decrease) in NPO	Net Pension Obligation (Asset) at Beginning of Year	Net Pension Obligation (Asset) at End of Year	Percentage of ARC Contributed
Fire and Police	2010	$ 64,498	$ -	$ -	$ 64,498	$ (64,498)	$ -	$ -	$ -	100.0%
Pension Plan City	2011	67,328			67,328	(67,328)				100.0%
of San Antonio	2012	70,389			70,389	(70,389)				100.0%
TMRS -	2010	$ 32,338	$ -	$ -	$ 32,338	$ (32,338)	$ -	$ -	$ -	100.0%
City of	2011	33,883			33,883	(33,883)				100.0%
San Antonio	2012	29,981			29,981	(28,171)	1,810		1,810	93.9%
CPS All	2010	$ 23,468	$ (156)	$ 191	$ 23,503	$ (23,732)	$ (229)	$ (1,944)	$ (2,173)	101.1%
Employee Plan [1]	2011	33,921	(169)	205	33,957	(32,400)	1,557	(2,173)	(616)	95.4%
	2012	39,703	(54)	58	39,707	(37,687)	2,020	(616)	1,404	94.9%
TMRS -	2009	$ 4,275	$ -	$ -	$ 4,275	$ (4,275)	$ 1,066	$ -	$ 1,066	100.0%
SAWS [2]	2010	4,703	80	(64)	(4,719)	(4,703)	1,247	1,066	2,313	100.0%
	2011	4,967	173	(143)	4,997	(4,997)	1,071	2,313	3,384	100.0%
SAWRP -	2009	$ 6,035	$ -	$ -	$ 6,035	$ (6,035)	$ -	$ -	$ -	100.0%
SAWS [2]	2010	7,849			7,849	(7,849)				100.0%
	2011	9,171			9,171	(9,171)				100.0%

[1] Fiscal year-ended January 31, 2012.
[2] Fiscal year-ended December 31, 2011.

Year-Ended September 30, 2012 - 130 - Amounts are expressed in thousands

Note 8 Pension and Retirement Plans (Continued)

Three-Year Trend Information (Continued)

Funded Status and Funding Progress

	Fire and Police Pension Plan [1]	City of San Antonio TMRS [2]	SAWS TMRS	SAWS SAWSRP	CPS Energy
Actuarial value of plan assets (a)	$ 2,330,520	$ 1,031,749	$ 125,424	$ 90,496	$ 1,097,147
Actuarial accrued liability (b)	2,573,262	1,126,876	149,640	144,552	1,243,118
Unfunded actuarial accrued liability (funding excess) (b) - (a)	$ 242,742	$ 95,127	$ 24,216	$ 54,056	$ 145,971
Funded ratio (a) / (b)	90.6%	91.6%	83.8%	62.6%	88.3%
Covered payroll (c)	$ 286,327	$ 264,088	$ 84,611	$ 85,394	$ 228,525
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(b) - (a)] / (c))	84.8%	36.0%	28.6%	63.3%	63.9%

1 Covered payroll presented in this table is as of 10/1/2011.

2 Covered payroll presented in this table is as of 12/31/2011.

Significant TMRS Actuarial Assumptions and Methods

Significant assumptions used in the actuarial valuation of December 31, 2011, by the Texas Municipal Retirement System's (TMRS) actuary are provided in the following table for both the City and SAWS. The City's actuarial assumptions and methods are based on the restructuring of the TMRS funds as enacted by SB 350.

TMRS Actuarial Assumptions and Methods	
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent of Payroll
Remaining Amortization Period - SAWS	28 Years - Closed Period
Remaining Amortization Period - City	22.1 Years - Closed Period
Asset Valuation Method	Amortization Cost
Investment Return - City	7.0%
Investment Return - SAWS	7.5%
Projected Salary Increases	Varies by Age and Service
Includes Inflation At	3.0%

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Year-Ended September 30, 2012 - 131 - Amounts are expressed in thousands

Note 9 Post-employment Retirement Benefits

Primary Government (City)

Plan Description – In addition to the pension benefits discussed in Note 8, Pension and Retirement Plans, the City provides most retired employees with certain health benefits under two post-employment benefit programs. Pursuant to GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, the City is required to account for and disclose its other post-employment liability for these programs. The City continues to actively review and have actuarial valuations performed for these programs as required.

The first of the two programs is a health insurance plan, which provides benefits for nonuniformed City retirees and for pre-October 1, 1989 uniformed (fire and police) retirees who are not eligible for Medicare. The program compromises of three self-funded PPO health plans currently administered by United Healthcare. These plans may be amended at any time with approval from the City Council. This program is funded on a pay-as-you-go basis with an aggregate sharing of premium costs based on the following targets: 67.0% by the City and 33.0% by the retiree for those retirees hired prior to October 2007. With the adoption of the fiscal year 2008 Budget, additional changes were made to this retirement health plan. For all non-uniformed employees beginning employment on or after October 1, 2007, a revised schedule for sharing of the costs on a pay-as-you-go basis is effective. The revised schedule is as follows: (1) Employees who separate from the City with less than five years of service are not eligible to participate in the program; (2) Employees who separate with at least five years of service but less than 10 years of service are eligible to participate in the program but without City subsidy; and (3) Employees who separate from employment with 10 years of service or more will pay for 50.0% of the pay-as-you-go contributions to the program and the City will contribute the remaining 50.0%. The ability to participate in the program remains based on meeting retirement criteria for the TMRS Pension Plan.

As of September 30, 2012, there are 6,172 active civilian employees who may become eligible in the future. Employees may become eligible to participate in this program based on eligibility for a retirement benefit under the rules for TMRS Pension Plan and their number of years of service to the City. Under the TMRS Pension Plan, employees may retire at age 60 and above with five or more years of service or with 20 years of service regardless of age. Retiree medical benefits continue for the life of the retiree and their surviving eligible dependents that were covered at the time of the employee’s severance of service. Nonuniformed City employees who qualify for a disability pension under TMRS rules are also eligible to receive the retiree medical benefit under this plan. As of September 30, 2012, there were 399 retirees and surviving spouses participating in this program.

The second program with 1,006 participating retirees and surviving spouses is available to eligible retirees who have Medicare coverage. All retirees and dependents are required to apply for and maintain Medicare Parts A & B coverage once they reach age 65 or otherwise become eligible for Medicare in order to participate in the Medicare Advantage PPO or HMO Plan. Of the current 1,006 participating Medicare retirees and surviving spouse, 161 participate in a fully insured Medicare Advantage HMO and the remaining 845 participate in a fully insured Medicare Advantage PPO.

Participant data disclosed above is not expressed in thousands.

Note 9 Post-employment Retirement Benefits (Continued)

Primary Government (City) (Continued)

Funding Policy – The cost of the program is reviewed annually, and the costs of medical claims are funded jointly by the City and retirees on a pay-as-you-go basis, based on the allocations described above. For retirees, total program expenses were $10,103, which included $1,729 in administration costs covered by the City and $5,341 in medical claims covered by total contributions. No contributions were made in fiscal year 2012 to prefund benefits. For the fiscal year-ended September 30, 2012, total contributions were as follows:

Total Contributions	
City	$ 6,227
Retiree Premiums	2,147
Total Contributions	$ 8,374

Annual OPEB Cost and Net OPEB Obligation – For the fiscal year-ended September 30, 2012, the City's annual post-employment benefits other than pension (OPEB) cost was not equal to its annual required contribution (ARC) to the plan. The City's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial balance over thirty years. The City will not be fully funding the ARC at this time. The City will continue to fund OPEB on a pay-as-you-go basis.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the ARCs of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The table below details the actuarial methods and assumptions for the City's OPEB calculation for the fiscal year-ended September 30, 2012:

Assumptions	
Actuarial Valuation Date	1/1/2011
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, Open
Remaining Amortization Period	30.0 years
Asset Valuation Method	N/A
Actuarial Assumptions:	
Investment Rate of Return	3.0%
Projected Salary Increase	N/A
Healthcare Inflation Rate - Medical and Prescription	9.0% initial (2011) 5.0% ultimate (2015)

Year-Ended September 30, 2012 - 133 - Amounts are expressed in thousands

Note 9 Post-employment Retirement Benefits (Continued)

Primary Government (City) (Continued)

Below are the health care cost trend assumptions used for the City's January 1, 2011 actuarial study reviewed and updated for the fiscal year-ended September 30, 2012.

City's Health Care Cost Trend Assumptions	
Year	**Medical & Prescription Drugs**
2012	8.0%
2013	7.0%
2014	6.0%
2015	5.0%
2016 +	5.0%

The City's retiree participation rate is estimated to be at 60.0%. This estimate is based on an evaluation of City retiree's enrolled in the City's retiree plan, versus those enrolled in TMRS. Numerous City retirees are former military, or are able to obtain healthcare through spouses insurance, etc.

The required schedule of funding progress immediately follows the notes to the financial statements, and they present multi-year trend information regarding the actuarial value of plan assets relative to the actuarial liability for benefits.

Fire and Police Retiree Health Care Fund

Plan Description – The second post-employment benefit program of the City, the Fire and Police Retiree Health Care Fund, San Antonio (Health Fund) is a Texas statutory retirement health trust for firefighters and police officers of the City. The trust holds assets and liabilities of the City's Fire and Police Retiree Health Care Plan (Plan). This Plan is a single-employer defined benefit post-employment health care plan that was created in October 1989 in accordance with provisions established by contract with the local fire and police unions to provide post-employment health care benefits to police officers and firefighters of the City retiring after September 30, 1989. Authority to establish and amend the plan's post-employment health care benefits is based on such contracts and the Texas Legislature enacts regulations that control the operation of the Health Fund. The statutory trust is governed by a Board of Trustees that meets on a monthly basis. The Board consists of nine members: the Mayor or his appointee; two members of the City Council; one retired and two active duty police officers; and one retired and two active duty firefighters. The Health Fund Board has the ability to modify benefits within certain parameters. The City is the only participating employer in the Plan.

WEB-TPA Employer Services, LLC serves as the third party administrator for the Health Fund. Additional administrative services were provided to the Health Fund by PTRX, Inc. during fiscal year 2012.

Year-Ended September 30, 2012 - 134 - Amounts are expressed in thousands

Note 9 Post-employment Retirement Benefits (Continued)

Primary Government (City) (Continued)

Fire and Police Retiree Health Care Fund (Continued)

Contributions – Since its inception, the Health Fund has been funded primarily by contributions from the City and active firefighters and police officers, as part of the compensation for services rendered by the union members, and by contributions made by retirees for their dependents. Effective October 1, 2007, the Board implemented state-mandated changes to increase contributions from the Plan's single employer, the City, and plan members in order to reduce actuarially determined funding deficits and ensure the existence of the Health Fund for future retired firefighters and police officers. The increased contributions were initiated to take effect over a span of years through October 2011. The state-mandated changes also called for a decrease in the level of benefits.

The contribution amounts for each fiscal year, beginning October 1, 2007, are based on a statutory contribution rate that is applied to the average member salary expected for that fiscal year, which is to be determined by the Health Fund's actuary. For the year ending September 30, 2012, and years thereafter, the specified employee contribution rate was 4.7%. The City's contributions will be set at 9.4% of the specified wage base. The table below summarizes the actuary's determinations of the contribution amount for the fiscal year-ended September 30, 2012 (not expressed in thousands):

Biweekly Contributions:		
Active Fire and Police Members	$	121.10
City of San Antonio for Each Members	$	242.20
Monthly Contributions:		
Retirees with less than 30 years of service	$	262.39
Dependent Children	$	157.35

Total contributions by active firefighters and police officers were $12,243 for the year ended September 30, 2012.

Membership in the Plan consisted of the following at September 30, 2012 (not expressed in thousands):

Retirees and Beneficiaries Receiving Benefits	3,005
Active Plan Members	3,878
Total Membership	6,883

Funding Status and Funding Progress – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multi-year trend information about whether the actuarial values of the plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Note 9 Post-employment Retirement Benefits (Continued)

Primary Government (City) (Continued)

Fire and Police Retiree Health Care Fund (Continued)

The accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by the City in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. A NPO in the amount of $39,836 is outstanding as of September 30, 2012. This NPO will be funded through future contributions from the City's Fire and Police department, reported in the General Fund.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuations follows:

Assumptions	
Valuation Date	10/1/2011
Actuarial Cost Method	Entry Age
Amortization Method	Level Open Percentage of Pay, Open
Amortization Period	30 Years
Asset Valuation Method	Market Value Smoothed by a 5 year Deferred Recognition Method with a 80%/120% Corridor on Market
Actuarial Assumptions:	
Investment Rate of Return Net of Expense	8.0%
Annual Inflation Rate	4.0%
Projected Annual Salary Increases	4.5% to 14.5%
Health Care Cost Rate Trend	8.0% in FY2012 declining to 5.5% in FY2015
Annual Payroll Growth Rate	4.0%

Year-Ended September 30, 2012 - 136 - Amounts are expressed in thousands

Note 9 Post-employment Retirement Benefits (Continued)

CPS Energy

CPS Energy provides certain health, life insurance and disability income benefits for employees. Additionally, most CPS Energy employees continue eligibility upon retirement from CPS Energy. Assets of the plans are held in three separate, single-employer contributory plans:

- City Public Service of San Antonio Group Health Plan (Health Plan) – a contributory group health plan that provides health, dental and vision benefits.
- City Public Service of San Antonio Group Life Insurance Plan (Life Plan) – a contributory plan that provides life insurance benefits.
- City Public Service of San Antonio Group Disability Plan (Disability Plan) – an employer funded plan that provides disability income benefits.

The Employee Benefit Plans may be amended at any time by CPS Energy, acting by and through an Oversight Committee, which includes the President and CEO, the Chief Financial Officer and the Audit Committee Chair of CPS Energy's board of trustees.

The Employee Benefit Plans' assets are segregated from CPS Energy's assets and are separately managed by an Administrative Committee whose members are appointed by the Oversight Committee. The plans report results on a calendar-year basis and issue separately audited financial statements that may be obtained by contacting Benefit Trust Administration at CPS Energy. The Health Plan's net assets had a market value of $198,087 at December 31, 2011. The Life Plan's net assets had a market value of $42,391 at December 31, 2011. The Disability Plan's net assets had a market value of $3,932 at December 31, 2011.

Funding Policy – The funding requirements for both the plan participants and the employer are established by and may be amended by CPS Energy. Funding is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually by CPS Energy. The current policy of CPS Energy is to use each actuarial valuation as the basis for determining monthly employer contributions to the plans during the fiscal year beginning in the calendar year after the valuation year. The January 1, 2010 valuation was the basis for contributions in fiscal year 2012.

Retired employees contribute to the Health Plan in varying amounts depending upon an equity formula that considers age and years of service. Individuals who retired before February 1, 1993, contribute a base rate plus 2.3% of the difference between that amount and the aggregate rate for each year that the sum of age and service is less than 95. Those who retired on or after February 1, 1993, contribute a base rate plus a percentage of the CPS Energy contribution, based on the number of years of service, if they retired with less than 35 years of service. Retirees and covered dependents contributed $4,704 in fiscal year 2012 for their health insurance benefits.

Based on the funded status of the Health Plan, CPS Energy made no contributions in relation to ARC in fiscal year 2012.

Note 9 Post-employment Retirement Benefits (Continued)

CPS Energy (Continued)

The Medicare Prescription Drug Improvement and Modernization Act of 2003, which was effective January 1, 2006, established prescription drug coverage for Medicare beneficiaries known as Medicare Part D. One of the provisions of Medicare Part D entitled the Health Plan to receive retiree drug subsidy payments from the federal government to offset pharmacy claims paid by the Health Plan on behalf of certain plan participants. These payments totaled $911 for fiscal year 2012. In accordance with GASB Technical Bulletin 2006-01, *Accounting and Financial Reporting by Employers for Payments from the Federal Government Pursuant to the Retiree Drug Subsidy Provisions of Medicare Part D,* future projected payments from the federal government have not been used to lessen total projected obligations under CPS Energy's Health Plan.

Employees who retired prior to February 1, 1993, contribute to the Life Plan at a rate of $0.13 per $1 of insurance per month on amounts in excess of $20 plus 2.3% of the difference between that amount and the aggregate rate for retiree coverage for each year the sum of retirement age and service is less than 95 (amounts not expressed in thousands). Those who retired on or after February 1, 1993, contribute $0.13 per $1 of insurance per month on amounts in excess of $20 plus a percentage of the CPS Energy contribution, based on number of years of service, if they retired with less than 35 years of service (amounts not expressed in thousands). Retirees and covered dependents contributed $238 in fiscal year 2012 for their life insurance benefits. CPS Energy's contributions in relation to the ARC for the Life Plan amounted to 0.1% of covered payroll in fiscal year 2012.

The Disability Plan is funded completely by CPS Energy. CPS Energy's contributions in relation to the ARC were 0.3% of covered payroll in fiscal year 2012.

Annual OPEB Cost and Net OPEB Obligation – CPS Energy's annual OPEB cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The annual OPEB cost consists of the ARC, interest on the net OPEB obligation and adjustments to the ARC for the Health, Life and Disability Plans. The annual OPEB cost was $9,065 for fiscal year 2012. The net OPEB obligation may be either positive, reflecting a liability, or negative, reflecting an asset. The term net OPEB obligation, as used in this Note, refers to either situation.

Actuarial Methods and Assumptions – Actuarial valuations of ongoing plans involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the healthcare cost trend. Amounts determined regarding the funded status of the plans and the ARCs of the employer are subject to continued revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting are based on the substantive plans (the plans as understood by the employer and plan member) and include the types of benefits provided for at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 9 Post-employment Retirement Benefits (Continued)

CPS Energy (Continued)

Actuarial Methods and Assumptions (Continued)

For the Health Plan, the actuarial cost method used was the projected unit credit actuarial cost method. For the Life and Disability Plans, the aggregate actuarial cost method was used to determine the cost of benefits. Since this method does not identify or separately amortize unfunded actuarial liabilities, information about funded status and funding progress was prepared using the entry age actuarial cost method, which is intended to approximate the funding progress of the plans.

The amortization method used for all three Plans was the level-dollar open method, with an amortization period of 20 years. The asset valuation method used for all three plans was the five-year smoothed market valuation method. Beginning with the 2008 plan year, the cost method was revised to project January 1 data to February 1 of the next calendar year based on assumptions. The cost method was revised for the 2010 plan year to eliminate the 13-month projection from January 1 to February 1 of the succeeding year. Instead, the January 1 valuation results were used to determine the contributions for the fiscal year commencing in the succeeding calendar year.

Significant actuarial assumptions used in the calculations for the January 1, 2010 actuarial valuation included (a) a rate of return on the investment of present and future assets of 7.8% for the Health, Life and Disability Plans, (b) a Consumer Price Index increase of 4.0% for the Disability Plan, (c) projected salary increases for the Health Plan ranging from 3.6% to 9.9% depending on age for base and other salaries and an inflation rate for salary increases of 3.0% for the Life and Disability Plans, and (d) medical cost increases projected at 8.0% for 2010, decreasing annually to 5.5% in 2015 and thereafter.

San Antonio Water System (SAWS)

SAWS provides certain healthcare and life insurance benefits for eligible retirees, their spouses, and their dependents through a single-employer defined benefit plan administered by SAWS. The authority to establish and amend the OPEB provisions is vested in the SAWS board of trustees.

By State law, any employee that retires under either the TMRS or SAWS retirement plans is eligible, at the time of retirement, to obtain health insurance benefits similar to those offered to active SAWS employees. Contributions made by retirees for health insurance benefits vary based on retirement date, years of service and the health care options selected. Retirees may also purchase coverage for their spouse at group rates partially subsidized by SAWS. After age 65, healthcare benefits under the plan are supplemental to Medicare benefits.

The following is the participant summary as of January 1, 2011 (the most recent actuarial valuation date, not expressed in thousands):

Active employees	1,620
Retired employees	684
Total	2,304

Note 9 Post-employment Retirement Benefits (Continued)

San Antonio Water System (SAWS) (Continued)

Funding Policy – The contribution requirements of plan members and SAWS are established and may be amended by the SAWS board of trustees. To date, SAWS has funded all obligations arising under these plans on a pay-as-you-go basis. Going forward, SAWS' required contribution will be based on a projected pay-as-you-go financing requirement, with an additional amount, if any, to prefund benefits as determined annually by SAWS' board of trustees. No contributions were made in 2011 to prefund benefits.

Plan members' required contributions vary depending on the health plan selected by the retiree as well as the number of years of service at the time of retirement. For the year-ended December 31, 2011, plan members receiving benefits contributed $395, while SAWS contributed the remainder of the pay-as-you-go cost of $6,840. During 2011, the SAWS board of trustees approved increases in the required contributions by plan Members beginning in 2012. These increases will be phased in over eight years. The expected long-term impact of these increases will result in the plan members eventually contributing one-third of the annual premiums for retiree health insurance.

Annual OPEB Cost and Net OPEB Obligation – For the year-ended December 31, 2011, SAWS' annual OPEB cost is calculated based on the ARC.

Actuarial Methods and Assumptions – Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future.

Since no portion of SAWS' OPEB obligation has been funded in a separate trust as of December 31, 2011, SAWS does not issue a separate financial report for its OPEB plan.

In the January 1, 2011 actuarial valuation, the projected unit credit funding method was used. The investment return assumption used in the calculation of the AAL was 4.8%, which is a blended rate of the estimated long-term investment return on the investments that are expected to be used to finance the payment of benefits. The investment return assumes SAWS will phase-in fully funding the ARC over the years. There is not an inflation rate projected for this actuarial valuation. As of December 31, 2011, the UAAL is being amortized as a level dollar amount over a 30 year closed period.

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Note 9 Post-employment Retirement Benefits (Continued)

San Antonio Water System (SAWS) (Continued)

Health care cost trend rates are used to anticipate increases in medical benefit costs expected to be experienced by the retiree health plan in each future year. The trend rates used are as follows:

	Annual Rate of Increase	
Year Beginning January 1	Pre-Medicare Medical and Prescription	Medicare Eligible Medical and Prescription
2012	9.7%	7.0%
2013	9.4%	6.9%
2014	9.0%	6.7%
2015	8.7%	6.6%
2016	8.4%	6.4%
2017	8.1%	6.2%
2018	7.7%	6.1%
2019	7.4%	5.9%
2020	7.1%	5.8%
2021	6.8%	5.6%
2022	6.4%	5.4%
2023	6.1%	5.3%
2024	5.8%	5.1%
2025	5.5%	5.0%
2026	5.1%	4.8%
2027	4.8%	4.7%
2028 +	4.5%	4.5%

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Year-Ended September 30, 2012 - 141 - Amounts are expressed in thousands

Note 9 Post-employment Retirement Benefits (Continued)

Three-Year Trend Information

The City's, CPS Energy's and SAWS' annual OPEB cost, employer contributions, percentage cost contributed to the plan, and net OPEB obligation for the three most recent fiscal years were as follows:

Three-Year Trend Information

Pension Plan	Fiscal Year	Annual Required Contribution (ARC)	Interest on Net OPEB Obligation	Adjustment To ARC	Annual OPEB Cost	Contributions In Relation to ARC	Increase (Decrease) in Net OPEB	Net OPEB Obligation (Asset) at Beginning of Year	Net OPEB Obligation (Asset) at End of Year	Percentage of ARC Contributed
City of San Antonio	2010	$ 35,818	$ 1,499	$ (2,549)	$ 34,768	$ (8,303)	$ 26,465	$ 49,951	$ 76,416	23.9%
	2011	36,012	2,168	(3,685)	34,495	(7,624)	26,871	76,416	103,287	22.1%
	2012	36,012	2,928	(4,980)	33,960	(6,227)	27,733	103,287	131,020	18.3%
Fire and Police Retiree Health Care Fund	2010	$ 28,889	$ 1,571	$ (1,073)	$ 29,387	$ (22,265)	$ 7,122	$ 19,632	$ 26,754	75.8%
	2011	29,733	2,140	(1,462)	30,411	(23,896)	6,515	26,754	33,269	78.6%
	2012	30,233	2,662	(1,818)	31,077	(24,510)	6,567	33,269	39,836	78.9%
CPS - Health Plan[1]	2010	$ 7,940	$ (2,578)	$ 3,040	$ 8,402	$ (13,820)	$ (5,418)	$ (32,232)	$ (37,650)	164.5%
	2011	6,507	(3,012)	3,551	7,046		7,046	(37,650)	(30,604)	0.0%
	2012	8,152	(2,372)	2,839	8,619		8,619	(30,604)	(21,985)	0.0%
CPS - Life Plan[1]	2010	$ -	$ (45)	$ 58	$ 13	$ (140)	$ (127)	$ (558)	$ (685)	1076.9%
	2011		(55)	65	10	(140)	(130)	(685)	(815)	1400.0%
	2012		(63)	75	12	(137)	(125)	(815)	(940)	1141.7%
CPS - Disability Plan[1]	2010	$ 381	$ (10)	$ 12	$ 383	$ (617)	$ (234)	$ (125)	$ (359)	161.1%
	2011	341	(40)	47	348	(617)	(269)	(359)	(628)	177.3%
	2012	425	(43)	52	434	(735)	(301)	(628)	(929)	169.4%
SAWS - OPEB[2]	2009	$ 25,759	$ 1,261	$ (1,655)	$ 25,365	$ (5,884)	$ 19,481	$ 26,546	$ 46,027	23.2%
	2010	25,759	2,189	(2,824)	25,124	(6,162)	18,962	46,027	64,989	24.5%
	2011	20,722	3,087	(4,108)	19,701	(6,840)	12,861	64,989	77,850	34.7%

The City's Health Fund, SAWS' and CPS Energy's funded status for the most recent year are as follows:

Funded Status and Funding Progress

Pension Plan	City of San Antonio	Fire and Police Health Care Fund	SAWS	CPS Energy Health Plan	CPS Energy Life Plan	CPS Energy Disability Plan
Actuarial value of plan assets (a)	$ -	$ 236,239	$ -	$ 209,894	$ 47,092	$ 3,902
Actuarial accrued liability (b)	324,516	639,853	242,388	219,929	37,266	6,567
Unfunded actuarial accrued liability (funding excess) (b) - (a)	$ 324,516	$ 403,614	$ 242,388	$ 10,035	$ (9,826)	$ 2,665
Funded ratio (a) / (b)	0.0%	36.9%	0.0%	95.4%	126.4%	59.4%
Covered payroll (c)	$ 276,095	$ 259,797	$ 83,505	$ 228,525	$ 200,649	$ 200,649
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll ([(b) - (a)] / (c))	117.5%	155.4%	290.3%	4.4%	-4.9%	1.3%

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Year-Ended September 30, 2012 - 142 - Amounts are expressed in thousands

Note 10 CPS Energy South Texas Project (STP)

Joint Operations

Units 1 and 2 – CPS Energy is one of three participants in STP, currently a two-unit nuclear power plant with each unit having a nominal output of approximately 1,350 megawatts. The other participants in STP Units 1 and 2 are NRG South Texas LLP, a wholly owned subsidiary of NRG Energy, Inc. (NRG) and the City of Austin. The units, along with their support facilities and administrative offices, are located on a 12,220-acre site in Matagorda County, Texas. In-service dates for STP were August 1988 for Unit 1 and June 1989 for Unit 2. On October 28, 2010, STP submitted license renewal applications to the NRC to extend the operating licenses of STP Units 1 and 2 to 2047 and 2048, respectively. Based on the published NRC review schedule, approval of the license renewal application is expected in early 2013. Upon approval of these applications, it is expected that STP Units 1 and 2 will be licensed for a total of 60 years of operation.

Effective November 17, 1997, the Participation Agreement among the owners of STP was amended and restated. At that time, the STPNOC, a Texas nonprofit, nonmember 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. STPNOC is financed and controlled by the owners pursuant to an operating agreement among the owners and STPNOC. Currently, a four-member board of directors governs STPNOC, with each owner appointing one member to serve with STPNOC’s chief executive officer.

CPS Energy amortizes its share of nuclear fuel for STP to fuel expense on a units-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 Energy is charged a fee for disposal of spent nuclear fuel, which is based upon CPS Energy’s share of STP generation that is available for sale to CPS Energy customers. This charge is included in the monthly fuel expense.

STP Unit 2 Forced Outage – STP Unit 2 completed a scheduled refueling outage in November 2011, returning to full power operation on November 24. On November 29, the main generator experienced a fault due to a reactor trip, resulting in a forced outage to repair the main generator. Initial visual inspection identified significant damage to at least one stator coil. Detailed electrical testing performed by STPNOC and by the generator vendor identified more extensive damage that required a complete rewind of the generator stator and rotor. Additionally, several other generator components required repair or refurbishment. Insurance is expected to cover substantially all repairs in excess of the deductible; consequently, a receivable has been established to account for recoveries under the policy. CPS Energy closely monitored the repair activities, which were completed in April 2012.

CPS Energy’s 40.0% ownership in STP Units 1 and 2 represents approximately 1,080 megawatts of total plan capacity. See Note 4, Capital Assets for more information about CPS Energy’s capital investments in STP.

Units 3 and 4 Project – In September 2007, NRG and CPS Energy signed the South Texas Project Supplemental Agreement (Supplemental Agreement) under which CPS Energy elected to participate in the development of two new nuclear units at the STP site, STP Units 3 and 4, pursuant to the terms of the participation agreement among the STP owners and agreed to potentially own up to 50.0% of STP Units 3 and 4.

Note 10 CPS Energy South Texas Project (STP) (Continued)

Joint Operations (Continued)

Also in September 2007, STPNOC, on behalf of CPS Energy and NRG, filed with the NRC a combined construction and operating license application (COLA) to build and operate STP Units 3 and 4. This COLA was the first complete application for new commercial nuclear units to be filed with the NRC in nearly 30 years. On November 29, 2007, the NRC announced it had accepted the COLA for review.

On March 26, 2008, NRG announced the formation of Nuclear Innovation North America, LLC (NINA). NRG has an 88.0% ownership interest in NINA, while Toshiba American Nuclear Energy Corporation (TANE) owns the remaining 12.0%. NRG contributed its 50.0% ownership of, and its development rights to, STP Units 3 and 4 to NINA. As a result, NINA became CPS Energy's partner for the co-development of STP Units 3 and 4.

On September 24, 2008, STPNOC, on behalf of CPS Energy and NINA, filed with the NRC an updated COLA naming TANE as the provider of STP Units 3 and 4. Receipt of the NRC-approved combined operating license is a condition precedent to starting significant project construction.

Also in September 2008, CPS Energy filed a Phase I application for a Department of Energy (DOE) loan guarantee related to its portion of the estimated project costs. Following the DOE's evaluation of all Phase I applications, the DOE ranked the project third out of a field of fourteen nuclear loan guarantee project applications that were submitted.

On November 5, 2008, STPNOC and the DOE executed a Standard Contract in which the DOE undertook the obligation to provide for permanent disposal of used nuclear fuel from the proposed STP Units 3 and 4 project.

On January 20, 2009, the Board authorized CPS Energy to work with STPNOC to enter into an engineering, procurement and construction (EPC) agreement with TANE for STP Units 3 and 4. The EPC agreement did not commit CPS Energy to build the new nuclear units. Instead, it enabled CPS Energy to lock in favorable terms and conditions with the contractor prior to a final construction decision once the NRC issues a license for the project. The agreement was subsequently signed by all parties on February 24, 2009.

Following notice published on February 21, 2009, three individuals and three groups joined to file one Petition to intervene against the STP Units 3 and 4 COLA. This initial petition, filed on April 21, 2009, contained 28 contentions. Interveners subsequently filed seven additional contentions. As a result of NRC Atomic Safety and Licensing Board (ASLB) decisions, most of the contentions were dismissed. However, two contentions were admitted for further consideration.

On October 13, 2009, the Board approved selection of STP Units 3 and 4 as the next base load generation resource and approved a request for $400,000 in bonds to support the project. However, amid reports that CPS Energy had knowledge that costs of the project might be significantly higher than previously reported, the San Antonio City Council's vote on the bonds was postponed. This higher project cost estimate prompted the City Council to reevaluate CPS Energy's stake in the project and members of CPS Energy's management to engage in negotiations with representatives from TANE in November 2009.

Note 10 CPS Energy South Texas Project (STP) (Continued)

Joint Operations (Continued)

Following the postponement of the City Council's vote, the Board undertook an investigation to determine whether CPS Energy's management had knowledge of an increase in the preliminary cost estimate for STP Units 3 and 4 and why that information was not previously communicated to the Board. The results of this investigation were reported to the Board in late 2009 and, based on the report, the Board adopted a resolution finding that there was a failure of the communication from certain members of CPS Energy executive management to the Board and the City Council regarding a revised cost estimate. The investigation report also concluded that there was no malicious intent on the part of any member of the management team in connection with the failure of the communication. Further, the report found that no member of management instructed any other employee to conceal or withhold any information from the Board.

On December 6, 2009, CPS Energy filed a petition in Bexar County district court to clarify the roles and obligations of CPS Energy and NINA to define the rights of both parties should either decide to withdraw from the project. NRG escalated the litigation when it sued CPS Energy and claimed CPS Energy should forfeit all investment to date and lose all value in the project's land and water rights. CPS Energy amended its petition on December 23, 2009 and raised significant issues concerning misconduct by NRG and NINA. CPS Energy specified actual and exemplary damages of $32,000,000.

On February 17, 2010, CPS Energy and NINA announced that a proposed settlement had been reached that ended the parties' legal disagreement and allowed the proposed expansion of STP Units 3 and 4 to proceed. As a result of the settlement, CPS Energy's ownership stake in STP Units 3 and 4 was reduced from 50.0% to 7.6%, while NINA retained 92.4% ownership. CPS Energy is not liable for any project development costs incurred after January 31, 2010. However, once the new units reach commercial operation, CPS Energy will be responsible for its 7.6% share of ongoing costs to operate and maintain the units. CPS Energy has withdrawn its pending application for a DOE loan guarantee. Also as a result of the settlement, NINA also agreed to pay CPS Energy $80,000, in two $40,000 payments, upon DOE issuance of a conditional loan guarantee. NINA also agreed to make a contribution of $10,000 over a four-year period to the Residential Energy Assistance Partnership (REAP), which provides emergency bill payment assistance to low-income customers in San Antonio and Bexar County. The settlement agreement was finalized on March 1, 2010. As of January 31, 2012, CPS Energy had received $5,000 from NINA for REAP.

On March 11, 2011, a region of Japan sustained significant loss of life and destruction as a result of a major earthquake and resulting tsunami. Included in the damage areas were the Fukushima nuclear units, which lost power to components of the backup and safety control systems and began emitting radiation into the surrounding environment. Following the incident, the NRC convened a Near-Term Task Force to look into the safety aspects of nuclear plant operations in the United States with the objective of assuring that events such as those at the Fukushima plant do not occur in this country. The Near-Term Task Force's 90-day report confirmed the safety of U.S. nuclear power plants and included 12 recommendations to the NRC to enhance readiness to safely manage severe events. The NRC Commissioners have directed the staff to implement several of the recommendations that were identified as those that should be implemented without unnecessary delay. The NRC staff is developing the strategy and the regulatory activities needed to implement these recommendations. In addition, the Commissioners have directed the staff to identify the schedule and resource needs associated with the recommendations that were identified as long-term actions and/or that require additional staff study to inform potential regulatory changes.

Note 10 CPS Energy South Texas Project (STP) (Continued)

Joint Operations (Continued)

On March 21, 2011, NINA initially announced that it was reducing the scope of development of STP Units 3 and 4 to allow time for the NRC to assess the lessons that can be learned from the events in Japan. They further stated that continuing work, for the time being, would be limited to licensing and securing the DOE loan guarantee.

On April 19, 2011, NRG announced that it would continue to support its current partners but that it would not invest additional capital in STP Units 3 and 4 development effort. NRG wrote off the entire value of its investment in the project while continuing to own a legal interest. Since then, TANE has funded ongoing costs to move the application process forward for the combined operating and construction license.
Following the announcement by NRG of its planned write-down, interveners filed a contention related to foreign ownership. In August 2011, the ASLB held an oral argument hearing concerning the admissibility of the foreign ownership contention. Subsequently, the ASLB agreed to admit the contention of foreign ownership for further consideration. In late December 2011, the interveners filed a motion for summary disposition of the STP Units 3 and 4 COLA. On February 7, 2012, the ASLB denied the motion for summary disposition.

On December 13, 2011, the NRC issued a letter to NINA stating that its COLA does not meet the requirements of 10 CFR 50.38 (Ineligibility of Certain Applicants). This section of federal regulation contains restrictions associated with foreign ownership, control and domination. The letter stated that NRC staff is suspending its review of the foreign ownership section of the STP Units 3 and 4 COLA until this matter is resolved by NINA. The NRC letter also stated that review of all remaining portions of the COLA would continue. NINA is currently working with the NRC to clarify for the NRC the ownership and control structure for STP Units 3 and 4.

Additionally on November 1, 2011, the NRC approved a design certification amendment for the Advanced Boiling Water Reactor, the model to be used for STP Units 3 and 4. The amendment acceptably addresses the probable effects from an impact of a large commercial aircraft.

After extensive evaluation, CPS Energy has made an assessment that its investment in the project remains valuable and that the most appropriate treatment would be to continue to report this investment on its balance sheet at full historical cost. However, if it is determined at some point in the future that a write-down is appropriate, due to the unusual and infrequent nature of the circumstances that have to be considered, the impact of writing down the project would be treated as an extraordinary item on its statement of revenues, expenses and changes in fund net assets. The write-down would be a noncash transaction that would have no impact on CPS Energy’s debt service coverage ratio; however, it would change the debt-to-equity ratio. As of January 31, 2012, the impact of a write-down would have been an increase in the debt-to-equity ratio from 59.2% to 62.0%. CPS Energy continues to maintain regular communication with all stakeholders, including the rating agencies, regarding ongoing assessment of the viability of the project and the impact to its financial position.

Including AFUDC of $21,000, project costs incurred by CPS Energy to date of $391,187 are included on the balance sheet as construction in progress. Effective as of fiscal year 2012, AFUDC is not being recorded for the STP Units 3 and 4 projects since efforts have been limited primarily to licensing-related activities.

Note 10 CPS Energy South Texas Project (STP) (Continued)

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 $111,900, subject to adjustment for inflation, for the number of operating nuclear units and for each licensed reactor, payable at $17,500 per year per reactor for each nuclear incident. CPS Energy 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. 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 NRC in accordance with the financial protection requirements of the Price-Anderson Act. A Master Worker Nuclear Liability policy, with a maximum limit of $375,000 for the nuclear industry as a whole, provides protection from nuclear-related claims. A Master Worker Certificate policy, also with a maximum limit of $375,000 for the nuclear industry as a whole, provides protection from radiation tort claims of workers at nuclear facilities.

NRC regulations require licensees of nuclear power plants to obtain on-site property damage insurance in a minimum amount of approximately $1,100,000. 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 Units 1 and 2 currently maintain approximately $2,800,000 of nuclear property insurance, which is above the legally required amount of $1,100,000. The $2,800,000 of nuclear property insurance consists of $500,000 in primary property damage insurance and $2,300,000 of excess property damage insurance, both subject to a retrospective assessment being paid by all members of Nuclear Electric Insurance Limited (NEIL). A retrospective assessment could occur if property losses, as a result of an accident at any nuclear plant insured by NEIL, exceed the accumulated funds available to NEIL.

Nuclear Decommissioning

In 1991, CPS Energy started accumulating funds for the decommissioning of its 28.0% ownership in STP Units 1 and 2 in an external trust in accordance with the NRC regulations. The 28% Decommissioning Trust's assets and related liabilities are included in CPS Energy's financial statements as a component unit. Excess or deficient funds related to the 28% Trust will be distributed to or received from CPS Energy's ratepayers after decommissioning is complete.

In conjunction with the acquisition of the additional 12.0% interest in STP Units 1 and 2 in May 2005, CPS Energy also assumed control of a relative portion of the Decommissioning Trust previously established by the prior owner, American Electric Power (AEP). The 12% Decommissioning Trust's assets and related liabilities are also included in CPS Energy's financial statements as a component unit. Subject to PUCT approval as requested in the future, excess or deficient funds related to the 12% Trust will be distributed to or received from AEP customers after decommissioning is complete.

Note 10 CPS Energy South Texas Project (STP) (Continued)

Nuclear Decommissioning (Continued)

CPS Energy, together with the other owners of STP Units 1 and 2, files a certificate of financial assurance with the NRC for the decommissioning of the nuclear power plant every two years or upon transfer of ownership. The certificate assures that CPS Energy and the other owners meet the minimum decommissioning funding requirements mandated by the NRC. The owners agreed in the financial assurance plan that their estimate of decommissioning costs would be reviewed and updated periodically. The most recent cost study conducted by the owners, dated March 2008, showed that decommissioning costs for CPS Energy's 28.0% ownership in STP Units 1 and 2 were estimated at $386,300 in 2007 dollars. Included in the cost study was a 10.0% contingency component as required to comply with the PUCT. Based on the level of funds accumulated in the 28.0% Trust and an analysis of this cost study, CPS Energy determined that no further decommissioning contributions will be required to be deposited into the Trust.

In fiscal year 2009, CPS Energy determined that some preshutdown decommissioning and spent fuel management activities would be required prior to shutdown of STP Units 1 and 2. As a result, separate trust accounts were created to pay for preshutdown decommissioning activities. Additionally, funds in the Trusts applicable to spent fuel management were transferred to separate spent fuel accounts so that they were not commingled with funds allocable to preshutdown decommissioning costs. Based on projected costs, the spent fuel management accounts are currently fully funded; therefore, no contributions were made to these accounts in fiscal year 2012. Contributions to fund preshutdown decommissioning costs for CPS Energy's 28% ownership in STP amounted to $2,200 in fiscal year 2012, Preshutdown decommissioning expenses for the 28% ownership totaled $1,500 for fiscal year 2012. For the 12% ownership, preshutdown costs were funded by AEP's ratepayers; preshutdown decommissioning expenses for this ownership totaled $636 for fiscal year 2012.

