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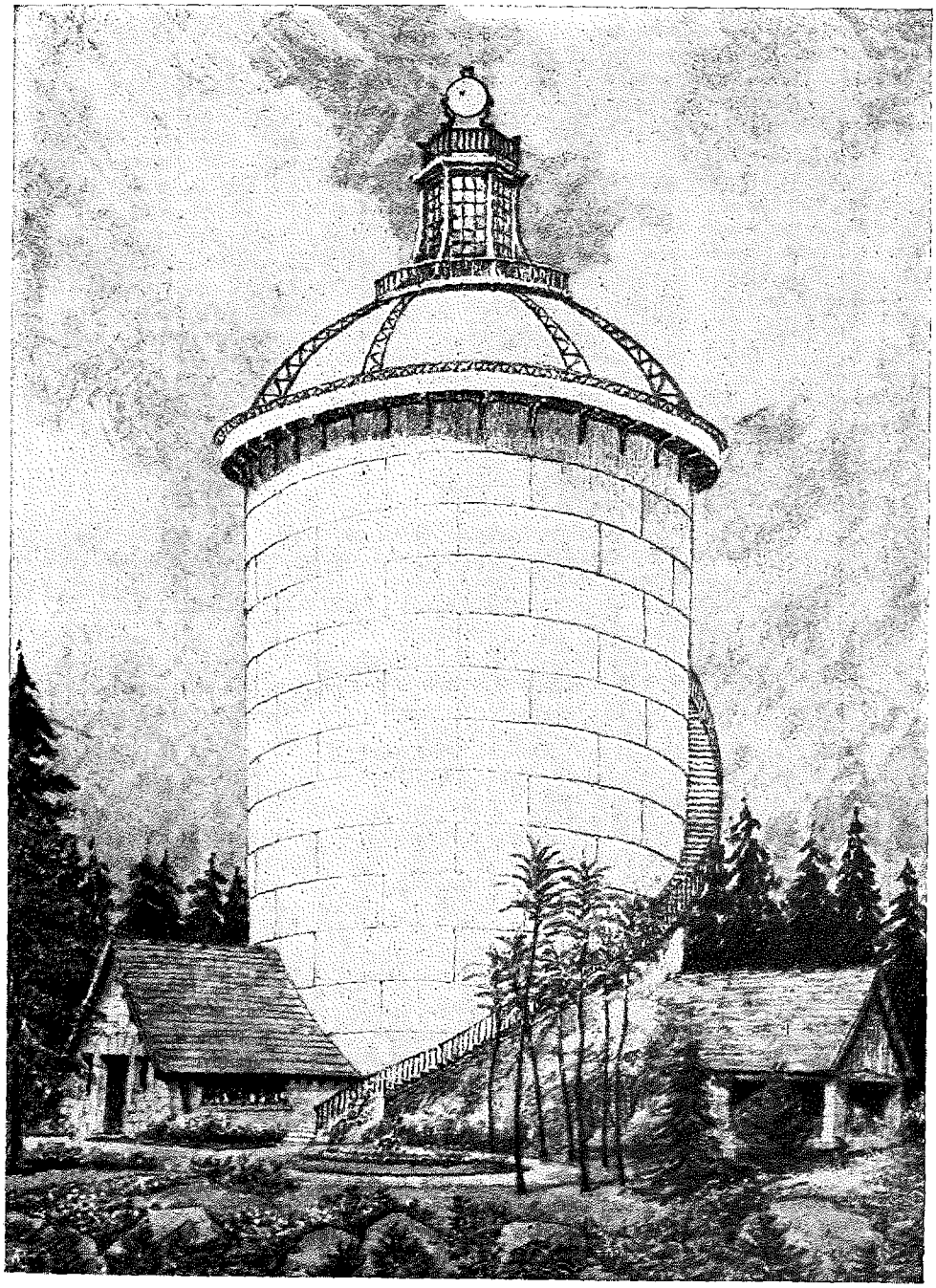

New 2,500,000 gallon pressure equalizer standpipe.
Erected for south portion of the city.

San Antonio, Texas
April 1st, 1931

TO THE CITIZENS OF SAN ANTONIO:

The Water Works Board of Trustees of the City of San Antonio submit to you a summary of the audit recently completed by Rodgers, Smith & Company, Certified Public Accountants, covering the operation of the City's Water Department from June 1st, 1925, the date the City purchased the property, to June 1st, 1930, together with some interesting facts pertaining to the origin and development of your water system.

"Till taught by pain, men really know not what good waters worth."
—LORD BYRON

San Antonio is blessed with an abundance of good, pure water. For human consumption there is none better. Falling from the clouds on the vast, sparsely-populated area to the northwest known as the "Edwards Plateau", it is filtered by nature's own process as it finds its way through cracks and fissures in the rock. This chemically pure water is brought to the distribution mains of San Antonio from wells varying in depth from 800 to 1400 feet, and does not see the light of day or come in contact with surface air or impurities until it is drawn from your own hydrant. Samples are taken each week from various sections of the city and are sent to the State Health Department laboratories at Austin, Texas, for analysis. The reports, without exception, show this water to be pure and wholesome. So pure and wholesome is this water that San Antonio has the distinction of being one of the few cities in the United States in which physicians who are designated as baby specialists, pediatricians, advise mothers of young babies to use **water as it comes from the hydrant unboiled,** both as drinking water and in the preparation of artificial food for their babies, for it is perfectly pure and contains the proper amount of lime so necessary for the development of the bones and teeth of infants.

The story of San Antonio's water property, like that of the City itself, has its touch of romance. San Antonio was founded in 1716 by Spanish soldiers and Franciscan friars. A few years later engineers were brought from Spain to build the Missions, civil and military establishments and irrigation ditches to supply water to the settlements in and near San Antonio. These Mission settlements were built on the banks of the San Antonio River, the water coming from springs emanating from the same source as San Antonio's present water supply; and in the intervening two hundred years **this water supply has never failed.** It has been a commanding force in the growth of those Missionary outposts into one of the largest and most beautiful cities in the largest State in the Union.

In the very early days the San Antonio River and San Pedro Springs supplied an abundance of good, pure water uncontaminated by civilization, and water for the artificial ditches was taken from the river by gravity. These ditches or "acequias" afforded water for irrigation and domestic purposes. Some of these ditches have survived for more than two hundred years and are still in use by dwellers near the Missions, only a few minutes drive from the center of the city. As San Antonio developed, convenience and sanitary conditions demanded sources of water supply other than the river and ditches. This need caused some of the then enterprising citizens to realize that a water distribution system was needed. A movement was started as early as 1873 by Geo. M. Maverick, one of San Antonio's then prominent citizens, and later by another prominent citizen, Major H. B. Adams. The first successful movement to install a distribution system was made in 1877 by J. B. La Coste, a pioneer developer of San Antonio, who under a contract with the City laid the first system of water mains. Early developments were not financially successful, but in 1883 Geo. W. Brackenridge, one of San Antonio's outstanding citizens, a man of varied accomplishments, unusual ability, generous, and with a vision, became interested in the system. Under his direction and management a plan of supply and distribution was developed almost as it exists today except the subsequent expansion which the growth of the city has made necessary. Mr. Brackenridge later sold his interest in the then San Antonio Water Supply Company to a citizen of St. Louis, Mr. Geo. J. Kobusch, who soon thereafter sold the controlling stock in the Company to Belgian capitalists. Under this ownership and

the very capable management and superior engineering ability of Mr. Robert J. Harding, the property developed rapidly and many costly improvements were made. Later a local syndicate, headed by Mr. E. B. Chandler and Mr. Harding, acquired all the stock in the company, and it was owned and operated by this syndicate until its purchase by the City.

In 1924 the City was paying to the Water Supply Company approximately $80,000 per annum for the water used by the City. During that year the City authorities were informed that the rates to the City and its water consumers would be materially increased, and it was then determined to purchase the property. In connection with this purchase the then Mayor, John W. Tobin deserves practically all the credit for the foresight, vision and ability displayed in accomplishing this purchase without obligating the taxable property of the city in any manner, for under the arrangement made the revenue only of the Water System will pay the purchase price, operating expenses, and all improvements and extensions to the system. For a short time after the City purchased the property, there was paid to the Water Department from the general tax levy of the City a substantial amount of money for water used by the City. This payment however was discontinued about two years ago, and in this connection it is apparent:

If some amount is paid by the City **from its general tax levy** for water used by the City in its parks, public buildings, swimming pools and in connection with fire protection service, **every property owner** and **all property** contributes **something** to the cost, upkeep and improvement of the water system. But when the entire revenue of the system is paid by **private consumers only,** then the non-resident property owners and that undeveloped area of San Antonio amounting to probably 35% of its total area, and those many properties worth millions of dollars having their own private water system, **pay nothing** towards the purchase and development of San Antonio's water plant, whereas, with the payment of a substantial amount from the City's general tax levy to the Water Department, the Water system will then derive some money **from all taxable property in San Antonio** rather than from the water consumers only; and if this be done the water consumers' rate might be lowered or the debt on the property retired sooner.

In purchasing the water system the City issued $7,000,000 in bonds secured by the property, and as stipulated in the Deed of Trust, these bonds are not a direct obligation of the City, but the principal and interest thereof are to be paid out of the revenues of the Water Department from the sale of water. Hence the issuance of these bonds did not increase the bonded indebtedness of the City, and under the mortgage executed by the City to the St. Louis Union Trust Company as Trustee for the bondholders it is provided that during the life of the bonds the property is to be operated by a board known as the "Water Works Board of Trustees," frequently called the "City Water Board," this Board being self-perpetuating. The Deed of Trust provides that the rates charged for water must be sufficient to cover all operating costs, maintenance, depreciation, replacement, extension and betterment, and sufficient to pay interest and principal on the bonds as the same become due, and that the rates charged shall be equal and uniform **and that no free service be allowed.**

As shown by the Auditor's Report, the Water Department has met its bonded obligations and all other obligations promptly, and has accumulated the stipulated reserves, and made all necessary improvements and extensions to the system since 1925 out of the revenues from the sale of water. At this time it has more than 45,000 active connections and is supplying a population of approximately 250,000 people in unlimited amounts at a rate **much cheaper,** to the average consumer, than any other Texas city and **substantially** cheaper than practically every city in the United States comparable with San Antonio in population. There being a daily average consumption of over 23,000,000 gallons of water which is supplied from 31 artesian wells, 14 of which are located at the Market Street pumping station, 10 at Brackenridge Park station and 7 at the Mission station.

Among the most notable of the improvements made during the past five years to the system may be mentioned the installation of a new 25,000,000 gallon per day pump at the Market Street Station; two new pumps at the Brackenridge Park station, each being of 12,000,000 gallons per day capacity; one new pump at the Mission station with a capacity of 8,000,000 gallons per day; one pressure-equalizing elevated tank for the north side of the city with a capacity of 1,000,000

gallons, and one pressure equalizing stand-pipe for the south side (now under construction) with a capacity of 2,500,000 gallons; approximately 125 miles of water main extensions which is equal to one-fourth as much as the total mileage of water mains that existed when purchased by the City. Nine new wells have been added, the last of which is a fifteen-inch diameter well capable of supplying about 6,000,000 gallons of water per day.

No water system can ever be a complete and perfect success unless it is 100% metered, and San Antonio's system is now 100% metered; the cost to complete it being approximately $400,000, and due to this fact, unnecessary waste of water has been eliminated, leakages detected, and a more equitable table of rates maintained. As a result, since the purchase of the water plant by the City, the rates to all consumers have been reduced 5%, the sprinkler fire protection rate has been reduced 25%, substantial reductions in rates have been made to consumers outside the city limits, and a more liberal interpretation of the requirements as to the commercial rate has been inaugurated.

Respectfully submitted,
CITY WATER BOARD
by
A. W. SEELIGSON, Chairman
CONRAD A. GOETH, Vice-Chairman
GUS GIESECKE
JAS. A. GALLAGHER
C. M. CHAMBERS, Mayor

RODGERS, SMITH & COMPANY
CONSULTANTS ON INCOME TAX LAW
CERTIFIED PUBLIC ACCOUNTANTS
ALAMO NATIONAL BANK BUILDING
SAN ANTONIO, TEXAS

OFFICES
SAN ANTONIO
FORT WORTH
SAN ANGELO

February 10, 1931

To the Waterworks Board of Trustees,
San Antonio, Texas.

Gentlemen:

As requested by you, we are submitting herewith a brief report of the financial condition of the San Antonio Water Supply System as at the close of business May 31, 1930, and a summary of the operating results by periods from the date the water system was acquired by the City, June 1, 1925, to the closing date of our examination, May 31, 1930.

For a more complete report on our examination, covering the period from June 1, 1925 to May 31, 1930, you are referred to our detailed report, which has been filed with the Board of Commissioners of the City of San Antonio, Texas, February, 1931.

Purchase of Water System Property

The plant assets of the San Antonio Water Supply Company were purchased by the City of San Antonio as of January 1, 1925, the total consideration therefor being $6,500,000.00 par value of 5½% first mortgage serial gold bonds, secured by a deed of trust on the properties of the water system. The purchase was not consummated until June 1, 1925, on which date the Board of Water Trustees assumed control of the plant.

The purchase agreement stated that the inventory of the properties conveyed should be as of January 1, 1925, and that all additions to the stock account, and all capital expenditures made between that date and the date of consummation of the trade, would be delivered to and paid for by the City of San Antonio. First mortgage serial gold bonds, in the amount of $500,000.00 par value, were also issued against the properties of the water system to pay for such capital expenditures. The proceeds of this issue were set aside in a special trust fund, and between January 1, 1925 and the date of consummation of the sale, June 1, 1925 the amount of $106,872.59 had been expended from this fund for the purposes named. The cash balance remaining in this fund at June 1, 1925, of $393,127.41 was transferred to the Board of Water Trustees, upon their assuming control of the plant. This remaining balance was subsequently expended by the Board of Water Trustees, in conformity with the provisions of the bond issue.