Excluding securities lending cash collateral, as of December 31, 2011, CPS Energy had accumulated approximately $308,700 in the 28% Trust. Total funds are allocated to decommissioning costs, spent fuel management and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC, the 28% Trust funds allocated to decommissioning costs totaled $209,000, which exceeded the calculated financial assurance amount of $139,500 at December 31, 2010, the date of the most recent calculation.

The March 2008 cost study estimated decommissioning costs for the 12.0% ownership in STP Units 1 and 2 at $165,600 in 2007 dollars. Excluding securities lending cash collateral, as of December 31, 2011, approximately $106,100 had been accumulated in the 12% Trust. Total funds are allocated to decommissioning costs, spent fuel management and site restoration. Based on the most recent annual calculation of financial assurance required by the NRC, the 12% Trust funds allocated to decommissioning costs totaled $68,900, which exceeded the calculated financial assurance amount of $59,800 at December 31, 2010, the date of the most recent calculation.

CPS Energy accounts for decommissioning by recognizing a liability and expense for a pro rata share of projected decommissioning costs as determined by the most recent cost study. A new cost study is performed every five years, and in years subsequent to the latest study, estimated annual decommissioning expense and an increase in the liability is calculated by applying the effects of inflation and the ration of years of plant usage to total plant life. Additionally, guidance under FASB Statement 71, *Accounting for the Effects of Certain Types of Regulation*, is followed to retain the zero fund net assets approach to accounting for the Decommissioning Trusts.

Both Decommissioning Trusts have separate calendar-year financial statements, which are separately audited and can be obtained by contacting the Controller at CPS Energy.

Note 10 CPS Energy South Texas Project (STP) (Continued)

STP Pension Plan and Other Postretirement Benefits

STP maintains a noncontributory defined-benefit pension plan covering most employees. Retirement benefits are based on length of service and compensation. Plan assets are invested in various equity and fixed-income securities. Pension contributions totaling $27,700 were made in fiscal year 2011 of which $12,000 related to the 2011 plan year, while $15,700 related to the 2010 plan year. Contributions totaling $8,700 were made in fiscal year 2010, of which approximately $8,200 related to the 2010 plan year, while approximately $500 related to plan year 2009. A final contribution of $16,300 for plan year 2011 was made in the first quarter of 2012 in order to meet minimum funding requirements and maintained the targeted adjusted funding target attainment percentage.

In September 2006, the FASB issued Statement No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – An Amendment of FASB Statements No. 87, 88, 106 and 132(R).* FASB Statement No. 158 required STP, as the sponsor of a plan, to (a) recognize on its balance sheet as an asset the plan's overfunded status or as a liability the plan's underfunded status, (b) measure the plan's assets and obligations as of the end of the calendar year, and (c) recognize changes in the funded status of the plans in the year in which changes occur. Additional minimum liabilities were also to be derecognized upon adoption of the new standard. FAS No. 158 required STP to recognize additional liabilities and eliminate the intangible asset related to certain of its qualified and nonqualified plans. The effect of the defined benefit funding obligations to CPS Energy was $17,056 for fiscal year 2012 and was reflected as a decrease in Other Changes in Fund Net Assets on the statements of revenues, expenses and changes in fund net assets.

Employees whose annual pension benefits exceed $245 for the 1974 Employee Retirement Income Security Act limitations are covered by a supplementary nonqualified, unfunded pension plan, which is provided for by charges to operations sufficient to meet the projected benefit obligation. The accruals for the cost of that plan are based on substantially the same actuarial methods and economics as the noncontributory defined-benefit pension plan. STPNOC has a supplemental retirement plan for certain key individuals.

STPNOC approved a change to the pension plan, effective January 1, 2007, to preclude the eligibility of employees hired after December 31, 2006, in the plan. Employees hired after this date will receive enhanced matching contributions under the STP Nuclear Operating Company Savings Plan.

STPNOC also maintains a defined-benefit postretirement plan that provides medical, dental and life insurance benefits for substantially all retirees and eligible dependents. The cost of these benefits is recognized in the project statements during an employee's active working career. STPNOC has a trust to partially meet the obligations of the plan.

The owners of STP, including CPS Energy, share in all plan costs in the same proportion as their respective ownership percentages.

Note 10 CPS Energy South Texas Project (STP) (Continued)

STP Pension Plan and Other Postretirement Benefits (Continued)

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Schedule of Funding Status (RSI-Unaudited)
Calendar Year 2011

	Pension Benefits	Other Benefits
Change in Benefit Obligation:		
Benefit Obligation - Beginning	$ 309,100	$ 102,105
Service Cost	9,651	9,136
Interest Cost	16,846	5,301
Actuarial Loss	23,876	7,975
Benefits Paid	(5,056)	(3,063)
Benefit Obligation - Ending	354,417	121,454
Change in Plan Assets:		
Fair Value of Plan Assets - Beginning	183,314	10,635
Actual Return on Plan Assets	(3,795)	368
Employer Contributions	27,666	2,673
Benefits Paid	(5,056)	(3,063)
Fair Value of Plan Assets - Ending	202,129	10,613
Funded Status - Ending	(152,288)	(110,841)
Unrecognized Net Actuarial Loss	135,464	44,741
Unrecognized Prior Service Cost	4,410	(9,171)
Unrecognized Transition Obligation		141
Net Amount Recognized	(12,414)	(75,130)
Accrued Benefit Cost	$ (12,414)	$ (75,130)
Weighted-Average Assumptions:		
Discount Rate	5.2%	5.1%
Expected Return on Plan Assets	7.8%	7.8%
Rate of Compensation Increase	3.0%	3.0%

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Year-Ended September 30, 2012 - 150 - Amounts are expressed in thousands

Note 11 Commitments and Contingencies

Primary Government (City)

Grants

The City has received significant financial assistance from federal and state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, liabilities resulting from disallowed claims, if any, will not have a materially adverse effect on the City's financial position at September 30, 2012. Grants awarded by federal, state, and other governmental agencies but not yet earned as of September 30, 2012 were $56,594.

Capital Improvement Program

The City will be undertaking various capital improvements during fiscal year 2013. The estimated cost of these improvements is $636,336, which consist of the following:

Function/Program	FY 2013
General Government	
Information Technology	$ 10,400
Municipal Facilities	120,344
Total General Government	$ 130,744
Public Health & Safety	
Drainage	$ 97,622
Fire Protection	11,559
Law Enforcement	11,160
Total Public Health & Safety	$ 120,341
Recreation & Culture	
Libraries	$ 6,571
Parks	97,962
Total Recreation & Culture	$ 104,533
Transportation	
Air Transportation	$ 68,782
Street	211,936
Total Transportation	$ 280,718
Total Capital Plan	$ 636,336

These projects are scheduled to be funded with a combination of grants, contributions from others, bonds, certificates, notes and other designated City resources.

Year-Ended September 30, 2012 - 151 - Amounts are expressed in thousands

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Litigation

The City is a party to various lawsuits alleging personal and property damages, wrongful death, breach of contract, property tax assessment disputes, environmental matters, class actions, employment claims and cases. The estimated liability, including an estimate of incurred but not reported claims, is recorded in the Insurance Reserve Fund in the amount $26,055. The City estimates the amounts of unsettled claims under its self-insurance program and believes that the self-insurance reserves recorded as appropriations in the Insurance Reserve Fund are adequate to cover losses for which the City may be liable. Whether additional claims or revisions to estimates required for settlement on existing claims could have a material effect on the basic financial statements cannot be determined.

Kopplow Development, Inc. v. City of San Antonio Plaintiff contends that the construction of a regional storm water detention facility was an inverse condemnation of its property by increasing the flood plain elevation on its property. The City also filed a statutory condemnation to acquire an easement involving Plaintiff's property to construct and maintain part of the facility. This matter was tried in July 2008 with a favorable ruling for the Plaintiff, but the City's motion for a new trial was granted. After a retrial, the jury awarded approximately $600 to the Plaintiff for the inverse condemnation and statutory condemnation. The City and the Plaintiff have appealed. The Fourth Court of Appeals issued its opinion affirming the Trial Court's ruling, awarding Plaintiff $4,600 as compensation for the land taken, but reversed the other portion of the judgment for the remainder of the damages. Plaintiff’s motion for rehearing was denied on December 29, 2010. Plaintiff filed a petition for review to the Texas Supreme Court, which was granted. Plaintiff filed its brief on the merits in October 2011 and the City filed its reply in December 2011. On March 9, 2012, the Texas Supreme Court accepted the petition for review. Oral argument was heard on September 13, 2012. The parties are awaiting the Court’s ruling.

Daniel Thomas, et. al. v. City of San Antonio, et. al. Plaintiffs' decedent was involved in two vehicle accidents in a short period of time and fled the scene of the second one on foot. After decedent refused commands to stop and drop his weapon, and in fear for their safety, the officers shot and killed the decedent. Plaintiffs filed suit against the City and the officers in their individual capacities. If liability is determined, damages could be in excess of $250. In December 2011, the Court granted the City's motion for summary judgment. The Defendant officer filed an interlocutory appeal with the Fifth Circuit Court of Appeals on January 27, 2012. If the Fifth Circuit affirms the denial of the officers' motions for summary judgment, the matter will proceed to trial 30 days after that opinion is issued.

Smith, et. al. v. Ybarra, et. al. Plaintiffs' decedent was killed in a motor vehicle accident. Plaintiffs filed suit against the driver of the vehicle involved, as well as the City. As to the City, Plaintiffs contend that paramedics did not render medical aid to decedent based on their mistaken belief that she was already dead. Damages could be up to $250. The civil matter has not been set for trial.

KGME, Incorporated v. City of San Antonio Plaintiff entered into a contract with the City to provide construction services. The parties determined that work on portions of the contract had become impracticable and further work would cease. Plaintiff sued for breach of contract and violations of the Prompt Payment Act. Damages could exceed $250. The City filed a plea to the jurisdiction, which was denied by the Trial Court. The Fourth Court of Appeals issued its opinion on February 16, 2011, affirming the Trial Court's denial of the City's plea to the jurisdiction. The case was remanded back to State Court. This case is set for trial on June 13, 2013.

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Litigation (Continued)

Abilmelch Garcia v. City of San Antonio Plaintiff claims he was operating his wheelchair at the intersection of East Commerce and Soledad when he was struck by a City Waste Management truck. As a result, he alleges serious and permanent bodily injuries, including loss of both legs. Plaintiff sued under the Texas Tort Claims Act and for violation of Section 552.003 of the Texas Transportation Code (failure to yield right-of-way to a pedestrian). Plaintiff sued for an unknown amount of money for damages to include past and future medical expenses, physical pain, mental anguish and physical impairment which allegations exceed $250. Damages are capped by the Texas Tort Claims Act at $250. This case is set for trial on July 15, 2013.

Maria Elena Rodriguez v. City of San Antonio Plaintiffs sued under the Texas Tort Claims Act for negligence, gross negligence, and wrongful death alleging that a San Antonio police officer negligently struck and killed the driver, Plaintiff Davila, in a motor vehicle accident on Loop 1604 on March 7, 2010. Plaintiff Rodriguez was riding as a passenger with Plaintiff Davila. Plaintiff Rodriguez allegedly sustained injuries to both knees and her back, and alleges damages in excess of $250. Damages are capped by the Texas Tort Claims Act at $250. This matter was set for trial in February 2012. After unsuccessfully seeking another continuance of the trial, Plaintiff non-suited the case and refiled as a new matter a week later. Additionally, Plaintiff Rodriguez has filed a separate lawsuit against the manufacturer of the automobile in which she was a passenger. This lawsuit is now set for trial on June 10, 2013.

Barbara Webb, et. al. v. City of San Antonio Plaintiffs sued under the Texas Tort Claims Act for injuries sustained in a motor vehicle accident. A San Antonio police officer was en route to an emergency call when a vehicle turned into the street in front of her. The officer swerved to avoid that vehicle and lost control of her car, moving into the oncoming traffic. The patrol vehicle struck Plaintiffs' car head on. Plaintiff suffered life threatening injuries. This case is in the discovery stages. Damages could reach $250. This case is set for trial June 10, 2013.

Melissa Hopkins, et. al. v. William Karman, et. al. Plaintiff's decedent was the victim of armed robbery. A San Antonio police officer arrived on the scene. Shots were exchanged with suspects and Plaintiffs' decedent was killed. Plaintiffs filed suit against the officer and the City alleging violations of civil rights under 42 U.S.C. §1983. On January 26, 2012, the Court administratively stayed this case. Damages could exceed $250.

Natasha Brown v. City of San Antonio Plaintiff sued under the Texas Tort Claims Act for injuries sustained in a motor vehicle accident. A San Antonio police officer was tracking another officer when the vehicle in front of him stopped at a red light. The officer hit the vehicle from behind as he was unable to stop in time. Plaintiff had lower back surgery after the accident to fuse a herniated disc the Plaintiff claims resulted from the automobile accident. Plaintiff also complains of a damaged nerve that is causing numbness to her leg. Medical expenses are estimated to be over $100. Total damages, including lost wages, pain and suffering may reach $250. The case is in the discovery stage and scheduled for trial on June 3, 2013.

San Juana Salas v. City of San Antonio City pickup truck rear-ended another vehicle in which Plaintiff was a passenger. Liability is disputed. Plaintiff has accrued approximately $65, in past medical expenses, with expected future medical expenses of over $190. Plaintiff also seeks pain and suffering damages. This matter is currently set for trial October 15, 2013.

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Litigation (Continued)

Russell Martin v. City of San Antonio Plaintiff was employed as a police officer at the San Antonio Airport. Plaintiff informed a Lieutenant that if he was required to work with another individual it would end in “fisticuffs or bullets.” Plaintiff was terminated under City’s Zero Tolerance/Violence in the Workplace policy; however, termination did not occur for several months after comment was made. Plaintiff filed suit pursuant to Texas Whistleblower Act, alleging that termination was retaliation for his report of another employee’s violation of law. Plaintiff also seeks recover for due process violations under the U. S. Constitution, alleging that he was not given due process in the termination process. Plaintiff seeks recovery of past and future wages and benefits, which could exceed $250. This case is not yet set for trial.

Valemas v. City of San Antonio In 2005, Plaintiff entered into a construction contract with the City for work at the City’s Brackenridge Park. Plaintiff alleges that it experienced delays in the work due to actions of the City, resulting in damages to Plaintiff. Plaintiff filed suit alleging breach of contract. The City sought to have some of the claims dismissed for want of jurisdiction which was denied. The City appealed to the Fourth Court of Review, which upheld the denial. The City has filed a petition for review with the Texas Supreme Court. The Supreme Court has requested a response to the petition. If the petition is denied and the case is tried, damages could exceed $250.

L. Payne Construction v. City of San Antonio Plaintiff was a subcontractor to Valemas, Inc. on a construction contract for work on Clark Avenue in San Antonio. Plaintiff alleges that it did not receive final payment and that it is entitled to delay damages in excess of $500. Issues in this case are closely related to the issues in the Valemas case listed above and thus the City is awaiting final ruling by the Texas Supreme Court in Valemas before proceeding in this litigation.

Lisandro Ramirez v. City of San Antonio and San Antonio Police Officer San Antonio police officers were called to a motel for a disturbance of the peace due to an apparent party in one of the rooms. Plaintiff was in the motel room. He alleges that although he was “polite and respectful,” a San Antonio police officer used excessive force in restraining him. Plaintiff alleges that the officer threw him head first into a wall, causing him to suffer severe injuries to his skull. Plaintiff alleges that the officer had prior incidents of use of excessive force that put the City on notice of his propensity to use such force. If Plaintiff is successful, his damages could exceed $250. This is a relatively new case and discovery has not yet begun.

Katherine Calvillo v. City of San Antonio Plaintiff was a passenger in a vehicle struck by a San Antonio police patrol vehicle exiting a private drive. Plaintiff suffered severe injuries to her neck and back. Plaintiff alleges that she will have to undergo extensive surgery in the future due to these injuries. Plaintiff’s damages could reach the Texas Tort Claims Act damages cap of $250. This case is set for trial on May 13, 2013.

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Litigation (Continued)

Silverado Bros. Construction Co. v. AT&T et. al. Plaintiff contracted with the City for construction work on certain streets and sidewalks. The construction contract indicated that all utility lines would be marked. When construction began, it was discovered that certain utility lines owned by AT&T were not located where they had been reported to be. Construction work stopped while AT&T, through their contractor Bay Builders, moved the lines. However, the lines were improperly moved and work was stopped a second time to allow correction of this error. Silverado Bros filed suit against AT&T and Bay Builders seeking compensation for damages caused by the delay. In December 2012, Silverado Bros amended the suit to include the City as a party, alleging that the City violated the contract because the lines were not properly marked. Plaintiff claims damages in excess of $800. This matter is set for trial on November 4, 2013.

Leases

The City leases City-owned property to others consisting of buildings, real property, and parking spaces. Costs of specific leased components are not readily determinable. The Airport System's revenue is net of Ground Abatement Credits and Building Improvement Credits allowed to lessees per signed contracts. Total rental revenue from operating leases received for the fiscal year-ended September 30, 2012 was $10,458 for Governmental Activities, $43,900 for the Airport System, $106 for Solid Waste Management, and $1,132 for Nonmajor Enterprise. As of September 30, 2012, the leases provide for the following future minimum rentals:

Leases Revenues					
	Governmental Activities	Airport System	Solid Waste Management	Nonmajor Enterprise	Total
Fiscal year ending September 30:					
2013	$ 6,555	$ 40,014	$ 109	$ 1,121	$ 47,799
2014	6,238	30,076	100	840	37,254
2015	6,081	28,616	100	98	34,895
2016	3,478	8,489	50	84	12,101
2017	3,118	8,254		84	11,456
2018-2022	7,824	25,571		422	33,817
2023-2027	4,346	12,066		141	16,553
2028-2032	1,311	3,796			5,107
2033-After	301	1,122			1,423
Future Minimum Lease Rental	$ 39,252	$ 158,004	$ 359	$ 2,790	$ 200,405

Year-Ended September 30, 2012 - 155 - Amounts are expressed in thousands

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Landfill Postclosure Care Costs

In October 1993, the City Council approved closure of the Nelson Gardens Landfill, which immediately stopped accepting solid waste. Subsequent to landfill closure, federal and state laws required the City to incur certain postclosure care costs over a period of 30 years. As of September 30, 1994, the City estimated these costs for postclosure of the Nelson Gardens Landfill at $3,825. The estimate was based on projected costs for installation of a leachate and groundwater collection system, installation of a methane recovery system, geotechnical and environmental engineering services, and monitoring and maintaining the facility for a 30-year period. In accordance with GASB Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Cost*, the estimated postclosure cost for the Nelson Gardens Landfill is recorded as a liability and expensed in the Solid Waste Management Fund. This cost is an estimate and is subject to changes resulting from inflation/deflation, advances in technology, or changes in applicable laws or regulations. Each fiscal year, the City performs an annual re-evaluation of the postclosure care costs associated with the Nelson Gardens Landfill. The annual re-evaluation conducted for the fiscal year-ended September 30, 2012 resulted in an estimated postclosure care liability for the Nelson Gardens Landfill of $2,044. This represents a decrease of $1 from the prior fiscal year for expenditures incurred for geotechnical and environmental engineering services.

Texas Commission on Environmental Quality (TCEQ) Financial Assurance

The City is required under the provision of the Texas Administrative Code to provide financial assurance to the Texas Commission on Environmental Quality (TCEQ) related to the closure of municipal solid waste operations including, but not limited to, storage, collection, handling, transportation, processing, and disposal of municipal solid waste. As such, financial assurance is required to demonstrate financial responsibility for underground storage petroleum facilities. Based on the number of underground petroleum storage tanks the City possesses, the City is required to provide $1,000 of financial assurance related to the underground storage facilities.

Brooks City-Base – Electric and Gas Utilities

The Brooks City-Base Project is a collaborative effort between the U.S. Air Force (the Air Force) and the City designed to retain the Air Force missions and jobs at Brooks Air Force Base, improve mission effectiveness, assist in reducing operating costs, and promote and enhance economic development at Brooks City-Base. On July 22, 2002, the land and improvements were transferred to the Brooks Development Authority (BDA) for the purpose of creating the Brooks Technology and Business Park, a facility that will foster the development of key targeted industries. The City is currently the Park's anchor tenant.

In fiscal year 2003, CPS Energy entered into a 20-year agreement with BDA to upgrade the electric and gas utility systems located within the Brooks City-Base. CPS Energy and BDA have each committed to invest $6,300 ($4,200 in year 2002 dollars, which accumulates interest at the rate of 3.7% compounded annually) to upgrade the infrastructure at that location. Annual reductions to BDA's obligation are made from incremental revenues to the City for electric and gas sales to customers that reside on the BDA-developed property. Annual reductions to BDA's obligation are also made in accordance with contract terms for economic development at Brooks City-Base that benefits CPS Energy's Systems.

To the extent that the capital renewals and upgrades do not total $12,600 by September 2022, BDA's and CPS Energy's obligations each will be reduced equally. To date, CPS Energy has invested $7,681 and BDA met its $4,200 obligation, net of annual interest.

Note 11 Commitments and Contingencies (Continued)

Primary Government (City) (Continued)

Arbitrage

The City has issued certain tax-exempt obligations that are subject to IRS arbitrage regulations. Noncompliance with these regulations, which pertain to the utilization and investment of proceeds, can result in penalties, including the loss of the tax-exempt status of the applicable obligations retroactive to the date of original issuance. In addition, the IRS requires that interest income earned on proceeds in excess of the arbitrage rate on applicable obligations be rebated to the federal government. The City monitors its bond proceeds in relation to arbitrage regulations, and "arbitrage rebate" is estimated and recorded in the government-wide and proprietary financial statements when susceptible to accrual, and in the governmental fund type when matured. As of September 30, 2012, the City has no arbitrage liability for its governmental or proprietary funds.

CPS Energy

Litigation

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

Leases

Capital Leases – CPS has no capital leases for fiscal year 2012.

Operating Leases – CPS Energy has entered into operating lease agreements to secure the usage of railroad cars, natural gas storage facilities, land, a building, office space, parking lot space and engineering equipment. The lease of the building contains an escalation clause whereby the minimum monthly lease payments will increase by $3 per month beginning in the sixth year of the lease. The building lease was terminated in February 2012 as CPS Energy entered into an agreement to purchase the building. The leases for the parking lot space and several of the leases for office space also contain a provision for a slight escalation in the monthly payment amount after the first year of each lease.

The future minimum lease payments made by CPS Energy for noncancelable operating leases with terms in excess of one year were as follows:

Year Ended January 31,	Operating Lease Payments
2013	$ 7,403
2014	5,523
2015	3,302
2016	940
Total future minimum lease payments	$ 17,168

Year-Ended September 30, 2012 - 157 - Amounts are expressed in thousands

Note 11 Commitments and Contingencies (Continued)

CPS Energy (Continued)

Leases (Continued)

CPS Energy's minimum lease payments for all operating leases for which CPS Energy was the lessee amounted to $8,100 in fiscal year 2012. There were no contingent lease or sublease payments in fiscal year 2012.

CPS Energy has entered into operating lease agreements allowing cable and telecommunication companies to attach telephone, cable and fiber-optic lines to CPS Energy's electric poles. Operating leases also exist between CPS Energy and telecommunication companies allowing the companies to attach communication equipment to CPS Energy's communication towers. New leases pertaining to the use of CPS Energy's communication towers contain an escalation clause whereby the annual lease payments will increase by 4.0% per year after the first year of each lease.

Additionally, CPS Energy has three operating leases for the use of land that CPS Energy owns, and it has entered into multiple agricultural leases allowing the lessees to use CPS Energy's land for sheep and cattle grazing. The majority of the operating leases pertaining to the use of CPS Energy's communication towers contain a provision for contingent lease receipts that will equal the lesser of a 15.0% increase in the prior five-year lease payment or the percentage increase in the Consumer Price Index over the same five-year period. Furthermore, the three land leases also contain a provision for contingent lease receipts based on the Consumer Price Index.

The future minimum lease receipts to CPS Energy for noncancelable operating leases with terms in excess of one year were as follows:

Year Ended January 31,	Operating Lease Receipts
2013	$ 3,023
2014	3,046
2015	2,468
2016	2,434
2017	2,478
Later years	8,077
Total future minimum lease receipts	$ 21,526

CPS Energy's minimum lease receipts for all operating leases for which CPS Energy was the lessor amounted to $9,500 in fiscal year 2012. Contingent lease receipts amounted to $366 for fiscal year 2012. There were no sublease receipts in fiscal year 2012.

Lease/Leaseback – In June 2000, CPS Energy entered into a lease/leaseback transaction with an affiliate of Exelon involving CPS Energy's Spruce 1 coal-fired electric generating unit. The transaction included a lease for a term of approximately 65 years in combination with a leaseback of the facility by CPS Energy for approximately 32 years.

CPS Energy 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 Energy received the appraised fair value of the unit, $725,000, which is being amortized over 381 months. The transaction expenses and leaseback costs of $628,300 were recorded as prepaid items in 2001 and are being amortized over 381 months.

Year-Ended September 30, 2012 - 158 - Amounts are expressed in thousands

Note 11 Commitments and Contingencies (Continued)

CPS Energy (Continued)

Leases (Continued)

CPS Energy has the option to cancel the leaseback after it expires by making a payment to Exelon's affiliate. CPS Energy entered into a collateralization payment-undertaking agreement that will generate amounts sufficient to fund the cancellation option.

CPS Energy's net benefits associated with the transaction were approximately $88,000. The City was paid $12,300 in accordance with the provisions of the New Series Bond Ordinance that permit 14.0% of this net benefit to be distributed. The distribution was recorded as a prepayment in 2001 and is being amortized over 381 months. As a result, net proceeds from the transaction of approximately $75,700 are being reported over the 32-year leaseback term. In fiscal year 2012, the net amount recorded as income by CPS Energy was $2,800.

Other

Purchase and construction commitments amounted to approximately $6,872,038 at January 31, 2012. This amount includes construction commitments, provisions for coal purchases through December 2021, coal transportation through December 2014 and natural gas purchases through June 2027; the actual amount to be paid will depend on CPS Energy's actual requirements during the contract period and the price of gas. Also included, are provisions for wind power through December 2037, solar power through December 2040, landfill power through December 2028 and raw uranium associated with STP fabrication and conversion services needed for refueling through May 2026.

On January 20, 2009, the Board approved a policy statement on sustainability. The basis of the policy is to affirm that CPS Energy's strategic direction centers on transforming from a company focused on providing low-cost power from traditional generation sources to a company providing competitively priced power from a variety of sources. To be sustainable, CPS Energy has to balance its financial viability, environmental commitments and social responsibility as a community-owned provider. Further, the objective of sustainable energy development is to meet current needs without compromising the ability of future generations to meet their needs.

During fiscal year 2008, CPS Energy entered into a Natural Gas Supply Agreement with the SAEAPFC to purchase, to the extent of its gas utility requirements, all natural gas to be delivered under a Prepaid Natural Gas Sales Agreement. Under the Prepaid Natural Gas Sales Agreement between the SAEAPFC and a third-party gas supplier, the SAEAPFC has prepaid the cost of a specified supply of natural gas to be delivered over 20 years. CPS Energy's 20-year commitment under the Natural Gas Supply Agreement is included in the aforementioned $6,872,038 purchase and construction commitments amount.

Note 11 Commitments and Contingencies (Continued)

CPS Energy (Continued)

Other (Continued)

In December 2007, CPS Energy and Exelon Generation Company LLC (Exelon) signed an agreement granting CPS Energy an option to participate in a possible joint investment in a nuclear-powered electric generation facility in Southeast Texas (the Exelon Project). Preliminary plans indicate that the Exelon Project would be located in Victoria County, Texas, and would involve the development of two Economic Simplified Boiling Water Reactors (ESBWR), nominally rated at 1,520 megawatts each. Under this agreement, CPS Energy has the option to acquire between a 25.0% and 40.0% ownership in the Exelon Project. Exelon submitted the COLA for the Exelon Project to the NRC on September 3, 2008. On October 30, 2008, the NRC accepted the application for a detailed review. Exelon announced on November 24, 2008, that they intended to select an alternate technology, other than the ESBWR, for the Exelon Project. Subsequently on December 18, 2008, the NRC placed the review of Exelon's COLA on hold. On March 27, 2009, Exelon announced that it had selected Hitachi's Advanced Boiling Water Reactor design for the Exelon Project, and that it planned to revise the COLA and its DOE loan guarantee application accordingly. The Exelon Project failed to qualify for the initial round of DOE loan guarantees. Exelon has delayed development of the Exelon Project but will continue to pursue an Early Site Permit for the Victoria County location. CPS Energy's investment in the Exelon Project totaled $2,742 as of January 31, 2012.

In fiscal year 2003, CPS Energy entered into a 20-year agreement with BDA to upgrade the electric and gas utility systems located within the Brooks City-Base. CPS Energy and BDA have each committed to invest $6,300 ($4,200 in year 2002 dollars, which accumulates interest at the rate of 3.7% compounded annually) to upgrade the infrastructure at that location. Annual reductions to BDA's obligation are made from incremental revenues to the City for electric and gas sales to customers that reside on the BDA-developed property. Annual reductions to BDA's obligation are also made in accordance with contract terms for economic development at Brooks City-Base that benefits CPS Energy's Systems. To the extent that the capital renewals and upgrades do not total $12,600 by September 2022, BDA's and CPS Energy's committed investments each will be reduced equally. To date, CPS Energy has invested $7,681 and BDA has met its $4,192 obligation, net of annual interest.

On June 8, 2010, CPS Energy committed to partner in the Texas Sustainable Energy Research Institute at the University of Texas at San Antonio for sustainable energy research. The agreement calls for CPS Energy to invest up to $50,000 over 10 years in the institute. The investment made through January 31, 2012 was $1,800 from funds currently allocated to research and development. Future funding will be developed by the scope of the projects defined by the partnership and subject to annual approval by the Board.

CPS Energy sells its excess power into the wholesale market. While the majority of these transactions are conducted in the short-term market, from time to time, CPS Energy enters into long-term wholesale power supply agreements with other public power entities. CPS Energy currently has two such agreements that will expire in 2013 and 2016; and the volumes committed under these agreements represent less than 2.0% of current capacity. CPS Energy has four additional agreements covering the period from 2016 through 2023. As of 2016, the combined long-term wholesale power supply agreements will represent less than 7.0% of current capacity. CPS Energy regularly monitors the market values of these transactions to manage contract provisions with the counterparties.

Note 11 Commitments and Contingencies (Continued)

CPS Energy (Continued)

Other (Continued)

On June 20, 2011, CPS Energy announced its New Energy Economy initiative. The program is designed to focus on more clean energy sources rather than traditional energy sources and includes several major initiatives to which CPS Energy has committed (current commitments are included in the aforementioned $6,900,000):

- CPS Energy's customers will have the opportunity to manage their home energy use through a Home Area Network system referred to as Energy Guard. A pilot program is currently under way with plans to expand the offering to up to 140,000 homes and businesses by 2015. Home area networks work with smart meters to provide up-to-the-minute energy use information and allow demand-side management to reduce energy consumption on the customer premise. The deployment may be partially funded through the Save for Tomorrow Energy Program (STEP) and has the potential to reduce electrical demand by 250 megawatts ("MW") over the next four years.

- CPS Energy will replace 25,000 San Antonio street lights with light-emitting diode ("LED") street lights. The lights will be purchased from GreenStar, a worldwide supplier of LED lighting. The LED street lights use 60.0% less energy than standard sodium lights and are designed to last 12 to 15 years, reducing maintenance costs.

- In November 2011, a contract was entered into with SunEdison, which converted CPS Energy's power purchase agreements for 30 MW of solar energy at three facilities in the San Antonio area to a $77,000 prepayment for approximately 60.0% of the anticipated output. The purchase of the balance of the output will be on a pay-as-you-go basis. As part of the agreement, CPS Energy has the right to purchase the facilities in the future.

- In December 2011, a contract was entered into with Summit Texas Clean Energy, LLC to provide CPS Energy with 200 MW of clean-coal power utilizing integrated gasification combined cycle technology along with 90.0% carbon capture from the first-of-its-kind power plant in West Texas. The power plant, which was expected to break ground in 2012, is projected to be completed in 2015.

Save for Tomorrow Energy Program (STEP)

CPS Energy has projected to spend approximately $849,000 over a 12-year period on energy efficiency and conservation through STEP. Contributing towards its goal to save 771 MW by 2020, CPS Energy's programs include home weatherization, higher efficiency light bulbs, solar rebates, peak saver thermostats, home area networks and other such initiatives.

Annually, approximately $8,000 of the STEP expenses are funded through the electric base rate and reported as CPS Energy operation and maintenance ("O&M") expenses. STEP expenses over the initial $8,000 per year are recovered through the fuel adjustment factor over a twelve-month period beginning in the subsequent fiscal year after they are incurred and have been independently validated. These STEP recoveries are deferred as STEP net costs recoverable in accordance with guidance provided by FASB Statement No. 71. This guidance requires that certain costs be capitalized as a regulatory asset until they are recovered through future rates.

Note 11 Commitments and Contingencies (Continued)

San Antonio Water System (SAWS)

Litigation

SAWS is the subject of various claims and potential litigation, which arise in the ordinary course of its operations. Management, in consultation with legal counsel, makes an estimate of potential costs that are expected to be paid in the future as a result of known claims and potential litigation and records this estimate as a contingent liability. The amount of such contingent liability totaled $6,794 at December 31, 2011. While the exact amount of any potential liability that may arise from these claims and potential litigation is indeterminable, management believes that the amounts recorded are a reasonable estimate.

In March 2007, SAWS was orally notified by Region 6 of the EPA of alleged failures to comply with the Clean Water Act due to the occurrence of sanitary sewer overflows. The EPA subsequently referred the matter to the United States Department of Justice (the "DOJ") for an enforcement action. In October 2007 EPA/DOJ and SAWS entered into a tolling agreement that precludes the running of any applicable statutes of limitation that might otherwise bar a claim in anticipation that the parties would engage in settlement negotiations. The tolling agreement has been extended on thirteen occasions, with the Thirteenth Tolling Agreement currently set to expire on February 11, 2013. Since 2007, SAWS has engaged in settlement negotiations with the EPA and the DOJ to resolve the allegations. Negotiations with the EPA/DOJ are ongoing and may conclude in the first quarter of calendar year 2013. While these negotiations are ongoing, SAWS expects that any settlement, consent decree, or enforcement action will result in the imposition of a civil penalty and in required capital improvements and increased annual maintenance and operating expenses that will be phased in over the term of any settlement agreement or consent decree between SAWS and EPA/DOJ. SAWS' very preliminary estimates of the cost of capital improvements and other actions that may be required to settle this matter range from approximately $250,000 to approximately $1,000,000; however, the total final costs may significantly exceed SAWS preliminary estimates, and will depend on the course of action ultimately agreed upon between SAWS and EPA/DOJ or ordered by a Federal District Court if the parties are unable to settle the matter. SAWS currently expects that negotiations with the EPA and DOJ may conclude during the first quarter of calendar year 2013.

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Note 11 Commitments and Contingencies (Continued)

San Antonio Water System (SAWS) (Continued)

Other

As of December 31, 2011, SAWS has entered into various water leases to obtain rights to pump water from the Edwards Aquifer. The term of these agreements vary, with some expiring as early as 2012 and others continuing until 2021. Some of the leases include price escalations and the average annual cost per acre foot ranges from $119 to $143 (these figures are not in thousands). The future commitments under these leases are as follows:

	2012	2013	2014	2015	2016	Thereafter
Lease obligations	$ 4,735	$ 3,927	$ 2,170	$ 1,421	$ 1,435	$ 7,237
Lease obligations (acre feet)	35,336	24,419	17,625	17,425	15,794	51,588

SAWS has various commitments relating to the production of water supplies. A summary of these commitments is provided in the following table. As with any estimates, the actual amounts paid could differ materially.

	2012	2013	2014	2015	2016	Thereafter
Firm purchased water obligations	$ 4,924	$ 5,021	$ 5,119	$ 5,218	$ 5,558	$ 115,722
Firm purchased water obligations (acre feet)	6,700	6,700	6,700	6,700	6,700	94,800
Variable purchased water obligations	$ 3,696	$ 3,598	$ 3,492	$ 3,092	$ 6,919	$ 90,848
Variable purchased water obligations (acre feet)	4,507	4,267	4,027	3,423	7,726	83,802

SAWS' firm and variable purchased water obligations relate to the contractual commitments made in connection with SAWS' wholesale water contracts with Guadalupe Blanco River Authority (GBRA) and two wholesale agreements for the supply of raw water from the Trinity Aquifer. All water provided under these contracts is subject to availability. Under the contract with GBRA, SAWS will receive between 4,000 and 11,000 acre feet of water annually during the years 2012-2037 at prices ranging from $891 to approximately $1,509 per acre foot. SAWS has an option to extend this contract until 2077 under new payment terms. (Figures in this paragraph are not in thousands.)

In 2000, SAWS entered into a wholesale contract with the Massah Development Corporation to deliver raw water from the Lower Glen Rose/Cow Creek formations of the Trinity Aquifer in northern Bexar County. This agreement expired in February 2010. In 2010, SAWS and Massah Development Corporation negotiated a new Water Supply Agreement for a term of 15 years beginning July 1, 2010. The minimum take or pay commitment for the contract is 100 acre feet per month or 1,200 acre feet per year. The initial price is $550 per acre foot with an escalator based on the Producers Price Index. SAWS has an option at the end of the primary term to extend the contract for 10 years. (Figures in this paragraph are not in thousands)

In 2006, SAWS renegotiated the terms of a contract with Sneckner Partners, Ltd. to supply raw water from the Trinity Aquifer. Under this contract, SAWS is required to take or pay for 1,500 acre feet annually at a minimum annual cost of $225 per acre foot through 2020 (these figures are not in thousands). SAWS has an option to extend the contract through 2026, if it desires. As part of this contract, SAWS agreed to make payments quarterly for any residential customers that are connected to the system within a defined, currently undeveloped geographical area that begin taking water service from SAWS. While it is impossible to estimate the exact amount of any potential future payments associated with this provision of the agreement, management estimates of this potential contingent liability are less than $5,000.

Note 11 Commitments and Contingencies (Continued)

San Antonio Water System (SAWS) (Continued)

Other (Continued)

In July 2010, SAWS was granted a permit by the Gonzales County Underground Water Conservation District (the District) to pump 11,688 acre feet from the Carrizo Aquifer. In December 2010, opponents filed an appeal from the District's decision in the Judicial District Court of Gonzales County. Resolution of the appeal could take from one to four years. SAWS has entered into 20 separate agreements to pump water from the Carrizo Aquifer. SAWS makes minimum water payments under the terms of these agreements until such time as the necessary infrastructure to produce and transport the water has been completed. At December 31, 2011, SAWS was committed to make payments under only three of these agreements. Minimum water payments are required under these three agreements through 2029 even if no water is produced. The remaining agreements are currently subject to cancellation by SAWS. The table below summarizes both the required minimum water payments under these agreements as well as the projected additional payments under the agreements assuming that water production begins in 2014.

	2012	2013	2014	2015	2016	Thereafter
Required minimum water payments	$ 700	$ 824	$ 865	$ 891	$ 918	$ 15,736
Projected additional payments			319	328	338	4,471
Produced water (acre feet)			11,688	11,688	11,688	151,944

SAWS is also committed under various contracts for completion of construction or acquisition of utility plant totaling approximately $240,000 as of December 31, 2011. Funding of this amount will come from excess revenues, contributions from developers, restricted assets and available commercial paper capacity.

The City follows the provisions of GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations.*

The general nature of existing pollution that has been identified on City property is consistent with City operations of acquiring properties for infrastructure and improvement development. Under most circumstances, the triggering event relevant to the City is the voluntary commencement of activities to clean up the pollution. Costs were estimated using the expected cash flow technique prescribed under GASB Statement No. 49 utilizing information provided by the City's respective departments which included previous knowledge of clean-up costs, existing contracts, etc. Depending on the length of time it takes the City to remediate the pollution, costs may be different from that estimated below as a result of market rate changes, improvements to technology, etc.

	Balance at 10/1/2011	Additions	Deletions	Balance at 9/30/2012
Governmental Activities:				
Liabilities	$ 1,545	$ 537	$ (549)	$ 1,533
Construction in Progress	861	492	(170)	1,183
Business-Type Activities:				
Liability	$ 1,040	$ -	$ -	$ 1,040

Year-Ended September 30, 2012 - 164 - Amounts are expressed in thousands

Note 12 Pollution Remediation Obligation

Primary Government (City)

The Governmental Activities' liabilities were a result of cost estimates to clean existing pollution found on land acquired by the City's Capital Improvement Management Services and Parks Departments for the construction of streets and drainage and parks, respectively. Any net changes in the Governmental Activities pollution liability that was not capitalized under Construction in Progress was expensed under the City's public works activities.

The Business-Type Activities' liability was a result of cost estimates to clean existing pollution found on land acquired by the Airport System for the construction of airport structures. As the City acquired this property in the early 1940s, the liability did not meet the criteria to be capitalized, and as such was expensed in fiscal year 2009. The City had no additional pollution remediation costs in the Airport System Fund, Solid Waste Management Fund or Business-Type Activities as of September 30, 2012.

The City does not foresee receiving any recoveries from third parties for the costs associated with cleaning up these pollution obligations.