The following is a schedule of the assets purchased as of January 1, 1925 with the $6,500,000.00 par value bonds, and the expenditures of $106,872.59 from the proceeds of the $500,000.00 bond issue, for the extension and improvement of the plant between January 1, 1925 and June 1, 1925:

	Book Value Jan. 1, 1925 After Adjustment	Additions to June 1, 1925	Total at June 1, 1925
Capital Assets			
Mains—Including Feeders and Pavement Replacements	$3,819,315.29	$ 59,574.21	$3,878,889.50
Wells	230,000.00	53.07	230,053.07
Small Mains	557,313.20	16,124.75	573,437.95
Meters	450,275.40	17,084.17	467,359.57
Service System	709,117.68	4,984.90	714,102.58
Land	304,000.00	60.89	304,060.89
Buildings	60,000.00	1,030.24	61,030.24
Machinery	307,751.29	1,123.05	308,874.34
High Service Elevated Tank	2,857.00	3,525.00	6,382.00
Furniture and Fixtures	10,007.82	940.10	10,947.92
Automobiles, Trucks and Transportation	7,814.01	——	7,814.01
Tools	6,928.16	367.02	6,561.14
Total Capital Assets	$6,465,379.85	$104,133.36	$6,569,513.21
Other Plant Assets			
Fuel	$ 748.07	$ 2,308.26	$ 3,056.33
Stores and Meter Parts	33,872.08	430.97	34,303.05
Total Other Plant Assets	$ 34.620.15	$ 2,739.23	$ 37,359.38
ACCUMULATED PLANT TOTAL	$6,500,000.00	$106,872.59	$6,606,872.59
Add: Cash Balance of Improvement Fund—$500,000.00 less $106,872.59			393,127.41
TOTAL BOND ISSUE			$7,000,000.00

Pursuant to the purchase of the properties of the San Antonio Water Supply Company by the City of San Antonio, a board known as the "Water-works Board of Trustees", was appointed in accordance with the provisions of Article 1, Paragraphs 27 and 28, of the Deed of Trust from the City of San Antonio to the Saint Louis Union Trust Company, Trustee, which states in part as follows:

> "The City covenants and agrees that so long as any of the bonds herein described remain outstanding and unpaid, the possession, management and control of said mortgaged property and all its income and profits, except, as hereinafter provided in case of any default, shall be and is hereby placed in the hands of a board of trustees to be known as "Water-works Board of Trustees", consisting of five members who have been selected by the City. (Consisting of the mayor and four other members.) ****Said Board shall possess, manage and control and operate said property. *****Said Board shall also have the possession, control and management of all extensions, additions and equipment hereafter made or acquired, in addition to the plant, equipment, additions and extensions hereinbefore described, from whatever source or funds and in whatever manner, when the same is connected with or attached to said plant as any extension thereof, or addition thereto, and all the income and profits thereof; said possession, control and management to continue until all indebtedness hereby secured shall have been paid and satisfied***."

Statistics on Operations

A condensed statement of earnings by periods from June 1, 1925 to May 31, 1930, Exhibit "C", is set forth below in terms of percentage to operating revenue.

	7 Months Ended 12-31-25	Year Ended 12-31-26	Year Ended 12-31-27	Year Ended 12-31-28	Year Ended 12-31-29	5 Months Ended 5-31-30
Operating Revenue	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Operating Expenses						
Production and Distribution	15.70%	13.82%	14.28%	13.56%	15.40%	18.01%
Administrative, Collection and Gen'l	11.44	12.87	11.93	12.77	12.83	13.92
Total Operating Expenses	27.14%	26.69%	26.21%	26.33%	28.23%	31.93%
OPERATING PROFIT	72.86%	73.31%	73.79%	73.67%	71.77%	68.07%
Other Income—Net	1.29	1.36	2.42	2.73	2.76	3.31
Profit before deducting Fixed Charges and Bad Debts	74.15%	74.67%	76.21%	76.40%	74.53%	71.38%
Fixed Charges and Bad Debts						
Interest on Bonded Debt	38.95%	39.43%	35.85%	36.84%	36.19%	38.75%
Bad Debts Charged Off	3.01	.10	.75	.02	.26	—
Total Fixed Charges and Bad Debts	41.96%	39.53%	36.60%	36.86%	36.45%	38.75%
NET PROFIT FOR THE PERIOD	32.19%	35.14%	39.61%	39.54%	38.08%	32.63%
Profits Allocated as Follows						
Appropriated for Depreciation	1.84%	13.16%	17.87%	2.01%	13.72%	14.74%
Appropriated for Replacement	8.19	8.33	11.31	11.72	—	12.50
Appropriated for Needed Imrovement	10.93	—	—	15.25	11.61	—
Appropriated for Compensation Fund	—	1.55	—	—	—	—
Appropriated for Retirement of Bonds	5.63	5.61	5.28	5.76	6.07	6.72
Unappropriated	5.60	6.49	5.15	4.80	6.68	1.33
NET PROFIT AS ABOVE	32.19%	35.14%	39.61%	39.54%	38.08%	32.63%

We present herewith statements of the percentage of net profit returned on the average investment for the years 1926 to 1929, inclusive. The net profits shown in the fifth column of the following table are after interest on bonded debt and depreciation of plant have been deducted. The average investment has been computed to include bonded indebtedness in addition to investment arising from profits.

Year	Average Investment	Net Profits per Statements of Earnings	Adjustments for Depreciation	Net Profits after Deducting Depreciation	Percentage of Adjusted Net Profits to average Investment
1926	$7,384,891.12	$341,525.38	$201,871.71	$139,653.67	1.89%
1927	7,815,532.80	420,106.01	217,193.37	202,912.64	2.60
1928	8,317,973.01	404,727.81	235,149.43	169,578.38	2.04
1929	8,632,923.49	393,426.86	252,678.05	140,748.81	1.63

We now show a similar statement using the net profit base, column three, above, adding back thereto the interest on bonded indebtedness in order to arrive at the net percentage of return on the invested capital assuming that the bonded debt is fully retired.

Year	Net Profit Column 3 preceding Table	Adjustments		Adjusted Net Profit	Average Investment	Percentage of Adjusted Profits to Investment
		Add Back Interest on Bonded Debt	Deduct Depreciation			
1926	$341,525.38	$383,130.00	$201,871.71	$522,783.67	$7,384,891.12	7.08%
1927	420,106.01	380,214.98	217,193.37	583,127.62	7,815,532.80	7.46
1928	404,727.81	377,135.00	235,149.43	546,713.38	8,317,973.01	6.57
1929	393,426.86	373,890.00	252,678.05	514,638.81	8,632,923.49	5.96

One of the principal causes of the decrease in percentage of profit return on the investment, for the years 1928 and 1929, as compared with previous years, is the fluctuation of amounts paid by the City of San Antonio for water used and for fire protection.

It will be observed that we have eliminated from the preceding computations the seven months period of 1925 and the five months period of 1930. This elimination was occasioned by the fact that the actual figures for these two periods do not, in our opinion, represent a true basis for comparison with the years from 1926 to 1929, inclusive. The last seven months of 1925, or any year, represent the major revenue producing months of the year, while the first five months of 1930, or any year, represent the minor revenue producing months of the year.

The average investment shows a gradual increase from year to year. The increase in the average investment is due to the fact that all profits have been allowed to remain each year as additional investment.

The first summary shows the percentage of net profit to investment to be extremely low, and represents the present return to the Water System on invested capital. Upon this narrow margin, the Water System must depend for contingencies and for the retirement of the oustanding bonded indebtedness. As these obligations are liquidated, the percentages will gradually approach those in the last column of the second summary, assuming the present conditions remain stable.

Considering this present low return on the invested capital, it is evident that the Water Supply System is serving the needs of the City of San Antonio at the very minimum rate possible that will enable it to maintain its independent existence.

In the second summary, we show the percentages of net profit to average investment after net profits have been adjusted. These computations will serve as a base of comparison for future years, after all bonds have been retired, and when interest on bonded debt is no longer a charge against operations of the system.

Comments on the water rates of the San Antonio Water Supply System, as compared with rates of cities of similar size throughout the United States, will be found in subsequent paragraphs of this report, under the heading "General".

We are including, as Exhibit "E", a statement of the cost per million gallons of water pumped and distributed by years from January 1, 1926 to December 31, 1929. The seven months period ended December 31, 1925, and the five months period ended May 31, 1930, being less than full years, have been eliminated from the figures shown on this exhibit, as, in our opinion, the results shown for these two periods do not present a basis for a true comparison.

Balance Sheet

In the following paragraphs, we comment briefly on the major items appearing on the balance sheet, Exhibit "A", at May 31, 1930.

ASSETS

Capital Section—$8,524,760.29

The capital section is composed of the following items:

Production and Distribution System	$8,502,030.17
Other Capital Assets	22,730.12
Total Capital Section	$8,524,760.29

The items comprising the above mentioned amounts are listed in detail on the annexed balance sheet. Additions to the various accounts, since the acquisition of the plant by the City of San Antonio, were analyzed in detail by us, for the several periods covered by our examination.

Reserves—$613,787.93

The above amount consists of the following items:

Depreciation Reserve	$102,756.19
Replacement Reserve	511,031.74
Total Reserves	$613,787.93

These accounts were not based on a specified depreciation rate, as applied to the individual assets, but the reserves accounts were created mainly by the appropriating of round sums out of the profits of the various periods.

By reference to Exhibit "A", comparative balance sheet, it will be noticed that the investment in the production and distribution system has increased, in the amount of $1,943,464.88, since acquisition by the City, which increase is shown in detail in Exhibit "D". Funds belonging to the interest and sinking fund account, in the amount of $211,000.00, and to the general fund accounts, in the amount of $204,000.00 have been invested in various issues of the City of San Antonio bonds.

The above indicates that the Board of Trustees has been diligent in improving the production and distribution system, and also in investing the surplus funds in interest-bearing securities, until such funds shall be needed in further improving the plant.

Inventories - - - - - - - $80,056.30

Stores - - - - - - - - - - - - -	**$56,254.16**
Meter Parts Stock - - - - - - -	**$20,758.72**
Fuel - - - - - - - - - - - - -	**$ 3,043.42**

The inventory of stores, amounting to $56,254.16, was taken and priced by the employees under the supervision of the superintendent, who certified to us the correctness of the amounts.

No physical inventory of meter parts and fuel stock was taken, and these items are included at the value shown by the records.

Interest and Sinking Funds Section

Cash on Deposit—Interest and Bond Redemption Fund—$138,178.34

Cash on deposit in the interest and bond redemption fund was fully verified.

City of San Antonio Bonds—$211,000.00

Bonds owned by the interest and sinking funds, in the amount of $211,000.00, which were purchased with funds allocated for the retirement of the bonded debt and payment of interest accruing thereon, in addition to bonds owned by the current funds, in the amount of $204,000.00, as shown in the current and sundry section of the balance sheet, were verified by inspection of the bonds on hand.

It will be noticed that the assets of the interest and bond redemption fund, amounting to $349,178.34, are $312,822.51 in excess of requirements, which are $5,583.33 for bond redemption and $30,772.50 for accrued interest, or an aggregate requirement of $36,355.83.

Current and Sundry Section

Cash on Deposit—$74,906.06

Cashiers' Funds—$ 500.00

Cash on deposit in the general funds was verified.

Cash on hand in the cashiers' funds was verified by actual count.

Accounts Receivable—$60,379.14

The details comprising the foregoing amount will be found in Exhibit "A", and were proved by us.

Liabilities and Surplus

Capital Section

Bonded Debt——$6,714,000.00

The foregoing amount represents that portion of a bond issue, in the original amount of $7,000,000.00, that was outstanding at the date of the balance sheet. Exhibit "B", the statement of surplus, shows the amount of bonds retired each year since the date of issue.

Interest and Sinking Funds Section

Accrued Interest on Bonds - - - $30,772.50

Interest on outstanding indebtedness is due semi-annually, May 1st and November 1st of each year. The foregoing amount of $30,772.50 represents one-sixth of the interest falling due November 1, 1930. A like amount is to be set aside out of the revenues each month up to that date.

Current and Sundry Section

Accounts Payable - - $14,810.73

Accounts payable for purchases and expenses, collections for refund and accrued payroll were proved.

Deposits on Mains - - $59,583.15

We have included, under this caption, the probable liability to those who have advanced the cost of constructing or extending mains to serve additions or individual service. These advances were made under contract, providing that the water department would refund such advance, if the revenues derived from consumers on such mains reached a certain amount per foot of main laid within a specified time.

Deposits on Meters - - $46,919.60

The foregoing amount consists of open balances in the meter deposits' ledger, as of May 31, 1930.

Deposits on Proposed Construction and Special Contracts—$11,852.65

The above amount represents deposits made by consumers on proposed future construction on the usual refund plan.

Surplus - - $1,825,529.23

The surplus at May 31, 1930 consisted of the following:

Appropriated for Retirement of Bonds	$ 5,583.33
Appropriated for Needed Improvement	663,735.48
Total Appropriated	$ 669,318.81
Unappropriated	1,156,210.42
Total	$1,825,529.23

Exhibit "B" is a Cumulative Statement of Surplus" and shows, in detail, the surplus by years, and reveals the manner in which the balance at May 31, 1930 has accumulated since the date of acquisition of the water plant by the City of San Antonio.