CPS Energy

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, requires that a liability be recognized for expected outlays for remediating existing pollution when certain triggering events occur. The general nature of existing pollution that has been identified at CPS Energy sites is consistent with that experienced within the electric and gas utilities industry. Under most circumstances, the triggering event most relevant to CPS Energy is the voluntary commencement of activities to clean up pollution.

Under the FERC guidance, reserves have been established for dismantling and closure costs. In fiscal year 2008, in preparation for implementation of GASB Statement No. 49, a portion of those reserves were reclassified to remediation and dismantling reserve accounts reported on the balance sheet within other liabilities and deferred credits. When a triggering event occurs, those reserves will be reclassified as a pollution remediation liability also reported within other liabilities and deferred credits.

The pollution remediation liability was $3,488 as of January 31, 2012. Costs were estimated using the expected cash flow technique prescribed under GASB Statement No. 49 utilizing information provided by CPS Energy's environmental staff and consultants.

San Antonio Water System (SAWS)

SAWS had no material pollution remediation liabilities at December 31, 2011.

Note 13 Risk Financing

Primary Government (City)

Property and Casualty Liability

FM Global Insurance Company provides coverage for the City's real property and contents. The City's deductible for property damage is $100 and the insurance will reimburse up to $1,000,000. There was a reduction in the policy limit for property coverage of $1,500,000. The risk of a loss exceeding $1,000,000 in one year was deemed negligible and was balanced by the more advantageous terms and conditions offered by this carrier.

As of September 30, 2012, the City maintains excess liability insurance coverage through Star Insurance Company. The policy provides coverage in excess of the City's self-insured retention of $1,000 for general liability, law enforcement legal liability, public official's liability, and employee benefits liability. The City utilizes a third-party administrator to adjust its claims. Obligations for claims under these programs are accrued in the City's Self-Insurance Reserve Fund based on the City's estimates of the aggregate liability for claims made and claims incurred but not reported. The departments are assessed contributions to cover expenditures. Claims settlements have not exceeded insurance coverage limits for the past three years.

Employee Health Benefits

The City offers employees and their eligible dependents a comprehensive employee benefits program including medical, dental, vision and basic and supplemental life insurance. Employees may also participate in healthcare or dependent care spending accounts through our Section 125 Cafeteria Plan. The City's health and dental programs are self-insured. Obligations for benefits are accrued in the Employee Health Benefits Fund based upon the City's estimates of the aggregate liability for unpaid benefits.

Retiree Health Benefits

The City offers medical coverage for its retirees and their dependents. The City offers both self insured and fully insured plans to participating employees who are eligible to retire from the TMRS Pension Plan immediately following severance from the City. Self-Funded obligations for benefits are accrued in the City's Retiree Health Benefits Insurance Fund (a subfund of the Employee Health Benefits Fund) based upon the City's estimates of the aggregate liability for unpaid benefits. The City additionally, determined and accrued OPEB liabilities based on an actuarial assessment of historical self-funded claims data performed bi-annually and reviewed annually. Current year unpaid benefit liabilities for retirees are netted against the OPEB liability as additional contributions.

Unemployment Compensation Program

The Unemployment Compensation Program provides a central account for payment of unemployment compensation claims. As of the fiscal year-end, claims were being administered externally and are paid to the Texas Workforce Commission on a reimbursement basis. All costs incurred are recorded on a claim paid basis in the Employee Health Benefits Fund.

Note 13 Risk Financing (Continued)

Primary Government (City) (Continued)

Extended Sick Leave Program

The Extended Sick Leave Program is used to pay benefits associated with short term disability, long term disability and continued long term disability. Benefits are administered by the City. Actual costs are incurred when extended leave is taken. The Extended Sick Leave Program is currently administered out of the Employee Health Benefits Fund.

Employee Wellness Program

The Employee Wellness Program is designed to mitigate future health and productivity loss costs by creating awareness of health risks and providing education about healthy lifestyle choices. In 2008, the City opened the COSA Health and Wellness Center in partnership with Gonzaba Medical Group. The Center is available to provide primary, pre-employment and promotional exams to active employees. Additionally, the City provides every employee and member of their household an Employee Assistance Program to assist employees with basic situational and behavioral counseling, as well as, financial counseling and legal referral services. The Employee Wellness Program is managed out of the Employee Health Benefits Fund.

Claims Liability

The liability for the Employee Health Benefits Program is based on the estimated aggregate amount outstanding at the statement of net assets date for unpaid benefits. Liabilities for the Insurance Reserve and Workers' Compensation Programs are reported when it is probable that a loss has occurred as of the statement of net assets date, and the amount of the loss can be reasonably estimated. These liabilities include allocable loss adjustment expenses, specific incremental claim adjustment expenses such as the cost of outside legal counsel, and a provision for claims that have been incurred but not reported (IBNR). Unallocated claim adjustment expenses have not been included in the calculation of the outstanding claims liability, as management of the City feels it would not be practical or cost beneficial. In addition, based on the difficulty in determining a basis for estimating potential recoveries and the immateriality of prior amounts, no provision for subrogation or salvage has been included in the calculation of the claims liability. The claims liability reported in the accompanying financial statements for both the Insurance Reserve and Workers' Compensation Programs is based on a 2.0% discount rate due to the multi-year life cycle to close out these claims and the average historical as well as forecasted yield on the City's investments. The discount rate used in prior fiscal years was 3.0%.

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Note 13 Risk Financing (Continued)

Primary Government (City) (Continued)

Claims Liability (Continued)

The following is a summary of changes in claims liability for the City's Insurance Reserve, Employee Health Benefits, and Workers' Compensation Programs Funds for the fiscal year-ended September 30, 2012:

Fund	October 1,	Estimates	Claims	Payments	September 30,
Insurance Reserve[1]:					
Fiscal Year 2011	$ 23,135	$ (1,590)	$ 5,259	$ (5,259)	$ 21,545
Fiscal Year 2012	21,545	4,510	3,252	(3,252)	26,055
Employee Health Benefits[2]:					
Fiscal Year 2011	$ 8,365	$ (496)	$ 87,068	$ (87,068)	$ 7,869
Fiscal Year 2012	7,869	1,091	90,751	(90,751)	8,960
Workers' Compensation:					
Fiscal Year 2011	$ 27,920	$ 1,534	$ 12,333	$ (12,333)	$ 29,454
Fiscal Year 2012	29,454	3,780	8,938	(8,938)	33,234

[1] FY12 fund financial claims expense reflects an additional $64 paid for claims handled outside of reserves.

[2] FY12 fund financial claims expense reflects an additional $401 paid for Unemployment Claims that are not included in the calculation of claims liability.

CPS Energy

Insurance and Reserves – CPS Energy is exposed to various risks of loss including, but not limited to, those related to torts, theft or destruction of assets, errors and omissions, and natural disasters. CPS Energy maintains property and liability insurance programs that combine self-insurance with commercial insurance policies to cover major risks. The property insurance program provides $6,100,000 of replacement-value coverage for property and boiler machinery loss, including comprehensive automobile coverage, fire damage coverage for construction equipment, and valuable papers coverage. The deductible for the property insurance policy is $5,000 per occurrence with a secondary deductible of $1,000 per occurrence applicable to non-power-plant. The liability insurance program includes:

- $100,000 of excess general liability coverage over a retention amount of $3,000;
- $25,000 of fiduciary liability coverage;
- $100,000 of employment practice liability coverage; and
- Other property and liability insurance coverage, which includes commercial crime, employee travel and event insurance.

CPS Energy also manages its own workers' compensation program. Additionally, to support this program, $35,000 of excess workers' compensation coverage over a retention amount of $3,000 is maintained. No claims settlements exceeded insurance coverage and there were no decreases in the last three fiscal years.

Actuarial studies are performed periodically to assess and determine the adequacy of CPS Energy insurance reserve retentions. Actuarial valuations include nonincremental claims expenses. An actuarial study was performed during the third quarter of fiscal year 2012.

Year-Ended September 30, 2012 - 168 - Amounts are expressed in thousands

Note 13 Risk Financing (Continued)

CPS Energy (Continued)

In the following table, the remaining balance under the property reserves column at January 31, 2012, relates to estimated obligations for the cleanup, closure, and post-closure care requirements of CPS Energy's landfills. CPS Energy has seven landfill sites, four of which are at full capacity. The estimates for landfill liability are based upon capacity to date and are subject to change due to inflation or deflation, as well as new developments in technology, applicable laws or regulations.

Under CPS Energy's reserve program, all claims are recorded against the reserve.

Schedule of Changes in Claims Liability				
Fund	Liability February 1,	Claims Adjustments	Claims Payments	Liability January 31,
Property Reserves:				
Fiscal Year 2011	$ 3,904	$ 344	$ -	$ 4,248
Fiscal Year 2012	4,248	258		4,506
Employee and Public Liability Claims:				
Fiscal Year 2011	$ 10,363	$ 6,343	$ (4,427)	$ 12,279
Fiscal Year 2012	12,279	7,549	(5,413)	14,415

Counterparty Risk – CPS Energy is exposed to counterparty risk associated with various transactions primarily related to debt, investments, fuel hedging, a lease/leaseback transaction, suppliers and wholesale power. Counterparty risk is the risk that a counterparty will fail to meet its obligations in accordance with the terms and conditions of its contract with CPS Energy. CPS Energy has policies and practices in place to ensure the solvency of counterparties is assessed accurately, monitored regularly and managed actively through its Enterprise Risk Management & Solution Division.

Fuel Hedging – The 1999 Texas utility deregulation legislation, Senate Bill 7, contained provisions modifying the Texas PFIA 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 2002, CPS Energy began hedging its exposure to changes in natural gas prices, with the goal of controlling fuel costs to native load customers and stabilizing the expected cash flows associated with wholesale power transactions.

In fiscal year 2010, CPS Energy implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which addresses recognition, measurement and disclosures related to derivative instruments. CPS Energy does not use derivative instruments for speculative purposes. The only derivative instruments entered into are for the purposes of risk mitigation; therefore, these instruments are considered potential hedging derivative instruments under GASB Statement No. 53.

On December 20, 2010, the CPS Energy 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. The essential goal of the Energy Price Risk Management Policy is to provide a framework for the operation of a fuel and energy price hedging program to better manage CPS Energy's risk exposures in order to stabilize pricing and costs for the benefit of CPS Energy and its customers.

Year-Ended September 30, 2012 - 169 - Amounts are expressed in thousands

Note 13 Risk Financing (Continued)

CPS Energy (Continued)

In accordance with the requirements of GASB Statement No. 53, all fuel hedges are reported on the balance sheet at fair value. The fair value of option contracts is determined using New York Mercantile Exchange (NYMEX) closing settlement prices as of the last day of the reporting period. For futures and basis swap contracts, the fair value is calculated by deriving the difference between the closing futures prices on the last day of the reporting period and the futures or basis swap purchase prices at the time the positions were established, less applicable commissions.

All potential hedging derivative instruments were evaluated for effectiveness at January 31, 2012, and were determined to be effective in substantially offsetting the changes in cash flows of the hedgeable items. These hedging derivative instruments utilize natural gas forwards and options that are priced based on the underlying Henry Hub natural gas price, while the physical gas is typically purchased at prices based on either the Western Area Hub Association (WAHA) or the Houston Ship Channel (HSC). Therefore, effectiveness testing was based on the extent of correlation between the first of the month index prices of natural gas at each of these locations and the settlement price at Henry Hub. The correlation coefficient was established at the critical term to be evaluated, with 0.89 established as the minimum standard tolerated. The testing, based on two different location hubs (WAHA and HSC), demonstrated a substantial offset in the fair values, as evidenced by their calculated R values, 0.97 and 0.99, respectively, indicating that the changes in cash flows substantially offset the changes in cash flows of the hedgeable item. Additionally, the substantive characteristics of the hedge have been considered, and the evaluation of this effectiveness measure has been sufficiently completed and documented such that a different evaluator, using the same method and assumptions, would reach substantially similar results.

As of January 31, 2012, the total fair value of outstanding hedge instruments was a net liability of $27,673. Fuel hedging instruments with a fair value of $(17,380) are reported as a current liability and classified on the balance sheet as a component of accounts payable and accrued liabilities. Long-term fuel hedging instruments with a fair value of $(10,293) are reported as a noncurrent liability and classified as a component of other liabilities and deferred credits.

Consistent with hedge accounting treatment required for derivative instruments that are determined to be effective in offsetting changes in the cash flows of the hedged item, changes in fair value are reported as deferred (inflows) outflows of resources on the balance sheet until the contract expiration that occurs in conjunction with the hedged expected fuel purchase transaction. When fuel hedging contracts expire, at the time the purchase transactions occur, the deferred balance is recorded as an adjustment to fuel expense. The current deferred (inflows) outflows of resources related to fuel hedges totaled $19,735 at January 31, 2012. These amounts are reported on the balance sheet as current assets and are classified as a component of prepayments, deferred and other current assets. The noncurrent deferred (inflows) outflows of resources totaled $16,184 at January 31, 2012. These amounts are reported on the balance sheet as noncurrent assets and are classified as Deferred Outflows Derivative Instrument.

Note 13 Risk Financing (Continued)

CPS Energy (Continued)

Following is information related to CPS Energy's outstanding fuel hedging derivative instruments:

Fuel Derivative Transactions as of January 31, 2012					
	Type of Transaction	Duration	Volumes in MMBTU	Fair Value	Changes in Fair Value
Long	Call	Apr 2013 - Jan 2015	4,086,118	$ 672	$ (1,532)
Long	Fixed Price Natural Gas	Feb 2012 - Jan 2015	18,589,958	(40,805)	(26,922)
Long	Put	Apr 2012 - Mar 2014	14,954,715	12,460	6,222
				$ (27,673)	$ (22,232)

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 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.

Preassigned Congestion Rights – In the normal course of business, CPS Energy acquires Preassigned Congestion Revenue Rights (PCRR) and Congestion Revenue Rights (CRR) as a hedge against unexpected congestion costs. The CRRs are purchased at auction, annually and monthly, at market value. Municipally owned utilities are granted the right to purchase PCRRs annually at a percentage of the cost of CRRs. While PCRRs exhibit the three characteristics of derivatives as defined in GASB Statement No. 53, they are generally used by CPS Energy as factors in the cost of transmission. Therefore, these PCRRs meet the normal purchases and sales scope exception and are reported on the balance sheets at cost and classified as prepayments. From time to time, CPS Energy purchases PCRRs and sells them at the same auction at market price. In this case, the PCRRs are considered investments, and the gain is reported as investment income. In fiscal year 2012, gains on the sale of PCRRs totaled $4,400.

Credit Risk – CPS Energy began executing over-the-counter hedge transactions directly with approved counterparties in April 2010. These counterparties are generally highly rated entities that are leaders in their respective industries. CPS Energy monitors the creditworthiness of these entities on a daily basis and manages the resulting financial exposure via a third-party, vertically integrated risk system. Contractual terms with each existing counterparty vary, but each is structured so that should the counterparty's credit rating fall below investment grade, no unsecured credit would be granted and the counterparty would be required to post collateral for any calculated credit exposure. In the event of default or nonperformance by counterparties, brokers or NYMEX, the operations of CPS Energy could be materially affected. However, CPS Energy does not expect these entities to fail to meet their obligations given the level of their credit ratings and the monitoring procedures in place with which to manage this risk. As of January 31, 2012, the exposure to all hedge-related counterparties was such that no counterparty credit risk existed.

Year-Ended September 30, 2012 - 171 - Amounts are expressed in thousands

Note 13 Risk Financing (Continued)

CPS Energy (Continued)

Termination Risk – For CPS Energy's fuel hedges that are executed over the counter directly with approved counterparties, the possibility exists that one or more of these derivative instruments may end earlier than expected, thereby depriving CPS Energy of the protection from the underlying risk that was being hedged or potentially requiring CPS Energy to make a significant termination payment. This termination payment between CPS Energy and its counterparty is determined based on current market prices. In the event a transaction is terminated early, CPS Energy would likely be able to replace the transaction at current market prices with similar, although not exact, terms with one of its other approved counterparties.

Basis Risk – CPS Energy is exposed to basis risk on its fuel hedges because the expected commodity purchases being hedged will price based on a pricing point (HSC or WAHA) different than that at which the contracts are expected to settle (Henry Hub). For January 2012, the HSC price was $3.04 per MMBtu, the WAHA price was $3.04 per MMBtu, and the Henry Hub price was $3.08 per MMBtu.

San Antonio Water System (SAWS)

Risk Management

SAWS provides health care benefits to eligible employees and retirees through a self-insured plan that includes medical, prescription drug and dental benefits. The payment of claims associated with these benefits is handled by third party administrators. Plan participants contribute a portion of the cost of providing these benefits through payroll deductions or monthly premiums, annual deductibles and other co-payments. SAWS was self-insured for the first $200 of medical claims per person during 2011.

SAWS is exposed to various risks of financial loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. SAWS is self-administered and self-insured for the first $500 of each workers' compensation, general liability, automobile liability and public official's liability claim and for the first $250 for each pollution remediation, legal liability and commercial property claim. Claims that exceed the self-insured retention limit are covered through SAWS' comprehensive commercial insurance program. For the year-ended December 31, 2011, there were no reductions in insurance coverage from the previous year. Settled claims during the last three years have not exceeded the insurance coverage in any year.

The claims liability for health care benefits and other risks, including incurred but not reported claims, is based on the estimated ultimate cost of settling the claims. Changes in the liability amount for the last two fiscal years were as follows:

San Antonio Water System
Schedule of Changes in Claims Liability

Year Ended	Balance at Beginning of Fiscal Year (Restated)	Estimates	Claims and Payments	Balance at End of Fiscal Year	Estimated Due Within One Year
December 31, 2011	$ 8,526	$ 24,691	$ (22,650)	$ 10,567	$ 10,565
December 31, 2010	$ 8,221	$ 24,997	$ (21,692)	$ 11,526	$ 8,526

Year-Ended September 30, 2012 - 172 - Amounts are expressed in thousands

Note 13 Risk Financing (Continued)

San Antonio Water System (SAWS) (Continued)

Pay-Fixed, Receive-Variable Interest Rate Swap – On March 27, 2003, SAWS entered into an interest rate swap agreement in connection with its City of San Antonio, Texas Water System Subordinate Lien Revenue and Refunding Bonds, Series 2003-A and 2003-B (the Series 2003 Bonds) issued in a variable interest rate mode. The Series 2003 Bonds were issued to provide funds for the SAWS' Capital Improvement Program and to refund certain outstanding commercial paper notes.

The swap was used to hedge interest rates on the Series 2003 Bonds to a synthetic fixed rate that produced a lower expected interest rate cost than traditional long-term fixed rate bonds. In August 2008, SAWS issued a Notice of Partial Redemption for $110,615 of the outstanding principal amount of $111,615 of the Series 2003 Bonds due to continued unfavorable market conditions relating to the ratings downgrade of MBIA Insurance Corporation. In 2009, SAWS redeemed the remaining $1,000 of the Series 2003 Bonds through the issuance of additional commercial paper. The interest rate swap agreement was not terminated upon the redemption of the 2003 Bonds and instead serves as an off-market hedge for that portion of the commercial paper notes outstanding which pertain to the redemption of the 2003 Bonds. SAWS currently intends to maintain a portion of its outstanding commercial paper in amounts matching the notional amounts of the swap. SAWS did not recognize any economic gain or loss as a result of this refunding since the debt service requirements of the commercial paper are expected to closely match the debt service requirements of the refunded debt. At December 31, 2011, $103,810 of commercial paper notes are hedged by the interest rate swap agreement.

Terms – The swap agreement contains scheduled reductions to the outstanding notional amounts that are expected to follow the original scheduled reductions in the Series 2003 Bonds. The Series 2003 Bonds were issued on March 27, 2003, with a principal amount of $122,500. The swap agreement matures on May 1, 2033. At the time the swap was entered into, the counterparty was Bear Stearns Financial Products, Inc. (Bear Stearns FPI), with the index for the variable rate leg of the swap being the Securities Industry and Financial Markets Association (SIFMA) Municipal Swap Index.

In March 2008, JP Morgan Chase & Co. announced its acquisition of The Bear Stearns Companies, Inc., the parent of Bear Stearns FPI. JP Morgan Chase & Co. has guaranteed the trading obligations of Bear Stearns and its subsidiaries. Effective June 16, 2009, the swap agreement was amended between SAWS, JP Morgan Chase & Co. , and MBIA to provide for JP Morgan Chase Bank N.A. to become the swap counterparty and allow for the remainder of outstanding Series 2003 Bonds to be redeemed, while maintaining the swap agreement as an obligation to all parties. The amendment provides for the conditional release of MBIA's swap insurance policy upon the occurrence of certain future events. The combination of commercial paper notes and a floating-to-fixed swap creates a synthetic fixed-rate of 4.2%. The synthetic fixed-rate protects against the potential of rising interest rates.

Fair Value – The swap had a negative fair value of approximately $24,200 at December 31, 2011. This value was calculated using the zero-coupon method. This method calculates the future net settlement payments required by the swap, assuming that the current forward rates implied by the yield curve correctly anticipate future spot interest rates. These net payments are then discounted using the spot rates implied by the current yield curve for hypothetical zero-coupon bonds due on the date of each future net settlement on the swap.

Note 13 Risk Financing (Continued)

San Antonio Water System (SAWS) (Continued)

The swap agreement meets the criteria of an effective hedge under GASB Statement 53 and therefore qualifies for hedge accounting treatment. Since the fair value is negative, the fair value is recorded as a non-current liability. Changes in the swap's fair value are recorded as a deferred outflow and included in unrestricted non-current assets. At the time the 2003 Bonds were redeemed in 2008, the fair value of the swap was $6,200. The deferred outflow at the time of redemption was included in the carrying value of the 2003 Bonds and resulted in a loss on redemption of $6,200. This loss is amortized over the remaining life of the 2003 Bonds.

Credit Risk – As of December 31, 2011, SAWS was not exposed to credit risk on its outstanding swap because the swap had a negative fair value. However, should interest rates change and the fair value of the swap become positive, SAWS would be exposed to credit risk in the amount of the swap's fair value. The swap counterparty, JP Morgan Chase Bank, N.A. was rated 'Aa1 by Moody's Investors Service, 'A+' by Standard & Poor's, and 'AA-' by Fitch Ratings as of December 31, 2011. The amended swap agreement contains a credit support annex which will become effective upon the release of MBIA from the swap insurance policy. Collateralization would be required by either party should the fair market value of the swap reach applicable thresholds as stated in the amended swap agreement.

Basis Risk – SAWS is exposed to basis risk to the extent that the interest payments on its hedged commercial paper notes do not match the variable-rate payments received on the associated swap. SAWS attempts to mitigate this risk by (a) matching the outstanding hedged commercial paper notes associated with the redemption of the variable-rate debt to the notional amount and amortization schedule of the swap and (b) selecting an index for the variable-rate leg of the swap that is reasonably expected to closely match the interest rate on the hedged commercial paper notes.

Termination Risk – SAWS may terminate the swap at any time for any reason. JP Morgan Chase may terminate the swap if SAWS fails to perform under the terms of the agreement. The ongoing payment obligations under the swap are insured as provided for in the swap amendment and JP Morgan Chase cannot terminate as long as the insurer does not fail to perform. Also, if at the time of the termination the swap has a negative fair value, SAWS would be liable to the counterparty for a payment equal to the swap's fair value.

Market-access Risk – SAWS is subject to market-access risk as $103,810 of variable-rate debt hedged by the swap is outstanding commercial paper notes with current maturities less than 38 days. As previously noted, SAWS intends to reissue the commercial paper notes in amounts matching the notional amounts.

Swap Payments and Associated Debt – As of December 31, 2011, debt service requirements of the hedged commercial paper notes and net swap payments, assuming current interest rates remain the same, are detailed in the following table. As rates vary, variable-rate interest payments and net swap payments will vary. Principal payments assume that commercial paper will be repaid in accordance with the amortization schedule of the swap.

Note 13 Risk Financing (Continued)

San Antonio Water System (SAWS) (Continued)

Pay-Fixed, Receive-Variable Interest Rate Swap Estimated Debt Service Requirements of Variable-Rate Debt Outstanding and Net Swap Payments				
Year	Principal	Interest Paid on Debt	Interest Rate Swap, Net	Total
2012	$ 2,840	$ 188	$ 4,158	$ 7,186
2013	2,970	183	4,039	7,192
2014	3,105	177	3,914	7,196
2015	3,245	171	3,783	7,199
2016	3,395	165	3,647	7,207
2017-2021	19,435	723	15,960	36,118
2022-2026	24,300	520	11,484	36,304
2027-2031	30,355	267	5,890	36,512
2032-2033	14,165	22	488	14,675
Total	$ 103,810	$ 2,416	$ 53,363	$ 159,589

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Year-Ended September 30, 2012 - 175 - Amounts are expressed in thousands

Note 14 Interfund Transfers

The following is a summary of interfund transfers for the City for the fiscal year-ended September 30, 2012:

Summary Table of Interfund Transfers Year-Ended September 30, 2012	Transfers From Other Funds	Transfers To Other Funds
General Fund:		
Categorical Grant-In-Aid	$ -	$ 6,822
Airport System Fund	199	
Solid Waste Management Fund	800	173
Internal Service Funds	3,930	7,863
Nonmajor Governmental Funds	10,523	28,524
Nonmajor Enterprise Funds	3,425	4,258
Total General Fund	18,877	47,640
Debt Service Fund:		
Internal Service Funds	1,042	
Nonmajor Governmental Funds	24,144	
Total Debt Service Fund	25,186	
Categorical Grant-In-Aid:		
General Fund	6,822	
Nonmajor Governmental Funds	695	2,420
Nonmajor Enterprise Funds	2	
Total Categorical Grant-In-Aid	7,519	2,420
2007 General Obligation Bonds:		
Nonmajor Governmental Funds		111,042
Total 2007 General Obligation Bonds		111,042
Airport System Fund:		
General Fund		199
Total Airport System Fund		199
Solid Waste Management Fund:		
General Fund	173	800
Nonmajor Governmental Funds	82	1,297
Total Solid Waste Management Fund	255	2,097

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Year-Ended September 30, 2012 - 176 - Amounts are expressed in thousands

Note 14 Interfund Transfers (Continued)

Summary Table of Interfund Transfers (Continued) Year-Ended September 30, 2012	Transfers From Other Funds	Transfers To Other Funds
Internal Service Funds:		
General Fund	$ 7,863	$ 3,930
Debt Service Fund		1,042
Internal Service Funds	159	159
Nonmajor Governmental Funds	25	468
Nonmajor Enterprise Funds		51
Total Internal Service Funds	8,047	5,650
Nonmajor Governmental Funds:		
General Fund	28,524	10,523
Debt Service Fund		24,144
Categorical Grant-In-Aid	2,420	695
2007 General Obligation Bonds	111,042	
Solid Waste Management Fund	1,297	82
Internal Service Funds	468	25
Nonmajor Governmental Funds	173,253	173,253
Nonmajor Enterprise Funds		3
Total Nonmajor Governmental Funds	317,004	208,725
Nonmajor Enterprise Funds:		
General Fund	4,258	3,425
Categorical Grant-In-Aid		2
Internal Service Funds	51	
Nonmajor Governmental Funds	3	
Nonmajor Enterprise Funds	281	281
Total Nonmajor Enterprise Funds	4,593	3,708
Total	$ 381,481	$ 381,481

Transfers are made to use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds. These transfers are in the form of operating subsidies, grant matches, and funding for capital projects. In addition, transfers are routinely made from other funds to fund debt service payments and for other restricted purposes. All transfers are in accordance with budgetary authorizations.

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Year-Ended September 30, 2012 - 177 - Amounts are expressed in thousands

Note 15 Fund Balance Classifications

The constraints placed on fund balance for the major governmental funds and all other governmental funds are presented in the following table. Please see the definitions of the various fund balance classifications in Note 1 Summary of Significant Accounting Policies, Fund Balance.

	General Fund	Debt Service Fund	Categorical Grant-In-Aid	2007 General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable:						
In nonspendable form:						
Materials and Supplies	$ 5,324	$ -	$ 530	$ -	$ 138	$ 5,992
Prepaid, Deposits and Other	476		134		792	1,402
Legally or contractually intact:						
Permanent Fund Corpus					3,641	3,641
Total Nonspendable	5,800		664		4,571	11,035
Restricted for:						
General Government					17,758	17,758
Public Safety			344		3,330	3,674
Public Works					44,092	44,092
Health Services	135				938	1,073
Welfare	14				88	102
Culture and Recreation	748				58,453	59,201
Urban Redevelopment and Housing	30				731	761
Economic Development and Opportunity	76				10,634	10,710
Capital Projects				206,011	199,481	405,492
Debt Service		86,360			37,310	123,670
Total Restricted	1,003	86,360	344	206,011	372,815	666,533
Committed:						
General Government	9,961				1,179	11,140
Public Safety	4,060				80	4,140
Public Works	28,368					28,368
Health Services	583					583
Welfare	1,810					1,810
Culture and Recreation	933				988	1,921
Urban Redevelopment and Housing					20,872	20,872
Economic Development and Opportunity	1,320					1,320
Capital Projects					54,085	54,085
Total Committed	47,035				77,204	124,239
Assigned:						
General Government	3,600					3,600
Public Safety	15					15
Public Works					1,143	1,143
Health Services	504					504
Welfare	15					15
Culture and Recreation	3				387	390
Urban Redevelopment and Housing					10,800	10,800
Economic Development and Opportunity	6					6
Total Assigned	4,143				12,330	16,473
Unassigned	158,532				(36,129)	122,403
Total Fund Balance	$ 216,513	$ 86,360	$ 1,008	$ 206,011	$ 430,791	$ 940,683

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Year-Ended September 30, 2012 - 178 - Amounts are expressed in thousands

Note 15 Fund Balance Classifications (Continued)

The City utilizes encumbrance accounting to ensure appropriated funds are adequately committed and remaining unspent balances are carried forward into the next fiscal year. Encumbrances are created for purchase order, grant match requirements, and capital project funding. The City further carries forward available unspent uncommitted funds identified through the Closing Ordinance into the next fiscal year as authorized by City Council. These amounts are reported in fund balance as follows:

	General Fund	Debt Service Fund	Categorical Grant-In-Aid	2007 General Obligation Bonds	Nonmajor Governmental Funds	Total Governmental Funds
Encumbrances:						
Restricted	$ -	$ -	$ 18,325	$ 209,661	$ 226,105	$ 454,091
Committed	33,559				27,647	61,206
Assigned					7,088	7,088
Unassigned					193,169	193,169
Total Encumbrances	$ 33,559	$ -	$ 18,325	$ 209,661	$ 454,009	$ 715,554

The City further maintains a 9.0% of General Fund expenditures' Budgeted Financial Reserve which was adopted by City Council. This Reserve is reviewed and adopted by City Council annually in the City's Budget Ordinance. Additions to the balance are considered annually as part of the City's overall budget adoption process and are contingent upon the General Fund's overall estimated expenditures and related funding.

The Reserve may be utilized to meet one of more of the following events upon subsequent adoption by the City Council.

- Unforeseen operational or capital requirements which arise during the course of the fiscal year;
- Unforeseen or extraordinary occurrence such as a natural disaster, catastrophic change in the City's financial position, or the occurrence of a similar event; or
- To assist the City in managing fluctuations in available General Fund resources from year to year in stabilizing the budget.

The balance within the Budgeted Financial Reserve as of September 30, 2012 was $85,328. This Reserve balance is presented in the General Fund under the unassigned fund balance classification. The City does not have a minimum fund balance policy.

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Year-Ended September 30, 2012 - 179 - Amounts are expressed in thousands

Note 16 Deficits in Fund Balances / Net Assets

Special Revenue Funds

As of September 30, 2012, deficit fund balances are reported in the American Recovery Reinvestment Act (ARRA) and the Community Development Program Fund in the amounts of $2,372 and $303 respectively. The deficit balance in ARRA was because funds were expended and met other eligibility criteria for revenue recognition, but were not received within 60 days of fiscal year-end and were deferred. The City anticipates this deficit to be remediated through collections in the next fiscal year. The deficit balance in the Community Development Program Fund is a result of utilizing grant monies for activities that were determined not to benefit the mission/purpose of the grant. The City has created an obligation to reimburse the grantor and incorporated this deficit into the fiscal year 2013 annual budget process which was funded in October 2012.

Capital Projects Funds

As of September 30, 2012, deficit fund balances are reported in the General Obligation Projects Fund, Certificates of Obligation Projects Fund, Improvement Projects, and Equipment Acquisition Fund in the amounts of $19,426, $6,525, $6,144 and $1,231 respectively. The deficit balances in these work effort funds are a result of a one year reimbursement clause allowing departments to spend up to one year in advance of debt obligations being sold and proceeds transferred in to fund the work efforts. Another contribution to this deficit is the timing of invoices billed to third party contributors. The deficits will be addressed by identifying the appropriate funding source and transferring funds from a debt authorization (when sold), operating funds, grants, and/or by billing and collecting contributions from third party contributors. The deficit fund balance in the Equipment Acquisition Fund is due to a timing difference of proceeds and their associated expenditures to be allocated to other Internal Service Funds which will be completed in 2013.

Internal Service Funds

As of September 30, 2012, the Insurance Reserve and Workers' Compensation Fund had deficit net assets of $1,587 and $292 respectively. The deficit balances were a result of actuarially determined accruals in fiscal year 2012 that were more than the amount considered in the annual Insurance Reserve and Workers' Compensation Fund assessments. The City will fund the deficits by revising the future assessments charged to various City funds over the course of the next five years.

As of September 30, 2012, a deficit fund balance was reported in CIMS in the amount of $4,257. The deficit in CIMS is due to the fund not including long-term liabilities (OPEB and Accrued Leave) in its assessments. Due to the fund's GASB Statement No. 54 reclassification, the long-term liabilities not previously recorded in the fund are now included, and resulted in a negative fund balance. Reevaluation of assessments, fees, and other funding sources will be reviewed to determine future capacity.

Note 17 Other Disclosures

Donor Restricted Endowment

The City has five Permanent Funds: the City Cemeteries Fund, the Carver Cultural Center Endowment Fund, the San Antonio Housing Trust Fund, the William C. Morris Endowment Fund, and the Boza Becica Endowment Fund. The City is only allowed to spend interest proceeds generated from the principal amount for each of these funds. The City's endowments' spending policy for authorizing and spending investment income is a total return policy. Income will include not only interest and dividends, but also include increase and/or decreases in the market value of the endowed assets, if applicable. Market value fluctuations are included as an integral part of investment returns. The net assets from these endowment funds are classified as restricted net assets and are reported in the government-wide financial statements.

The City Cemeteries Fund generated $11 in investment earnings to be expended for specified purposes. Chapter 713 of the Texas Health and Safety Code governs what expenditures the City may incur when spending the interest income. Per Chapter 713, the revenue can be spent for the maintenance and care of the graves, lots, and burial places, and to beautify the entire cemetery. The principal amount of this fund is increased each year by sales of lots from the San Jose Cemetery. The principal is required to be retained in perpetuity.

The Carver Cultural Center Endowment Fund generated $1 in investment earnings. These earnings can be used for the Carver Community Cultural Center's operating program, or reinvestment expenses (as detailed in the grant agreement). This fund is managed in accordance with the Uniform Prudent Management of Institutional Funds Act, which is codified as Section 163.001 in the Texas Property Code. The principal portion of the fund came from a one-time grant from the National Endowment for the Arts.

The San Antonio Housing Trust Fund generated $77 in investment earnings. These earnings may be disbursed to projects with particular emphasis on housing programs as grants or secured loans. All distributions or disbursements of San Antonio Housing Trust shall be made for the primary purpose of providing additional and continuing housing opportunities for low and moderate income families. This trust shall at all times be governed, regulated, and administered in all respects under the laws of the State of Texas.

The William C. Morris Endowment Fund generated $2 in investment earnings. These earnings are used on an annual basis to enhance the City Library's Educational Programming and Services for Children. The earnings of the funds will be expended in accordance with the spending policy of the Library's board of directors or trustees.

The Boza Becica Endowment Fund generated $2 in investment earnings. These earnings will be used for the acquisition of books and materials for the San Antonio Public Library in accordance with the terms and conditions of the Last Will and Testament of Boza Becica. The principal is required to be retained in perpetuity.

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Note 18 Prior Period Restatement

The City was unable to obtain fiscal year 2011 financial statements for the EDC, HPARC, and the HTPFC, which are presented in the nonmajor special revenue funds – blended component units. In order to reflect the proper beginning fund balances with the receipt of financials in fiscal year 2012, the City restated an increase in the beginning fund balances in the amounts of $348, $238, and $126, respectively.

A net OPEB obligation deriving from the Fire and Police Retiree Health Care Fund had not been recorded in the City's government-wide liabilities prior to fiscal year 2012, even though an obligation was disclosed in the footnotes. During the current fiscal year, the City decreased beginning net assets in the amount of $33,269 to reflect this liability.

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Note 19 Subsequent Events

Primary Government (City)

Long-Term Debt

On October 11, 2012, a new component unit of the City, TPFC issued $550,374 in Public Facilities Corporation Improvement and Refunding Lease Revenue Bonds, Series 2012 (Convention Center Refinancing and Expansion Project). The Bonds were issued for the purpose of providing proceeds to (i) refund all outstanding City indebtedness issued to finance or refinance the Existing Convention Center, (ii) finance the City's acquisition, construction, and equipping of the Convention Center Expansion Project, (iii) pay capitalized interest on the current interest bonds, and (iv) pay the cost of issuing the Bonds. The Bonds have maturities ranging from 2017 to 2042, with interest rates ranging from 3.0% to 5.1%. Coinciding with TPFC's Bond issuance, the City entered into a long term lease agreement with TPFC to pay the principal and interest associated with TPFC's debt.

Pre-K 4 San Antonio

On November 6, 2012 San Antonio residents approved the 1/8 cent sales tax increase that will support the Pre-K 4 SA initiative. The Pre-K 4 SA Initiative would utilize revenue generated by a 1/8 cent sales tax and other state and federal dollars to provide high quality, full-day Pre-K for eligible four-year-olds in San Antonio. The sales tax increase will take effect on April 1, 2013 and last for the next eight years. With the approval of this 1/8 cent sales tax, the City has reached its maximum sales tax limit of 8.25% as authorized by state law.

Fire and Police Pension Fund

The Pension Fund had their actuarial study as of October 1, 2012 completed and issued in January 2013. The results of the study include a decrease in the Fund's Unfunded Actuarially Accrued Liability (UAAL) from $242,741 as of October 1, 2011 to $214,677. The years to amortize the UAAL remained at 7.1 years as a level percent of payroll.

As is the case with most public pension plans, the Pension Fund has incurred substantial investment losses due to financial market conditions. The actuarial valuation includes a smoothed market approach for the value of assets which provides for asset gains or losses to be smoothed over a five-year period. Smoothing of the Pension Fund's investment returns as of September 30, 2012 resulted in the deferral of $219,586 in investment losses. These investment losses will be recognized in future year's actuarial valuations to the extent they are not offset by recognition of investment gains above the Fund's assumed investment return of 7.5% or other actuarial gains.

Contribution rates for the members of the Pension Plan and the City are established under Texas state statutes and do not change with the results of the annual actuarial valuations. Staff of the Pension Fund and the City will continue to monitor the situation closely. Please see Note 8 Pension and Retirement Plans for more information on the Fire and Police Pension Plan.

Note 19 Subsequent Events (Continued)

Primary Government (City) (Continued)

Fire and Police Retiree Health Care Fund

The Fire and Police Retiree Health Care Fund had its actuarial study as of October 1, 2012 completed in February 2013. The results of the study include an increase in the Fund's Unfunded Actuarially Accrued Liability (UAAL) from $403,614 as of October 1, 2011 to $413,707. In order to maintain an amortization of the UAAL over a period of 30 years, contribution and benefit rates would have to increase beyond those currently included in the Fund's governing statue. However, these contribution and benefit rates would only be required to be implemented if the amortization period of the UAAL exceeds 30 years with the actuarial valuation to be conducted in 2017.

CPS Energy

Depreciation Study

In fiscal year 2013, CPS Energy engaged an independent third-party consulting firm to conduct a depreciation study, which is performed every five years. The new depreciation rates resulting from the study will be effective for fiscal year 2013.

Rio Nogales Plant Purchase

In the first quarter of fiscal year 2013, $521,000 taxable senior lien bonds were issued to purchase the Rio Nogales combined-cycle natural gas electric generating plant in Seguin, Texas. The 800-megawatt ("MW") plant is being utilized to provide a portion of its power to a third party that has executed a multiyear agreement for an option to call on power from the plant, with the remaining power available for CPS Energy to utilize to meet its commitments or to sell into the Electric Reliability Council of Texas ("ERCOT") market. Rio Nogales will provide generation capacity that would not otherwise be available once J.T. Deely Units 1 and 2 are mothballed. As part of the acquisition, CPS Energy entered into a Tax Exemption Settlement Agreement in which CPS Energy agreed to pay $25,504 to certain parties to compromise, terminate claims and settle any disputes relating to exemption of ad valorem taxes involving the parties to this agreement. This amount will be amortized over the life of the agreement, which runs through December 2041.

Solar Prepayments

In November 2011, a contract was entered into with SunEdison, which converted CPS Energy's power purchase agreements to a prepaid agreement for 30 MW of solar energy from three facilities in the San Antonio area. In fiscal year 2013, $77,025 in prepayments were made for approximately 60.0% of the anticipated annual output over a period of 25 years. The purchase of the balance of the output will be on a pay-as-you-go basis. As part of the agreement, CPS Energy has the right to purchase the facilities six years after commercial operation commences.