General

Insurance

As evidenced by insurance policies and other data on file, the Water Supply System carried the following insurance protection as at May 31, 1930:

	Book Value	Coverage	Deficiency
Fire:			
Buildings	$110,081.56	$21,000.00	$ 89,081.56
Machinery	481,210.36	1,500.00	479,710.36
Furniture and Fixtures	21,623.17	2,500.00	19,123.17
	$612,915.09	$25,000.00	$587,915.09
Explosion:			
Boiler House Buildings		$50,000.00	
Boilers		30,000.00	
Burglary and Robbery		10,000.00	
Holdup and Robbery		5,000.00	
Automobiles:			
Public Liability and Property Damage		Coverage	
Private Auto Liability		"	

Workmen's Compensation:
System carries own Protection

All trustees, with the exception of the Mayor, are bonded, in the amount of $25,000.00 each. Fidelity bonds are also carried on the secretary and the auditor, in the amount of $5,000.00 each; on the assistant auditor and cashier, in the amount of $2,000.00 each; and on various assistant cashiers and collectors, $1,000.00 each. Fidelity bonds were not carried, covering the general manager, superintendent and assistant, master mechanic and the office supplies' stock manager. While the parties occupying these positions do not ordinarily handle cash funds, yet they occupy positions of responsibility and trust and, in our opinion, should be bonded.

In connection with the preceding table, showing fire insurance coverage, we call your attention to the deficiency in fire protection of $587,915.09. In ascertaining this deficiency, we have used asset values, as shown by the books, which do not show any specifically allocated depreciation reserve for each class of asset.

From Article 4, Paragraph 43 of the Deed of Trust, we quote the following:

> "The Board shall and will at all times hereafter until the said principal sum of money and interest due thereon, shall be fully paid out of the earnings thereof, keep said Water-works plant and all other property used in connection therewith, that is usually insured by private companies operating similar plants, insured, to at least three-fourths (¾) of the value thereof against loss or damage by fire in some good responsible insurance company or companies, and cause such insurance to be made payable in case of loss, to the trustee, by proper stipulation inserted in the policies********".

Since acquiring the Water System on June 1, 1925, the City of San Antonio has paid to the San Antonio Water Supply System, for water service and for sundry service (repairs to hydrants, etc.), the following amounts:

	Water Service	Sundry Service	Total
Seven Months Ended—December 31, 1925	$ 24,863.40	$ 693.20	$ 25,556.60
Calendar Year 1926	79,999.92	5,764.39	85,764.31
Calendar Year 1927	79,999.92	3,450.32	83,450.24
Calendar Year 1928	21,666.66	701.41	22,368.07
Calendar Year 1929	15,000.00	577.81	15,577.81
Five Months Ended—May 31, 1930	—	234.66	234.66
	$221,529.90	$11,421.79	$232,951.69

The water service consists of water supplied to the City through meters and for fire hydrant rentals. The sundry service is for repairs to fire hydrants, lowering mains, etc.

The Water Supply System has kept a record of the water furnished to the City of San Antonio through its meters located at the various municipal buildings, parks and other places throughout the City.

We submit below a statement by years of water used by the City through meters, together with the amounts that the City would have been charged if based on the amount of water flowing through the meters at scheduled rates:

	Consumption in Gallons	At Schedule Rates
Seven Months Ended December 31, 1925	156,443,613	$ 12,814.60
Year 1926	278,460,386	26,264.55
Year 1927	407,930,794	34,797.49
Year 1928	479,574,782	39,048.19
Year 1929	445,276,937	36,516.10
Five Months Ended May 31, 1930	103,463,328	9,361.63
Totals	1,871,149,841	$158,802.56

The above consumption figures do not include the water used through fire hydrants.

The approximate average of fire hydrants in use and set each month as determined from an examination of the charts and records maintained by the drafting department, based on the yearly rental of $30.00, will be found in the table below. Thirty dollars yearly rental is used in this computation, for the reason that the old San Antonio Water Supply Company used this rate in the last contract with the City, which contract expired December 31, 1924. If the City Water Board had charged the City for rental on fire hydrants on the above basis, the result would be as follows:

	Average Number of Fire Hydrants in Use (Approximate)	Yearly Rental at $30.00 for Each Hydrant
Seven Months Ended December 31, 1925	2327	$ 40,722.50
Year 1926	2342	70,260.00
Year 1927	2370	71,100.00
Year 1928	2421	72,630.00
Year 1929	2496	74,880.00
Five Months Ended May 31, 1930	2520	31,500.00
Totals		$361,092.50

While the old Water Supply Company charged a yearly rental of $30.00 to December 31, 1924, it raised the rental charge, beginning January 1, 1925 to $36.00 a year.

Payments for Water on Flat Rate

After the City of San Antonio assumed control of the Water System on June 1, 1925, it paid the sum of $24,863.40 for water consumed and for fire hydrant rental for the seven months ended December 31, 1925. An agreement was then made that the City pay a flat rate of $80,000.00 a year for all water consumed and for fire hydrant rental, which amount was paid at the rate of $6,666.66 a month, from January, 1926 to January, 1928, inclusive.

A new agreement was then made between the City of San Antonio and the Water-works Board of Trustees, cancelling the old contract and providing that no further payments would be made by the City for water supplied to May 31, 1928. The agreement further provided that the City should include in its budget for its fiscal year, beginning June 1, 1928 and ending May 31, 1929, the sum of $30,000.00 to be paid in equal monthly installments to the water department for water used for public purposes during said fiscal year. From July 1, 1925 to May 31, 1930, the closing date of our examination, no further payments have been made by the City, and no further contracts have been entered into, concerning the amount to be paid by the City of San Antonio for water supplied for public purposes. The last agreement of record appears in the minutes of the Water-works Board of Trustees under date of March 9, 1928, which reads as follows:

> "At a joint meeting of the Water-works Board of Trustees and the Mayor and City Commissioners held on Friday, March 9, 1928, at the office of the City Water Board, it was agreed that the City should provide in its budget for the next fiscal year the amount of $30,000.00 to be paid to the Water Department for water used for public purposes for the year from June 1, 1928 to May 31, 1929, said $30,000.00 to be paid in equal monthly installments. It was further agreed that the balance flat rate charge of $33,333.32, due by the City for water supplied to May 31st, 1928, in accordance with the former $80,000.00 per annum agreement, be cancelled."

In connection with the discontinuation of payment by the City for water consumed and fire hydrant rental, we direct your attention to the following extract from Article 21, Paragraph 76, of the Deed of Trust:

> "The rates charged for services furnished by Water-works Plant and System, shall be equal and uniform and no free service shall be allowed except for City public schools or buildings and institutions operated by said City, which free service may be allowed only in the discretion of the Board."

Some basis should be established and followed consistently in connection with payments for water consumed and fire protection service. If some amount is paid by the City from its general tax levy for water used by the City in its parks, public buildings, swimming pools and for fire protection service, every property owner will contribute something to the cost, upkeep and improvement of the Water system, but, if the entire revenue of the system is derived from water consumers only, then the non-resident owners of property, and owners of undeveloped property, and owners of properties which have their private water systems (office buildings, industrial plants, etc.), will pay nothing towards the purchase and development of San Antonio's water plant. In working out a definite basis for the payment of water used by the City, consideration, no doubt, would be given to the fact that the water system pays no taxes on its properties to the City of San Antonio, on account of being municipally owned.

Trench Charges and Permit Fees Replacing Pavement

The Water System has paid to the City of San Antonio for trench charges, permit fees and for replacing street pavement, since acquiring the water plant, the following amounts:

	Trench Charges and Permit Fees	Replacing Pavement	Total
June 1, 1925 to December 31, 1925	$ 6,002.10	$ 721.95	$ 6,724.05
Year 1926	12,172.30	1,475.27	13,647.57
Year 1927	9,096.70	1,908.25	11,004.95
Year 1928	12,230.60	3,188.95	15,419.55
Year 1929	9,576.80	3,570.76	14,147.56
January 1, 1930 to May 31, 1930	1,659.80	447.65	2,107.45
Totals	$50,738.30	$11,312.83	$62,051.13

The charges as summarized in the preceding table have arisen from the expansion program of the Water Supply System, in extending mains within the corporate limits of the City of San Antonio.

Trench charges are levied by the City for the maintenance of streets, on which excavations have been made for the purpose of laying gas, sewers, water and other mains. These trench charges represent a flat rate per square yard of trench excavation, for which the City assumes the responsibilty for maintaining the trench filling, after the mains have been laid.

Permit fees represent charges for preparing documents, recording, etc.

The charges for replacing pavement represents the cost of restoring streets to their original condition, after trenches have been filled, and constitute proper capital expenditures of the Water Supply System.

Comparison of Water Rates Charged by Various Cities

In Exhibit "F", we present an interesting study of statistics, showing the comparative water rates charged by various cities over the United States, with the rates charged by the water department of the City of San Antonio, Texas. The information, as presented, was obtained from a quesitonnaire, sent to various cities in the United States, and we have chosen, from the returns thereof, those cities whose populations are comparable with that of San Antonio.

It will be observed that only one city shown in the comparison has a lower rate than the City of San Antonio, while others range from 3.6% to 181% higher. The general average, in the comparison of cities in other states shows a rate 48% higher than San Antonio. The general average of the water rates charged by other Texas cities, shown in the comparison is 82% higher than that of San Antonio.

Supplementing Exhibit "F", we are including Exhibit "F-1", which shows the same information in regard to various cities smaller than San Antonio; and also several cities of over five hundred thousand population. A study of these statistics will be of interest.

Respectfully submitted,

Rodgers, Smith & Company.

Certified Public Accountants

San Antonio Water Supply System

Comparative Balance Sheet

May 31, 1930 and June 1, 1925

ASSETS	May 31, 1930	June 1, 1925	Increase / Decrease
Capital Section			
Production and Distribution System			
Wells	$ 276,179.73	$ 230,053.57	$ 46,126.66
Machinery	481,210.36	308,874.34	172,336.02
Buildings	110,081.56	61,030.24	49,051.32
Mains	4,566,455.19	3,878,889.50	687,565.69
Small Mains	777,664.87	573,437.95	204,226.92
Service System	1,037,004.82	714,102.58	322,902.24
Meters	860,044.53	467,359.57	392,684.96
High Service Elevated Tank	68,435.69	6,382.00	62,053.69
Automobiles	14,293.51	7,814.01	6,479.50
Tools	6,599.02	6,561.14	37.88
Land	304,060.89	304,060.89	—
Total Production & Distribution System	$8,502,030.17	$6,558,565.29	$1,943,464.88
Other Capital Assets			
Furniture and Fixtures	$ 21,623.17	$ 10,947.92	$ 10,675.25
Uncompleted Construction	1,106.95	—	1,106.95
Cash	—	393,127.41	393,127.41
Total Other Capital Assets	$ 22,730.12	$ 404,075.33	$ 381,345.21
Total Capital Section	$8,524,760.29	$6,962,640.62	$1,562,119.67
Plant Inventories			
Stores	$ 56,254.16	$ 21,921.49	$ 34,332.67
Meter Parts Stock	20,758.72	12,381.56	8,377.16
Fuel	3,043.42	3,056.33	12.91
Total Plant Inventories	$ 80,056.30	$ 37,359.38	$ 42,696.92
Total Capital Assets & Plant Inventories	$8,604,816.59	$7,000,000.00	$1,604,816.59
Interest and Sinking Fund Section			
Cash on Deposit	$ 138,178.34	$ 32,083.33	$ 106,095.01
Bonds Owned	211,000.00	—	211,000.00
Total Interest & Sinking Fund Section	$ 349,178.34	$ 32,083.33	$ 317,095.01
Current and Sundry Section			
Cash on Hand and in Bank	$ 75,406.06	$ 39,955.35	$ 35,450.71
Accounts Receivable:			
Flat Rates	$ —	$ 49,098.99	$ 49,098.99
Meter	54,578.31	76,680.91	22,102.60
Outside City Limits	—	11,047.35	11,047.35
Cemetery and Fire Protection	5,023.85	2,595.47	2,428.38
Sundry	776.98	6,510.33	5,733.35
Total Accounts Receivable	$ 60,379.14	$ 145,933.05	$ 85,553.91
Less: Reserve for Bad Debts	—	4,251.21	4,251.21
Accounts Receivable—Net	$ 60,379.14	$ 141,681.84	$ 81,302.70
Sundry:			
City of San Antonio Bonds	$ 204,000.00	$ —	$ 204,000.00
Accrued Interest on Bonds owned	7,282.07	—	7,282.07
Unexpired Insurance	1,387.36	666.53	720.83
Unamortized Premium on Bonds Purchased	16,195.43	—	16,195.43
Deferred Collection Department Expense	—	90.00	90.00
Total Sundry	$ 228,864.86	$ 756.53	$ 228,108.33
Total Current and Sundry Section	$ 364,650.06	$ 182,393.72	$ 182,256.34
TOTALS	$9,318,644.99	$7,214,477.05	$2,104,167.94

LIABILITIES AND SURPLUS	May 31, 1930	June 1, 1925	Increase / Decrease
Liabilities			
Capital Section			
Bonded Debt	$6,714,000.00	$7,000,000.00	$ 286,000.00
Interest and Sinking Fund Section			
Accrued Interest on Bonds	$ 30,772.50	$ 32,083.33	$ 1,310.83
Current and Sundry Section			
Accounts Payable:			
For Purchases, Expenses, Etc.	$ 13,089.86	$ 18.00	$ 13,071.86
Collections for Refund	75.00	—	75.00
Accrued Payroll	1,645.87	—	1,645.87
Natt T. Wagner	—	113,946.98	113,946.98
Total Accounts Payable	$ 14,810.73	$ 113,964.98	$ 99,154.25
Deposits:			
On Mains	$ 59,583.15	$ 20,445.00	$ 39,138.15
On Meters	46,919.60	14,390.43	32,529.17
On Proposed Construction	11,852.65	—	11,852.65
On Services	117.10	1,319.40	1,202.30
Total Deposits	$ 118,472.50	$ 36,154.83	$ 82,317.67
Advance Payments:			
Meter Rates	$ 447.90	$ 1,570.36	$ 1,122.46
Cemetery Rates	824.20	878.08	53.88
Flat Rates	—	319.82	319.82
Outside City Limits Rates	—	13.07	13.07
Unexpired Revenue	—	29,492.58	29,492.58
Total Advance Payments	$ 1,272.10	$ 32,273.91	$ 31,001.81
Total Current & Sundry Section	$ 134,555.33	$ 182,393.72	$ 47,838.39
Total Liabilities	$6,879,327.83	$7,214,477.05	$ 335,149.22
Reserves			
For Depreciation	$ 102,756.19	$ —	$ 102,756.19
For Replacement	511,031.74	—	511,031.74
Total Reserves	$ 613,787.93	$ —	$ 613,787.93
Surplus			
Appropriated:			
For Retirement of Bonds	$ 5,583.33	$ —	$ 5,583.33
For Needed Improvements	663,735.48	—	663,735.48
Total Appropriated	$ 669,318.81	$ —	$ 669,318.81
Unappropriated	1,156,210.42	—	1,156,210.42
Total Surplus—Representing Excess Assets over Liabilities & Reserves	$1,825,529.23	$ —	$1,825,529.23
TOTALS	$9,318,644.99	$7,214,477.05	$2,104,167.94