Note 19 Subsequent Events (Continued)

CPS Energy (Continued)

Long-Term Debt

On March 29, 2012, CPS Energy issued $521,000 of taxable New Series 2012 Revenue Bonds. The true interest cost for this issue, which has maturities in 2026 through 2030 and in 2042, is 4.4%. Bond proceeds were primarily used to fund the purchase of the Rio Nogales natural gas combined-cycle power plant.

On June 28, 2012, CPS Energy issued $655,370 of New Series 2012 Revenue Refunding Bonds. Proceeds, including the premium associated with the bonds, were used to refund $716,305 par value of the 2005A Revenue Refunding Bonds, 2005 Revenue Bonds and the majority of the 2006A Revenue Bonds. This refunding transaction resulted in a net present value debt service savings of $68,435 or 9.6% of the par amount of the bonds refunded. The true interest cost for this issue, which consists of serial bonds with maturities in 2021 through 2025, is 2.6%.

On November 29, 2012, CPS Energy issued a total of $143,645 of Series 2012A, Series 2012B and Series 2012C Variable Rate Junior Lien Revenue Refunding Bonds. Proceeds, including the premium associated with the bonds, were used to refund $147,615 par value of the 2004 Variable Rate Demand Obligations. This refunding transaction resulted in a net present value debt service savings of $1,968 or 1.3% of the par amount of the bonds being refunded. The bonds have maturities in 2024 through 2027. The coupon rate for these bonds is 2.0%, with current yields of 0.6%, 0.8%, and 1.0% for the Series 2012A, Series 2012B and 2012C bonds, respectively. These bonds will be remarketed in two, three and four years, respectively, and at that time will likely reset at different rates of interest.

Commercial Paper

The commercial paper has been classified as long-term in accordance with the refinancing terms under three revolving credit agreements with a consortium of banks, which supports the commercial paper. Under the terms of these revolving credit agreements, which are effective from October 17, 2012, through December 31, 2014, CPS Energy may borrow up to an aggregate amount not to exceed $450,000 for the purpose of paying principal due under the commercial paper program. There have been no borrowings under the agreement since inception.

San Antonio Water System (SAWS)

Long-Term Debt

On February 29, 2012, SAWS issued $225,255 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012. The proceeds from the sale of the bonds were used to (i) refund $265,885 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2002 (the “Series 2002 Bond”), and (ii) pay the cost of issuance. The refunding of the Series 2002 reduced total debt service payments over the next seventeen years by approximately $71,000 and resulted in an economic gain of approximately $56,400.

Note 19 Subsequent Events (Continued)

San Antonio Water System (SAWS) (Continued)

Long-Term Debt (Continued)

On April 11, 2012, SAWS issued $31,890 City of San Antonio, Texas Water System Junior Lien Revenue Refunding Bonds, Series 2012 (No Reserve). The proceeds from the sale of the bonds were used to (i) refund the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2001, the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2001-A, the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2002, and the City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2002-A, (together the "Refunded Bonds") and (ii) pay the cost of issuance. The refunding of the Refunded Bonds reduced total debt service payments over the next eleven years by approximately $3,400 and resulted in an economic gain of approximately $3,000.

On August 28, 2012, SAWS issued $19,630 City of San Antonio, Texas Water System Junior Lien Revenue Bonds, Series 2012 through the Texas Water Development Board. The bonds were sold under the State Revolving Fund (SRF) Program. The proceeds from the sale of the bonds were used to (i) finance capital improvement projects which qualify under the Texas Water Development Board program, and (ii) pay the cost of issuance. The bonds are secured together with other currently outstanding Junior Lien Obligations solely by a lien on a pledge of net revenues and are subordinate to outstanding Senior Lien Obligations.

On October 2, 2012, SAWS issued $163,435 City of San Antonio, Texas Water System Revenue Refunding Bonds, Series 2012A. The proceeds from the sale of the bonds were used to (i) refund $175,000 in outstanding commercial paper notes, and (ii) pay the cost of issuance. The bonds are secured together with other currently outstanding Senior Lien Obligations solely by a lien on a pledge of net revenues.

Other

On March 7, 2012, SAWS contributed $12,000 to the San Antonio Water System Retiree Health Trust (OPEB Trust). The OPEB Trust was established under the provisions of the Internal Revenue Code of 1986 Section 115. Funds in the OPEB Trust must be used for the exclusive purpose of providing benefits to eligible retirees and their dependents. SAWS intends to make subsequent annual contributions to the OPEB Trust in accordance with a plan that results in fully funding the actuarially determined annual required contributions for the OPEB Plan over a period of time.

BexarMet

On January 28, 2012 SAWS assumed the operational control and management of the Bexar Metropolitan Water District (BexarMet). BexarMet was created by the 49th Texas Legislature in 1945, to serve anticipated growth in Bexar County. From an initial account base of 4,765 primarily residential accounts, it grew to more than 92,000 residential and commercial accounts served in 2011. Over the past few years, repeated customer complaints about inadequate service, alleged mismanagement, and excessive rates resulted in the passage of Senate Bill 341 (SB 341) by the Texas Legislature in May 2011. The primary component of SB 341 required the conduct of an election (Election) by BexarMet ratepayers to vote on the dissolution of BexarMet and consolidation with SAWS. The Election was held on November 8, 2011 and the BexarMet ratepayers voted in favor of dissolution. The last prerequisite to the assumption of operational control and management of BexarMet by SAWS was preclearance of the Election results by the United States Department of Justice, which was received on January 27, 2012.

Note 19 Subsequent Events (Continued)

San Antonio Water System (SAWS) (Continued)

BexarMet (Continued)

SAWS, acting by and through the City has taken action to accommodate the assumption of BexarMet in accordance with the requirements and specifications of SB 341. On October 20, 2011, the City Council adopted an ordinance creating a "special project", as authorized by SB 341 and pursuant to SAWS senior lien bond ordinances, where the assumed BexarMet will be treated as a component unit of the City of San Antonio, to be known as the San Antonio Water System District Special Project (SAWS DSP). In accordance with this ordinance, SAWS DSP will not materially and adversely interfere with the operation of SAWS but will be fully integrated into SAWS' system no later than 2017 as specified by SB 341.

On March 8, 2012, the City Council, acting by and through SAWS, as legal successor to BexarMet, adopted a resolution electing to exercise its right to purchase the water treatment plant operated by the Bexar Metropolitan Development Corporation (the "Corporation") and leased to BexarMet, and in connection with the purchase, exercise its right to redeem the Bexar Metropolitan Development Corporation Water Facility Contract Revenue Bonds, Series 1998 (the "Corporation Bonds"), effective August 6, 2012. Upon the completion of the purchase of the water treatment plant by the City, through SAWS, and the redemption of the Corporation Bonds, the purpose of the Corporation was fulfilled, and the Corporation was officially dissolved on October 12, 2012.

Upon SAWS' assumption of BexarMet, SAWS DSP assumed responsibility for all contracts to which BexarMet was a party. These contracts include two long-term water supply agreements with Water Exploration Company, Ltd. (WECO). These agreements collectively called for the production and sale of up to 17,543 acre-feet of groundwater by WECO to BexarMet on a take or pay basis from the Trinity Aquifer in northern Bexar County. SAWS DSP stopped accepting water under the agreements on January 27, 2012. One of the agreements was renegotiated and approved by the Board on July 10, 2012. The other agreement was terminated by mutual agreement of both SAWS and WECO. The new agreement has a term of 15 years, with two optional 5 year extensions. The purchase obligation is limited to 3,750 acre-feet during first twelve months of agreement. As of July 1, 2013 SAWS is obligated to purchase up to 17,000 acre-feet per year in monthly increments not to exceed 1,417 acre-feet if water is available to be produced. SAWS only pays for delivered water meeting all state and federal drinking water standards. Pumping by WECO may not reduce the Trinity Aquifer below 600 feet Mean Sea Level at test wells on tracts. Unit cost of raw water to SAWS is $685 per acre-foot for the first eighteen months and $880 per acre-foot beginning in 2014. The cost will escalate annually thereafter by the greater of two percent or the percentage increase in the Producer Price Index for Commodities Finished Goods.

Required Supplementary Information

Budgetary Comparison Schedule
General Fund
Year-Ended September 30, 2012
(In Thousands)

	2012			
	BUDGETED AMOUNTS		BUDGETARY BASIS	VARIANCE WITH
	ORIGINAL	FINAL	ACTUAL	FINAL BUDGET
Resources (Inflows):				
Taxes	$ 479,178	$ 490,786	$ 500,679	$ 9,893
Licenses and Permits	8,080	8,306	8,469	163
Intergovernmental	6,629	5,685	7,997	2,312
Revenues from Utilities	299,769	300,511	299,306	(1,205)
Charges for Services	47,700	48,055	47,960	(95)
Fines and Forfeits	14,430	13,931	14,401	470
Miscellaneous	12,348	13,226	18,044	4,818
Investment Earnings	1,639	988	1,306	318
Transfers from Other Funds	34,018	18,410	18,877	467
Amounts Available for Appropriation	903,791	899,898	917,039	17,141
Charges to Appropriations (Outflows):				
General Government	100,378	94,625	96,609	(1,984)
Public Safety	542,110	543,672	540,123	3,549
Public Works	39,761	43,937	43,711	226
Health Services	76,311	77,476	78,718	(1,242)
Sanitation	3,314	3,251	3,311	(60)
Welfare	42,822	44,837	41,857	2,980
Culture and Recreation	82,303	84,205	83,644	561
Economic Development and Opportunity	4,486	14,353	16,142	(1,789)
Transfers to Other Funds	76,184	64,636	62,662	1,974
Total Charges to Appropriations:	967,669	970,992	966,777	4,215
Surplus (Deficiency) of Resources Over (Under) Charges to Appropriations	(63,878)	(71,094)	(49,738)	(21,356)
Fund Balance Allocation	63,878	71,094	49,738	21,356
Excess (Deficiency) of Resources Over (Under) Charges to Appropriations	$ -	$ -	$ -	$ -

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	$ 917,039
Differences - budget to GAAP:	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(18,877)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 898,162
Uses/Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	$ 966,777
Differences - budget to GAAP:	
Encumbrances for supplies, equipment, and services ordered but not received are reported in the year the orders are placed for budgetary purposes, but in the year the supplies, equipment and services are received for financial reporting purposes	(18,537)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(62,662)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 885,578

General Fund Budgetary Information

The City Charter establishes requirements for the adoption of budgets and budgetary control. Under provisions of the Charter, expenditures of each City function and activity within individual funds cannot legally exceed the final budget approved by the City Council. Amendments to line items within a departmental budget may be initiated by Department Directors.

The City's prepares an annual budget for the General Fund on a modified accrual basis which is consistent with generally accepted accounting principles. The annual budgetary data reported for the General Fund represents the original appropriation ordinance and amendments thereto as adopted by the City Council, adjusted for encumbrances outstanding at the beginning of the fiscal year. All annual appropriations lapse at fiscal year-end.

The City noted budget violations within General Government, Health Services, Sanitation, and Economic Development and Opportunity. However, as sufficient fund balances covered individual functional excesses these were not deemed to be material violations.

(unaudited - see accompanying auditors' report)

Pension and Post-employment Schedules

Required Supplementary Information - (Unaudited)
Pension Schedules
Schedules of Funding Progress
Last Three Fiscal Years
(In Thousands)

FIRE AND POLICE PENSION PLAN - CITY OF SAN ANTONIO

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
10-01-11	$ 2,330,520	$ 2,573,262	$ 242,742	90.6%	$ 286,327	84.8%
10-01-10	2,250,549	2,481,624	231,075	90.7%	271,533	85.1%
10-01-09	2,166,924	2,442,620	275,696	88.7%	269,359	102.4%

TEXAS MUNICIPAL RETIREMENT SYSTEM - CITY OF SAN ANTONIO

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12-31-11	$ 1,031,749	$ 1,126,876	$ 95,127	91.6%	$ 264,088	36.0%
12-31-10	973,554	1,073,980	100,426	90.6%	259,455	38.7%
12-31-09	515,884	712,223	196,339	72.4%	259,835	75.6%

CPS ENERGY - ALL EMPLOYEE PLAN

ACTUARIAL VALUATION DATE[1]	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-10	$ 1,097,147	$ 1,243,118	$ 145,971	88.3%	$ 228,525	63.9%
01-01-09	1,067,841	1,183,961	116,120	90.2%	227,427	52.2%
02-01-09	1,145,029	1,169,302	24,273	97.9%	219,716	11.0%

[1] Beginning with the 2008 Plan year, the cost method was revised to project January 1 data to February 1 of the next calendar year based on assumptions. The cost method was revised for the 2010 Plan year to eliminate the 13-month projection from January 1 to February 1 of the succeeding year. Instead, the January 1 valuation results were used to determine the contributions for the fiscal year commencing in the succeeding calendar year.

(unaudited - see accompanying auditors' report)

Required Supplementary Information - (Unaudited)
Pension Schedules
Schedules of Funding Progress
Last Three Fiscal Years
(In Thousands)

SAN ANTONIO WATER SYSTEM - TMRS

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
12-31-11	$ 125,424	$ 149,640	$ 24,216	83.8%	$ 84,611	28.6%
12-31-10	116,123	140,565	24,442	82.6%	83,660	29.2%
12-31-09	68,756	107,311	38,555	64.1%	81,821	47.1%

SAN ANTONIO WATER SYSTEM - SAWSRP

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-11	$ 90,496	$ 144,552	$ 54,056	62.6%	$ 85,394	63.3%
01-01-11	83,320	128,700	45,380	64.7%	83,505	54.3%
01-01-10	77,365	112,263	34,898	68.9%	82,923	42.1%

(unaudited - see accompanying auditors' report)

Required Supplementary Information - (Unaudited)
Postemployment Schedules
Schedules of Funding Progress
Last Three Fiscal Years
(In Thousands)

CPS ENERGY - HEALTH PLAN

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL) [1]	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
02-01-10	$ 209,894	$ 219,929	$ 10,035	95.4%	$ 228,525	4.4%
02-01-09	199,195	198,286	(909)	100.5%	222,427	(0.4)%
02-01-09	204,246	219,364	15,118	93.1%	219,716	6.9%

CPS ENERGY - DISABILITY PLAN

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) [2]	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
02-01-10	$ 3,902	$ 6,567	$ 2,665	59.4%	$ 200,649	1.3%
02-01-09	3,631	6,945	3,314	52.3%	200,342	1.7%
02-01-09	3,763	6,575	2,812	57.2%	198,669	1.4%

CPS ENERGY - LIFE PLAN

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) [2]	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
02-01-10	$ 47,092	$ 37,266	$ (9,826)	126.4%	$ 200,649	(4.9)%
02-01-09	46,815	36,091	(10,724)	129.7%	200,342	(5.4)%
02-01-09	49,614	35,491	(14,123)	139.8%	198,669	(7.1)%

[1] The AAL consisted of the liability for both retired employees and active employees. The AAL for retired employees was $90,700 for February 1, 2010, and $87,900 for February 1, 2009.

[2] CPS Energy has selected the aggregate cost method for determining Disability and Life Plans' funding amounts. Since this method does not identify or separately amortize unfunded actuarial liabilities, information about the funded status and funding progress has been prepared using the entry age actuarial cost method, which approximates the funding progress of the Plan.

(unaudited - see accompanying auditors' report)

Required Supplementary Information - (Unaudited)
Postemployment Schedules
Schedules of Funding Progress
Last Three Fiscal Years
(In Thousands)

CITY OF SAN ANTONIO RETIREE HEALTH BENEFITS FUND

ACTUARIAL VALUATION DATE [1]	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-11	$ -	$ 324,516	$ 324,516	0.0%	$ 276,095	117.5%
01-01-09		342,018	342,018	0.0%	259,224	131.9%
01-01-06		258,428	258,428	0.0%	231,262	111.7%

FIRE AND POLICE RETIREE HEALTH CARE FUND

ACTUARIAL VALUATION DATE	ACTUARIAL VALUE OF ASSETS	ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
10-01-11	$ 236,239	$ 639,853	$ 403,614	36.9%	$ 259,797	155.4%
10-01-10	219,404	606,861	387,457	36.2%	255,010	151.9%
10-01-09	200,329	549,466	349,137	36.5%	236,372	147.7%

SAN ANTONIO WATER SYSTEM - OPEB PLAN

ACTUARIAL VALUATION DATE [2]	ACTUARIAL VALUE OF ASSETS	ENTRY AGE ACTUARIAL ACCRUED LIABILITY (AAL)	UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL)	FUNDED RATIO	COVERED PAYROLL	UAAL AS A PERCENTAGE OF COVERED PAYROLL
01-01-11	$ -	$ 242,388	$ 242,388	0.0%	$ 83,505	290.3%
01-01-09		297,259	297,259	0.0%	75,270	394.9%
01-01-07		200,083	200,083	0.0%	69,288	288.8%

[1] City will perform actuarial studies bi-annually and review annually assumptions and changes in plan design to compute OPEB liability for the Retiree Health Benefits Fund.

[2] SAWS will perform actuarial studies bi-annually and review annually assumptions and changes in plan design to compute OPEB liability.

(unaudited - see accompanying auditors' report)

Combining Financial Statements

Nonmajor Governmental Funds

Special Revenue Funds

GRANTS

AMERICAN RECOVERY REINVESTMENT ACT – to accept, receipt, and disburse federal funds designated as part of the American Recovery Reinvestment Act.

COMMUNITY DEVELOPMENT PROGRAM – to accept, receipt and disburse federal funds designated for Community Development Block Grants' Programs.

CONFISCATED PROPERTY – to account for receipts and disbursement of funds confiscated by law enforcement officers within the City of San Antonio, Texas.

HOME PROGRAM – to accept, receipt and disburse federal funds designated for HOME Investment Partnership Programs.

HUD 108 LOAN PROGRAM – to accept, receipt and disburse federal funds designed to finance various HUD eligible capital improvements within the City.

OTHER SPECIAL REVENUES

ADVANCED TRANSPORATION DISTRICT – to account for revenues and expenditures associated with the administration and project delivery of the Advanced Transportation District Program (ATD).

COMMUNITY AND VISITOR FACILITIES – to account for revenues and expenditures generated from Convention and Tourism activities relating to the promotion of City of San Antonio owned facilities to be used for conventions, community and entertainment venues.

COMMUNITY SERVICES – to account for funds that provide various services to the community, such as health, housing, education, safety, employment, golfing, and economic development.

HOTEL/MOTEL 2% REVENUE – to account for funds derived from and capital improvement activity relating to the additional 2.0% Municipal Hotel/Motel Occupancy Tax.

PARKS DEVELOPMENT AND EXPANSION – to account for the additional ⅛ cent sales tax that funds the purchase and maintenance of new parkland in the Edwards Aquifer Recharge Zones, as well as linear parks along Leon Creek and Salado Creek.

RIGHT OF WAYS – to account for funds used in the maintenance and improvement of right of ways. Financing is provided by street resurfacing charges.

STORMWATER OPERATIONS – to account for the administrative and operational activities of the Stormwater Program. Financing is provided by a storm water fee.

TAX INCREMENT REINVESTMENT ZONE – to account for all revenues and expenditures associated with the operations of Tax Increment Reinvestment Zones (TIRZ) and the Tax Increment Financing Fund (TIF).

BLENDED COMPONENT UNITS

CONVENTION CENTER HOTEL FINANCE CORPORATION – was established in accordance with state laws for the purpose of, and to act on behalf of the City in local economic development to stimulate business and commercial activity in the City.

SAN ANTONIO EDUCATION FACILITIES CORPORATION – was established in accordance with state laws for the purpose of aiding nonprofit institutions of higher education in providing educational, housing, and other related facilities.

SAN ANTONIO HEALTH FACILITIES DEVELOPMENT CORPORATION – was established in accordance with state laws for the purpose of acquiring, constructing, improving, providing, financing, and refinancing for any real, personal, or mixed property for health care, research, and education and to assist in the maintenance of the public health.

Nonmajor Governmental Funds

Special Revenue Funds

BLENDED COMPONENT UNITS

SAN ANTONIO HOUSING TRUST FINANCE CORPORATION – was established in accordance with state laws for the purpose of acting on behalf of the City, to carry out the purposes of the Texas Housing Finance Corporations Act.

SAN ANTONIO INDUSTRIAL DEVELOPMENT AUTHORITY – was established in accordance with state laws for the purpose of furthering the promotion and development of commercial, industrial, and manufacturing enterprises to promote and encourage employment and the public welfare.

SAN ANTONIO PUBLIC LIBRARY FOUNDATION – was established to bring back the important role of the private sector in helping to enhance library resources and services.

SAN ANTONIO TEXAS MUNICIPAL FACILITIES CORPORATION – to account for the financing for the acquisition and construction of a One Stop Development Services Center and a Fire and Police Emergency Dispatch Center, also known as the Public Safety Answering Point (PSAP) facility, for the City of San Antonio, Texas. Financing was derived from the sale of City of San Antonio, Texas Municipal Facilities Corporation Lease Revenue Bonds.

STARBRIGHT INDUSTRIAL DEVELOPMENT CORPORATION – to account for the purchase of the project site for the Toyota plant and finance other costs of the project site including site preparation and a training facility as provided in the Project Starbright Agreement. Financing was derived from the prior sale of City of San Antonio, Texas Starbright Industrial Development Corporation Contract Revenue Bonds.

SAN ANTONIO ECONOMIC DEVELOPMENT CORPORATION – was established in accordance with state laws for the purpose of aiding nonprofit institutions of higher education in providing educational, housing, and other related facilities.

SAN ANTONIO HOUSING TRUST PUBLIC FACILITY CORPORATION – was established to assist the City in financing, refinancing, or providing public facilities. The Corporation was to provide a tool to develop affordable housing.

HEMISFAIR PARK AREA REDEVELOPMENT CORPORATION – was established by the City of San Antonio, as a component unit, in August 2009 for the purpose of aiding and acting on behalf of the City to accomplish certain governmental purposes of the City, that including assistance with acquiring property, planning, developing, constructing, managing, maintaining, and financing projects within Hemisfair and adjacent to or near Hemisfair.

Capital Projects Funds

GENERAL OBLIGATION BONDS

GENERAL OBLIGATION BONDS – to account for financial resources to be used for the acquisition or construction of major capital facilities, such as drainage and library improvements, excluding those financed by proprietary-type funds and trust funds. Financing is derived by the sale of General Obligation Bonds.

PRE-1999 GENERAL OBLIGATION BONDS – consist of six bond elections from 1980 to 1994 held on January 26, 1980, April 2, 1983, April 6, 1985, November 3, 1987, May 6, 1989, and May 7, 1994, respectively, for development and improvement projects. These six bond elections covered projects within seven areas: libraries, fire protection, crime prevention, parks, San Antonio River flood control, drainage and flood control, and street, bridge and related improvements.

Nonmajor Governmental Funds

Capital Projects Funds

GENERAL OBLIGATION BONDS

1999 GENERAL OBLIGATION BONDS – a bond election held on May 1, 1999 approved $140.2 million in physical infrastructure development and improvement projects. These projects were within six areas: streets and pedestrian, drainage improvements, flood control with park improvements, parks and recreation, library system and public safety.

2003 GENERAL OBLIGATION BONDS – a bond election held on November 4, 2003 approved $115.0 million in physical infrastructure development and improvement projects. These projects were within five areas: streets and pedestrian, drainage improvements, library improvements, parks and recreation and public safety.

2012 GENERAL OBLIGATION BONDS – a bond election held on May 13, 2012 approved $596.0 million in physical infrastructure development and improvement projects. These projects were within five areas: streets and pedestrian, drainage improvements, library improvements, parks and recreation and public safety.

GENERAL OBLIGATION PROJECTS FUND – to account for the acquisition or construction of major capital facilities such as streets, drainage, library and park improvements, where funding is primarily derived from the sale of General Obligation Bonds.

CERTIFICATES OF OBLIGATION

CERTIFICATES OF OBLIGATION – to account for permanent public improvements and/or construction of municipal facilities, streets, drainage, and emergency fire protection projects. Financing is derived from the sale of Certificates of Obligation.

PRE-2006 CERTIFICATES OF OBLIGATION – consists of Certificates of Obligation sold between the years of 1985 to 2005 for construction of municipal facilities, library, streets, drainage, parks, police, and emergency fire protection projects.

2006 CERTIFICATES OF OBLIGATION – consists of Certificates of Obligation sold in 2006 for construction of municipal facilities, library, streets, drainage, parks, police, and emergency fire protection projects.

2007 CERTIFICATES OF OBLIGATION – consists of Certificates of Obligation sold in 2007 for construction of municipal facilities, library, streets, drainage, parks, police, and emergency fire protection projects.

2008 CERTIFICATES OF OBLIGATION – consists of Certificates of Obligation sold in 2008 for construction of municipal facilities, library, streets, drainage, parks, police and emergency fire protection projects.

2010 CERTIFICATES OF OBLIGATION – consists of Certificates of Obligation sold in 2010 for construction of municipal facilities, library, streets, drainage, parks, police and emergency fire protection projects.

2011 CERTIFICATES OF OBLIGATION – consists of Certificates of Obligation sold in 2011 for construction of municipal facilities, library, streets, drainage, parks, police and emergency fire protection projects.

2012 CERTIFICATES OF OBLIGATION – consists of Certificates of Obligation sold in 2012 for construction of municipal facilities, library, streets, drainage, parks, police and emergency fire protection projects.

CERTIFICATES OF OBLIGATION PROJECTS FUND – to account for the acquisition or construction of major capital facilities such as streets, drainage, library and park improvements, where funding is primarily derived from the sale of Certificates of Obligation.

Nonmajor Governmental Funds

Capital Projects Funds

OTHER CAPITAL PROJECTS

CONVENTION CENTER EXPANSION – to account for financial resources to be used in the Convention Center Expansion Project. Financing is derived from a 2.0% Hotel/Motel tax, and proceeds from the sale of debt.

EDWARDS AQUIFER PROTECTION VENUE – to account for the acquisition and development of land in the Edwards Aquifer Recharge Zones. Financing is derived from a 1/8 cent sales tax approved by voters on May 7, 2007 and a portion from the sale of sales tax revenue commercial paper notes.

EQUIPMENT ACQUISITION – to account for the financing of large or bulk capital assets for the City to include a mainframe computer, fire trucks, police video equipment, various medical emergency services equipment, etc.

IMPROVEMENT PROJECTS – to account for special capital improvements designated by City Council. Financing is derived from contributions from other funds.

MUNICIPAL DRAINAGE UTILITY SYSTEM – to account for financial resources to be used to finance the costs of drainage improvements, including the acquisition, construction and repair of structures, equipment and facilities for the City's Municipal Drainage Utility System. Financing is derived from the prior sale of City of San Antonio, Texas Municipal Drainage Utility System Revenue Bonds.

PARKS DEVELOPMENT AND EXPANSION – to account for the acquisition and development of new parkland in the Edwards Aquifer Recharge Zones, as well as linear parks along Leon Creek and Salado Creek. Financing is derived from a 1/8 cent sales tax approved by voters on May 6, 2000, extended by voters on May 7, 2005, again on November 2, 2010, and a portion from the prior sale of sales tax revenue commercial paper notes.

RESIDUAL CAPITAL PROJECTS – to account for residual investment earnings generated from Pre-1999 General Obligation Bonds and Pre-2006 Certificates of Obligation project fundings. These residual earnings were primarily used for the debt service of the 2009 Tax Notes, and to fund specific municipal facilities and street projects.

TAX NOTES – to account for capital projects where funding is derived from the sale of short-term notes.

Permanent Funds

CARVER CULTURAL CENTER ENDOWMENT – to account for matching funds held by the City of San Antonio and grant funds previously awarded by the National Endowment for the Arts.

SAN ANTONIO HOUSING TRUST – to account for funds utilized in programs administered by the San Antonio Housing Trust Foundation. Financing is provided from investment earnings that were designated from the sale of Roger's Cable System.

CITY CEMETERIES – to account for operation of the City's burial park. Financing for operations is provided by user fees and investment earnings. The principal portion is required to be retained in the Fund's Corpus.

WILLIAM C. MORRIS ENDOWMENT – to account for funds donated to the City of San Antonio by the estate of William C. Morris for the purpose of developing and sustaining the San Antonio Public Library's programs for children.

BOZA BECICA ENDOWMENT – to account for funds donated to the City of San Antonio by the estate of Boza Becica for the purpose of developing and sustaining the San Antonio Public Library's material purchases.

Combining Balance Sheet
Nonmajor Governmental Funds
As of September 30, 2012
(In Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Assets:				
Cash and Cash Equivalents	$ 8,963	$ 3,493	$ -	$ 12,456
Securities Lending Collateral	2,084	1,534		3,618
Investments	49,429	34,848		84,277
Receivables, net	7,515	39		7,554
Materials and Supplies, at Cost	134			134
Deposits	75			75
Due From:				
Other Funds	2,302			2,302
Other Governmental Agencies, Net	8,228			8,228
Restricted Assets:				
Cash and Cash Equivalents	40,182	28,241	806	69,229
Securities Lending Collateral	5,353	7,884	150	13,387
Investments	136,711	183,501	13,845	334,057
Receivables, net	54,186	5,831	63	60,080
Materials and Supplies, at Cost	679			679
Deposits	1			1
Prepaid Expenditures	10	31		41
Due From:				
Other Funds	1,249	7,967		9,216
Other Governmental Agencies, Net	32	8,108		8,140
Total Assets	$ 317,133	$ 281,477	$ 14,864	$ 613,474
Liabilities and Fund Balances:				
Liabilities:				
Vouchers Payable	$ 2,946	$ -	$ -	$ 2,946
Accounts Payable - Other	4,052			4,052
Accrued Payroll	468			468
Accrued Leave Payable	198			198
Deferred Revenue	7,585			7,585
Securities Lending Obligation	2,084	1,534		3,618
Due To:				
Other Funds	61			61
Restricted Liabilities:				
Vouchers Payable	2,544	23,835	13	26,392
Accounts Payable - Other	7,031	18,026		25,057
Accrued Payroll	385			385
Accrued Leave Payable	92			92
Deferred Revenue	53,842	3,938		57,780
Securities Lending Obligation	5,353	7,884	150	13,387
Amounts Held in Trust	2,429			2,429
Due To:				
Other Funds	13,516	22,549		36,065
Other Governmental Agencies	2,168			2,168
Total Liabilities	104,754	77,766	163	182,683
Fund Balances:				
Nonspendable	899	31	3,641	4,571
Restricted	174,039	198,776		372,815
Committed	38,974	38,230		77,204
Assigned	1,143		11,187	12,330
Unassigned	(2,676)	(33,326)	(127)	(36,129)
Total Fund Balances	212,379	203,711	14,701	430,791
Total Liabilities and Fund Balances	$ 317,133	$ 281,477	$ 14,864	$ 613,474

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
Year-Ended September 30, 2012
(In Thousands)

	SPECIAL REVENUE FUNDS	CAPITAL PROJECTS FUNDS	PERMANENT FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:				
Taxes:				
Property	$ 8,636	$ -	$ -	$ 8,636
General Sales and Use	40,278			40,278
Gross Receipts Business	2,890			2,890
Occupancy	67,937			67,937
Penalties and Interest on Delinquent Taxes	162			162
Intergovernmental	57,251	32,455		89,706
Charges for Services	74,107		162	74,269
Fines and Forfeits	406			406
Miscellaneous	15,746	5,877	128	21,751
Investment Earnings	1,076	967	93	2,136
Contributions	107,187	3,400		110,587
Total Revenues	375,676	42,699	383	418,758
Expenditures:				
Current:				
General Government	8,452	6,252		14,704
Public Safety	20,943	331		21,274
Public Works	35,546			35,546
Health Services	4,322			4,322
Sanitation	11,081			11,081
Welfare	1,381			1,381
Culture and Recreation	48,487		42	48,529
Convention and Tourism	20,158			20,158
Urban Redevelopment and Housing	14,021		940	14,961
Economic Development and Opportunity	99,736			99,736
Capital Outlay		301,381		301,381
Debt Service:				
Principal Retirement	6,120			6,120
Interest	17,858			17,858
Issuance Costs		767		767
Total Expenditures	288,105	308,731	982	597,818
Excess (Deficiency) of Revenue Over (Under) Expenditures	87,571	(266,032)	(599)	(179,060)
Other Financing Sources (Uses):				
Issuance of Long-Term Debt		99,772		99,772
Premium/(Discount) on Long-Term Debt		12,267		12,267
Transfers In	15,563	301,441		317,004
Transfers Out	(87,238)	(121,487)		(208,725)
Total Other Financing Sources (Uses)	(71,675)	291,993		220,318
Net Change in Fund Balances	15,896	25,961	(599)	41,258
Fund Balances, October 1 (restated)	196,483	177,750	15,300	389,533
Fund Balances, September 30	$ 212,379	$ 203,711	$ 14,701	$ 430,791

Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
As of September 30, 2012
(In Thousands)

	GRANTS	OTHER SPECIAL REVENUES	BLENDED COMPONENT UNITS	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Assets:				
Cash and Cash Equivalents	$ -	$ 8,963	$ -	$ 8,963
Securities Lending Collateral		2,084		2,084
Investments		49,429		49,429
Receivables, Net		7,515		7,515
Materials and Supplies, at Cost		134		134
Deposits		75		75
Due From:				
Other Funds		2,302		2,302
Other Governmental Agencies		8,228		8,228
Restricted Assets:				
Cash and Cash Equivalents	4,517	11,465	24,200	40,182
Securities Lending Collateral	414	4,939		5,353
Investments	18,789	115,358	2,564	136,711
Receivables, Net	42,172	11,893	121	54,186
Materials and Supplies, at Cost		679		679
Deposits	1			1
Prepaid Expenditures			10	10
Due From:				
Other Funds	1,235	14		1,249
Other Governmental Agencies, Net		32		32
Total Assets	$ 67,128	$ 223,110	$ 26,895	$ 317,133
Liabilities and Fund Balances:				
Liabilities:				
Vouchers Payable	$ -	$ 2,946	$ -	$ 2,946
Accounts Payable - Other		4,052		4,052
Accrued Payroll		468		468
Accrued Leave Payable		198		198
Deferred Revenue		7,585		7,585
Securities Lending Obligation		2,084		2,084
Due To:				
Other Funds		61		61
Restricted Liabilities:				
Vouchers Payable	1,599	663	282	2,544
Accounts Payable - Other	1,010	610	5,411	7,031
Accrued Payroll	98	287		385
Accrued Leave Payable		92		92
Deferred Revenue	53,752		90	53,842
Securities Lending Obligation	414	4,939		5,353
Amounts Held in Trust			2,429	2,429
Due To:				
Other Funds	7,499	6,017		13,516
Other Governmental Agencies	2,168			2,168
Total Liabilities	66,540	30,002	8,212	104,754
Fund Balances:				
Nonspendable	1	888	10	899
Restricted	3,263	152,103	18,673	174,039
Committed		38,974		38,974
Assigned		1,143		1,143
Unassigned	(2,676)			(2,676)
Total Fund Balances	588	193,108	18,683	212,379
Total Liabilities and Fund Balances	$ 67,128	$ 223,110	$ 26,895	$ 317,133

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Special Revenue Funds
Year-Ended September 30, 2012
(In Thousands)

	GRANTS	OTHER SPECIAL REVENUES	BLENDED COMPONENT UNITS	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
Revenues:				
Taxes:				
Property	$ -	$ 8,636	$ -	$ 8,636
General Sales and Use		40,278		40,278
Gross Receipts Business		2,890		2,890
Occupancy		67,937		67,937
Penalties and Interest on Delinquent Taxes		162		162
Intergovernmental	45,022	8,505	3,724	57,251
Charges for Services	361	67,494	6,252	74,107
Fines and Forfeits		406		406
Miscellaneous	5,202	8,038	2,506	15,746
Investment Earnings	219	855	2	1,076
Contributions	202	500	106,485	107,187
Total Revenues	51,006	205,701	118,969	375,676
Expenditures:				
Current:				
General Government	2,061	6,374	17	8,452
Public Safety	6,340	2,306	12,297	20,943
Public Works	660	34,886		35,546
Health Services	3,944	378		4,322
Sanitation	11,081			11,081
Welfare	1,381			1,381
Culture and Recreation	3,389	45,098		48,487
Convention and Tourism		20,158		20,158
Urban Redevelopment and Housing	8,012		6,009	14,021
Economic Development and Opportunity	2,031	6,632	91,073	99,736
Debt Service:				
Principal Retirement	2,110		4,010	6,120
Interest	2,622		15,236	17,858
Total Expenditures	43,631	115,832	128,642	288,105
Excess (Deficiency) of Revenue Over (Under) Expenditures	7,375	89,869	(9,673)	87,571
Other Financing Sources (Uses):				
Transfers In	5,834	9,729		15,563
Transfers Out	(16,124)	(71,114)		(87,238)
Total Other Financing Sources (Uses)	(10,290)	(61,385)		(71,675)
Net Change in Fund Balances	(2,915)	28,484	(9,673)	15,896
Fund Balances, October 1 (restated)	3,503	164,624	28,356	196,483
Fund Balances, September 30	$ 588	$ 193,108	$ 18,683	$ 212,379

Combining Balance Sheet
Nonmajor Governmental Funds - Grants
As of September 30, 2012
(In Thousands)

	AMERICAN RECOVERY REINVESTMENT ACT	COMMUNITY DEVELOPMENT PROGRAM	CONFISCATED PROPERTY	HOME PROGRAM	HUD 108 LOAN PROGRAM	TOTAL NONMAJOR GRANTS
Assets:						
Restricted Assets:						
Cash and Cash Equivalents	$ 125	$ 107	$ 313	$ 261	$ 3,711	$ 4,517
Securities Lending Collateral	20	40	143	113	98	414
Investments	1,171	2,552	3,260	2,755	9,051	18,789
Receivables, net	8,531	15,296	6	18,336	3	42,172
Deposits	1					1
Due From:						
Other Funds	1,226		9			1,235
Total Assets	$ 11,074	$ 17,995	$ 3,731	$ 21,465	$ 12,863	$ 67,128
Liabilities and Fund Balances:						
Liabilities:						
Restricted Liabilities:						
Vouchers Payable	$ 662	$ 392	$ 248	$ 297	$ -	$ 1,599
Accounts Payable - Other	234	624	19	133		1,010
Accrued Payroll	43	40	8	7		98
Deferred Revenue	6,093	16,721		20,915	10,023	53,752
Securities Lending Obligation	20	40	143	113	98	414
Due To:						
Other Funds	6,394	182	26		897	7,499
Other Governmental Agencies		299	24		1,845	2,168
Total Liabilities	13,446	18,298	468	21,465	12,863	66,540
Fund Balances:						
Nonspendable	1					1
Restricted			3,263			3,263
Unassigned	(2,373)	(303)				(2,676)
Total Fund Balances	(2,372)	(303)	3,263			588
Total Liabilities and Fund Balances	$ 11,074	$ 17,995	$ 3,731	$ 21,465	$ 12,863	$ 67,128

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Grants
Year-Ended September 30, 2012
(In Thousands)

	AMERICAN RECOVERY REINVESTMENT ACT	COMMUNITY DEVELOPMENT PROGRAM	CONFISCATED PROPERTY	HOME PROGRAM	HUD 108 LOAN PROGRAM	TOTAL NONMAJOR GRANTS
Revenues:						
Intergovernmental	$ 21,707	$ 13,332	$ -	$ 4,655	$ 5,328	$ 45,022
Charges for Services		361				361
Miscellaneous	816	802	1,147	739	1,698	5,202
Investment Earnings	5	160	17	19	18	219
Contributions	10	192				202
Total Revenues	22,538	14,847	1,164	5,413	7,044	51,006
Expenditures:						
Current:						
General Government	346	1,706	3	4	2	2,061
Public Safety	4,565	147	1,628			6,340
Public Works	622	38				660
Health Services	3,944					3,944
Sanitation	11,081					11,081
Welfare	371	1,010				1,381
Culture and Recreation	633	2,756				3,389
Urban Redevelopment and Housing	292	2,535		5,185		8,012
Economic Development and Opportunity		293			1,738	2,031
Debt Service:						
Principal Retirement					2,110	2,110
Interest					2,622	2,622
Total Expenditures	21,854	8,485	1,631	5,189	6,472	43,631
Excess (Deficiency) of Revenue Over (Under) Expenditures	684	6,362	(467)	224	572	7,375
Other Financing Sources (Uses):						
Transfers In	699	359			4,776	5,834
Transfers Out	(3,755)	(6,418)	(379)	(224)	(5,348)	(16,124)
Total Other Financing Sources (Uses)	(3,056)	(6,059)	(379)	(224)	(572)	(10,290)
Net Change in Fund Balances	(2,372)	303	(846)			(2,915)
Fund Balances, October 1		(606)	4,109			3,503
Fund Balances, September 30	$ (2,372)	$ (303)	$ 3,263	$ -	$ -	$ 588

Combining Balance Sheet
Nonmajor Governmental Funds - Other Special Revenues
As of September 30, 2012
(In Thousands)