NOTE: Exhibit "B" is a "Cumulative Statement of Surplus", and shows the various sources from which the total Surplus of $1,825,529.23 has arisen.

San Antonio Water Supply System

Comparative Balance Sheet

May 31, 1930 and June 1, 1925

ASSETS	May 31, 1930	June 1, 1925	Increase / Decrease
Capital Section			
Production and Distribution System			
Wells	$ 276,179.73	$ 230,053.57	$ 46,126.66
Machinery	481,210.36	308,874.34	172,336.02
Buildings	110,081.56	61,030.24	49,051.32
Mains	4,566,455.19	3,878,889.50	687,565.69
Small Mains	777,664.87	573,437.95	204,226.92
Service System	1,037,004.82	714,102.58	322,902.24
Meters	860,044.53	467,359.57	392,684.96
High Service Elevated Tank	68,435.69	6,382.00	62,053.69
Automobiles	14,293.51	7,814.01	6,479.50
Tools	6,599.02	6,561.14	37.88
Land	304,060.89	304,060.89	—
Total Production & Distribution System	$8,502,030.17	$6,558,565.29	$1,943,464.88
Other Capital Assets			
Furniture and Fixtures	$ 21,623.17	$ 10,947.92	$ 10,675.25
Uncompleted Construction	1,106.95	—	1,106.95
Cash	—	393,127.41	393,127.41
Total Other Capital Assets	$ 22,730.12	$ 404,075.33	$ 381,345.21
Total Capital Section	$8,524,760.29	$6,962,640.62	$1,562,119.67
Plant Inventories			
Stores	$ 56,254.16	$ 21,921.49	$ 34,332.67
Meter Parts Stock	20,758.72	12,381.56	8,377.16
Fuel	3,043.42	3,056.33	12.91
Total Plant Inventories	$ 80,056.30	$ 37,359.38	$ 42,696.92
Total Capital Assets & Plant Inventories	$8,604,816.59	$7,000,000.00	$1,604,816.59
Interest and Sinking Fund Section			
Cash on Deposit	$ 138,178.34	$ 32,083.33	$ 106,095.01
Bonds Owned	211,000.00	—	211,000.00
Total Interest & Sinking Fund Section	$ 349,178.34	$ 32,083.33	$ 317,095.01
Current and Sundry Section			
Cash on Hand and in Bank	$ 75,406.06	$ 39,955.35	$ 35,450.71
Accounts Receivable:			
Flat Rates	$ —	$ 49,098.99	$ 49,098.99
Meter	54,578.31	76,680.91	22,102.60
Outside City Limits	—	11,047.35	11,047.35
Cemetery and Fire Protection	5,023.85	2,595.47	2,428.38
Sundry	776.98	6,510.33	5,733.35
Total Accounts Receivable	$ 60,379.14	$ 145,933.05	$ 85,553.91
Less: Reserve for Bad Debts	—	4,251.21	4,251.21
Accounts Receivable—Net	$ 60,379.14	$ 141,681.84	$ 81,302.70
Sundry:			
City of San Antonio Bonds	$ 204,000.00	$ —	$ 204,000.00
Accrued Interest on Bonds owned	7,282.07	—	7,282.07
Unexpired Insurance	1,387.36	666.53	720.83
Unamortized Premium on Bonds Purchased	16,195.43	—	16,195.43
Deferred Collection Department Expense	—	90.00	90.00
Total Sundry	$ 228,864.86	$ 756.53	$ 228,108.33
Total Current and Sundry Section	$ 364,650.06	$ 182,393.72	$ 182,256.34
TOTALS	$9,318,644.99	$7,214,477.05	$2,104,167.94

LIABILITIES AND SURPLUS	May 31, 1930	June 1, 1925	Increase / Decrease
Liabilities			
Capital Section			
Bonded Debt	$6,714,000.00	$7,000,000.00	$ 286,000.00
Interest and Sinking Fund Section			
Accrued Interest on Bonds	$ 30,772.50	$ 32,083.33	$ 1,310.83
Current and Sundry Section			
Accounts Payable:			
For Purchases, Expenses, Etc.	$ 13,089.86	$ 18.00	$ 13,071.86
Collections for Refund	75.00	—	75.00
Accrued Payroll	1,645.87	—	1,645.87
Natt T. Wagner	—	113,946.98	113,946.98
Total Accounts Payable	$ 14,810.73	$ 113,964.98	$ 99,154.25
Deposits:			
On Mains	$ 59,583.15	$ 20,445.00	$ 39,138.15
On Meters	46,919.60	14,390.43	32,529.17
On Proposed Construction	11,852.65	—	11,852.65
On Services	117.10	1,319.40	1,202.30
Total Deposits	$ 118,472.50	$ 36,154.83	$ 82,317.67
Advance Payments:			
Meter Rates	$ 447.90	$ 1,570.36	$ 1,122.46
Cemetery Rates	824.20	878.08	53.88
Flat Rates	—	319.82	319.82
Outside City Limits Rates	—	13.07	13.07
Unexpired Revenue	—	29,492.58	29,492.58
Total Advance Payments	$ 1,272.10	$ 32,273.91	$ 31,001.81
Total Current & Sundry Section	$ 134,555.33	$ 182,393.72	$ 47,838.39
Total Liabilities	$6,879,327.83	$7,214,477.05	$ 335,149.22
Reserves			
For Depreciation	$ 102,756.19	$ —	$ 102,756.19
For Replacement	511,031.74	—	511,031.74
Total Reserves	$ 613,787.93	$ —	$ 613,787.93
Surplus			
Appropriated:			
For Retirement of Bonds	$ 5,583.33	$ —	$ 5,583.33
For Needed Improvements	663,735.48	—	663,735.48
Total Appropriated	$ 669,318.81	$ —	$ 669,318.81
Unappropriated	1,156,210.42	—	1,156,210.42
Total Surplus—Representing Excess Assets over Liabilities & Reserves	$1,825,529.23	$ —	$1,825,529.23
TOTALS	$9,318,644.99	$7,214,477.05	$2,104,167.94

NOTE: Exhibit "B" is a "Cumulative Statement of Surplus", and shows the various sources from which the total Surplus of $1,825,529.23 has accrued.