	ADVANCED TRANSPORTATION DISTRICT	COMMUNITY AND VISITOR FACILITIES	COMMUNITY SERVICES	HOTEL/MOTEL 2% REVENUE	PARKS DEVELOPMENT AND EXPANSION	RIGHT OF WAYS	STORMWATER OPERATIONS	TAX INCREMENT REINVESTMENT ZONE	TOTAL OTHER NONMAJOR SPECIAL REVENUES
Assets:									
Cash and Cash Equivalents	$ -	$ 7,307	$ 1,558	$ -	$ -	$ 98	$ -	$ -	$ 8,963
Securities Lending Collateral		1,353	688			43			2,084
Investments		32,260	16,148			1,021			49,429
Receivables, Net		6,533	964			18			7,515
Materials and Supplies, at Cost		134							134
Deposits			75						75
Due From:									
Other Funds		2,302							2,302
Other Governmental Agencies		8,060				168			8,228
Restricted Assets:									
Cash and Cash Equivalents	1,133		895	1,713	4,354		2,403	967	11,465
Securities Lending Collateral	501		287	759	1,930		1,061	401	4,939
Investments	11,780		6,266	17,765	45,157		25,024	9,366	115,358
Receivables, Net	2,253		652	1,221	4,726		2,837	204	11,893
Materials and Supplies, at Cost			4				675		679
Due From:									
Other Funds	11						3		14
Other Governmental Agencies, Net			32						32
Total Assets	$ 15,678	$ 57,949	$ 27,569	$ 21,458	$ 56,167	$ 1,348	$ 32,003	$ 10,938	$ 223,110
Liabilities and Fund Balances:									
Liabilities:									
Vouchers Payable	$ -	$ 2,330	$ 502	$ -	$ -	$ 114	$ -	$ -	$ 2,946
Accounts Payable - Other		4,021	11			20			4,052
Accrued Payroll		450				18			468
Accrued Leave Payable		188				10			198
Deferred Revenue		7,585							7,585
Securities Lending Obligation		1,353	688			43			2,084
Due To:									
Other Funds		61							61
Restricted Liabilities:									
Vouchers Payable	165		60				437	1	663
Accounts Payable - Other	137		74				244	155	610
Accrued Payroll	25		45				212	5	287
Accrued Leave Payable	6		7				77	2	92
Securities Lending Obligation	501		287	759	1,930		1,061	401	4,939
Due To:									
Other Funds	18		3,101	1,978	16		31	873	6,017
Total Liabilities	852	15,988	4,775	2,737	1,946	205	2,062	1,437	30,002
Fund Balances:									
Nonspendable		134	79				675		888
Restricted	14,826	5,100	20,468	18,721	54,221		29,266	9,501	152,103
Committed		36,727	2,247						38,974
Assigned						1,143			1,143
Total Fund Balances	14,826	41,961	22,794	18,721	54,221	1,143	29,941	9,501	193,108
Total Liabilities and Fund Balances	$ 15,678	$ 57,949	$ 27,569	$ 21,458	$ 56,167	$ 1,348	$ 32,003	$ 10,938	$ 223,110

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Other Special Revenues
Year-Ended September 30, 2012
(In Thousands)

	ADVANCED TRANSPORTATION DISTRICT	COMMUNITY AND VISITOR FACILITIES	COMMUNITY SERVICES	HOTEL/MOTEL 2% REVENUE	PARKS DEVELOPMENT AND EXPANSION	RIGHT OF WAYS	STORMWATER OPERATIONS	TAX INCREMENT REINVESTMENT ZONE	TOTAL OTHER NONMAJOR SPECIAL REVENUES
Revenues:									
Taxes:									
Property	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,636	$ 8,636
General Sales and Use	12,861				27,417				40,278
Gross Receipts Business			2,890						2,890
Occupancy		52,840		15,097					67,937
Penalties and Interest on Delinquent Taxes		126		36					162
Intergovernmental		6,945	1,560						8,505
Charges for Services		18,233	6,921			1,351	40,989		67,494
Fines and Forfeits			406						406
Miscellaneous		1,856	5,414	60	11	2	695		8,038
Investment Earnings	57	275	106	69	176	5	134	33	855
Contributions							500		500
Total Revenues	12,918	80,275	17,297	15,262	27,604	1,358	42,318	8,669	205,701
Expenditures:									
Current:									
General Government	12	48	6,242		36	1	28	7	6,374
Public Safety			2,306						2,306
Public Works	2,293					1,534	31,059		34,886
Health Services			378						378
Culture and Recreation		42,736	1,798		564				45,098
Convention and Tourism		20,112		46					20,158
Economic Development and Opportunity		851	2,407					3,374	6,632
Total Expenditures	2,305	63,747	13,131	46	600	1,535	31,087	3,381	115,832
Excess (Deficiency) of Revenue Over (Under) Expenditures	10,613	16,528	4,166	15,216	27,004	(177)	11,231	5,288	89,869
Other Financing Sources (Uses):									
Transfers In		4,828	362	4,530	3		6		9,729
Transfers Out	(8,729)	(19,583)	(2,735)	(16,609)	(5,822)		(16,322)	(1,314)	(71,114)
Total Other Financing Sources (Uses)	(8,729)	(14,755)	(2,373)	(12,079)	(5,819)		(16,316)	(1,314)	(61,385)
Net Change in Fund Balances	1,884	1,773	1,793	3,137	21,185	(177)	(5,085)	3,974	28,484
Fund Balances, October 1	12,942	40,188	21,001	15,584	33,036	1,320	35,026	5,527	164,624
Fund Balances, September 30	$ 14,826	$ 41,961	$ 22,794	$ 18,721	$ 54,221	$ 1,143	$ 29,941	$ 9,501	$ 193,108

Combining Balance Sheet
Nonmajor Governmental Funds - Blended Component Units
As of September 30, 2012
(In Thousands)

	CONVENTION CENTER HOTEL FINANCE CORP.	SAN ANTONIO EDUCATION FACILITIES CORP.	SAN ANTONIO HEALTH FACILITIES DEVELOPMENT CORP.	SAN ANTONIO HOUSING TRUST FINANCE CORP.	SAN ANTONIO INDUSTRIAL DEVELOPMENT AUTHORITY	SAN ANTONIO PUBLIC LIBRARY FOUNDATION	SAN ANTONIO TEXAS MUNICIPAL FACILITIES CORP.	STARBRIGHT INDUSTRIAL DEVELOPMENT CORP.	SAN ANTONIO ECONOMIC DEVELOPMENT CORP.	SAN ANTONIO HOUSING TRUST PUBLIC FACILITIES CORP.	HEMISFAIR PARK AREA REDEVELOPMENT CORP.	TOTAL NONMAJOR BLENDED COMPONENT UNITS
Assets:												
Restricted Assets:												
Cash and Cash Equivalents	$ 15,536	$ 67	$ 7	$ 375	$ 6	$ 320	$ 6,349	$ 382	$ 486	$ 446	$ 226	$ 24,200
Investments						2,564						2,564
Receivables, net											121	121
Prepaid Expenditures							8	2				10
Total Assets	$ 15,536	$ 67	$ 7	$ 375	$ 6	$ 2,884	$ 6,357	$ 384	$ 486	$ 446	$ 347	$ 26,895
Liabilities and Fund Balances:												
Restricted Liabilities:												
Vouchers Payable	$ -	$ -	$ -	$ -	$ -	$ -	$ 233	$ -	$ -	$ -	$ 49	$ 282
Accounts Payable - Other							5,411					5,411
Amounts Held in Trust	2,429											2,429
Total Liabilities	2,429						5,644			90	49	8,212
Fund Balances:												
Nonspendable							8	2				10
Restricted	13,107	67	7	375	6	2,884	705	382	486	356	298	18,673
Total Fund Balances	13,107	67	7	375	6	2,884	713	384	486	356	298	18,683
Total Liabilities and Fund Balances	$ 15,536	$ 67	$ 7	$ 375	$ 6	$ 2,884	$ 6,357	$ 384	$ 486	$ 446	$ 347	$ 26,895

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Blended Component Units
Year-Ended September 30, 2012
(In Thousands)

	CONVENTION CENTER HOTEL FINANCE CORP.	SAN ANTONIO EDUCATION FACILITIES CORP.	SAN ANTONIO HEALTH FACILITIES DEVELOPMENT CORP.	SAN ANTONIO HOUSING TRUST FINANCE CORP.	SAN ANTONIO INDUSTRIAL DEVELOPMENT AUTHORITY	SAN ANTONIO PUBLIC LIBRARY FOUNDATION	SAN ANTONIO TEXAS MUNICIPAL FACILITIES CORP.	STARBRIGHT INDUSTRIAL DEVELOPMENT CORP.	SAN ANTONIO ECONOMIC DEVELOPMENT CORP.	SAN ANTONIO HOUSING TRUST PUBLIC FACILITIES CORP.	HEMISFAIR PARK AREA REDEVELOPMENT CORP.	TOTAL NONMAJOR BLENDED COMPONENT UNITS
Revenues:												
Taxes:												
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,000	$ -	$ 1,724		$ -	$ 3,724
Charges for Services				30						6,222		6,252
Miscellaneous							1,121	1,385				2,506
Investment Earnings	1						1					2
Contributions	104,658						51		1,068		708	106,485
Total Revenues	104,659			30			3,173	1,385	2,792	6,222	708	118,969
Expenditures:												
Current:												
General Government		15	2									17
Public Safety							12,297					12,297
Urban Redevelopment and Housing				17						5,992		6,009
Economic Development and Opportunity	87,769							2	2,654		648	91,073
Debt Service:												
Principal Retirement	2,500						905	605				4,010
Interest	12,738						1,441	1,057				15,236
Total Expenditures	103,007	15	2	17			14,643	1,664	2,654	5,992	648	128,642
Excess (Deficiency) of Revenue Over (Under) Expenditures	1,652	(15)	(2)	13			(11,470)	(279)	138	230	60	(9,673)
Net Change in Fund Balances	1,652	(15)	(2)	13			(11,470)	(279)	138	230	60	(9,673)
Fund Balances, October 1 (restated)	11,455	82	9	362	6	2,884	12,183	663	348	126	238	28,356
Fund Balances, September 30	$ 13,107	$ 67	$ 7	$ 375	$ 6	$ 2,884	$ 713	$ 384	$ 486	$ 356	$ 298	$ 18,683

Combining Balance Sheet
Nonmajor Governmental Funds - Capital Projects
As of September 30, 2012
(In Thousands)

	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	OTHER CAPITAL PROJECTS	TOTAL CAPITAL PROJECTS
Assets:				
Cash and Cash Equivalents	$ -	$ -	$ 3,493	$ 3,493
Securities Lending Collateral			1,534	1,534
Investments			34,848	34,848
Receivables, net			39	39
Restricted Assets:				
Cash and Cash Equivalents	7,495	13,881	6,865	28,241
Securities Lending Collateral	3,379	3,699	806	7,884
Investments	76,599	87,823	19,079	183,501
Receivables, net	39	329	5,463	5,831
Prepaid Expenditures			31	31
Due From:				
Other Funds		1,455	6,512	7,967
Other Governmental Agencies, Net	6,476	1,074	558	8,108
Total Assets	$ 93,988	$ 108,261	$ 79,228	$ 281,477
Liabilities and Fund Balances:				
Liabilities:				
Securities Lending Obligation	$ -	$ -	$ 1,534	$ 1,534
Restricted Liabilities:				
Vouchers Payable	9,399	8,417	6,019	23,835
Accounts Payable - Other	8,250	4,826	4,950	18,026
Deferred Revenue	1,904	1,413	621	3,938
Securities Lending Obligation	3,379	3,699	806	7,884
Due To:				
Other Funds	6,526	1,007	15,016	22,549
Total Liabilities	29,458	19,362	28,946	77,766
Fund Balances:				
Nonspendable			31	31
Restricted	83,956	95,424	19,396	198,776
Committed			38,230	38,230
Unassigned	(19,426)	(6,525)	(7,375)	(33,326)
Total Fund Balances	64,530	88,899	50,282	203,711
Total Liabilities and Fund Balances	$ 93,988	$ 108,261	$ 79,228	$ 281,477

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Capital Projects
Year-Ended September 30, 2012
(In Thousands)

	GENERAL OBLIGATION BONDS	CERTIFICATES OF OBLIGATION	OTHER CAPITAL PROJECTS	TOTAL CAPITAL PROJECTS
Revenues:				
Taxes:				
Intergovernmental	$ 24,939	$ 2,250	$ 5,266	$ 32,455
Miscellaneous	1,066	1,422	3,389	5,877
Investment Earnings	147	576	244	967
Contributions	3,247	7	146	3,400
Total Revenues	29,399	4,255	9,045	42,699
Expenditures:				
Current:				
General Government	40	142	6,070	6,252
Public Safety			331	331
Capital Outlay	127,375	108,446	65,560	301,381
Debt Service:				
Issuance Costs	472	168	127	767
Total Expenditures	127,887	108,756	72,088	308,731
Excess (Deficiency) of Revenue Over (Under) Expenditures	(98,488)	(104,501)	(63,043)	(266,032)
Other Financing Sources (Uses):				
Issuance of Long-Term Debt	62,797	19,340	17,635	99,772
Premium/(Discount) on Long-Term Debt	9,883	1,874	510	12,267
Transfers In	125,868	112,229	63,344	301,441
Transfers Out	(2,292)	(104,188)	(15,007)	(121,487)
Total Other Financing Sources (Uses)	196,256	29,255	66,482	291,993
Net Change in Fund Balances	97,768	(75,246)	3,439	25,961
Fund Balances, October 1	(33,238)	164,145	46,843	177,750
Fund Balances, September 30	$ 64,530	$ 88,899	$ 50,282	$ 203,711

Combining Balance Sheet
Nonmajor Governmental Funds - General Obligation Bonds
As of September 30, 2012
(In Thousands)

	PRE-1999 GENERAL OBLIGATION BONDS	1999 GENERAL OBLIGATION BONDS	2003 GENERAL OBLIGATION BONDS	2012 GENERAL OBLIGATION BONDS	GENERAL OBLIGATION PROJECTS FUND	TOTAL GENERAL OBLIGATION BONDS
Assets:						
Restricted Assets:						
Cash and Cash Equivalents	$ 14	$ 151	$ 962	$ 6,363	$ 5	$ 7,495
Securities Lending Collateral	6	100	425	2,848		3,379
Investments	150	985	10,004	65,460		76,599
Receivables, net		2	14	23		39
Due From:						
Other Governmental Agencies, Net					6,476	6,476
Total Assets	$ 170	$ 1,238	$ 11,405	$ 74,694	$ 6,481	$ 93,988
Liabilities and Fund Balances:						
Liabilities:						
Restricted Liabilities:						
Vouchers Payable	$ 160	$ -	$ 12	$ -	$ 9,227	$ 9,399
Accounts Payable - Other					8,250	8,250
Deferred Revenue					1,904	1,904
Securities Lending Obligation	6	100	425	2,848		3,379
Due To:						
Other Funds					6,526	6,526
Total Liabilities	166	100	437	2,848	25,907	29,458
Fund Balances:						
Restricted	4	1,138	10,968	71,846		83,956
Unassigned					(19,426)	(19,426)
Total Fund Balances	4	1,138	10,968	71,846	(19,426)	64,530
Total Liabilities and Fund Balances	$ 170	$ 1,238	$ 11,405	$ 74,694	$ 6,481	$ 93,988

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - General Obligation Bonds
Year-Ended September 30, 2012
(In Thousands)

	PRE-1999 GENERAL OBLIGATION BONDS	1999 GENERAL OBLIGATION BONDS	2003 GENERAL OBLIGATION BONDS	2012 GENERAL OBLIGATION BONDS	GENERAL OBLIGATION PROJECTS FUND	TOTAL GENERAL OBLIGATION BONDS
Revenues:						
Intergovernmental	$ -	$ -	$ -	$ -	$ 24,939	$ 24,939
Miscellaneous	1				1,065	1,066
Investment Earnings	1	66	49	31		147
Contributions					3,247	3,247
Total Revenues	2	66	49	31	29,251	29,399
Expenditures:						
Current:						
General Government		12	22	6		40
Capital Outlay		102			127,273	127,375
Debt Service:						
Issuance Costs				472		472
Total Expenditures		114	22	478	127,273	127,887
Excess of Revenue Over Expenditures	2	(48)	27	(447)	(98,022)	(98,488)
Other Financing (Uses):						
Issuance of Long-Term Debt				62,797		62,797
Premium/(Discount) on Long-Term Debt				9,883		9,883
Transfers In		32			125,836	125,868
Transfers Out	(101)	(1,379)	(21)	(387)	(404)	(2,292)
Total Other Financing (Uses)	(101)	(1,347)	(21)	72,293	125,432	196,256
Net Change in Fund Balances	(99)	(1,395)	6	71,846	27,410	97,768
Fund Balances, October 1	103	2,533	10,962		(46,836)	(33,238)
Fund Balances, September 30	$ 4	$ 1,138	$ 10,968	$ 71,846	$ (19,426)	$ 64,530

Combining Balance Sheet
Nonmajor Governmental Funds - Certificates of Obligation
As of September 30, 2012
(In Thousands)

	PRE-2006 CERTIFICATES OF OBLIGATION	2006 CERTIFICATES OF OBLIGATION	2007 CERTIFICATES OF OBLIGATION	2008 CERTIFICATES OF OBLIGATION	2010 CERTIFICATES OF OBLIGATION	2011 CERTIFICATES OF OBLIGATION	2012 CERTIFICATES OF OBLIGATION	CERTIFICATES OF OBLIGATION PROJECTS FUND	TOTAL CERTIFICATES OF OBLIGATION
Assets:									
Restricted Assets:									
Cash and Cash Equivalents	$ 294	$ 862	$ 871	$ 785	$ 795	$ 2,942	$ 1,865	$ 5,467	$ 13,881
Securities Lending Collateral	129	381	383	343	348	1,280	835		3,699
Investments	3,039	8,954	9,085	8,238	8,343	30,982	19,182		87,823
Receivables, Net	5	15	16	18	19	80	6	170	329
Due From:									
Other Funds								1,455	1,455
Other Governmental Agencies, Net								1,074	1,074
Total Assets	$ 3,467	$ 10,212	$ 10,355	$ 9,384	$ 9,505	$ 35,284	$ 21,888	$ 8,166	$ 108,261
Liabilities and Fund Balances:									
Liabilities:									
Restricted Liabilities:									
Vouchers Payable	$ 66	$ -	$ -	$ -	$ -	$ -	$ -	$ 8,351	$ 8,417
Accounts Payable - Other								4,826	4,826
Deferred Revenue								1,413	1,413
Securities Lending Obligation	129	381	383	343	348	1,280	835		3,699
Due To:									
Other Funds	478						428	101	1,007
Total Liabilities	673	381	383	343	348	1,280	1,263	14,691	19,362
Fund Balances:									
Restricted	2,794	9,831	9,972	9,041	9,157	34,004	20,625		95,424
Unassigned								(6,525)	(6,525)
Total Fund Balances	2,794	9,831	9,972	9,041	9,157	34,004	20,625	(6,525)	88,899
Total Liabilities and Fund Balances	$ 3,467	$ 10,212	$ 10,355	$ 9,384	$ 9,505	$ 35,284	$ 21,888	$ 8,166	$ 108,261

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Certificates of Obligation
Year-Ended September 30, 2012
(In Thousands)

	PRE-2006 CERTIFICATES OF OBLIGATION	2006 CERTIFICATES OF OBLIGATION	2007 CERTIFICATES OF OBLIGATION	2008 CERTIFICATES OF OBLIGATION	2010 CERTIFICATES OF OBLIGATION	2011 CERTIFICATES OF OBLIGATION	2012 CERTIFICATES OF OBLIGATION	CERTIFICATES OF OBLIGATION PROJECTS FUND	TOTAL CERTIFICATES OF OBLIGATION
Revenues:									
Taxes:									
Intergovernmental	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 2,250	$ 2,250
Miscellaneous								1,422	1,422
Investment Earnings	17	56	56	67	70	301	9		576
Contributions								7	7
Total Revenues	17	56	56	67	70	301	9	3,679	4,255
Expenditures:									
Current:									
General Government	17	17	13	17	16	60	2		142
Capital Outlay	485							107,961	108,446
Debt Service:									
Issuance Costs							168		168
Total Expenditures	502	17	13	17	16	60	170	107,961	108,756
Excess (Deficiency) of Revenue Over (Under) Expenditures	(485)	39	43	50	54	241	(161)	(104,282)	(104,501)
Other Financing Sources (Uses):									
Issuance of Long-Term Debt							19,340		19,340
Premium/(Discount) on Long-Term Debt							1,874		1,874
Transfers In			360	1	6	1,850		110,012	112,229
Transfers Out	(808)	(5,574)	(10,401)	(15,776)	(12,994)	(56,777)	(428)	(1,430)	(104,188)
Total Other Financing Sources (Uses)	(808)	(5,574)	(10,041)	(15,775)	(12,988)	(54,927)	20,786	108,582	29,255
Net Change in Fund Balances	(1,293)	(5,535)	(9,998)	(15,725)	(12,934)	(54,686)	20,625	4,300	(75,246)
Fund Balances, October 1	4,087	15,366	19,970	24,766	22,091	88,690		(10,825)	164,145
Fund Balances, September 30	$ 2,794	$ 9,831	$ 9,972	$ 9,041	$ 9,157	$ 34,004	$ 20,625	$ (6,525)	$ 88,899

Combining Balance Sheet
Nonmajor Governmental Funds - Other Capital Projects
As of September 30, 2012
(In Thousands)

	CONVENTION CENTER EXPANSION	EDWARDS AQUIFER PROTECTION VENUE	EQUIPMENT ACQUISITION	IMPROVEMENT PROJECTS	MUNICIPAL DRAINAGE UTILITY SYSTEM	PARKS DEVELOPMENT AND EXPANSION	RESIDUAL CAPITAL PROJECTS	TAX NOTES	TOTAL OTHER CAPITAL PROJECTS
Assets:									
Cash and Cash Equivalents	$ -	$ -	$ -	$ -	$ -	$ -	$ 21	$ 3,472	$ 3,493
Securities Lending Collateral							9	1,525	1,534
Investments							220	34,628	34,848
Receivables, net							1	38	39
Restricted Assets:									
Cash and Cash Equivalents	423	1	3,516	923	1,983	19			6,865
Securities Lending Collateral	185	1		1	611	8			806
Investments	4,410	13	4	15	14,450	187			19,079
Receivables, Net	9			5,431	23				5,463
Prepaid Expenditures	31								31
Due From:									
Other Funds			3,703	2,809					6,512
Other Governmental Agencies, Net				498	60				558
Total Assets	$ 5,058	$ 15	$ 7,223	$ 9,677	$ 17,127	$ 214	$ 251	$ 39,663	$ 79,228
Liabilities and Fund Balances:									
Liabilities:									
Securities Lending Obligation	$ -	$ -	$ -	$ -	$ -	$ -	$ 9	$ 1,525	$ 1,534
Restricted Liabilities:									
Vouchers Payable	521		1,718	3,200	580				6,019
Accounts Payable - Other	615			4,335					4,950
Deferred Revenue				186	435				621
Securities Lending Obligation	185	1		1	611	8			806
Due To:									
Other Funds	31		6,736	8,099				150	15,016
Total Liabilities	1,352	1	8,454	15,821	1,626	8	9	1,675	28,946
Fund Balances:									
Nonspendable	31								31
Restricted	3,675	14			15,501	206			19,396
Committed							242	37,988	38,230
Unassigned			(1,231)	(6,144)					(7,375)
Total Fund Balances	3,706	14	(1,231)	(6,144)	15,501	206	242	37,988	50,282
Total Liabilities and Fund Balances	$ 5,058	$ 15	$ 7,223	$ 9,677	$ 17,127	$ 214	$ 251	$ 39,663	$ 79,228

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Other Capital Projects
Year-Ended September 30, 2012
(In Thousands)

	CONVENTION CENTER EXPANSION	EDWARDS AQUIFER PROTECTION VENUE	EQUIPMENT ACQUISITION	IMPROVEMENT PROJECTS	MUNICIPAL DRAINAGE UTILITY SYSTEM	PARKS DEVELOPMENT AND EXPANSION	RESIDUAL CAPITAL PROJECTS	TAX NOTES	TOTAL OTHER CAPITAL PROJECTS
Revenues:									
Taxes:									
Intergovernmental	$ -	$ -	$ -	$ 4,897	$ 369	$ -	$ -	$ -	$ 5,266
Miscellaneous	94		3,226	69					3,389
Investment Earnings	32		2	1	83	1	1	124	244
Contributions				146					146
Total Revenues	126		3,228	5,113	452	1	1	124	9,045
Expenditures:									
Current:									
General Government	10	2	5,936	66	21		5	30	6,070
Public Safety			331						331
Capital Outlay	6,758			54,682	4,120				65,560
Debt Service:									
Issuance Costs								127	127
Total Expenditures	6,768	2	6,267	54,748	4,141		5	157	72,088
Excess (Deficiency) of Revenue Over (Under) Expenditures	(6,642)	(2)	(3,039)	(49,635)	(3,689)	1	(4)	(33)	(63,043)
Other Financing Sources (Uses):									
Issuance of Long-Term Debt								17,635	17,635
Premium/(Discount) on Long-Term Debt								510	510
Transfers In	5,982			56,829	479			54	63,344
Transfers Out	(3)			(639)	(2,924)		(14)	(11,427)	(15,007)
Total Other Financing Sources (Uses)	5,979			56,190	(2,445)		(14)	6,772	66,482
Net Change in Fund Balances	(663)	(2)	(3,039)	6,555	(6,134)	1	(18)	6,739	3,439
Fund Balances, October 1	4,369	16	1,808	(12,699)	21,635	205	260	31,249	46,843
Fund Balances, September 30	$ 3,706	$ 14	$ (1,231)	$ (6,144)	$ 15,501	$ 206	$ 242	$ 37,988	$ 50,282

Amounts are expressed in thousands

Combining Balance Sheet
Nonmajor Governmental Funds - Permanent
As of September 30, 2012
(In Thousands)

	CARVER CULTURAL CENTER ENDOWMENT	SAN ANTONIO HOUSING TRUST	CITY CEMETERIES	WILLIAM C. MORRIS ENDOWMENT	BOZA BECICA ENDOWMENT	TOTAL PERMANENT FUNDS
Assets:						
Restricted Assets:						
Cash and Cash Equivalents	$ 35	$ 468	$ 230	$ 28	$ 45	$ 806
Securities Lending Collateral	16		102	12	20	150
Investments	365	10,328	2,391	287	474	13,845
Receivables, Net		14	48		1	63
Total Assets	$ 416	$ 10,810	$ 2,771	$ 327	$ 540	$ 14,864
Liabilities and Fund Balances:						
Liabilities:						
Restricted Liabilities:						
Vouchers Payable	$ -	$ 10	$ 3	$ -	$ -	$ 13
Securities Lending Obligation	16		102	12	20	150
Total Liabilities	16	10	105	12	20	163
Fund Balances:						
Nonspendable	334		2,793		514	3,641
Assigned	66	10,800		315	6	11,187
Unassigned			(127)			(127)
Total Fund Balances	400	10,800	2,666	315	520	14,701
Total Liabilities and Fund Balances	$ 416	$ 10,810	$ 2,771	$ 327	$ 540	$ 14,864

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds - Permanent
Year-Ended September 30, 2012
(In Thousands)

	CARVER CULTURAL CENTER ENDOWMENT	SAN ANTONIO HOUSING TRUST	CITY CEMETERIES	WILLIAM C. MORRIS ENDOWMENT	BOZA BECICA ENDOWMENT	TOTAL PERMANENT FUNDS
Revenues:						
Taxes:						
Charges for Services	$ -	$ -	$ 162	$ -	$ -	$ 162
Miscellaneous		128				128
Investment Earnings	1	77	11	2	2	93
Total Revenues	1	205	173	2	2	383
Expenditures:						
Current:						
Culture and Recreation			42			42
Urban Redevelopment and Housing		940				940
Total Expenditures		940	42			982
Excess (Deficiency) of Revenue Over (Under) Expenditures	1	(735)	131	2	2	(599)
Net Change in Fund Balances	1	(735)	131	2	2	(599)
Fund Balances, October 1	399	11,535	2,535	313	518	15,300
Fund Balances, September 30	$ 400	$ 10,800	$ 2,666	$ 315	$ 520	$ 14,701

Supplementary Budget and Actual Schedules for Legally Adopted Funds

Schedules of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
General Fund
Year-Ended September 30, 2012
(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Taxes	$ 490,786	$ 500,679	$ 9,893
Licenses and Permits	8,306	8,469	163
Intergovernmental	5,685	7,997	2,312
Revenues from Utilities	300,511	299,306	(1,205)
Charges for Services	48,055	47,960	(95)
Fines and Forfeits	13,931	14,401	470
Miscellaneous	13,226	18,044	4,818
Investment Earnings	988	1,306	318
Total Revenues	881,488	898,162	16,674
Expenditures:			
General Government	94,625	96,609	(1,984)
Public Safety	543,672	540,123	3,549
Public Works	43,937	43,711	226
Health Services	77,476	78,718	(1,242)
Sanitation	3,251	3,311	(60)
Welfare	44,837	41,857	2,980
Culture and Recreation	84,205	83,644	561
Economic Development and Opportunity	14,353	16,142	(1,789)
Total Expenditures	906,356	904,115	2,241
(Deficiency) of Revenues (Under) Expenditures	(24,868)	(5,953)	18,915
Other Financing Sources (Uses):			
Transfers In	18,410	18,877	467
Transfers Out	(64,636)	(62,662)	1,974
Total Other Financing Sources (Uses)	(46,226)	(43,785)	2,441
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	(71,094)	(49,738)	$ 21,356
Fund Balances, October 1	232,692	232,692	
Add Encumbrances		33,559	
Fund Balances, September 30	$ 161,598	$ 216,513	

Schedule of Revenues Compared to Budget
Budget and Actual (Budgetary Basis)
General Fund
Year-Ended September 30, 2012
(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Taxes:			
Property:			
Current	$ 239,730	$ 239,809	$ 79
Delinquent	2,734	3,162	428
City Sales	210,602	219,649	9,047
Alcoholic Beverages	4,767	5,200	433
Telecommunication Access Lines Fees	15,457	15,094	(363)
Cablevision Franchise	14,093	14,446	353
Bingo	1,034	1,090	56
Other	90	105	15
Penalties and Interest on Delinquent Taxes	2,279	2,124	(155)
Total Taxes	490,786	500,679	9,893
Licenses and Permits:			
Alcoholic Beverages Licenses	675	757	82
Health Licenses	4,231	4,372	141
Amusement Licenses	122	125	3
Professional and Occupational Licenses	2,264	2,190	(74)
Animal Licenses	208	201	(7)
Street Permits	806	824	18
Total Licenses and Permits	8,306	8,469	163
Intergovernmental:			
Library Aid from Bexar County	3,774	3,774	
Bexar County - Child Support	65	47	(18)
Magistration and Detention - Bexar	1,117	2,462	1,345
Health Aid from Bexar County	379	1,352	973
VIA Contributions	308	308	
Hotel/Motel Tax Collection Fee	42	54	12
Total Intergovernmental	5,685	7,997	2,312
Revenues from Utilities:			
CPS Energy	289,441	288,096	(1,345)
San Antonio Water System	11,070	11,210	140
Total Revenues from Utilities	$ 300,511	$ 299,306	$ (1,205)

(Continued)

Schedule of Revenues Compared to Budget
Budget and Actual (Budgetary Basis)
General Fund
Year-Ended September 30, 2012
(In Thousands)

	2012 FINAL BUDGET	2012 ACTUAL	2012 VARIANCE WITH FINAL BUDGET
Charges for Services:			
General Government	$ 5,476	$ 1,093	$ (4,383)
Police Department	6,302	6,165	(137)
Fire Department	998	1,091	93
Abatement of Nuisances	321	509	188
Health	24,399	28,046	3,647
Culture and Recreation:			
Tower of the Americas	544	660	116
Hemisphere Plaza	97	132	35
La Villita	503	487	(16)
Recreation Fees	1,512	1,555	43
Concessions in Other Parks	64	66	2
River Boats	5,701	5,770	69
Governor's Palace	79	74	(5)
Swimming Pools	149	132	(17)
Community Centers	447	483	36
Library	881	1,052	171
Miscellaneous Recreation Revenue	582	645	63
Total Charges for Services	48,055	47,960	(95)
Fines and Forfeits:			
Municipal Court Fines	13,931	14,401	470
Miscellaneous:			
Sales	5,309	4,656	(653)
Recovery of Expenditures	2,757	3,042	285
Interfund Charges	1,639	1,745	106
Rents, Leases, and Concessions	1,839	1,809	(30)
Other	1,682	6,792	5,110
Total Miscellaneous	13,226	18,044	4,818
Investment Earnings:			
Interest	988	1,306	318
Total Revenues	$ 881,488	$ 898,162	$ 16,674

(End of Schedule)

Schedule of Expenditures Compared to Budget
Budget and Actual (Budgetary Basis)
General Fund
Year-Ended September 30, 2012
(In Thousands)

	2012 FINAL BUDGET	2012 ACTUAL	2012 VARIANCE WITH FINAL BUDGET
Expenditures:			
General Government:			
Legislative:			
Personal Services	$ 8,199	$ 8,112	$ 87
Contractual Services	2,547	2,813	(266)
Commodities	353	274	79
Other Expenditures	3,477	3,127	350
Total Legislative	14,576	14,326	250
Judicial:			
Personal Services	10,384	10,118	266
Contractual Services	712	851	(139)
Commodities	213	270	(57)
Other Expenditures	1,286	1,326	(40)
Total Judicial	12,595	12,565	30
Executive:			
Personal Services	35,751	33,674	2,077
Contractual Services	22,680	26,984	(4,304)
Commodities	3,111	3,215	(104)
Other Expenditures	5,824	5,576	248
Capital Outlay	88	269	(181)
Total Executive	67,454	69,718	(2,264)
Total General Government	94,625	96,609	(1,984)
Public Safety:			
Police:			
Personal Services	269,783	270,534	(751)
Contractual Services	7,778	7,941	(163)
Commodities	1,002	1,112	(110)
Other Expenditures	13,264	13,245	19
Capital Outlay		24	(24)
Total Police	291,827	292,856	(1,029)
Fire:			
Personal Services	143,749	141,847	1,902
Contractual Services	3,214	2,820	394
Commodities	3,167	3,479	(312)
Other Expenditures	9,422	10,211	(789)
Capital Outlay	313	206	107
Total Fire	$ 159,865	$ 158,563	$ 1,302

(Continued)

Schedule of Expenditures Compared to Budget

Budget and Actual (Budgetary Basis)

General Fund

Year-Ended September 30, 2012

(In Thousands)

	2012 FINAL BUDGET	2012 ACTUAL	2012 VARIANCE WITH FINAL BUDGET
Public Safety (Continued):			
Building Inspection and Regulations:			
Personal Services	$ 224	$ 228	$ (4)
Contractual Services	8	16	(8)
Commodities	3		3
Other Expenditures	13	14	(1)
Total Building Inspection and Regulations	248	258	(10)
Administration:			
Personal Services	15,950	16,443	(493)
Contractual Services	2,660	2,547	113
Commodities	1,461	1,333	128
Other Expenditures	18,315	17,887	428
Capital Outlay	27	17	10
Total Administration	38,413	38,227	186
Other Protection:			
Personal Services	29,576	27,561	2,015
Contractual Services	7,263	4,869	2,394
Commodities	3,729	4,136	(407)
Other Expenditures	12,721	13,610	(889)
Capital Outlay	30	43	(13)
Total Other Protection	53,319	50,219	3,100
Total Public Safety	543,672	540,123	3,549
Public Works:			
Streets:			
Personal Services	11,254	10,818	436
Contractual Services	2,720	5,756	(3,036)
Commodities	10,029	7,225	2,804
Other Expenditures	4,733	4,647	86
Capital Outlay	1,911	2,111	(200)
Total Streets	30,647	30,557	90
Lighting:			
Contractual Services	90		90
Commodities	13,200	13,154	46
Total Lighting	13,290	13,154	136
Total Public Works	$ 43,937	$ 43,711	$ 226

(Continued)

Schedule of Expenditures Compared to Budget

Budget and Actual (Budgetary Basis)

General Fund

Year-Ended September 30, 2012

(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Health Services:			
Personal Services	$ 58,868	$ 59,719	$ (851)
Contractual Services	7,910	7,997	(87)
Commodities	3,809	4,163	(354)
Other Expenditures	6,614	6,380	234
Capital Outlay	275	459	(184)
Total Health Services	77,476	78,718	(1,242)
Sanitation:			
Personal Services	2,621	2,654	(33)
Contractual Services	118	174	(56)
Commodities	95	27	68
Other Expenditures	417	456	(39)
Total Sanitation	3,251	3,311	(60)
Welfare:			
Personal Services	13,923	13,655	268
Contractual Services	24,581	21,669	2,912
Commodities	573	811	(238)
Other Expenditures	5,760	5,708	52
Capital Outlay		14	(14)
Total Welfare	44,837	41,857	2,980
Culture and Recreation:			
Libraries:			
Personal Services	20,912	20,477	435
Contractual Services	3,461	3,685	(224)
Commodities	4,369	4,479	(110)
Other Expenditures	3,847	3,771	76
Total Libraries	32,589	32,412	177
Parks:			
Personal Services	28,633	28,247	386
Contractual Services	9,616	10,167	(551)
Commodities	3,766	3,544	222
Other Expenditures	9,524	9,195	329
Capital Outlay	77	79	(2)
Total Parks	51,616	51,232	384
Total Culture and Recreation	84,205	83,644	561
Economic Development and Opportunity:			
Personal Services	2,805	3,107	(302)
Contractual Services	9,714	11,134	(1,420)
Commodities	77	225	(148)
Other Expenditures	1,757	1,676	81
Total Economic Development and Opportunity	14,353	16,142	(1,789)
Total Expenditures	$ 906,356	$ 904,115	$ 2,241

(End of Schedule)

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Debt Service Fund
Year-Ended September 30, 2012
(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Property Taxes:			
Current	$ 142,847	$ 143,165	$ 318
Delinquent	1,163	1,888	725
Penalties and Interest on Delinquent Taxes	1,346	1,268	(78)
Miscellaneous	3,825	3,825	
Investment Earnings	627	101	(526)
Total Revenues	149,808	150,247	439
Expenditures:			
General Government:			
Contractual Services	16	2,072	(2,056)
Total General Government	16	2,072	(2,056)
Debt Service:			
Principal Retirement	111,145	111,145	
Interest	76,543	69,469	7,074
Issuance Costs		320	(320)
Total Debt Service:	187,688	180,934	6754
Total Expenditures	187,704	183,006	4,698
(Deficiency) of Revenues (Under) Expenditures	(37,896)	(32,759)	5,137
Other Financing:			
Issuance of Long-Term Debt	33,410	33,410	
Premium/(Discount) on Long-Term Debt	4,846	4,846	
Payments to Refunded Bond Escrow Agent	(37,892)	(37,892)	
Transfers In	32,930	25,186	(7,744)
Total Other Financing	33,294	25,550	(7,744)
(Deficiency) of Revenues (Under) Expenditures	(4,602)	(7,209)	$ (2,607)
Fund Balances, October 1	93,569	93,569	
Fund Balances, September 30	$ 88,967	$ 86,360	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Advanced Transportation District
Year-Ended September 30, 2012
(In Thousands)

	2012 FINAL BUDGET	2012 ACTUAL	2012 VARIANCE WITH FINAL BUDGET
Revenues:			
General Sales and Use:			
City Sales Tax	$ 12,452	$ 12,861	$ 409
Investment Earnings	48	57	9
Total Revenues	12,500	12,918	418
Expenditures:			
General Government:			
Other Expenditures		12	(12)
Total General Government		12	(12)
Public Works:			
Personal Services	1,518	1,506	12
Contractual Services	627	650	(23)
Commodities	43	35	8
Other Expenditures	218	344	(126)
Capital Outlay	34	21	13
Total Public Works	2,440	2,556	(116)
Total Expenditures	2,440	2,568	(128)
Excess of Revenues Over Expenditures	10,060	10,350	290
Other Financing (Uses):			
Transfers Out	(11,717)	(14,417)	(2,700)
Total Other Financing (Uses)	(11,717)	(14,417)	(2,700)
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(1,657)	(4,067)	$ (2,410)
Fund Balances, October 1	12,942	12,942	
Add Encumbrances		5,951	
Fund Balances, September 30	$ 11,285	$ 14,826	

The City noted budget violations of excess expenditures transfers out, and encumbrancesover appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community and Visitor Facilities

Year-Ended September 30, 2012

(In Thousands)

	2012 FINAL BUDGET	2012 ACTUAL	2012 VARIANCE WITH FINAL BUDGET
Revenues:			
Taxes:			
Occupancy	$ 48,996	$ 52,840	$ 3,844
Penalties and Interest on Delinquent Taxes	29	126	97
Intergovernmental	11,077	6,945	(4,132)
Charges for Services	16,720	18,233	1,513
Miscellaneous	1,269	1,856	587
Investment Earnings	83	275	192
Total Revenues	78,174	80,275	2,101
Expenditures:			
General Government:			
Other Expenditures		48	(48)
Total General Government		48	(48)
Cultural and Recreation:			
Arts and Cultural Affairs:			
Personal Services	1,151	1,144	7
Contractual Services	1,205	1,167	38
Commodities	16	9	7
Other Expenditures	96	96	
Total Arts and Cultural Affairs	2,468	2,416	52
Convention Facilities:			
Personal Services	16,934	17,190	(256)
Contractual Services	3,722	3,801	(79)
Commodities	989	1,141	(152)
Other Expenditures	13,140	12,148	992
Capital Outlay		14	(14)
Total Convention Facilities	34,785	34,294	491
Nondepartmental:			
Personal Services	81	28	53
Contractual Services	2,291	2,082	209
Commodities	2		2
Other Expenditures	3	5	(2)
Total Nondepartmental	2,377	2,115	262
Contributions to Other Agencies	5,197	5,032	165
Total Cultural and Recreation	44,827	43,857	970
Convention and Tourism:			
Convention and Visitors Bureau:			
Personal Services	7,848	7,934	(86)
Contractual Services	11,694	11,449	245
Commodities	304	317	(13)
Other Expenditures	508	522	(14)
Total Convention and Tourism	20,354	20,222	132
Economic Development and Opportunity:			
Personal Services	443	323	120
Contractual Services	435	412	23
Commodities	50	96	(46)
Other Expenditures	22	25	(3)
Total Economic Development and Opportunity	950	856	94
Total Expenditures	66,131	64,983	1,148
Excess of Revenues Over Expenditures	12,043	15,292	3,249
Other Financing Sources (Uses):			
Transfers In	2,658	4,828	2,170
Transfers Out	(30,404)	(34,202)	(3,798)
Total Other Financing Sources (Uses)	(27,746)	(29,374)	(1,628)
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	(15,703)	(14,082)	$ 1,621
Fund Balances, October 1	40,188	40,188	
Add Encumbrances		15,855	
Fund Balances, September 30	$ 24,485	$ 41,961	

The City noted budget violations of excess transfers out, and encumbrances over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Note: Includes revenues and expenditures generated from Convention and Tourism activities relating to the promotion of City of San Antonio owned facilities to be used for conventions, community and entertainment venues; the marketing and promotion of San Antonio through the Convention and Visitors Bureau and support for arts and cultural organizations in the Office of Cultural and Creative Development and International Relations.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Confiscated Property
Year-Ended September 30, 2012
(In Thousands)

	2012 FINAL BUDGET	2012 ACTUAL	2012 VARIANCE WITH FINAL BUDGET
Revenues:			
Miscellaneous	$ 1,927	$ 1,147	$ (780)
Investment Earnings	12	17	5
Total Revenues	1,939	1,164	(775)
Expenditures:			
General Government:			
Other Expenditures		3	(3)
Total General Government		3	(3)
Public Safety:			
Personal Services	361	334	27
Contractual Services	1,117	560	557
Commodities	541	434	107
Other Expenditures	207	244	(37)
Capital Outlay	811	302	509
Total Public Works	3,037	1,874	1,163
Total Expenditures	3,037	1,877	1,160
(Deficiency) of Revenues (Under) Expenditures	(1,098)	(713)	385
Other Financing (Uses):			
Transfers Out	(379)	(379)	
Total Other Financing (Uses)	(379)	(379)	
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(1,477)	(1,092)	$ 385
Fund Balances, October 1	4,109	4,109	
Add Encumbrances		246	
Fund Balances, September 30	$ 2,632	$ 3,263	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Hotel/Motel 2% Revenue
Year-Ended September 30, 2012
(In Thousands)

	2012 FINAL BUDGET	2012 ACTUAL	2012 VARIANCE WITH FINAL BUDGET
Revenues:			
Taxes:			
Occupancy	$ 13,999	$ 15,097	$ 1,098
Penalties and Interest on Delinquent Taxes	26	36	10
Miscellaneous		60	60
Investment Earnings		69	69
Total Revenues	14,025	15,262	1,237
Expenditures:			
Convention and Tourism:			
Contractual Service		54	(54)
Other Expenditures		14	(14)
Total Expenditures		68	(68)
Excess of Revenues Over Expenditures	14,025	15,194	1,169
Other Financing Sources (Uses):			
Transfer In		4,530	4,530
Transfers Out	(22,635)	(16,968)	5,667
Total Other Financing Sources (Uses)	(22,635)	(12,438)	10,197
Excess (Deficiency) of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing (Uses)	(8,610)	2,756	$ 11,366
Fund Balances, October 1	15,584	15,584	
Add Encumbrances		381	
Fund Balances, September 30	$ 6,974	$ 18,721	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Parks Development and Expansion - 2010, 2005, and 2000 Venue Projects
Year-Ended September 30, 2012
(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
General Sales and Use:			
City Sales Tax	$ 26,933	$ 27,417	$ 484
Miscellaneous		11	11
Investment Earnings	95	176	81
Total Revenues	27,028	27,604	576
Expenditures:			
General Government:			
Other Expenditures	27	36	(9)
Total General Government	27	36	(9)
Culture and Recreation:			
Contractual Services	539	541	(2)
Other Expenditures		23	(23)
Total Culture and Recreation	539	564	(25)
Total Expenditures	566	600	(34)
Excess of Revenues Over Expenditures	26,462	27,004	542
Other Financing Sources (Uses):			
Transfers In		3	3
Transfers Out	(21,534)	(26,456)	(4,922)
Total Other Financing Sources (Uses)	(21,534)	(26,453)	(4,919)
Excess of Revenues and Other Financing Sources Over Expenditures and Other Financing (Uses)	4,928	551	$ (4,377)
Fund Balances, October 1	33,036	33,036	
Add Encumbrances		20,634	
Fund Balances, September 30	$ 37,964	$ 54,221	

The City noted budget violations of excess expenditures transfers out, and encumbrances over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Right of Ways
Year-Ended September 30, 2012
(In Thousands)

	2012 FINAL BUDGET	2012 ACTUAL	2012 VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services	$ 1,344	$ 1,351	$ 7
Miscellaneous		2	2
Investment Earnings		5	5
Total Revenues	1,344	1,358	14
Expenditures:			
General Government:			
Other Expenditures		1	(1)
Total General Government		1	(1)
Public Works:			
Personal Services	985	1,040	(55)
Contractual Services	259	269	(10)
Commodities	14	16	(2)
Other Expenditures	236	247	(11)
Total Public Works	1,494	1,572	(78)
Total Expenditures	1,494	1,573	(79)
(Deficiency) of Revenues (Under) Expenditures	(150)	(215)	(65)
Other Financing Sources (Uses):			
Transfers In	149		(149)
Transfers Out	(74)		74
Total Other Financing Sources (Uses)	75		(75)
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	(75)	(215)	$ (140)
Fund Balances, October 1	1,320	1,320	
Add Encumbrances		38	
Fund Balances, September 30	$ 1,245	$ 1,143	

The City noted budget violations of excess expenditures, and encumbrances over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Stormwater Operations
Year-Ended September 30, 2012
(In Thousands)

	2012 FINAL BUDGET	2012 ACTUAL	2012 VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services	$ 40,125	$ 40,989	$ 864
Miscellaneous		695	695
Investment Earnings	156	134	(22)
Total Revenues	40,281	41,818	1,537
Expenditures:			
Public Works:			
Administration:			
Personal Services	1,255	4,281	(3,026)
Contractual Services	4,871	1,424	3,447
Commodities	30	468	(438)
Other Expenditures	304	1,845	(1,541)
Capital Outlay	3	34	(31)
Total Administration	6,463	8,052	(1,589)
Vegetation Control:			
Personal Services	3,128	88	3,040
Contractual Services	1,305	4,610	(3,305)
Commodities	418	12	406
Other Expenditures	1,249	15	1,234
Capital Outlay	28		28
Total Vegetation Control	6,128	4,725	1,403
River Maintenance:			
Personal Services	4,102	4,023	79
Contractual Services	650	1,085	(435)
Commodities	427	343	84
Other Expenditures	1,661	1,752	(91)
Capital Outlay		52	(52)
Total River Maintenance	6,840	7,255	(415)
Street Sweeping:			
Personal Services	2,600	2,470	130
Contractual Services	534	573	(39)
Commodities	172	293	(121)
Other Expenditures	1,155	1,183	(28)
Total Street Sweeping	4,461	4,519	(58)
Tunnel Maintenance:			
Personal Services	1,477	1,319	158
Contractual Services	392	613	(221)
Commodities	223	159	64
Other Expenditures	521	728	(207)
Capital Outlay	622	737	(115)
Total Tunnel Maintenance	3,235	3,556	(321)
Design Engineering:			
Personal Services	1,519	1,214	305
Contractual Services	535	662	(127)
Commodities	8	24	(16)
Other Expenditures	109	144	(35)
Total Design Engineering	2,171	2,044	127
Total Expenditures	29,298	30,151	(853)
Excess of Revenues Over Expenditures	10,983	11,667	684
Other Financing Sources (Uses):			
Transfers In		6	6
Transfers Out	(13,585)	(36,919)	(23,334)
Total Other Financing Sources (Uses)	(13,585)	(36,913)	(23,328)
(Deficiency) of Revenues and Other Financing Sources (Under) Expenditures and Other Financing (Uses)	(2,602)	(25,246)	$ (22,644)
Fund Balances, October 1	35,026	35,026	
Add Encumbrances		20,161	
Fund Balances, September 30	$ 32,424	$ 29,941	

The City noted budget violations of excess expenditures transfers out, and encumbrances over appropriations. As there was sufficient actual revenues or fund balances to cover these excesses, the City does not deem these violations to be material.

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Tax Increment Financing
Year-Ended September 30, 2012
(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Administrative Fee	$ 457	$ 308	$ (149)
Total Revenues	457	308	(149)
Expenditures:			
Economic Development and Opportunity:			
Personal Services	435	350	85
Contractual Services	23	3	20
Commodities	7	2	5
Other Expenditures	24	24	
Capital Outlay		4	(4)
Total Expenditures	489	383	106
(Deficiency) of Revenues (Under) Expenditures	(32)	(75)	(43)
Other Financing (Uses):			
Transfers Out		(4)	(4)
Total Other Financing (Uses)		(4)	(4)
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(32)	(79)	$ (47)
Fund Balances, October 1	(153)	(153)	
Fund Balances, September 30	$ (185)	$ (232)	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Service Funds - Child Safety
Year-Ended September 30, 2012

(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Parking Fines	$ 132	$ 163	$ 31
Moving Violations	331	243	(88)
Intergovernmental	1,703	1,560	(143)
Total Revenues	2,166	1,966	(200)
Expenditures:			
Public Safety:			
Personal Services	1,680	1,311	369
Contractual Services	28	31	(3)
Commodities	33	14	19
Other Expenditures	401	578	(177)
Total Expenditures	2,142	1,934	208
Excess of Revenues Over Expenditures	24	32	8
Other Financing (Uses):			
Transfers Out	(216)	(216)	
Total Other Financing (Uses)	(216)	(216)	
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(192)	(184)	$ 8
Fund Balances, October 1	243	243	
Fund Balances, September 30	$ 51	$ 59	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Services Funds - Golf Course Operating and Maintenance
Year-Ended September 30, 2012
(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Miscellaneous	$ 300	$ 256	$ (44)
Total Revenues	300	256	(44)
Excess of Revenues Over Expenditures	300	256	(44)
Other Financing (Uses):			
Transfers Out	(106)	(89)	17
Total Other Financing (Uses)	(106)	(89)	17
Excess of Revenues Over Expenditures and Other Financing (Uses)	194	167	$ (27)
Fund Balances, October 1	(1,956)	(1,956)	
Fund Balances, September 30	$ (1,762)	$ (1,789)	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Service Funds - Juvenile Case Manager
Year-Ended September 30, 2012
(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Juvenile Case Manager Fee	$ 712	$ 723	$ 11
Investment Earnings		2	2
Total Revenues	712	725	13
Expenditures:			
General Government:			
Personal Services	574	556	18
Contractual Services	3		3
Other Expenditures	33	34	(1)
Total Expenditures	610	590	20
Excess of Revenues Over Expenditures	102	135	33
Excess of Revenues Over Expenditures	102	135	$ 33
Fund Balances, October 1	419	419	
Fund Balances, September 30	$ 521	$ 554	

Amounts are expressed in thousands

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Service Funds - Municipal Court Security

Year-Ended September 30, 2012

(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Building Security	$ 493	$ 470	$ (23)
Total Revenues	493	470	(23)
Expenditures:			
General Government:			
Personal Services	429	443	(14)
Contractual Services	30	3	27
Commodities	8	1	7
Other Expenditures	33	33	
Capital Outlay		1	(1)
Total Expenditures	500	481	19
(Deficiency) of Revenues (Under) Expenditures	(7)	(11)	(4)
Other Financing (Uses):			
Transfers Out	(15)	(15)	
Total Other Financing (Uses)	(15)	(15)	
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(22)	(26)	$ (4)
Fund Balances, October 1	76	76	
Fund Balances, September 30	$ 54	$ 50	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Service Funds - Municipal Court Technology
Year-Ended September 30, 2012
(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Technology Improvements	$ 653	$ 628	$ (25)
Investment Earnings		5	5
Total Revenues	653	633	(20)
Expenditures:			
General Government:			
Personal Services	57	38	19
Contractual Services	662	339	323
Commodities		1	(1)
Other Expenditures	6	9	(3)
Capital Outlay		15	(15)
Total Expenditures	725	402	323
Excess (Deficiency) of Revenues Over (Under) Expenditures	(72)	231	303
Other Financing (Uses):			
Transfers Out	(1,008)	(555)	453
Total Other Financing (Uses)	(1,008)	(555)	453
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(1,080)	(324)	$ 756
Fund Balances, October 1	2,057	2,057	
Fund Balances, September 30	$ 977	$ 1,733	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Special Revenue Funds
Community Service Funds - Tree Canopy Preservation and Mitigation Fund
Year-Ended September 30, 2012

(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Canopy Fee - Residential	$ 255	$ 206	$ (49)
Canopy Fee - Commercial	89	92	3
Investment Earnings	8	2	(6)
Total Revenues	352	300	(52)
Expenditures:			
Culture and Recreation:			
Personal Services	85	120	(35)
Contractual Services	116	195	(79)
Commodities	406	259	147
Other Expenditures	46	51	(5)
Total Expenditures	653	625	28
(Deficiency) of Revenues (Under) Expenditures	(301)	(325)	(24)
Other Financing (Uses):			
Transfers Out	(132)	(132)	
Total Other Financing (Uses)	(132)	(132)	
(Deficiency) of Revenues (Under) Expenditures and Other Financing (Uses)	(433)	(457)	$ (24)
Fund Balances, October 1	501	813	
Add Encumbrances		4	
Fund Balances, September 30	$ 68	$ 360	

Schedule of Revenues, Expenditures, Encumbrances, and Changes in Fund Balances
Budget and Actual (Budgetary Basis)
Permanent Fund
City Cemeteries
Year-Ended September 30, 2012
(In Thousands)

	2012		
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET
Revenues:			
Charges for Services:			
Sales	$ 191	$ 162	$ (29)
Investment Earnings	10	11	1
Total Revenues	201	173	(28)
Expenditures:			
Culture and Recreation:			
Contractual Services	95	33	62
Commodities	64		64
Other Expenditures	10	12	(2)
Total Expenditures	169	45	124
Excess of Revenues Over Expenditures	32	128	96
Excess of Revenues Over Expenditures	32	128	$ 96
Fund Balances, October 1	2,535	2,535	
Add Encumbrances		3	
Fund Balances, September 30	$ 2,567	$ 2,666	

Nonmajor Enterprise Funds

DEVELOPMENT SERVICES – accounts for all revenues and expenses associated with the operation and maintenance of the City's development and service activities.

MARKET SQUARE – accounts for all revenues and expenses associated with the management and operation of the Farmer's Market, El Mercado, the Market Square Parking Lot, and Alameda.

PARKING SYSTEM – accounts for all revenues and expenses associated with the operation and maintenance of the City's structures and parking lots, required debt service for outstanding bonds, and construction and management of the Parking System's assets.

Combining Statement of Net Assets
Nonmajor Enterprise Funds
As of September 30, 2012
(In Thousands)

	DEVELOPMENT SERVICES	MARKET SQUARE	PARKING SYSTEM	TOTAL NONMAJOR ENTERPRISE FUNDS
Assets:				
Current Assets:				
Unrestricted Assets:				
Cash and Cash Equivalents	$ 784	$ 45	$ 353	$ 1,182
Securities Lending Collateral	348	20	158	526
Investments	8,125	458	3,662	12,245
Receivables, Net	15	2	195	212
Materials and Supplies, at Cost			56	56
Due From:				
Other Funds	46	16	5	67
Total Unrestricted Assets	9,318	541	4,429	14,288
Restricted Assets:				
Debt Service Accounts:				
Cash and Cash Equivalents			1,182	1,182
Securities Lending Collateral			205	205
Investments			5,102	5,102
Receivables, Net			7	7
Construction Accounts:				
Cash and Cash Equivalents			22	22
Due From:				
Other Funds			101	101
Improvement and Contingency Accounts:				
Cash and Cash Equivalents			374	374
Securities Lending Collateral			164	164
Investments			3,898	3,898
Receivables, Net			7	7
Total Restricted Assets			11,062	11,062
Total Current Assets	9,318	541	15,491	25,350
Noncurrent Assets:				
Capital Assets:				
Land		45	8,125	8,170
Buildings		1,336	24,590	25,926
Improvements		7,591	4,302	11,893
Machinery and Equipment	1,100		1,571	2,671
Construction in Progress			1,893	1,893
Total Capital Assets	1,100	8,972	40,481	50,553
Less: Accumulated Depreciation	1,066	2,313	12,560	15,939
Net Capital Assets	34	6,659	27,921	34,614
Unamortized Bond Issuance Costs			240	240
Total Noncurrent Assets	34	6,659	28,161	34,854
Total Assets	$ 9,352	$ 7,200	$ 43,652	$ 60,204

Combining Statement of Net Assets
Nonmajor Enterprise Funds
As of September 30, 2012
(In Thousands)

	DEVELOPMENT SERVICES	MARKET SQUARE	PARKING SYSTEM	TOTAL NONMAJOR ENTERPRISE FUNDS
Liabilities:				
Current Liabilities:				
Payable from Current Unrestricted Assets:				
Vouchers Payable	$ 94	$ 80	$ 45	$ 219
Accounts Payable-Other	1,367	1	77	1,445
Accrued Payroll	252	4	59	315
Current Portion of Accrued Leave Payable	685	3	151	839
Securities Lending Obligation	348	20	158	526
Unearned Revenue	73			73
Due to:				
Other Funds	60			60
Other Government Agencies	4			4
Total Payable from Current Unrestricted Assets	2,883	108	490	3,481
Payable from Restricted Assets:				
Vouchers Payable			21	21
Accrued Bond Interest			139	139
Securities Lending Obligation			369	369
Current Portion of Bonds and Certificates			1,300	1,300
Due to Other Funds			101	101
Current Portion of Unamortized Premium/(Discount)			10	10
Current Portion of Deferred Amount on Refunding			(178)	(178)
Other Payables			22	22
Total Payable from Restricted Assets			1,784	1,784
Total Current Liabilities	2,883	108	2,274	5,265
Noncurrent Liabilities:				
Bonds and Certificates (net of current portion)			13,600	13,600
Unamortized Premium/(Discount) (net of current portion)			59	59
Deferred Amount on Refunding (net of current portion)			(1,336)	(1,336)
Net OPEB and Pension Obligation	5,043	120	1,562	6,725
Total Noncurrent Liabilities	5,043	120	13,885	19,048
Total Liabilities	7,926	228	16,159	24,313
Net Assets:				
Invested In Capital Assets, Net of Related Debt	34	6,659	14,466	21,159
Restricted:				
Debt Service			6,152	6,152
Capital Projects			4,279	4,279
Unrestricted	1,392	313	2,596	4,301
Total Net Assets	$ 1,426	$ 6,972	$ 27,493	$ 35,891

Combining Statement of Revenues, Expenses, and Changes in Net Assets
Nonmajor Enterprise Funds
Year-Ended September 30, 2012
(In Thousands)

	DEVELOPMENT SERVICES	MARKET SQUARE	PARKING SYSTEM	TOTAL NONMAJOR ENTERPRISE FUNDS
Operating Revenues:				
Charges for Services	$ 23,392	$ 2,316	$ 8,630	$ 34,338
Total Operating Revenues	23,392	2,316	8,630	34,338
Operating Expenses:				
Personal Services	16,326	578	3,713	20,617
Contractual Services	1,137	842	868	2,847
Commodities	414	40	132	586
Other	4,690	385	1,035	6,110
Depreciation	74	443	1,039	1,556
Total Operating Expenses	22,641	2,288	6,787	31,716
Operating Income	751	28	1,843	2,622
Nonoperating Revenues (Expenses):				
Investment Earnings	30	5	63	98
Other Nonoperating Revenue	177	27	9	213
Interest and Debt Expense			(854)	(854)
Other Nonoperating Expense	(6)		(345)	(351)
Total Nonoperating Revenues (Expenses)	201	32	(1,127)	(894)
Change in Net Assets Before Contributions and Transfers	952	60	716	1,728
Capital Contributions		74		74
Transfers In (Out):				
Transfers In	4,075		518	4,593
Transfers Out	(2,982)	(434)	(292)	(3,708)
Total Transfers In (Out)	1,093	(434)	226	885
Change In Net Assets	2,045	(300)	942	2,687
Net Assets - October 1	(619)	7,272	26,551	33,204
Net Assets - September 30	$ 1,426	$ 6,972	$ 27,493	$ 35,891

Combining Statement of Cash Flows
Nonmajor Enterprise Funds
Year-Ended September 30, 2012
(In Thousands)

	DEVELOPMENT SERVICES	MARKET SQUARE	PARKING SYSTEM	TOTAL NONMAJOR ENTERPRISE FUNDS
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 23,416	$ 2,357	$ 8,675	$ 34,448
Cash Payments to Suppliers for Goods and Services	(5,652)	(1,235)	(2,035)	(8,922)
Cash Payments to Employees for Service	(15,057)	(554)	(3,619)	(19,230)
Net Cash Provided by Operating Activities	2,707	568	3,021	6,296
Cash Flows from Noncapital Financing Activities:				
Transfers In from Other Funds	4,075		518	4,593
Transfers Out to Other Funds	(2,982)	(434)	(292)	(3,708)
Due to Other Funds	60		(70)	(10)
Due from Other Funds	666	(16)	(106)	544
Cash Received from Other Nonoperating Revenues	177	3	9	189
Net Cash Provided by (Used for) Noncapital Financing Activities	1,996	(447)	59	1,608
Cash Flows from Capital and Related Financing Activities:				
Acquisitions and Construction of Capital Assets	(16)		(1,854)	(1,870)
Principal Payments or Refundings on Long-Term Debt			(1,175)	(1,175)
Interest and Fees Paid on Long-Term Debt			(862)	(862)
Net Cash (Used for) Capital and Related Financing Activities	(16)		(3,891)	(3,907)
Cash Flows from Investing Activities:				
Purchases of Investment Securities	(8,992)	(507)	(15,600)	(25,099)
Maturity of Investment Securities	4,768	398	16,704	21,870
Purchases of Investments for Securities Lending	(154)	(3)	(136)	(293)
Proceeds from Cash Collected for Securities Lending Cash Collateral	154	3	136	293
Investments Earnings	30	5	52	87
Net Cash Provided by (Used for) Investing Activities	(4,194)	(104)	1,156	(3,142)
Net Increase (Decrease) in Cash and Cash Equivalents	493	17	345	855
Cash and Cash Equivalents, October 1	291	28	1,586	1,905
Cash and Cash Equivalents, September 30	$ 784	$ 45	$ 1,931	$ 2,760
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating Income	$ 751	$ 28	$ 1,843	$ 2,622
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:				
Depreciation	74	443	1,039	1,556
Changes in Assets and Liabilities:				
Decrease in Accounts Receivable	36	45	58	139
(Increase) in Due from Other Governmental Agencies	(2)			(2)
Decrease in Materials and Supplies			4	4
Increase in Vouchers Payable	65	36	101	202
Increase (Decrease) in Accounts Payable - Other	526	(4)	(105)	417
Increase (Decrease) in Accrued Payroll	35		(1)	34
Increase (Decrease) in Accrued Leave Payable	31	(2)		29
Increase in Net OPEB Obligation	1,203	26	95	1,324
(Decrease) in Unearned Revenue	(12)	(4)	(13)	(29)
Net Cash Provided by Operating Activities	$ 2,707	$ 568	$ 3,021	$ 6,296
Noncash Investing, Capital and Financing Activities:				
Contributed Capital	$ -	$ 74		$ 74

Amounts are expressed in thousands

Internal Service Funds

SELF-INSURANCE PROGRAMS – to account for Self-Insurance Programs including funds for the administration of all tort claims against the City and for the operation of the City's employee benefit programs. Included in the Self-Insurance Programs are the Employee Health Benefits Program, Insurance Reserve Program, and Workers' Compensation Program.

INFORMATION SERVICES – to account for financing of goods or services provided to other departments or agencies in the field of data processing, programming, and communication services.

OTHER INTERNAL SERVICES – to account for financing of goods or services (other than data processing and programming) provided to other departments or agencies. This fund has the following divisions: Central Stores, Automotive Repair, Temporary Services and Building Maintenance and Repairs. Reserves for Equipment Renewal and Replacement are recorded by charges to the user departments.

CAPITAL IMPROVEMENTS MANAGEMENT SERVICES (CIMS) – to account for revenues and expenses associated with the administration and delivery of the City's capital improvement projects.

Combining Statement of Net Assets
Internal Service Funds
As of September 30, 2012
(In Thousands)

	SELF-INSURANCE PROGRAMS						
	EMPLOYEE HEALTH BENEFITS	INSURANCE RESERVE	WORKERS' COMPENSATION	INFORMATION SERVICES	OTHER INTERNAL SERVICES	CAPITAL IMPROVEMENTS MANAGEMENT SERVICES	TOTAL INTERNAL SERVICE FUNDS
Assets:							
Current Assets:							
Cash and Cash Equivalents	$ 1,971	$ 2,123	$ 2,942	$ 870	$ 2,577	$ 25	$ 10,508
Securities Lending Collateral	861	937	1,302	383	1,135	11	4,629
Investments	20,687	22,089	30,572	9,071	26,885	256	109,560
Receivables, Net	196	30	40	23	110	61	460
Materials and Supplies, at Cost				29	1,690		1,719
Deposits	102		36				138
Prepaid Expenses		1,055	86				1,141
Due From:							
Other Funds			2	444	7,915	628	8,989
Other Governmental Agencies, Net	1			69	563		633
Total Current Assets	23,818	26,234	34,980	10,889	40,875	981	137,777
Capital Assets:							
Buildings				20	158		178
Improvements					244		244
Machinery and Equipment	154	64	441	5,898	185,667	99	192,323
Depreciable Intangible						250	250
Total Capital Assets	154	64	441	5,918	186,069	349	192,995
Less: Accumulated Depreciation	154	64	441	5,777	112,205	41	118,682
Net Capital Assets				141	73,864	308	74,313
Total Assets	23,818	26,234	34,980	11,030	114,739	1,289	212,090
Liabilities:							
Current Liabilities:							
Vouchers Payable	86	73	110	714	3,691	49	4,723
Accounts Payable-Other	1,407	249	34	673	424	281	3,068
Claims Payable	8,960	26,055	33,234				68,249
Accrued Payroll	30	25	32	291	261	247	886
Accrued Interest					19		19
Current Portion of Accrued Leave Payable	58	57	102	851	738	677	2,483
Securities Lending Obligation	861	937	1,302	383	1,135	11	4,629
Unearned Revenue	8						8
Current Portion of Capital Lease Liability					1,269		1,269
Due To:							
Other Funds	72	23		196	4,525	8	4,824
Total Current Liabilities	11,482	27,419	34,814	3,108	12,062	1,273	90,158
Noncurrent Liabilities:							
Accrued Leave Payable (net of current portion)	6	19	13	292	66		396
Capital Lease Liability (net of current portion)					3,724		3,724
Net OPEB and Pension Obligation	542	383	445	4,627	6,423	4,273	16,693
Total Noncurrent Liabilities	548	402	458	4,919	10,213	4,273	20,813
Total Liabilities	12,030	27,821	35,272	8,027	22,275	5,546	110,971
Net Assets:							
Invested In Capital Assets, Net of Related Debt				141	68,871	308	69,320
Unrestricted	11,788	(1,587)	(292)	2,862	23,593	(4,565)	31,799
Total Net Assets	$ 11,788	$ (1,587)	$ (292)	$ 3,003	$ 92,464	$ (4,257)	$ 101,119

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Internal Service Funds
Year-Ended September 30, 2012
(In Thousands)

	SELF-INSURANCE PROGRAMS						
	EMPLOYEE HEALTH BENEFITS	INSURANCE RESERVE	WORKERS' COMPENSATION	INFORMATION SERVICES	OTHER INTERNAL SERVICES	CAPITAL IMPROVEMENTS MANAGEMENT SERVICES	TOTAL INTERNAL SERVICE FUNDS
Operating Revenues:							
Charges for Services	$ 98,634	$ 10,009	$ 17,319	$ 35,227	$ 80,397	$ 13,375	$ 254,961
Total Operating Revenues	98,634	10,009	17,319	35,227	80,397	13,375	254,961
Operating Expenses:							
Personal Services	1,929	1,586	1,922	18,419	18,075	15,947	57,878
Contractual Services	12,386	1,232	1,760	14,982	9,988	599	40,947
Commodities	48	27	60	453	3,718	227	4,533
Materials					26,967		26,967
Claims	92,243	7,826	12,718				112,787
Other	171	2,317	301	5,505	7,197	1,429	16,920
Depreciation				56	17,842	17	17,915
Total Operating Expenses	106,777	12,988	16,761	39,415	83,787	18,219	277,947
Operating Income (Loss)	(8,143)	(2,979)	558	(4,188)	(3,390)	(4,844)	(22,986)
Nonoperating Revenues (Expenses):							
Investment Earnings	176	106	140	51	160		633
Other Nonoperating Revenue	89	268	268	800	387	109	1,921
Gain on Sale of Capital Assets					3,488		3,488
Other Nonoperating Expense	(35)	(21)	(28)	(127)			(211)
Total Nonoperating Revenues (Expenses)	230	353	380	724	4,035	109	5,831
Change in Net Assets Before Transfers	(7,913)	(2,626)	938	(3,464)	645	(4,735)	(17,155)
Transfers In (Out):							
Transfers In			107	3,238	505	4,197	8,047
Transfers Out		(85)		(1,664)	(3,901)		(5,650)
Total Transfers In (Out)		(85)	107	1,574	(3,396)	4,197	2,397
Change in Net Assets	(7,913)	(2,711)	1,045	(1,890)	(2,751)	(538)	(14,758)
Net Assets - October 1	19,701	1,124	(1,337)	4,893	95,215	(3,719)	115,877
Net Assets - September 30	$ 11,788	$ (1,587)	$ (292)	$ 3,003	$ 92,464	$ (4,257)	$ 101,119

Combining Statement of Cash Flows
Internal Service Funds
Year-Ended September 30, 2012
(In Thousands)

	SELF-INSURANCE PROGRAMS						
	EMPLOYEE HEALTH BENEFITS	INSURANCE RESERVE	WORKERS' COMPENSATION	INFORMATION SERVICES	OTHER INTERNAL SERVICES	CAPITAL IMPROVEMENTS MANAGEMENT SERVICES	TOTAL INTERNAL SERVICE FUNDS
Cash Flows from Operating Activities:							
Cash Received from Customers	$ 99,849	$ 10,009	$ 17,319	$ 35,223	$ 80,657	$ 13,321	$ 256,378
Cash Payments to Suppliers for Goods and Services	(104,022)	(7,248)	(10,967)	(22,725)	(48,921)	(2,307)	(196,190)
Cash Payments to Employees for Service	(1,725)	(1,484)	(1,771)	(17,434)	(16,745)	(14,895)	(54,054)
Net Cash Provided by (Used for) Operating Activities	(5,898)	1,277	4,581	(4,936)	14,991	(3,881)	6,134
Cash Flows from Noncapital Financing Activities:							
Transfers In from Other Funds			107	3,238	505	4,197	8,047
Transfers Out to Other Funds		(85)		(1,664)	(3,901)		(5,650)
Due To Other Funds				(11)	2,222	(1,284)	927
Due From Other Funds	59	20	2,324	(427)	(6,806)	(628)	(5,458)
Cash Received from Other Nonoperating Revenues	89	269	268	800	387		1,813
Net Cash Provided by (Used for) Noncapital Financing Activities	148	204	2,699	1,936	(7,593)	2,285	(321)
Cash Flows from Capital and Related Financing Activities:							
Acquisitions and Construction of Capital Assets				(9)	(19,364)	(299)	(19,672)
Principal Payments on Notes and Leases					(1,135)		(1,135)
Interest Paid on Notes and Leases					18		18
Proceeds from Sale of Assets					4,582		4,582
Net Cash (Used for) Capital and Related Financing Activities				(9)	(15,899)	(299)	(16,207)
Cash Flows from Investing Activities:							
Purchases of Investment Securities	(22,896)	(24,448)	(33,836)	(10,039)	(29,755)	(284)	(121,258)
Maturity of Investment Securities	28,392	23,351	27,482	12,920	37,903	1,952	132,000
Purchases of Investments for Securities Lending	(439)	(105)	(100)	(210)	(604)	(85)	(1,543)
Proceeds from Cash Collected for Securities Lending Cash Collateral	439	105	100	210	604	85	1,543
Investment Earnings	112	69	89	46	146	109	571
Net Cash Provided by (Used for) Investing Activities	5,608	(1,028)	(6,265)	2,927	8,294	1,777	11,313
Net Increase (Decrease) in Cash and Cash Equivalents	(142)	453	1,015	(82)	(207)	(118)	919
Cash and Cash Equivalents, October 1	2,113	1,670	1,927	952	2,784	143	9,589
Cash and Cash Equivalents, September 30	$ 1,971	$ 2,123	$ 2,942	$ 870	$ 2,577	$ 25	$ 10,508
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Operating Income (Loss)	$ (8,143)	$ (2,979)	$ 558	$ (4,188)	$ (3,390)	$ (4,844)	$ (22,986)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:							
Depreciation				56	17,842	17	17,915
Changes in Assets and Liabilities:							
(Increase) Decrease in Accounts Receivable	1,187			(5)	823	(54)	1,951
Decrease in Due from Other Governmental Agencies	20			24	(563)		(519)
(Increase) Decrease in Materials and Supplies				7	(60)		(53)
Decrease in Prepaid Expenses		(240)	75				(165)
Increase (Decrease) in Vouchers Payable	(61)	(6)	32	97	(175)	28	(85)
Increase in Claims Payable	1,091	4,511	3,780				9,382
Increase in Accounts Payable - Other	(204)	(112)	(15)	(1,178)	(816)	(80)	(2,405)
Increase in Accrued Payroll	10	3	5	4	5	7	34
Increase (Decrease) in Accrued Leave Payable	13	13	44	38	(9)	66	165
Increase in Net OPEB and Pension Obligation	181	87	102	943	1,334	979	3,626
Increase (Decrease) in Unearned Revenue	8			(23)			(15)
(Decrease) in Due to Other Governmental Agencies				(711)			(711)
Net Cash Provided by (Used for) Operating Activities	$ (5,898)	$ 1,277	$ 4,581	$ (4,936)	$ 14,991	$ (3,881)	$ 6,134

Amounts are expressed in thousands

Fiduciary Funds

FIRE AND POLICE PENSION AND HEALTH CARE FUNDS – to account for resources of the pension and health care funds established for the City's firefighters and police officers, as provided for under state law and the respective collective bargaining agreements:

FIRE AND POLICE PENSION FUND – to account for collection and payment of funds for the pension fund established for the City's firefighters and police officers, as provided for under state law.

FIRE AND POLICE RETIREE HEALTH CARE FUND – to account for the collection and payment of funds for health care benefits of the City's firefighters and police officers who retired after October 1, 1989, as provided for under state law and the respective collective bargaining agreements.

AGENCY FUNDS – to account for funds which are custodial in nature and for which the City is acting as an agent. The City has established the following agency funds based upon the above definition:

BEXAR COUNTY HOTEL/MOTEL TAX COLLECTIONS FUND – to account for the collection and payment to Bexar County for certain hotel occupancy taxes.

CRIMINAL JUSTICE PLANNING FUND – to account for the collection and payment to the State of Texas for Law Enforcement Fees collected.

CVB HOUSING BUREAU FUND – to account for individual hotel reservation deposits maintained by Convention & Visitors Bureau staff for confirmed City-wide conventions**.**

DEPOSIT FUND – to account for the collection and payment of cash deposits held by the City pending the outcome of bids on contracts.

EVIDENTIARY CASH FUND – to account for cash impounded by the San Antonio Police Department pending the outcome of legal proceedings.

LESSEES' SPECIAL EVENTS LIABILITY INSURANCE FUND – to account for funds utilized for the purchase of insurance coverage on special events. Financing is provided by contributions from lessees.

MUNICIPAL COURT CASH BOND FUND – to account for the collection and payment of Court Cash Bonds held by the City pending the outcome of court cases.

MAYOR'S LUNCH – to account for collection and payment to caterers for lunch events with the Mayor organized and for the benefit of third parties.

STATE SALES TAX FUND – to account for the collection and payment to the State of Texas for sales tax collected.

UNCLAIMED PROPERTY FUND – to account for the collection and administration of unclaimed property in accordance with the Texas Property Code - Title 6.

VIA TICKET SALES – to account for the collection and payment for bus pass proceeds to VIA Metropolitan Transport.

Combining Statement of Fiduciary Net Assets
Fire and Police Pension and Health Care Funds
As of September 30, 2012
(In Thousands)

	FIRE AND POLICE PENSION FUND	FIRE AND POLICE RETIREE HEALTH CARE FUND	TOTAL FIRE AND POLICE PENSION AND HEALTH CARE FUNDS
Assets:			
Current Assets:			
Cash and Cash Equivalents	$ 143,456	$ 7,781	$ 151,237
Security Lending Collateral	114,207	2,116	116,323
Investments:			
Common Stock	908,163	24,575	932,738
U.S. Government Securities	66,026		66,026
Corporate Bonds	355,235		355,235
Mutual Funds		54,550	54,550
Hedge Funds	174,760	8,593	183,353
Real Estate	257,428	43,780	301,208
Alternative	268,511	99,135	367,646
Receivables:			
Accounts	76,445		76,445
Accrued Interest	4,530	49	4,579
Accrued Revenue		21	21
Total Current Assets	2,368,761	240,600	2,609,361
Capital Assets:			
Machinery and Equipment	457		457
Buildings	1,318	150	1,468
Total Capital Assets	1,775	150	1,925
Less: Accumulated Depreciation	564	33	597
Net Capital Assets	1,211	117	1,328
Total Assets	2,369,972	240,717	2,610,689
Liabilities:			
Vouchers Payable	3,497	76	3,573
Accounts Payable - Other	24,102		24,102
Claims Payable		2,561	2,561
Accrued Payroll	164	31	195
Securities Lending Obligation	114,207	2,116	116,323
Total Liabilities	141,970	4,784	146,754
Net Assets:			
Net Held in Trust for Pension, OPEB Benefits and Other Purposes	$ 2,228,002	$ 235,933	$ 2,463,935

Amounts are expressed in thousands

Combining Statement of Changes in Fiduciary Net Assets
Fire and Police Pension and Health Care Funds
Year-Ended September 30, 2012
(In Thousands)

	FIRE AND POLICE PENSION FUND	FIRE AND POLICE RETIREE HEALTH CARE FUND	TOTAL FIRE AND POLICE PENSION AND HEALTH CARE FUNDS
Additions:			
Contributions:			
Employer	$ 70,389	$ 24,509	$ 94,898
Employee	35,193	12,243	47,436
Other Contributions		747	747
Total Contributions	105,582	37,499	143,081
Investment Earnings:			
Net Increase in Fair Value of Investments	228,990	20,500	249,490
Real Estate Income, net	7,892		7,892
Interest and Dividends	39,290	1,261	40,551
Securities Lending	374	12	386
Other Income	254	20	274
Total Investment Earnings	276,800	21,793	298,593
Less: Investment Expenses			
Investment Management Fees and Custodian Fees	(10,480)	(571)	(11,051)
Less: Securities Lending Expenses			
Borrower Rebates and Lending Fees	(43)	(7)	(50)
Net Investment Earnings	266,277	21,215	287,492
Total Additions	371,859	58,714	430,573
Deductions:			
Benefits	110,467	19,423	129,890
Refunds of Contributions	697		697
Administrative Expenses	2,747	2,030	4,777
Total Deductions	113,911	21,453	135,364
Change in Net Assets	257,948	37,261	295,209
Net Assets - October 1	1,970,054	198,672	2,168,726
Net Assets - September 30	$ 2,228,002	$ 235,933	$ 2,463,935

Combining Balance Sheet
Agency Funds
As of September 30, 2012
(In Thousands)

	ASSETS					
	CASH AND CASH EQUIVALENTS	SECURITIES LENDING COLLATERAL	INVESTMENTS	ACCOUNTS RECEIVABLE	ACCRUED INTEREST	TOTAL ASSETS
Funds:						
Bexar County Hotel/Motel Tax Collections Fund	$ 1,227	$ 1	$ 30	$ 85	$ -	$ 1,343
Criminal Justice Planning Fund	3,710					3,710
CVB Housing Bureau Fund	7					7
Deposit Fund	2,518					2,518
Evidentiary Cash Fund	153	68	1,594		2	1,817
Lessees' Special Events Liability Insurance Func	22					22
Municipal Court Cash Bond Fund	306					306
Mayor's Lunch			3			3
State Sales Tax Fund	246				4	250
Unclaimed Property Fund	39	17	402			458
VIA Ticket Sales	46			4		50
Total	$ 8,274	$ 86	$ 2,029	$ 89	$ 6	$ 10,484

	LIABILITIES			
	VOUCHERS PAYABLE	ACCOUNTS PAYABLE OTHER	SECURITIES LENDING OBLIGATION	TOTAL LIABILITIES
Funds:				
Bexar County Hotel/Motel Tax Collections Fund	$ -	$ 1,342	$ 1	$ 1,343
Criminal Justice Planning Fund	23	3,687		3,710
CVB Housing Bureau Fund		7		7
Deposit Fund		2,518		2,518
Evidentiary Cash Fund		1,749	68	1,817
Lessees' Special Events Liability Insurance Func	1	21		22
Municipal Court Cash Bond Fund		306		306
Mayor's Lunch		3		3
State Sales Tax Fund		250		250
Unclaimed Property Fund		441	17	458
VIA Ticket Sales		50		50
Total	$ 24	$ 10,374	$ 86	$ 10,484

CITY OF SAN ANTONIO, TEXAS

Combining Statement of Changes in Assets and Liabilities

Agency Funds

As of September 30, 2012

(In Thousands)

	BALANCE 10-01-2011	ADDITIONS	DEDUCTIONS	BALANCE 09-30-2012
Bexar County Hotel/Motel Tax Collections Fund:				
Assets:				
Cash and Cash Equivalents	$ 1,352	$ 28,589	$ 28,714	$ 1,227
Securities Lending Collateral		1		1
Investments		14,153	14,123	30
Receivables:				
Accounts	14	15,058	14,987	85
Total Assets	$ 1,366	$ 57,801	$ 57,824	$ 1,343
Liabilities:				
Accounts Payable - Other	$ 1,366	$ 14,855	$ 14,879	$ 1,342
Securities Lending Obligation		1		1
Total Liabilities	$ 1,366	$ 14,856	$ 14,879	$ 1,343
Criminal Justice Planning Fund				
Assets:				
Cash and Cash Equivalents	$ 3,896	$ 13,598	$ 13,784	$ 3,710
Total Assets	$ 3,896	$ 13,598	$ 13,784	$ 3,710
Liabilities:				
Vouchers Payable	$ 19	$ 23	$ 19	$ 23
Accounts Payable - Other	3,877	20,612	20,802	3,687
Total Liabilities	$ 3,896	$ 20,635	$ 20,821	$ 3,710
CVB Housing Bureau				
Assets:				
Cash and Cash Equivalents	$ 8	$ 2	$ 3	$ 7
Total Assets	$ 8	$ 2	$ 3	$ 7
Liabilities:				
Accounts Payable - Other	$ 8	$ 2	$ 3	$ 7
Total Liabilities	$ 8	$ 2	$ 3	$ 7
Deposit Fund				
Assets:				
Cash and Cash Equivalents	$ 2,554	$ 2,267	$ 2,303	$ 2,518
Total Assets	$ 2,554	$ 2,267	$ 2,303	$ 2,518
Liabilities:				
Accounts Payable - Other	$ 2,554	$ 2,362	$ 2,398	$ 2,518
Total Liabilities	$ 2,554	$ 2,362	$ 2,398	$ 2,518

(continued)

CITY OF SAN ANTONIO, TEXAS

Combining Statement of Changes in Assets and Liabilities

Agency Funds

As of September 30, 2012

(In Thousands)

	BALANCE 10-01-2011	ADDITIONS	DEDUCTIONS	BALANCE 09-30-2012
Evidentiary Cash Fund				
Assets:				
Cash and Cash Equivalents	$ 122	$ 3,624	$ 3,593	$ 153
Securities Lending Collateral	76	68	76	68
Investments	1,531	3,187	3,124	1,594
Receivables:				
Accrued Interest	1	2	1	2
Total Assets	$ 1,730	$ 6,881	$ 6,794	$ 1,817
Liabilities:				
Accounts Payable - Other	$ 1,654	$ 179	$ 84	$ 1,749
Securities Lending Obligation	76	68	76	68
Total Liabilities	$ 1,730	$ 247	$ 160	$ 1,817
Lessee's Special Event Liability Insurance				
Assets:				
Cash and Cash Equivalents	$ 21	$ 41	$ 40	$ 22
Receivables:				
Accrued Interest		24	24	
Total Assets	$ 21	$ 65	$ 64	$ 22
Liabilities:				
Vouchers Payable	$ 5	$ 35	$ 39	$ 1
Accounts Payable - Other	16	47	42	21
Total Liabilities	$ 21	$ 82	$ 81	$ 22
Municipal Court Cash Bond Fund				
Assets:				
Cash and Cash Equivalents	$ 255	$ 356	$ 305	$ 306
Total Assets	$ 255	$ 356	$ 305	$ 306
Liabilities:				
Accounts Payable - Other	$ 255	$ 586	$ 535	$ 306
Total Liabilities	$ 255	$ 586	$ 535	$ 306
Mayor's Lunch				
Assets:				
Cash and Cash Equivalents	$ -	$ 14	$ 14	$ -
Investments	3			3
Total Assets	$ 3	$ 14	$ 14	$ 3
Liabilities:				
Vouchers Payable	$ -	$ 8	$ 8	$ -
Accounts Payable - Other	3	28	28	3
Total Liabilities	$ 3	$ 36	$ 36	$ 3

(continued)

CITY OF SAN ANTONIO, TEXAS

Combining Statement of Changes in Assets and Liabilities

Agency Funds

As of September 30, 2012

(In Thousands)

	BALANCE 10-01-2011	ADDITIONS	DEDUCTIONS	BALANCE 09-30-2012
State Sales Tax Fund				
Assets:				
Cash and Cash Equivalents	$ 207	$ 9,889	$ 9,850	$ 246
Receivables:				
Accrued Interest		48	44	4
Total Assets	$ 207	$ 9,937	$ 9,894	$ 250
Liabilities:				
Accounts Payable - Other	$ 207	$ 9,892	$ 9,849	$ 250
Total Liabilities	$ 207	$ 9,892	$ 9,849	$ 250
Unclaimed Property Fund				
Assets:				
Cash and Cash Equivalents	$ 46	$ 1,145	$ 1,152	$ 39
Securities Lending Collateral	28	17	28	17
Investments	572	804	974	402
Total Assets	$ 646	$ 1,966	$ 2,154	$ 458
Liabilities:				
Accounts Payable - Other	$ 618	$ 97	$ 274	$ 441
Securities Lending Obligation	28	17	28	17
Total Liabilities	$ 646	$ 114	$ 302	$ 458
VIA Ticket Sales				
Assets:				
Cash and Cash Equivalents	$ 34	$ 205	$ 193	$ 46
Receivables:				
Accounts	36	281	313	4
Total Assets	$ 70	$ 486	$ 506	$ 50
Liabilities:				
Vouchers Payable	$ 4	$ 190	$ 194	$ -
Accounts Payable - Other	66	281	297	50
Total Liabilities	$ 70	$ 471	$ 491	$ 50
Total All Agency Funds				
Assets:				
Cash and Cash Equivalents	$ 8,495	$ 59,730	$ 59,951	$ 8,274
Securities Lending Collateral	104	86	104	86
Investments	2,106	18,144	18,221	2,029
Receivables:				
Accounts	50	15,339	15,300	89
Accrued Interest	1	74	69	6
Total Assets	$ 10,756	$ 93,373	$ 93,645	$ 10,484
Liabilities:				
Vouchers Payable	$ 28	$ 256	$ 260	$ 24
Accounts Payable - Other	10,624	48,941	49,191	10,374
Securities Lending Obligation	104	86	104	86
Total Liabilities	$ 10,756	$ 49,283	$ 49,555	$ 10,484

(end of statement)

Nonmajor Discretely Presented Component Units

BROOKS DEVELOPMENT AUTHORITY (BDA) – was designated to improve mission effectiveness, reduce the cost of providing quality installation support, and promote economic development on Brooks Air Force Base and in the surrounding community. Dedicated funds will provide basic municipal services at the base while continuing to develop it as a technology and business park.

CITY SOUTH MANAGEMENT AUTHORITY (CSMA) – was established for supporting economic development, creating sustainable communities, and promoting the unique historical, cultural and environmental assets of the City's southern edge.

MAIN PLAZA CONSERVANCY (MPA) – was established to operate and maintain Main Plaza in coordination with the City and Bexar County. MPA develops and implements strategies to increase awareness of the historical and cultural significance of Main Plaza and to organize cultural and artistic events at Main Plaza for the benefit of the citizens, residents and visitors of San Antonio.

MUNICIPAL GOLF ASSOCIATION – SAN ANTONIO (MGA-SA) – was established for the purpose of, and to act on behalf of the City in, operating and promoting the City of San Antonio municipal golf facilities.

PORT AUTHORITY OF SAN ANTONIO (THE PORT) – was established for the purpose of monitoring the closing of Kelly Air Force Base (Kelly) and formulating and adopting a comprehensive plan for the conversion and redevelopment of Kelly. The Port is authorized to issue bonds to finance related projects. These bonds are not obligations of the City.

SA ENERGY ACQUISITION PUBLIC FACILITY CORPORATION – was established for the purpose of, and to act on behalf of the City in, the financing and acquisition of electric energy and power, oil, gas, coal and other liquid, gaseous or solid hydrocarbon fuels for the electric and gas systems of the City of San Antonio.

URBAN RENEWAL AGENCY (OUR SA) – OUR SA is responsible for implementing the City's Urban Renewal Program. A majority of the financing is provided from the sale of existing properties.

SAN ANTONIO HOUSING TRUST FOUNDATION INC. (SAHTF) – is a nonprofit corporation established in 1990 for the purpose of supporting charitable, educational, and scientific undertakings, specifically for providing housing for low- to middle-income families. In addition, SAHTF provides administrative and other support for the operations of the San Antonio Housing Trust Fund, a Permanent Fund of the City.

Combining Statement of Net Assets
Nonmajor Discretely Presented Component Units
As of September 30, 2012
(In Thousands)

	BROOKS DEVELOPMENT AUTHORITY	CITY SOUTH MANAGEMENT AUTHORITY	MAIN PLAZA CONSERVANCY	MUNICIPAL GOLF ASSOCIATION SAN ANTONIO	PORT AUTHORITY OF SAN ANTONIO	SA ENERGY ACQUISITION CORPORATION	OUR SA	SAN ANTONIO HOUSING TRUST FOUNDATION INC.	TOTAL NONMAJOR COMPONENT UNITS
Assets:									
Current Assets:									
Unrestricted Assets:									
Cash and Cash Equivalents	$ 6,666	$ -	$ 191	$ 769	$ 10,209	$ 394	$ 71	$ 1,033	$ 19,333
Investments								433	433
Receivables, Net:									
Notes	3,910				2,306	5,627		4,009	15,852
Accounts	361			97				71	529
Accrued Interest	818		3						821
Materials and Supplies, at Cost	46			148					194
Due from Other Governmental Agencies	868				4,834				5,702
Prepaid Expenses	98		4			34,196			34,298
Other Assets			1	145	698			4	848
Total Unrestricted Assets	12,767		199	1,159	18,047	40,217	71	5,550	78,010
Restricted Assets:									
Debt Service Accounts:									
Cash and Cash Equivalents						14,908			14,908
Investments						11,073			11,073
Accrued Interest						96			96
Other Restricted Accounts:									
Cash and Cash Equivalents					6,272				6,272
Receivables						49,015			49,015
Deferred Charges						3,474			3,474
Total Restricted Assets					6,272	78,566			84,838
Total Current Assets	12,767		199	1,159	24,319	118,783	71	5,550	162,848
Noncurrent Assets:									
Capital Assets:									
Land	4,578				35,485				40,063
Infrastructure	41,114				42,540				83,654
Buildings	63,567		564	1,772	168,328				234,231
Machinery and Equipment	7,442		42	3,322	7,360			62	18,228
Construction in Progress	1,100			16	8,675				9,791
Total Capital Assets	117,801		606	5,110	262,388			62	385,967
Less: Accumulated Depreciation	37,387		97	1,723	74,713			62	113,982
Assets Held for Resale							382		382
Net Capital Assets	80,414		509	3,387	187,675		382		272,367
Other Noncurrent Assets:									
Receivables					2,915				2,915
Prepaid Expenses					3,462	491,103			494,565
Other Noncurrent Assets					2,272				2,272
Deferred Outflows Derivative Instrument	3,872								3,872
Total Other Noncurrent Assets	3,872				8,649	491,103			503,624
Total Noncurrent Assets	84,286		509	3,387	196,324	491,103	382		775,991
Total Assets	97,053		708	4,546	220,643	609,886	453	5,550	938,839
Liabilities:									
Current Liabilities:									
Payable from Current Unrestricted Assets:									
Accounts Payable and Other Current Liabilities	1,336		28	634	5,088		13	234	7,333
Unearned Revenues	72				8,058				8,130
Due to Other Governmental Agencies		1,781			3		12		1,796
Current Portion of Long-term Lease/Notes Payable	1,045			1,014	3,312		1		5,372
Current Portion of Other Payables					881				881
Total Payable from Current Unrestricted Assets	2,453	1,781	28	1,648	17,342		26	234	23,512
Payable from Restricted Assets:									
Accrued Bonds Interest					1,280	15,329			16,609
Current Portion of Bonds and Certificates						23,325			23,325
Total Payable from Current Restricted Assets					1,280	38,654			39,934
Total Current Liabilities	2,453	1,781	28	1,648	18,622	38,654	26	234	63,446
Noncurrent Liabilities:									
Bonds and Certificates Payable (Net of Current Portion)					39,760	571,232			610,992
Unamortized Premium/(Discount) on Bonds					(178)				(178)
Long-term Lease/Notes Payable (Net of Current Portion)	17,410			1,173	24,752		30		43,365
Other Payables	3,872				1,725				5,597
Total Noncurrent Liabilities	21,282			1,173	66,059	571,232	30		659,776
Total Liabilities	23,735	1,781	28	2,821	84,681	609,886	56	234	723,222
Net Assets:									
Invested in Capital Assets, Net of Related Debt	62,275		509	1,200	117,893				181,877
Restricted for:									
Renewal and Replacement									
Debt Service					913				913
Capital Projects					2,002				2,002
Operating and Other Reserves								3,663	3,663
Unrestricted	11,043	(1,781)	171	525	15,154		397	1,653	27,162
Total Net Assets	$ 73,318	$ (1,781)	$ 680	$ 1,725	$ 135,962	$ -	$ 397	$ 5,316	$ 215,617

Combining Statement of Activities

Nonmajor Discretely Presented Component Units

Year-Ended September 30, 2012

(In Thousands)

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS		NET (EXPENSE) REVENUE AND CHANGES IN NET ASSETS						
FUNCTION/PROGRAM ACTIVITIES	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	BROOKS DEVELOPMENT AUTHORITY	CITY SOUTH MANAGEMENT AUTHORITY	MAIN PLAZA CONSERVANCY	MUNICIPAL GOLF ASSOCIATION SAN ANTONIO	PORT AUTHORITY OF SAN ANTONIO	SA ENERGY ACQUISITION CORPORATION	OUR SA	SAN ANTONIO HOUSING TRUST FOUNDATION INC.	TOTAL NONMAJOR COMPONENT UNITS
Brooks Development Authority													
Economic Development and Opportunity	$ 19,185	$ 7,004	$ -	$ 2,867	$ (9,314)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ (9,314)
City South Management Authority													
Economic Development and Opportunity	350					(350)							(350)
Main Plaza Conservancy													
Culture and Recreation	597	36	484				(77)						(77)
Municipal Golf Association - San Antonio													
Culture and Recreation	8,729	9,429		218				918					918
Port Authority of San Antonio													
Economic Development and Opportunity	40,864	41,174							310				310
SA Energy Acquisition Corporation													
General Government	53,979	53,052								(927)			(927)
OUR SA													
Urban Redevelopment and Housing	177	14									(163)		(163)
San Antonio Housing Trust Foundation, Inc.													
Urban Redevelopment and Housing	558	955										397	397
Total	$ 124,439	$ 111,664	$ 484	$ 3,085	(9,314)	(350)	(77)	918	310	(927)	(163)	397	(9,206)
General Revenues:													
Investment Earnings					704				313	927		58	2,002
Miscellaneous					14		57		1,116		49	144	1,380
Total General Revenues					718		57		1,429	927	49	202	3,382
Change in Net Assets					(8,596)	(350)	(20)	918	1,739		(114)	599	(5,824)
Net Assets - Beginning of Fiscal Year					81,914	(1,431)	700	807	134,223		511	4,717	221,441
Net Assets - End of Fiscal Year					$ 73,318	$ (1,781)	$ 680	$ 1,725	$ 135,962	$ -	$ 397	$ 5,316	$ 215,617

Capital Assets Used in the Operation of Governmental Funds

Capital Assets Used in the Operation of Governmental Funds

Schedule of Capital Assets by Source[1]

As of September 30, 2012

(In Thousands)

		2012
Governmental Funds Capital Assets:		
Land	$	1,383,564
Other Non-Depreciable Assets		2,741
Non-Depreciable Intangible Assets		82,740
Depreciable Intangible Assets		3,627
Buildings		844,807
Improvements		604,034
Infrastructures		2,646,757
Machinery and Equipment		288,428
Construction in Progress		286,671
Total Governmental Funds Capital Assets	$	6,143,369
Investment in Governmental Funds Capital Assets by Source:		
Current Revenue	$	2,280,901
General Obligation Bonds, Certificates of Obligation, and Tax Notes		3,226,683
Special Revenue Bonds		15
Federal and State Grants		598,260
Special Assessments		1,008
Trusts		5,980
Private Citizens' Contribution		24,695
San Antonio Fair, Inc.		4,542
San Antonio Public Library Foundation		1,285
Total Investment in Governmental Funds Capital Assets by Source	$	6,143,369

[1] This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Assets.

Capital Assets Used in the Operation of Governmental Funds
Schedule of Capital Assets by Function and Activity[1]
As of September 30, 2012
(In Thousands)

	LAND	OTHER NON-DEPRECIABLE ASSETS	NON-DEPRECIABLE INTANGIBLE ASSETS	DEPRECIABLE INTANGIBLE ASSETS	BUILDINGS	IMPROVEMENTS	INFRA-STRUCTURE	MACHINERY AND EQUIPMENT	TOTAL
General Government:									
Legislative	$ 254	$ -	$ -	$ -	$ -	$ -	$ -	$ 139	$ 393
Judicial	0	0	0	1,004	19,091	0	0	529	20,624
Executive	609	0	0	0	2,592	0	0	32,070	35,271
Administration	128,248	0	6,759	2,154	49,346	49,396	164,682	130,587	531,172
Total General Government	129,111		6,759	3,158	71,029	49,396	164,682	163,325	587,460
Public Safety:									
Police	1,908	0	0	0	39,851	9,667	0	49,154	100,580
Fire	6,004	0	0	0	74,403	8,040	0	41,359	129,806
Building Inspection and Regulations	0	0	0	0	14,909	0	0	7	14,916
Administration	0	0	0	0	23,892	0	0	55	23,947
Other Protection	4,258	0	0	0	337	0	0	3,966	8,561
Total Public Safety	12,170	0	0	0	153,392	17,707	0	94,541	277,810
Public Works	24,345	2,166	2,291	0	123,517	315,549	2,449,416	7,972	2,925,256
Health Services	1,431	0	0	469	25,618	2,259	0	5,095	34,872
Convention and Tourism	0	0	0	0	200,118	38,712	0	5,842	244,672
Sanitation	3,558	0	0	0	891	0	0	435	4,884
Welfare	4,284	0	0	0	22,066	3,887	0	2,074	32,311
Culture and Recreation:									
Libraries	4,516	575	0	0	60,319	9,728	765	1,400	77,303
Parks	1,141,733	0	73,690	0	38,369	155,254	18,699	3,915	1,431,660
Total Culture and Recreation	1,146,249	575	73,690		98,688	164,982	19,464	5,315	1,508,963
Urban Redevelopment and Housing	21,498	0	0	0	141,553	8,969	13,195	3,585	188,800
Economic Development and Opportunity	40,918	0	0	0	7,935	2,573	0	244	51,670
Total Capital Assets Allocated to Functions	$ 1,383,564	$ 2,741	$ 82,740	$ 3,627	$ 844,807	$ 604,034	$ 2,646,757	$ 288,428	5,856,698
Construction in Progress									286,671
Total Governmental Funds Capital Assets									$ 6,143,369

[1] This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Assets.

Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes in Capital Assets by Function and Activity [1]
As of September 30, 2012
(In Thousands)

	GOVERNMENTAL FUNDS 10-01-2011	ADDITIONS	DEDUCTIONS	GOVERNMENTAL FUNDS CAPITAL ASSETS 09-30-2012
Function and Activity:				
General Government:				
Legislative	$ 393			$ 393
Judicial	20,423	132	(69)	20,624
Executive	35,271			35,271
Administration	483,477	47,695		531,172
Total General Government	539,564	47,827	(69)	587,460
Public Safety:				
Police	84,825	16,444	689	100,580
Fire	107,259	25,562	3,015	129,806
Building Inspection and Regulations	14,909	7		14,916
Administration	23,947			23,947
Other Protection	8,561			8,561
Total Public Safety	239,501	42,013	3,704	277,810
Public Works	2,579,116	350,428	4,288	2,925,256
Health Services	34,492	380		34,872
Convention and Tourism	223,249	21,423		244,672
Sanitation	4,877	7		4,884
Welfare	29,099	3,596	384	32,311
Culture and Recreation:				
Libraries	76,460	845	2	77,303
Parks	1,414,067	17,773	180	1,431,660
Total Culture and Recreation	1,490,527	18,618	182	1,508,963
Urban Redevelopment and Housing	182,985	5,870	55	188,800
Economic Development and Opportunity	51,670			51,670
Construction in Progress	537,337	(220,440)	30,226	286,671
Total Governmental Funds Capital Assets	$ 5,912,417	$ 269,722	$ 38,770	$ 6,143,369

[1] This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the Statement of Net Assets.

Statistical Section

Statistical Section (Unaudited)

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The City implemented GASB Statement No. 54 in fiscal year 2011; schedules presenting fund balance information as required by GASB Statement No. 54 began in that year.

FINANCIAL TRENDS – These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

REVENUE CAPACITY – These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property and sales and use taxes.

DEBT CAPACITY – These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.

DEMOGRAPHIC AND ECONOMIC INFORMATION – These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.

OPERATING INFORMATION – These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Statistical Data
Net Assets by Component
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	Fiscal Year 2003	2004	2005	2006 (Restated)	2007 (Restated)	2008	2009	2010 [1] (Restated)	2011 (Restated)	2012
Governmental Activities:										
Invested in Capital Assets, net of related debt	$ 2,079,719	$ 2,118,418	$ 2,042,288	$ 1,984,942	$ 2,024,576	$ 2,092,623	$ 2,200,616	$ 2,238,834	$ 2,364,212	$ 2,328,289
Restricted	92,524	89,867	101,253	105,024	120,591	122,537	128,727	124,300	126,142	104,158
Unrestricted	125,748	99,659	133,052	181,484	184,154	162,997	168,054	162,135	63,069	77,210
Total Governmental Activities, net assets	$ 2,297,991	$ 2,307,944	$ 2,276,593	$ 2,271,450	$ 2,329,321	$ 2,378,157	$ 2,497,397	$ 2,525,269	$ 2,553,423	$ 2,509,657
Business-Type Activities:										
Invested in Capital Assets, net of related debt	$ 156,567	$ 197,929	$ 212,715	$ 216,459	$ 201,846	$ 208,894	$ 260,679	$ 273,344	$ 273,108	$ 270,500
Restricted	56,489	23,720	26,636	27,700	61,559	76,178	66,099	78,558	90,532	104,990
Unrestricted	7,735	5,971	1,719	7,240	23,010	31,247	2,976	556	15,320	9,851
Total Business-Type Activities, net assets	$ 220,791	$ 227,620	$ 241,070	$ 251,399	$ 286,415	$ 316,319	$ 329,754	$ 352,458	$ 378,960	$ 385,341
Primary Government:										
Invested in Capital Assets, net of related debt	$ 2,236,286	$ 2,316,347	$ 2,255,003	$ 2,201,401	$ 2,226,422	$ 2,301,517	$ 2,461,295	$ 2,512,178	$ 2,637,320	$ 2,598,789
Restricted	149,013	113,587	127,889	132,724	182,150	198,715	194,826	202,858	216,674	209,148
Unrestricted	133,483	105,630	134,771	188,724	207,164	194,244	171,030	162,691	78,389	87,061
Total Primary Government, net assets	$ 2,518,782	$ 2,535,564	$ 2,517,663	$ 2,522,849	$ 2,615,736	$ 2,694,476	$ 2,827,151	$ 2,877,727	$ 2,932,383	$ 2,894,998

[1] Net Assets were restated as implementing GASB Statement No. 54 resulted in the reclassification of fund types between governmental, business-type and fiduciary.

Statistical Data
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	2003	2004	2005	2006 (Restated)	2007 (Restated)	2008	2009	2010 [1] (Restated)	2011 (Restated)	2012
Expenses:										
Governmental Activities:										
General Government	$ 67,034	$ 63,610	$ 80,018	$ 83,719	$ 118,881	$ 109,850	$ 92,415	$ 114,591	$ 103,617	$ 140,761
Public Safety	378,316	428,607	428,582	424,058	456,375	529,762	497,274	545,359	607,532	613,975
Public Works	128,374	116,629	149,476	226,849	143,172	220,267	212,256	221,612	239,195	252,804
Sanitation	7,102	2,787	2,731	3,112	2,878	3,000	3,953	8,385	20,015	14,382
Health Services	84,239	82,233	89,011	87,283	91,432	90,443	92,351	104,667	101,995	101,293
Environmental Protection and Control	298	36								
Culture and Recreation	77,434	80,051	84,555	90,337	128,450	142,537	145,386	143,122	147,591	153,642
Convention and Tourism	51,141	50,100	48,364	126,802	155,285	69,734	42,512	26,437	28,735	31,892
Conservation			2	146						
Urban Redevelopment and Housing	28,653	23,981	29,764	21,766	20,575	39,700	45,533	26,486	13,570	13,252
Welfare	133,455	116,701	131,840	134,554	153,704	168,585	162,956	177,819	185,600	157,678
Economic Development and Opportunity	19,847	21,277	60,461	12,159	19,167	22,479	23,260	104,964	90,258	115,253
Commercial Paper Fees	84									
Interest on Long-term Debt, Net	54,490	55,855	70,655	65,960	48,114	71,103	75,108	70,945	87,792	85,073
Total Governmental Activities Expenses	1,030,467	1,041,867	1,175,459	1,276,745	1,338,033	1,467,460	1,393,004	1,544,387	1,625,900	1,680,005
Business-Type Activities:										
Airport System	45,164	49,427	46,868	78,083	64,482	80,505	81,229	83,109	105,708	118,560
Development Services								19,570	20,195	23,327
Market Square								251	2,215	2,297
Parking System	7,523	6,264	8,413	9,234	8,525	10,382	8,984	9,135	8,703	8,117
Solid Waste Management	48,252	51,227	54,703	61,318	68,072	82,002	88,900	85,058	82,128	89,405
Total Business-Type Activities Expenses	100,939	106,918	109,984	148,635	141,079	172,889	179,113	197,123	218,949	241,706
Total Primary Government Expenses	$ 1,131,406	$ 1,148,785	$ 1,285,443	$ 1,425,380	$ 1,479,112	$ 1,640,349	$ 1,572,117	$ 1,741,510	$ 1,844,849	$ 1,921,711
Program Revenues:										
Governmental Activities:										
Charges for Services:										
General Government	$ 48,963	$ 57,203	$ 57,660	$ 62,286	$ 45,307	$ 45,757	$ 29,323	$ 21,176	$ 27,853	$ 22,245
Public Safety	17,166	7,172	7,861	9,046	9,059	9,536	9,026	10,350	9,882	12,190
Public Works	26,208	28,271	34,201	36,969	39,090	46,970	50,266	53,723	43,267	43,164
Sanitation					268	5		397	407	509
Health Services	17,917	17,924	10,252	15,852	24,401	22,792	26,518	31,595	33,815	30,940
Culture and Recreation	10,134	9,411	19,583	18,947	26,277	40,549	34,483	33,791	33,037	34,483
Convention and Tourism	14,067	13,268	14,740	19,640	19,067	1,278	1,308	1,262		
Urban Redevelopment and Housing	116	217		126	1	2	22,949	388	400	634
Welfare	207		327	341	19	192	122	72	52	15
Economic Development and Opportunity	1,340	243	2,485	2,562	1,971	2,026	2,141	2,582	2,631	5,025
Operating Grants and Contributions	190,746	168,120	198,185	179,917	186,381	198,736	206,356	256,214	267,524	211,290
Capital Grants and Contributions	51,189	16,614	8,256	29,050	57,891	49,577	81,114	98,362	137,892	149,713
Total Governmental Activities Program Revenues	378,053	318,443	353,550	374,736	409,732	417,420	463,606	509,912	556,760	510,208
Business-Type Activities:										
Charges for Services:										
Airport System	43,051	43,701	45,791	50,058	53,115	63,944	61,764	63,524	82,901	84,395
Development Services								20,336	21,629	23,392
Market Square								138	2,211	2,316
Parking System	8,455	9,647	10,325	10,276	10,236	10,988	9,143	9,287	8,588	8,630
Solid Waste Management	49,492	50,391	51,753	60,090	70,080	81,988	81,263	87,888	90,067	93,333
Capital Grants and Contributions	3,865	27	2,223	18,079	23,188	36,987	31,115	40,156	40,237	34,765
Total Business-Type Activities Program Revenues	104,863	103,766	110,092	138,503	156,619	193,907	183,285	221,329	245,633	246,831
Total Primary Government Program Revenues	$ 482,916	$ 422,209	$ 463,642	$ 513,239	$ 566,351	$ 611,327	$ 646,891	$ 731,241	$ 802,393	$ 757,039

[1] Activities were restated as implementing GASB Statement No. 54 resulted in the reclassification of fund types between governmental, business-type and fiduciary.

Statistical Data
Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(In Thousands)

	2003	2004	2005	2006 (Restated)	2007 (Restated)	2008	2009	2010 [1] (Restated)	2011 (Restated)	2012
Net (Expense) Revenue:										
Governmental Activities	$ (652,414)	$ (723,424)	$ (821,909)	$ (902,009)	$ (928,301)	$ (1,050,040)	$ (929,398)	$ (1,034,475)	$ (1,069,140)	$ (1,169,797)
Business-Type Activities	3,924	(3,152)	108	(10,132)	15,540	21,018	4,172	24,206	26,684	5,125
Total Primary Government Net Expense	$ (648,490)	$ (726,576)	$ (821,801)	$ (912,141)	$ (912,761)	$ (1,029,022)	$ (925,226)	$ (1,010,269)	$ (1,042,456)	$ (1,164,672)
General Revenues and Other Changes in Net Assets:										
Governmental Activities:										
Taxes:										
Property Taxes	$ 236,947	$ 257,514	$ 269,138	$ 276,728	$ 326,342	$ 379,457	$ 407,183	$ 406,579	$ 396,847	$ 395,944
General Sales and Use Taxes	156,322	162,383	167,332	210,141	224,480	232,348	221,746	223,475	236,819	259,927
Selective Sales and Use Taxes	3,863	4,189	4,473	4,932	5,308	5,712	5,741	5,921	5,879	5,200
Gross Receipts Business Taxes	22,128	22,787	26,274	30,415	30,236	31,705	33,396	35,913	34,341	33,625
Occupancy Taxes	44,633	46,343	51,726	58,678	63,878	68,414	58,800	59,734	62,968	67,937
Delinquent Taxes	5,063	2,998	3,434	3,851	4,088	3,797	3,784	3,885	3,797	3,554
Revenues from Utilities	210,854	196,793	222,162	256,541	257,687	304,545	275,993	293,091	308,838	299,693
Investment Earnings	8,536	7,189	19,931	38,386	54,027	39,463	17,500	6,954	6,184	5,005
Miscellaneous	(1,639)	28,542	22,431	16,173	26,530	30,299	24,017	24,039	40,217	53,990
Gain on Sale of Capital Assets	542	611	1,507							
Special Items						8,320				
Capital Contributions	1,115	1,585								
Transfers, net	5,488	2,443	2,150	1,021	(6,404)	(5,184)	498	5,429	1,404	1,156
Total Governmental Activities	693,852	733,377	790,558	896,866	986,172	1,098,876	1,048,658	1,065,020	1,097,294	1,126,031
Business-Type Activities:										
Investment Earnings	2,551	2,046	5,434	10,023	11,099	12,010	4,769	823	772	827
Net (Decrease) in Fair Value of Investments										
Miscellaneous	9,406	10,378	9,962	589	1,973	12	464	1,547	450	1,585
Gain on Sale of Capital Assets	39		96							
Special Items				10,870		(8,320)	4,528			
Capital Contributions	21									
Transfers, net	(5,488)	(2,443)	(2,150)	(1,021)	6,404	5,184	(498)	(5,429)	(1,404)	(1,156)
Total Business-Type Activities	6,529	9,981	13,342	20,461	19,476	8,886	9,263	(3,059)	(182)	1,256
Total Primary Government	$ 700,381	$ 743,358	$ 803,900	$ 917,327	$ 1,005,648	$ 1,107,762	$ 1,057,921	$ 1,061,961	$ 1,097,112	$ 1,127,287
Change in Net Assets:										
Governmental Activities	$ 41,438	$ 9,953	$ (31,351)	$ (5,143)	$ 57,871	$ 48,836	$ 119,260	$ 30,545	$ 28,154	$ (43,766)
Business-Type Activities	10,453	6,829	13,450	10,329	35,016	29,904	13,435	21,147	26,502	6,381
Total Primary Government	$ 51,891	$ 16,782	$ (17,901)	$ 5,186	$ 92,887	$ 78,740	$ 132,695	$ 51,692	$ 54,656	$ (37,385)

[1] Net Assets and Activities were restated as implementing GASB Statement No. 54 resulted in the reclassification of fund types between governmental, business-type and fiduciary.

Statistical Data
Fund Balances, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

	Fiscal Year									
	2003	2004	2005	2006 (Restated)	2007 (Restated)	2008	2009	2010	2011 [1] (Restated)	2012
General Fund:										
Reserved	$ 7,232	$ 8,100	$ 10,923	$ 11,866	$ 16,730	$ 14,773	$ 16,100	$ 30,526		
Unreserved	74,410	90,410	108,490	149,610	143,567		190,407	199,110		
Total General Fund	$ 81,642	$ 98,510	$ 119,413	$ 161,476	$ 160,297	$ 14,773	$ 206,507	$ 229,636		
All Other Governmental Funds:										
Reserved	$ 247,197	$ 210,636	$ 188,745	$ 263,230	$ 280,443	$ 411,023	$ 377,536	$ 421,620		
Unreserved, reported in:										
Special Revenue	69,480	69,593	91,729	1,928	3,003	3,487	2,734	4,183		
Permanent	13,449	12,899	12,947	3,102	4,756	5,018	4,649	4,802		
Capital Project	114,482	145,090	361,120	238,946						
Unrestricted				176,631	380,823	279,624	354,906	298,480		
Total All Other Governmental Funds	$ 444,608	$ 438,218	$ 654,541	$ 683,837	$ 669,025	$ 699,152	$ 739,825	$ 729,085		
General Fund:										
Nonspendable									$ 4,939	$ 5,800
Restricted									1,107	1,003
Committed									48,540	47,035
Assigned									7,413	4,143
Unassigned									170,693	158,532
Total General Fund									$ 232,692	$ 216,513
All Other Governmental Funds:										
Nonspendable									$ 4,416	$ 5,235
Restricted									686,530	665,530
Committed									67,281	77,204
Assigned									13,237	12,330
Unassigned									(74,796)	(36,129)
Total All Other Governmental Funds									$ 696,668	$ 724,170

[1] The City implemented GASB Statement No. 54 in fiscal year 2011 resulting in different fund balance classifications than in prior years.

Statistical Data

Changes in Fund Balances, Governmental Funds

Last Ten Fiscal Years

(modified accrual basis of accounting)

(In Thousands)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	$ 473,466	$ 500,494	$ 524,720	$ 597,379	$ 653,427	$ 718,860	$ 729,808	$ 733,694	$ 740,039	$ 766,903
Licenses and Permits	13,912	17,026	20,716	19,765	6,927	7,756	7,090	7,769	8,680	8,469
Intergovernmental	186,812	181,717	190,251	192,285	202,667	221,943	229,476	269,315	306,813	245,030
Revenues from Utilities	210,466	196,405	221,775	256,368	257,687	304,158	275,605	292,726	308,451	299,306
Charges for Services	88,040	93,809	107,264	120,541	136,950	148,981	143,526	144,293	117,607	122,229
Fines and Forfeits	11,282	11,713	12,025	10,948	15,114	12,249	13,111	11,506	14,124	14,807
Miscellaneous	49,897	34,326	26,848	27,305	24,498	29,471	30,631	34,393	40,626	43,989
Contributions				19,871	29,744	15,053	30,359	83,541	104,709	123,020
In-Kind Contributions[1]	19,887	10,407	24,872	15,617	13,786	16,222	13,273			
Investment Earnings	7,937	6,896	18,544	35,830	50,050	35,412	15,696	6,383	5,515	4,354
Total Revenues	1,061,699	1,052,793	1,147,015	1,295,909	1,390,850	1,510,105	1,488,575	1,583,620	1,646,564	1,628,107
Expenditures:										
General Government	64,177	59,601	69,332	80,672	114,968	117,853	85,651	92,054	93,797	105,291
Public Safety	375,090	391,950	419,634	440,231	450,664	472,904	501,560	522,982	553,324	571,221
Public Works	68,351	65,205	85,940	119,697	101,433	121,023	103,127	114,327	93,975	88,697
Health Services	83,608	79,843	88,533	86,258	92,350	90,086	90,615	96,342	102,723	100,061
Sanitation	55,775	57,491	63,116	70,509	2,824	4,372	3,764	8,596	20,020	14,590
Welfare	134,019	115,614	131,012	137,711	153,877	166,263	162,411	176,961	184,942	156,105
Culture and Recreation	74,289	74,343	79,586	87,136	85,522	132,750	127,830	123,202	132,801	132,596
Convention and Tourism	51,452	48,188	48,315	87,509	60,288	20,053	20,930	21,240	20,043	20,158
Conservation			2							
Urban Redevelopment and Housing	23,766	23,904	25,557	17,538	14,028	20,008	43,700	41,686	13,298	15,902
Economic Development and Opportunity	20,044	20,234	16,337	11,678	24,821	14,637	20,307	106,645	23,951	114,927
Capital Outlay	130,755	130,981	146,850	115,229	345,047	319,663	313,944	287,722	411,270	301,381
Debt Service:										
Principal Retirement	66,650	72,410	57,581	61,865	81,835	99,385	113,316	152,605	140,975	117,265
Interest	50,929	52,558	60,202	71,848	57,190	77,271	79,723	75,614	83,981	87,327
Bond Escrow Agent	2,118			5						
Arbitrage Expenditure					42					
Issuance Costs	1,206	2,061	1,027	429	3,557	2,467	1,630	3,518	1,626	1,732
Total Expenditures	1,202,229	1,194,383	1,293,024	1,388,315	1,588,446	1,658,735	1,668,508	1,823,494	1,876,726	1,827,253
(Deficiency) of Revenues (Under) Expenditures	(140,530)	(141,590)	(146,009)	(92,406)	(197,596)	(148,630)	(179,933)	(239,874)	(230,162)	(199,146)
Other Financing Sources (Uses):										
Issuance of Long-Term Debt	271,010	186,591	192,329	70,690	382,060	381,745	205,485	413,180	176,635	218,985
Payments to Refunded Bond Escrow Agent	(131,410)	(99,526)	(93,163)	(34,927)	(210,643)	(170,737)		(185,508)		(37,892)
Issuance of Notes and Loans			210,607	63,218	10,966	2,799	1,768		14,716	
Issuance of Commercial Paper					4,000	6,500	15,305			
Premium/(Discount) on Long-Term Debt	17,275	9,488	12,904	2,251	7,139	12,014	3,034	27,680	15,182	30,617
Release of Enterprise Fund Obligations						9,645				
Debt Transfer to Enterprise Fund						(11,045)				
Transfers In	186,385	181,557	159,821	228,041	335,090	341,227	411,807	361,508	336,070	368,586
Transfers Out	(184,879)	(181,123)	(160,611)	(231,290)	(350,275)	(348,140)	(415,809)	(364,600)	(340,516)	(369,827)
Total Other Financing Sources (Uses)	158,381	96,987	321,887	97,983	178,337	224,008	221,590	252,260	202,087	210,469
Net Change in Fund Balances	$ 17,851	$ (44,603)	$ 175,878	$ 5,577	$ (19,259)	$ 75,378	$ 41,657	$ 12,386	$ (28,075)	$ 11,323
Debt Service as a Percentage of Noncapital Expenditures	11.3%	11.9%	10.4%	10.5%	11.5%	13.4%	14.4%	15.1%	15.5%	13.5%

[1] In-Kind Contributions was combined under Contributions in fiscal year 2010

Statistical Data
Tax Revenues by Source, Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(In Thousands)

Fiscal Year	Property [1]	Sales and Use [2]	Hotel/Motel Occupancy	Alcoholic Beverage Tax	Business Tax	Penalties and Interest and Judgments	Total
2003	$ 239,214	$ 156,323	$ 44,633	$ 3,863	$ 26,364	$ 3,069	$ 473,466
2004	258,261	162,383	46,343	4,189	26,550	2,713	500,439
2005	271,490	167,332	51,717	4,473	26,274	3,434	524,720
2006	289,348	210,141	58,672	4,932	30,823	3,464	597,380
2007	325,811	224,480	63,892	5,308	30,236	3,701	653,428
2008	376,884	232,348	68,414	5,712	31,705	3,797	718,860
2009	406,341	221,746	58,800	5,741	33,396	3,784	729,808
2010	404,766	223,475	59,734	5,921	35,913	3,885	733,694
2011	396,235	236,819	62,968	5,879	34,341	3,797	740,039
2012	396,660	259,927	67,937	5,200	33,625	3,554	766,903
Change:							
2003-2012	69.2%	65.7%	51.8%	36.8%	27.9%	15.8%	63.4%

[1] The City had maintained the property tax rate at a current tax rate from 2002 to 2007, and was able to reduce the property tax rate in 2008 because of growth in property tax values (see Assessed Value and Actual Value of Taxable Property).

[2] Sales and Use tax revenues increased in the past ten years, with the exception of 2009 and 2010, due to a combination of rate increases (see Direct and Overlapping Sales and Use Tax Rates), growth in taxable retail sales (see Taxable Sales by Category), and several legislative measures to broaden the sales and use tax base.

Statistical Data
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended	Residential Property	Commercial Property	Industrial Property	Other Property	Less: Tax-Exempt Property [1]	Total Taxable Assessed Value	Total Direct Tax Rate
2003	$ 25,034,364	$ 17,043,717	$ 1,427,232	$ 2,815,483	$ 4,785,249	$ 41,535,547	0.58
2004	26,981,363	18,327,001	1,516,160	2,898,762	5,140,147	44,583,139	0.58
2005	28,522,603	19,030,656	1,509,281	2,761,668	5,342,234	46,481,974	0.58
2006	30,761,632	20,736,858	1,654,272	3,598,145	6,881,952	49,868,955	0.58
2007	35,144,958	23,195,079	1,728,928	4,964,661	8,265,925	56,767,701	0.58
2008	40,002,580	27,919,043	2,751,798	5,792,563	10,511,117	65,954,867	0.57
2009	42,379,588	30,763,686	2,735,402	7,973,642	11,311,176	72,541,142	0.57
2010	41,874,227	32,060,323	2,515,645	8,031,416	11,738,392	72,743,219	0.57
2011	41,545,063	30,853,443	2,363,174	7,974,502	11,728,635	71,007,547 [2]	0.57
2012	41,126,475	31,052,797	2,362,451	8,114,854	11,975,378	70,681,199 [2]	0.57

Source: Bexar Appraisal District

[1] Tax-exempt property deductions include deductions of residential homestead exemptions and exemptions granted to persons 65 years of age and older and disabled veterans. In addition, other exemptions include historic properties, tax phase-ins, freeport, and transitional housing.

[2] Total Taxable Assessed Value decreased in 2011 and 2012 due to a reduction in base values.

Statistical Data

Direct and Overlapping Property Tax Rates

Last Ten Fiscal Years

(rate per $100 of assessed value)

		City Direct Rates			Overlapping Rates					
Fiscal Year	Tax Roll	General Fund	Debt Service Funds	Total Direct	Alamo Community College	Bexar County	University Health System	San Antonio River Authority	Alamo Heights ISD	East Central ISD
2003	2002	0.362040	0.216500	0.578540	0.107100	0.317571	0.243869	0.016425	1.630000	1.680000
2004	2003	0.367040	0.211500	0.578540	0.107050	0.320952	0.243869	0.016425	1.629600	1.680000
2005	2004	0.367040	0.211500	0.578540	0.107050	0.318471	0.243869	0.016425	1.629600	1.680000
2006	2005	0.367040	0.211500	0.578540	0.107050	0.318471	0.243869	0.016425	1.656600	1.680000
2007	2006	0.367040	0.211500	0.578540	0.137050	0.314147	0.243869	0.016425	1.486600	1.520000
2008	2007	0.360800	0.211500	0.572300	0.134550	0.326866	0.237408	0.015951	1.156600	1.190000
2009	2008	0.355640	0.211500	0.567140	0.135855	0.326866	0.266235	0.015951	1.162000	1.319500
2010	2009	0.354190	0.211500	0.565690	0.135855	0.326866	0.276235	0.015951	1.168000	1.319500
2011	2010	0.354190	0.211500	0.565690	0.141623	0.326866	0.276235	0.016652	1.198000	1.296000
2012	2011	0.354190	0.211500	0.565690	0.141623	0.326866	0.276235	0.017370	1.218000	1.296000

		Overlapping Rates									
Fiscal Year	Tax Roll	Edgewood ISD	Harlandale ISD	Judson ISD	Northeast ISD	Northside ISD	San Antonio ISD	Somerset ISD	South San Antonio ISD	Southside ISD	Southwest ISD
2003	2002	1.574000	1.756000	1.776000	1.764000	1.762500	1.722000		1.729690	1.720000	1.675800
2004	2003	1.627300	1.756000	1.776000	1.744000	1.762500	1.722000	1.685000	1.717590	1.720000	1.665200
2005	2004	1.734500	1.756000	1.776000	1.794000	1.762500	1.722000	1.685000	1.738300	1.720000	1.642200
2006	2005	1.722200	1.756000	1.776000	1.794000	1.775000	1.720000	1.685000	1.840000	1.720000	1.618800
2007	2006	1.610000	1.700000	1.636000	1.669000	1.592500	1.579700	1.536700	1.710000	1.690000	1.496000
2008	2007	1.405000	1.349000	1.410000	1.402900	1.262500	1.249700	1.194000	1.445000	1.360000	1.195000
2009	2008	1.405000	1.479000	1.463000	1.402900	1.337500	1.249700	1.228000	1.433800	1.368990	1.243200
2010	2009	1.420000	1.604800	1.463000	1.402900	1.365500	1.279700	1.289000	1.454900	1.368990	1.256100
2011	2010	1.407000	1.544400	1.430000	1.402900	1.375500	1.307600	1.278000	1.454900	1.368990	1.222600
2012	2011	1.398000	1.538500	1.425000	1.402900	1.375500	1.357600	1.278000	1.454900	1.368900	1.273000

Source: Bexar County Tax Office, Bexar Appraisal District, and Independent School Districts

Amounts are expressed in thousands

Statistical Data
Principal Property Tax Payers
Current Year and Nine Years Ago
(In Thousands)

Taxpayer	2012 Taxable Assessed Value	2012 Rank	2012 Percentage of Total City Taxable Assessed Value	2003 Taxable Assessed Value	2003 Rank	2003 Percentage of Total City Taxable Assessed Value
H.E.Butt Grocery Stores	$ 780,919	1	1.10%	$ 492,684	1	1.19%
Toyota Motor Manufacturing Texas	461,185	2	0.65%			
VHS San Antonio Partners LP	384,884	3	0.54%			
Methodist Healthcare System	372,476	4	0.53%	167,436	6	0.40%
Wal-Mart Stores, Inc.	339,986	5	0.48%	210,287	4	0.51%
United Services Automobile Association	316,603	6	0.45%	334,927	3	0.81%
Hyatt Regency Hotels	298,252	7	0.42%	111,809	9	0.27%
Marriott Corporation	253,652	8	0.36%	170,201	5	0.41%
AT&T (previously Southwestern Bell Telephone Company)	243,709	9	0.34%	458,599	2	1.10%
La Cantera Retail LTD Partnership	221,034	10	0.31%			
Time Warner				119,876	7	0.29%
Simon Properties Group (Texas)				111,837	8	0.27%
North Star Mall				108,782	10	0.26%
Total	$ 3,672,700		5.18%	$ 2,286,438		5.51%

Source: City of San Antonio

Statistical Data
Property Tax Levies and Collections
Last Ten Fiscal Years
(In Thousands)

Fiscal Year Ended	Taxes Levied for the Fiscal Year [1]	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years [2 3]	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2003	$ 240,300	$ 234,956	97.78%	$ 4,826	$ 239,782	99.78%
2004	257,931	252,678	97.96%	3,705	256,383	99.40%
2005	268,917	264,392	98.32%	3,623	268,015	99.66%
2006	288,512	283,982	98.43%	3,883	287,865	99.78%
2007	326,326	321,203	98.43%	3,634	324,837	99.54%
2008	372,823	366,888	98.41%	3,426	370,314	99.33%
2009	405,010	398,119	98.30%	2,800	400,919	98.99%
2010	405,896	397,356	97.90%	2,307	399,663	98.46%
2011	401,683	389,419	96.95%	2,426	391,845	97.55%
2012	399,836	389,217	97.34%		389,217	97.34%

[1] Taxes levied, less the over-65 and disabled tax freeze amount.

[2] Penalty, judgments, and interest on judgments are excluded.

[3] Amounts represent the taxes levied during that fiscal year-end that were collected in subsequent fiscal years.

Amounts are expressed in thousands

Statistical Data
Taxable Sales by Category
Last Ten Calendar Years
(In Thousands)

	Calendar Year [1]									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Motor Vehicle and Parts Dealers	$ 3,392,132	$ 3,526,260	$ 3,682,539	$ 4,530,840	$ 4,279,474	$ 4,741,297	$ 4,255,879	$ 3,748,520	$ 4,433,993	$ 4,992,543
Furniture and Home Furnishings Stores	416,465	418,166	451,644	558,900	632,722	623,580	587,033	543,871	534,378	531,298
Electronics and Appliance Stores	677,128	714,202	795,617	922,766	1,092,875	1,105,409	933,284	869,489	883,394	1,173,505
Building Material and Garden Equipment and Supplies Dealers	904,441	937,670	997,618	1,071,339	1,184,707	1,184,077	1,179,431	1,144,487	1,193,047	1,345,821
Food and Beverage Stores [2]	2,110,668	2,226,819	2,416,103	2,553,203	2,744,361	2,947,324	3,233,292	3,296,735	3,360,128	3,850,446
Health and Personal Care Stores	912,563	968,321	1,191,515	1,521,135	1,729,193	1,952,449	1,895,026	1,265,431	1,266,153	1,758,122
Gasoline Stations	890,299	930,089	1,087,281	1,270,710	1,482,688	1,553,859	1,684,077	1,312,607	1,557,800	1,843,246
Clothing and Clothing Accessories Stores [3]	865,429	857,205	916,003	939,403	1,042,774	1,083,057	1,083,856	1,011,987	1,068,586	1,133,418
Sporting Goods, Hobby, Book and Music Stores	432,260	425,368	415,861	437,902	390,546	405,698	528,716	542,502	674,629	629,928
General Merchandise Stores	2,079,087	2,073,192	2,204,383	2,554,982	2,884,279	3,142,862	3,229,483	3,173,001	3,234,093	3,376,580
Miscellaneous Store Retailers	732,069	726,649	741,205	789,071	846,862	982,130	818,767	774,875	808,292	861,017
Nonstore Retailers	89,453	78,664	90,393	86,138	81,602	107,407	114,534	98,354	117,890	146,821
Food Services and Drinking Places	1,838,573	1,875,393	2,048,179	2,228,510	2,371,142	2,530,543	2,653,768	2,640,952	4,011,106	2,994,004
Total	$ 15,340,567	$ 15,757,998	$ 17,038,341	$ 19,464,899	$ 20,763,225	$ 22,359,692	$ 22,197,146	$ 20,422,811	$ 23,143,489	$ 24,636,749
City Direct Sales Tax Rate	1.125%	1.000%	1.000%	1.000%	1.125% [4]	1.125% [4]	1.125% [4]	1.125% [4]	1.125% [4]	1.125% [4]

Source: Texas Comptroller of Public Accounts

[1] Calendar Year 2012 information will not be available until May of 2013.

[2] General grocery items are not taxable; the sales and use tax applies only to prepared food items and nonfood items.

[3] Clothing under $100 is exempt during the sales and use tax holiday in August.

[4] Proposition 2 - Parks Development and Expansion Venue Project increased sales and use tax. This tax was added for acquisition of open space and linear parks along the Leon and Salado Creeks, Medina and San Antonio Rivers and improvements and additions to the Municipal Parks and Recreation System. A new proposition was approved in April 2011 to extend the incremental rate for similar acquisitions and improvements.

Statistical Data
Direct and Overlapping Sales and Use Tax Rates
Last Ten Fiscal Years

Fiscal Year	San Antonio Tax	San Antonio ATD [1]	San Antonio MTA [2]	State of Texas	Total
2003	1.000%		0.500%	6.250%	7.750%
2004	1.000%		0.500%	6.250%	7.750%
2005	1.000%	0.250%	0.500%	6.250%	8.000%
2006 [3]	1.125%	0.250%	0.500%	6.250%	8.125%
2007	1.125%	0.250%	0.500%	6.250%	8.125%
2008	1.125%	0.250%	0.500%	6.250%	8.125%
2009	1.125%	0.250%	0.500%	6.250%	8.125%
2010	1.125%	0.250%	0.500%	6.250%	8.125%
2011	1.125%	0.250%	0.500%	6.250%	8.125%
2012	1.125%	0.250%	0.500%	6.250%	8.125%

[1] San Antonio Advanced Transportation District (ATD) is tax added for improvements to public transportation, streets, highways, and other related transportation infrastructure.

[2] San Antonio Metropolitan Transit Authority (MTA) is tax added by the Transit Authority to provide public transportation services within designated boundaries.

[3] Proposition 2 - Parks Development and Expansion Venue Project increased sales and use tax. This tax was added for acquisition of open space and linear parks along the Leon and Salado Creeks, Medina and San Antonio Rivers and improvements and additions to the Municipal Parks and Recreation System. A new proposition was approved in April 2011 to extend the incremental rate for similar acquisitions and improvements.

- 262 - *Amounts are expressed in thousands*

Statistical Data
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands, except per capita)

Governmental Activities

Fiscal Year	Tax-Exempt General Obligation Bonds	Taxable General Obligation Bonds	Tax-Exempt Commercial Paper	Tax-Exempt Certificates of Obligation	Taxable Certificates of Obligation	Tax Notes	Revenue Bonds	Unamortized Premium	Deferred Amount on Refunding	Capital Leases	Notes Payable
2003	$ 666,983	$ -	$ 10,500	$ 196,280	$ 5,165	$ -	$ 234,918	$ 33,836	$ (7,913)	$ 9,796	$ -
2004	655,141			214,470	4,580		264,697	40,343	(15,863)	7,126	
2005	658,450			194,675	6,850		556,152	49,799	(13,839)	7,232	1,369
2006	612,290	10,785		183,455	6,170	37,600	551,767	48,189	(8,598)	10,267	58,005
2007	657,595	9,685	4,000	218,185	290	60,000	554,372	82,099	(17,283)	14,465	56,171
2008	717,275		10,500	291,380	225	17,925	578,412	39,991	(10,287)	12,685	54,958
2009	731,270		25,805	348,235	155	48,095	570,252	46,566	(14,038)	10,567	53,355
2010	721,350	191,550	14,370	303,635	80	28,860	557,387	64,026	(25,374)	5,796	50,880
2011	708,055	191,550		356,870		27,450	575,115	73,504	(23,168)	17,045	48,816
2012	810,275	191,550		332,685		32,015	564,371	91,602	(21,492)	14,193	46,631

Business-Type Activities

Fiscal Year	Tax-Exempt General Obligation Bonds	Taxable General Obligation Bonds	Tax-Exempt Certificates of Obligation	Tax Notes	Revenue Bonds	Unamortized Premium	Deferred Amount on Refunding	Capital Leases	Total Primary Government	Percentage of Personal Income [1]	Per Capita [1]
2003	$ 12,475	$ -	$ 135	$ -	$ 250,265	$ 3,545	$ (5,151)	$ 543	$ 1,411,377	5.60%	$ 1,118
2004		13,245			242,855	1,984	(5,685)	406	1,423,299	5.87%	1,113
2005		12,115			272,100	3,012	(5,053)	263	1,743,125	6.87%	1,342
2006					261,885	3,813	(3,390)	115	1,772,353	6.66%	1,340
2007					251,370	9,843	(2,937)	2,678	1,900,533	7.28%	1,448
2008	940	8,555	2,805		395,695	5,251	(2,953)	14,946	2,138,303	7.73%	1,609
2009	905	17,575	2,715		360,380	10,185	(4,206)	24,664	2,232,480	7.76%	1,665
2010	1,345	16,875	2,135	34,500	344,525	9,167	(3,521)	25,615	2,343,201	8.29%	1,776
2011	1,310	16,075	2,035		406,300	7,783	(4,017)	21,140	2,425,863	8.54%	1,829
2012	1,270	14,900	1,935		379,665	16,026	(2,675)	21,312	2,494,263	8.59%	1,834

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements.

[1] See Demographic and Economic Statistics for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year.

Statistical Data

Ratios of Net General Bonded Debt Outstanding

Last Ten Fiscal Years

(dollars in thousands, except per capita)

Governmental Activities

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Total	Less Principal [1]	Net Debt Outstanding	Percentage of Actual Taxable Value of Property [1]	Per Capita [2]
2003	$ 666,983	$ 201,445	$ -	$ 868,428	$ (18,926)	$ 849,502	2.05%	$ 673
2004	655,141	219,050		874,191	(18,666)	855,525	1.92%	669.27
2005	658,450	201,525		859,975	(21,473)	838,502	1.80%	645.40
2006	623,075	189,625	37,600	850,300	(25,680)	824,620	1.65%	623.34
2007	667,280	218,475	60,000	945,755	(31,553)	914,202	1.61%	696.65
2008	717,275	291,605	17,925	1,026,805	(39,119)	987,686	1.50%	743.19
2009	731,270	348,390	48,095	1,127,755	(44,523)	1,083,232	1.49%	808.05
2010	912,900	303,715	28,860	1,245,475	(38,714)	1,206,761	1.66%	914.56
2011	899,605	356,870	27,450	1,283,925	(38,023)	1,245,902	1.75%	939.21
2012	1,001,825	332,685	32,015	1,366,525	(45,223)	1,321,302	1.87%	971.74

Business-Type Activities

Fiscal Year	General Obligation Bonds	Certificates of Obligation	Tax Notes	Total	Less Principal [1]	Net Debt Outstanding	Percentage of Charges for Services [3 4 5]	Per Capita [2]
2003	$ 12,475	$ 135	$ -	$ 12,610	$ (251)	$ 12,359	138.83%	$ 9.79
2004	13,245			13,245	(753)	12,492	140.28%	9.77
2005	12,115			12,115		12,115	121.42%	9.32
2006								0.00
2007								0.00
2008	9,495	2,805		12,300	(779)	11,521	67.32%	8.67
2009	18,480	2,715		21,195	(513)	20,682	128.98%	15.43
2010	18,220	2,135	34,500	54,855	(581)	54,274	323.89%	41.13
2011	17,385	2,035		19,420	(834)	18,586	115.68%	14.01
2012	16,170	1,935		18,105	(918)	17,187	105.58%	12.64

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Information is provided for the years since the implementation of GASB Statement No. 34.

[1] Resources have ben externally restricted for the repayment of the principal of debt

[2] Population data can be found in Demographic and Economic Statistics.

[3] See Pledged-Revenue Coverage for Parking Systems revenues for charges for services data for years 2002-2007.

[4] In fiscal year 2008 Environmental Services was added to the Pledged-Revenue Coverage for Parking Systems.

[5] Airport System's charges for services data were incorporated for 2010 only due to the addition of the Tax Notes. In 2011, the Tax Notes were refunded and Airport System's charges for services were no longer included.

Statistical Data
Direct and Overlapping Governmental Activities Debt
As of September 30, 2012
(In Thousands)

	Debt Outstanding	Estimated Percentage Applicable [1]	Estimated Shares of Overlapping Debt
Governmental Unit:			
Debt Repaid with Property Taxes:			
Alamo Community College Bonds	$ 608,498	74.86%	$ 455,522
Bexar County Bonds	892,814	73.45%	655,772
San Antonio River Authority Bonds	21,830	95.68%	20,887
University Health System	732,802	74.42%	545,351
Alamo Heights Independent School District Bonds	103,704	48.24%	50,027
East Central Independent School District Bonds	73,406	51.49%	37,797
Edgewood Independent School District Bonds	89,886	100.00%	89,886
Harlandale Independent School District Bonds	191,970	100.00%	191,970
Judson Independent School District Bonds	374,754	31.39%	117,635
Northeast Independent School District Bonds	1,275,177	84.64%	1,079,310
Northside Independent School District Bonds	1,814,080	77.43%	1,404,642
San Antonio Independent School District Bonds	582,126	99.13%	577,062
Somerset Independent School District Bonds	33,375	1.57%	524
South San Antonio Independent School District Bonds	184,647	99.99%	184,629
Southside Independent School District Bonds	55,260	30.60%	16,910
Southwest Independent School District Bonds	115,792	64.70%	74,917
Total Overlapping Debt			$ 5,502,841
City Direct Debt, net with Sinking and Self-Supporting			$ 1,990,954
Total Direct and Overlapping Debt			$ 7,493,795

Sources: Assessed value data used to estimate applicable percentages provided by the districts. Debt outstanding data provided by each overlapping government.

Note: Overlapping governments are those that coincide, at least in part, with the geographic boundaries of the City. This schedule estimates the portion of the outstanding debt of those overlapping governments that is borne by the residents and businesses of San Antonio. This process recognizes that, when considering the City's ability to issue and repay long-term debt, the entire debt burden borne by the residents and businesses should be taken into account. However, this does not imply that every taxpayer is a resident, and therefore responsible for repaying the debt, of each overlapping government.

[1] For debt repaid with property taxes, the percentage of overlapping debt applicable is estimated using assessed property values. Applicable percentages were estimated by determining the portion of another governmental unit's taxable assessed value that is within the City's boundaries and dividing it by each unit's total taxable assessed value.

Statistical Data
Legal Debt Margin Information
Last Ten Fiscal Years
(In Thousands)

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed Value	$ 82,656,577
Debt Limit (10.0% of Assessed Value)	8,265,658
Debt Applicable to Limit:	
Total Bonded Debt	1,384,630
Less: Self-Supporting Debt:	(79,888)
Debt Supplemented by Other Sources	
Assets Available for Payment of	
Principal In:	
Debt Service Fund	(58,608)
Total Net Debt Applicable to Limit	1,246,134
Legal Debt Margin	$ 7,019,524

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Debt Limit	$ 4,632,079	$ 4,972,329	$ 5,182,421	$ 5,675,091	$ 6,503,363	$ 7,646,598	$ 8,385,232	$ 8,448,161	$ 8,273,618	$ 8,265,658
Total Net Debt Applicable to Limit	801,966	809,342	919,223	913,972	879,538	917,865	986,437	1,159,482	1,177,644	1,246,134
Legal Debt Margin	$ 3,830,113	$ 4,162,987	$ 4,263,198	$ 4,761,119	$ 5,623,825	$ 6,728,733	$ 7,398,795	$ 7,288,679	$ 7,095,974	$ 7,019,524
Total Net Debt Applicable to the Limit as a Percentage of Debt Limit	17.3%	16.3%	17.7%	16.1%	13.5%	12.0%	11.8%	13.7%	14.2%	15.1%

Note: City Charter and the Constitution of the State of Texas sets limits of bond indebtedness at 10.0% of assessed valuation

Statistical Data
Pledged-Revenue Coverage
Last Ten Fiscal Years
(In Thousands)

	Hotel Occupancy Tax Revenue Bonds				Texas Convention Center Hotel Finance [1,2]			
Fiscal Year	Hotel Occupancy Tax	Debt Service Principal	Debt Service Interest	Coverage	Net Revenues of Hotel	Debt Service Principal	Debt Service Interest	Coverage
2003	$ 34,715	$ 2,045	$ 8,756	3.21	$ -	$ -	$ -	-
2004	36,044	2,785	7,168	3.62				
2005	40,266	800	9,926	3.75			1,073	
2006	45,634	1,375	9,910	4.04			10,442	
2007	49,711	3,100	8,865	4.15			10,442	
2008	53,211	245	6,960	7.39			10,442	
2009	45,733	4,255	5,539	4.67			10,442	
2010	46,460	7,265	4,199	4.05		2,150	10,442	
2011	48,975	7,660	3,952	4.22		2,320	10,345	
2012	52,840	8,385	3,819	4.33		2,500	10,238	

	Municipal Drainage Utility System				Starbright Industrial Development Corporation			
Fiscal Year	Municipal Drainage Utility System Revenue	Debt Service Principal	Debt Service Interest	Coverage	Pledged Revenue	Debt Service Principal	Debt Service Interest	Coverage
2003	$ 21,190	$ -	$ 487	43.51	$ 204,017	$ -	$ 155	1,316.24
2004	23,067	1,035	1,939	7.76	189,506		1,138	166.53
2005	26,382	1,065	2,926	6.61	213,384		1,138	187.51
2006	27,758	2,410	4,896	3.80	246,084		1,138	216.24
2007	29,540	2,495	4,811	4.04	248,540	525	1,138	149.45
2008	33,485	2,590	4,719	4.58	293,796	535	1,126	176.88
2009	36,306	2,685	4,617	4.97	265,512	550	1,113	159.66
2010	36,972	2,795	4,507	5.06	283,502	565	1,097	170.58
2011	37,576	2,915	4,390	5.14	297,630	585	1,078	178.97
2012	38,187	3,055	4,253	5.23	288,096	605	1,057	173.34

(Continued)

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Operating expenses do not include interest, depreciation, or amortization expenses.

[1] Texas Convention Center Hotel Finance interest for FY 2005-2007 has been capitalized.

[2] The bonds are secured by a lien on and are payable from the following sources of revenue (in the order of priority given): first, the Pledged Hotel Operating Revenues which are the net revenues derived from the Hotel that remain after making necessary monthly escrow payments for property taxes; insurance premiums; and furniture, fixtures, and equipment replacements; second, the State Hotel Occupancy Tax collected at the Hotel; third, the State Sales Tax collected at the Hotel; fourth, the Hotel specific General Hotel Occupancy Tax (7.0% HOT); and fifth, the Expansion Hotel Occupancy Tax revenues collected Citywide (2.0% HOT).

Statistical Data
Pledged-Revenue Coverage
Last Ten Fiscal Years
(In Thousands)

Fiscal Year	Airport System: Airport System Revenues	Airport System: Debt Service Principal	Airport System: Debt Service Interest	Airport System: Coverage	Parking System [1]: Parking System Revenues	Parking System [1]: Debt Service Principal	Parking System [1]: Debt Service Interest	Parking System [1]: Coverage
2003	$ 46,544	$ 5,560	$ 10,100	2.97	$ 8,472	$ -	$ 1,367	6.20
2004	48,215	6,205	10,137	2.95	11,219	400	1,367	6.35
2005	52,404	7,545	9,866	3.01	10,349	450	1,347	5.76
2006	60,774	7,910	9,526	3.49	11,160	600	1,325	5.80
2007	65,487	8,245	8,749	3.85	10,263	620	1,295	5.36
2008	65,935	8,310	11,466	3.33	11,173	660	1,264	5.81
2009	61,353	9,665	12,456	2.77				
2010	63,878	5,380	11,770	3.72				
2011	63,761	13,325	11,661	2.55				
2012	62,300	12,845	10,200	2.70				

Fiscal Year	PFC Operations: PFC Beginning Fund Balance	PFC Operations: PFC Revenues	PFC Operations: Less: PFC Expenses	PFC Operations: Net Available Revenue	Debt Service: Principal	Debt Service: Interest	Coverage
2003	$ 4,998	$ 8,902	$ 528	$ 13,372	$ 775	$ 1,952	4.90
2004	10,716	8,905	25	19,596	805	1,921	7.19
2005	16,908	9,978	1,174	25,712	845	2,282	8.22
2006	20,960	10,839	1,133	30,666	1,705	3,719	5.65
2007	26,293	12,678	1,576	37,395	1,775	3,651	6.89
2008	31,601	17,115	16,692	32,024	3,965	6,128	3.17
2009	32,024	16,035	13,216	34,843	3,535	7,222	3.24
2010	34,843	16,757	(567)	52,167	3,690	7,066	4.85
2011	52,167	16,067	7,926	60,308	4,845	7,783	4.78
2012	60,308	16,278	3,726	72,860	4,795	7,605	5.88

(End of Schedule)

Note: Details regarding the City's outstanding debt can be found in the Notes to the Financial Statements. Operating expenses do not include interest, depreciation, or amortization expenses.

[1] In fiscal year 2009 the City defeased its Parking System Series 2000 Revenue Bonds. The outstanding debt is not pledged with revenues of the Parking System.

Statistical Data
Demographic and Economic Statistics
Last Ten Calendar Years

Year	Population	Personal Income *(thousands of dollars)*	Per Capita Personal Income	Median Age	School Enrollment	Unemployment Rate
2003	1,262,800	$ 25,205,488	$ 19,960	32.0	275,796	5.5%
2004	1,278,300	24,248,073	18,969	32.2	273,560	5.2%
2005	1,299,200	25,386,368	19,540	32.2	279,756	5.2%
2006	1,322,900	26,603,519	20,110	33.2	283,393	4.4%
2007	1,312,286	26,093,495	19,884	32.6	291,873	3.9%
2008	1,328,984	27,653,499	20,808	32.8	295,673	5.0%
2009	1,340,549	28,750,754	21,447	32.6	296,328	6.1%
2010	1,319,492	28,260,879	21,418	32.1	387,343	6.7%
2011	1,326,539	28,421,098	21,425	32.8	392,897	7.3%
2012	1,359,730	29,038,394	21,356	32.7	396,718	9.1%

Sources: Population, personal income, per capita income, median age, school enrollment, and education level information provided by the Planning Department, City of San Antonio, Texas. Unemployment rate provided by the Texas Workforce Commission.

Note: Population, median age, and education level information are based on surveys conducted during the last quarter of the calendar year. Personal income information is a total for the year. Unemployment rate information is an adjusted yearly average. School enrollment is based on the census at the start of the school year.

- 269 - *Amounts are expressed in thousands*

Statistical Data
Principal Employers
Current Year and Nine Years Ago

Employer	2012 Employees	2012 Rank	2012 Percentage of Total City Employment [1]	2003 Employees	2003 Rank	2003 Percentage of Total City Employment [2]
Joint Base San Antonio (JBSA) - Lackland, Fort Sam & Randolph	92,301	1	10.87%	7,407	7	1.00%
USAA	15,000	2	1.77%	13,748	1	1.86%
H.E.B. Food Stores	14,588	3	1.72%			
City of San Antonio	13,573	4	1.60%	9,852	3	1.33%
Northside Independent School District	12,751	5	1.50%	9,868	2	1.34%
North East Independent School District	10,522	6	1.24%	7,810	5	1.06%
Methodist Health Care System	7,747	7	0.91%	7,751	6	1.05%
San Antonio Independent School District	7,000	8	0.82%	7,988	4	1.08%
Baptist Health Systems	6,310	9	0.74%	4,225	10	0.57%
University of Texas Health Science	6,153	10	0.72%	5,102	9	0.69%
SBC Communications (AT&T)				6,000	8	0.81%
Total	185,945		21.89%	79,751		10.79%

Source: Economic Development Division, City of San Antonio, Texas, Book of Lists 2012, and Department of Defense personnel statistics.

[1] Percent based on an Employment Estimate of 849,200 of Non-Farm jobs in the San Antonio-New Braunfels, TX Metropolitan Statistical Area as of January 2012. Figure provided by the Texas Workforce Commission.

[2] Percent based on an Employment Estimate of 739,000 of Non-Farm jobs in the San Antonio-New Braunfels, TX Metropolitan Statistical Area as of January 2003. Figure provided by the Texas Workforce Commission.

Amounts are expressed in thousands

Statistical Data

Full-Time Equivalent City Government Employees by Function/Program

Last Ten Fiscal Years

	Full-time Equivalent Employees as of September 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program:										
Mayor and Council	17	17	18	17	18	17	17	17	15	18
City Manager	13	12	12	13	24	22	17	17	17	15
Administrative Services [1 7]				185						
Alamodome [8]	61	48	48	46						
Animal Care Services [5]				77	83	100	104	108	103	117
Asset Management [2]	21	127	128	212	212					
Aviation Uniformed Officers	27	27	28	28	28	28	27	30	31	33
Aviation Civilian Employees	340	354	342	360	382	417	424	415	409	425
Building & Equipment Services [12]										256
Capital Improvements Management Services (CIMS)						137	183	196	200	200
Center City Development [10]									6	7
City Attorney	86	85	90	93	92	108	104	104	99	95
City Auditor	7	24	19	13	25	23	22	22	20	21
City Clerk	15	19	18	20	22	24	24	20	21	22
Code Compliance [4]	105	101	103							
Communications and Public Affairs [6]				6	8	8	9	8	13	16
Contract Services [1 2]		10	15							
Convention and Visitors Bureau	74	70	67	67	75	86	90	86	84	132
Convention Facilities [8]	278	254	243	252						
Convention, Sports and Entertainment Facilities [8]					276	308	298	280	290	311
Cultural Affairs	11	11	10	9	11	12	12	11	12	12
Customer Services/311 System	45	49	51	58	52	62	62	56	59	52
Development Services[14]	195	194	204	219	244	217	220	200	225	199
Downtown Operations					67	174	174	160	140	143
Economic and Employment Development	32	36	34	37	37	38	35	33	24	27
External Relations [6]	13	13	13							
Finance/Public Utilities[13]	100	74	77	71	87	91	87	82	89	134
Firefighters and EMS	1413	1421	1414	1435	1450	1448	1533	1568	1,606	1,612
Fire Department Civilian Employees	102	100	110	95	114	103	133	159	144	124
Fleet Maintenance and Operations [7 12]					182	155	161	147	157	-
Grants Monitoring and Administration					20	22	21	25	22	16
Health [5]	621	619	602	510	483	365	365	360	345	314
Housing and Community Development [4]	25	24	25	23						
Human Resources	56	71	69	67	77	91	85	73	69	84
Human Services [11]	405	394	357	331	331	335	319	278	251	286
Information Technology Services	186	219	225	212	196	208	218	214	199	194
Intergovernmental Relations [6]				4	5	5	5	5	5	5
International Affairs	12	12	12	12	10	10	10	8	4	4
Library	273	281	294	311	315	336	331	300	321	497
Municipal Court	176	167	169	174	164	156	166	174	182	188
Neighborhood Action [4]	45	47	49							
Housing and Neighborhood Services [4]				153	156	167	173	154	131	133
Non Departmental	20	22	21	19	21	35	24	36	36	30
Office of Management and Budget	34	16	17	17	14	14	18	17	23	22
Parks and Recreation	822	803	817	812	703	624	646	617	602	630
Planning and Community Development [9]	40	36	35	33	40	36				48
Police Officers	1995	1988	1964	1988	2031	2078	2186	2229	2,261	2,276
Police Department Civilian Employees	534	527	545	562	552	523	638	599	585	565
Public Works [3]	998	888	861	750	740	647	636	610	591	600
Purchasing [1]	181	184	180							
Purchasing and Contract Services [2 7 13]					8	147	131	136	131	2
Solid Waste Management [3]	517	534	512	515	468	460	452	455	447	521
Special Projects		1	1							-
Total	9,895	9,879	9,799	9,806	9,823	9,837	10,160	10,009	9,969	10,386

Source: City of San Antonio, Texas. Figures account for actual employment positions filled.

[1] In fiscal year 2006 the Purchasing and Contract Services Departments were combined to form the Administrative Services Department.

[2] The Contract Services Department began as a division of Asset Management in FY 2001. In fiscal year 2004, they became their own separate department and in fiscal year 2008 they were moved into Purchasing and Contract Services

[3] Prior to fiscal year 2002 the Environmental Services Department was a part of Public Works as the Enterprise Solid Waste Fund. In fiscal year 2008 the department's name was changed to Solid Waste Management

[4] In fiscal year 2006 the Neighborhood Action and Code Compliance Departments were combined then in fiscal year 2007 this combined with Housing to form the Housing and Neighborhood Services Department

[5] Prior to fiscal year 2006 Animal Care Services was part of the Health Department.

[6] During fiscal year 2006 the External Relations Department divided to form the Intergovernmental Relations and the Communications and Public Affairs Departments

[7] In fiscal year 2007 Administrative Services was divided into two new departments, forming the Fleet Maintenance and Operations and Purchasing and Contract Services Departments.

[8] In fiscal year 2007 Alamodome and Convention Facilities were combined to form the Convention, Sports and Entertainment Facilities Department

[9] In fiscal year 2009 Planning and Community Development was combined with Development Services.

[10] In fiscal year 2011 Center City Development was separated from Economic and Employment Development.

[11] In fiscal year 2011 Community Initiatives was renamed Human Services.

[12] In fiscal year 2012 Fleet Maintenance Operations was renamed Building & Equipment Services.

[13] In fiscal year 2012 Purchasing and Contract Services was combined with Finance.

[14] In fiscal year 2012 Code Compliance was combined with Development Services.

Amounts are expressed in thousands

Statistical Data
Operating Indicators by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program:										
Police:										
Physical Arrests [1]	81,517	83,254	82,158	80,794	75,516	88,078	123,038	186,181	161,604	165,319
Parking Violations	104,968	86,128	111,863	93,888	104,309	110,670	81,480	76,142	62,170	78,612
Traffic Violations	256,588	274,152	271,655	222,326	200,371	236,792	266,866	254,011	165,908	266,157
Fire:										
Fire Incidents	68,441	73,472	84,573	89,426	90,389	100,104	101,421	104,253	114,087	108,507
Fires Extinguished	8,420	7,728	8,370	9,719	7,292	5,305	4,839	2,390	3,121	2,218
Inspections	15,243	15,485	16,223	16,612	19,986	24,718	23,149	22,459	21,180	25,057
Solid Waste:										
Refuse Collected (tons per day)	1,703	1,697	1,690	1,709	1,818	1,842	1,698	1,376	1,137	1,123
Recyclables Collected (tons per day)	94	92	98	100	149	217	285	478	446	501
Other Public Works:										
Street Resurfacing (miles)	157.50	159.25	128.46	115.46	140.09	185.31	453.20	423.00	275.00	348.00
Potholes Repaired	12,379	24,467	27,294	17,290	23,724	12,919	12,120	42,240	15,137	11,431
Parks and Recreation:										
Athletic Field Permits Issued	2,076	2,306	1,854	1,955	1,674	1,628	1,939	1,945	3,939	4,273
Community Center Reservations	3,103	3,372	3,027	2,805	3,079	2,190	2,220	1,930	1,735	2,015
Library:										
Volumes in Collection	1,852,221	1,842,579	1,970,661	2,155,843	2,091,735	2,164,172	2,188,219	2,241,491	2,333,032	2,216,722
Volumes in Circulation	5,275,268	5,861,624	5,876,331	6,030,777	5,935,818	6,374,109	6,616,776	6,601,175	6,733,534	7,354,466
Water:										
Customers	300,742	306,363	315,000	325,944	336,434	344,168	348,834	352,059	356,546	360,281
Water Main Breaks	1,395	1,480	1,305	2,577	3,073	1,392	2,594	3,212	1,475	3,397
Average Daily Consumption (millions of gallons)	144.3	149.4	143.7	172.2	181.6	169.2	194.9	181.4	188.0	204.5
Maximum Daily Consumption (millions of gallons)	229.5	303.2	196.5	278.1	269.0	224.0	299.1	243.5	266.02	265.6
Wastewater:										
Amount Treated Peak Day (millions of gallons)	30.0	201.0	297.0	212.0	169.0	294.0	174.0	194.0	258.0	160.0

Sources: Various City departments and San Antonio Water System.

[1] City Class "C" offenses.

Amounts are expressed in thousands

Statistical Data
Capital Asset Statistics by Function/Program
Last Ten Fiscal Years

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Function/Program:										
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Sub-Stations	6	6	6	6	6	6	6	6	6	6
Marked Patrol Units [4]	551	554	554	555	559	580	668	680	716	716
Fire:										
Fire Stations	48	49	49	50	50	50	50	50	50	51
Solid Waste:										
Garbage Trucks	131	133	129	137	147	193	224	49	65	0
Recycling Trucks [3]	50	50	46	46	37	35	23			0
Dual Purpose Collection Vehicles [3]								120	160	323
Other Public Works:										
Streets (miles) [1]			3,953	4,022	3,981	4,018	4,018	4,064	4,066	4,066
Highways (miles) [1]			911	911	911	1,004	1,004	1,046	1,036	1,036
Streetlights	64,527	65,027	64,678	64,848	75,490	76,696	77,674	79,468	79,468	70,714
Traffic Signals	1,111	1,121	1,139	1,153	1,180	1,197	1,226	1,288	1,299	1,317
Parks and Recreation:										
Acreage	14,463	15,600	16,151	16,660	18,384	18,914	14,241	14,282	14,288	14,519
Playgrounds	110	113	115	116	119	114	151	148	154	166
Baseball/Softball Diamonds	111	111	111	112	112	112	129	129	129	129
Soccer/Football Fields	61	61	61	62	62	62	93	93	93	94
Golf Courses	6	6	6	6	6	6	6	6	6	6
Swimming Pools	23	24	23	24	24	24	25	27	26	26
Community Centers	25	25	26	26	29	29	31	30	30	30
Water:										
Water Mains (miles)	4,162	4,251	4,324	4,404	4,525	4,673	4,802	4,866	4,936	4,988
Fire Hydrants	21,463	22,117	22,691	23,212	23,964	25,004	25,955	26,599	27,115	27,566
Storage Capacity (millions of gallons)	121.2	145.0	161.5	142.0	166.0	164.0	165.0	166.2	180.8	184.1
Wastewater:										
Sewer Mains (miles) [2]	4,967	5,088	4,533	4,607	4,739	4,877	5,001	5,085	5,118	5,163
Storm Sewers (miles)	383.7	498.0	498.0	498.0	498.0	498.0	498.0	498.0	581.0	581.0
Permitted Treatment Capacity (millions of gallons)	225.5	225.5	225.5	225.5	225.5	179.5	187.0	187.0	187	187

Sources: Various City departments, CPS Energy, TxDOT, and San Antonio Water System.

[1] Figures available starting in fiscal year 2005.

[2] Prior to 2004, the miles of sewer main in place were estimated. Utilizing GPS tracking, more accurate data was obtained and maintained starting in 2004.

[3] The recycle only vehicles have been removed from the fleet. COSA has purchased dual purpose vehicles, which serve both as garbage and recycle collection vehicles.

[4] The number of units reported in fiscal year 2011 includes all marked patrol vehicles, regardless of function.

Amounts are expressed in thousands