San Antonio Water Supply System

Cumulative Statement Of Surplus

From June 1, 1925 To May 31, 1930

	Seven Months Ended 12-31-25	YEAR ENDED 12-31-26	12-31-27	12-31-28	12-31-29	Five Months Ended 5-31-30
Balance At Beginning of Period Arising From						
Profits	$ ——	$185,616.62	$ 527,142.00	$ 947,248.01	$1,351,975.82	$1,745,402.68
Subsidies on Cast Iron Mains	——	——	2,977.45	30,806.95	106,197.97	117,950.29
Subsidies on Small Mains	——	12,392.12	31,024.21	49,065.37	99,210.86	113,831.69
Subsidies on Service System	——	33,260.68	94,323.66	154,777.16	220,604.84	283,364.86
Donation from City of San Antonio for Remodeling Office Building	——	——	17,500.00	17,500.00	17,500.00	17,500.00
Bond Redemptions	——	——	51,000.00	105,000.00	162,000.00	222,000.00
Expense Charges Credited to Compensation Fund	——	——	2,000.06	4,515.16	7,137.99	10,207.15
Expense Charges Credited to Accidents and Extraordinary Maintenance	——	——	——	——	——	1,323.15
Depreciation Charged against Main Funds	——	——	——	185.57	185.57	370.94
Adjustment of Stores	——	——	——	——	10.55	10.55
Gross Additions	$ ——	$231,269.42	$ 725,967.38	$1,309,098.22	$1,964,823.60	$2,511,961.31
Less:						
Fixed Charges to Operations for Retirement of Bonds	$ ——	$ 32,454.56	$ 87,000.00	$ 143,000.00	$ 202,000.00	$ 264,666.64
Net Charges to Depreciation Reserve	——	——	——	——	975.80	975.80
Net Charges to Replacement Reserve	——	——	——	——	——	11,532.42
Net Charges to Needed Improvement Reserve	——	——	——	——	——	1,264.52
Total Deductions	$ ——	$ 32,454.56	$ 87,000.00	$ 143,000.00	$ 202,975.80	$ 278,439.38
Balance At Beginning of Period Prior To Deduction of Reserves	$ ——	$198,814.86	$ 638,967.38	$1,166,098.22	$1,761,847.80	$2,233,521.93
Additions During Period						
Net Profit for the Period	$185,616.62	$341,525.38	$ 420,106.01	$ 404,727.81	$ 393,426.86	$ 130,542.03
Subsidies on Cast Iron Mains	——	2,977.45	27,829.50	75,391.02	11,752.32	5,161.71
Subsidies on Small Mains	12,392.12	18,632.09	18,041.16	50,145.49	14,620.83	1,861.28
Subsidies on Service System	33,260.68	61,062.98	60,453.50	65,827.68	62,760.02	11,213.25
Donation from City of San Antonio for Remodeling Office Building	——	17,500.00	——	——	——	——
Bond Redemptions.	——	51,000.00	54,000.00	57,000.00	60,000.00	64,000.00
Expense Charges Credited to Compensation Fund	——	2,000.06	2,515.10	2,622.83	3,069.16	1,164.72
Expense Charges Credited to Accidents and Extraordinary Maintenance	——	——	——	——	1,323.15	3,389.99
Depreciation Charged Against Main Refunds	——	——	185.57	——	185.37	——
Adjustment of Stores Inventory	——	——	——	10.55	——	25,586.61
Adjustment of Accounts Payable	——	——	——	——	——	31.37
Total Additions during Period	$231,269.42	$494,697.96	$ 583,130.84	$ 655,725.38	$ 547,137.71	$ 242,950.96
Deductions For The Period						
Fixed Charges for Retirement of Bonds	$ 32,454.56	$ 54,545.44	$ 56,000.00	$ 59,000.00	$ 62,666.64	$ 21,333.36
Net Charges to Depreciation Reserve	——	——	——	975.80	——	——
Net Charges to Replacement Reserves	——	——	——	——	11,532.42	15,685.84
Net Charges to Needed Improvement Reserve	——	——	——	——	1,264.52	——
Adjustment of Meter Deposits	——	——	——	——	——	136.53
Total Deductions for the Period	$ 32,454.56	$ 54,545.44	$ 56,000.00	$ 59,975.80	$ 75,463.58	$ 37,155.73
Net Additions for the Period	$198,814.86	$440,152.52	$ 527,130.84	$ 595,749.58	$ 471,674.13	$ 205,795.23
Balance At End of Period—Prior to Deduction of Reserves	$198,814.86	$638,967.38	$1,166,098.22	$1,761,847.80	$2,233,521.93	$2,439,317.16
Deduct—Reserves for Depreciation and Replacements	57,868.80	158,762.63	300,442.88	440,069.09	570,510.74	613,787.93
Surplus At End of Periods	$140,946.06	$480,204.75	$ 865,655.34	$1,321,778.71	$1,663,011.19	$1,825,529.23

EXHIBIT "B"

San Antonio Water Supply System

Condensed Statement of Earnings by Periods

From June 1, 1925 To May 31, 1930

	6-1-25 to 12-31-25	Year Ended 12-31-26	Year Ended 12-31-27	Year Ended 12-31-28	Year Ended 12-31-29	1-1-30 to 5-31-30
Operating Revenue	$576,609.14	$971,814.31	$1,060,497.03	$1,023,599.65	$1,033,207.04	$400,093.98
Operating Expenses						
Production and Distribution	$ 90,523.35	$134,315.60	$ 151,424.44	$ 138,786.17	$ 159,075.22	$ 72,071.07
Administrative, Collection and General	65,975.19	125,105.58	126,512.01	130,697.21	132,649.31	55,668.36
Total Operating Expenses	$156,498.54	$259,421.18	$ 277,936.45	$ 269,483.38	$ 291,724.53	$127,739.43
OPERATING PROFIT	$420,110.60	712,393.13	$ 782,560.58	$ 754,116.27	$ 741,482.51	$272,354.55
Other Income—Net	7,457.83	13,262.25	25,666.59	27,890.11	28,566.89	13,223.32
Profit before Deducting Fixed Charges and Bad Debts	$427,568.43	$725,655.38	$ 808,227.17	$ 782,006.38	$ 770,049.40	$285,577.87
Fixed Charges and Bad Debts						
Interest on Bonded Debt	$224,583.35	$383,130.00	$ 380,214.98	$ 377,135.00	$ 373,890.00	$155,035.84
Bad Debts Charged Off	17,368.46	1,000.00	7,906.18	143.57	2,732.54	——
Total Fixed Charges and Bad Debts	$241,951.81	$384,130.00	$ 388,121.16	$ 377,278.57	$ 376,622.54	$155,035.84
NET PROFIT FOR THE PERIODS	$185,616.62	$341,525.38	$ 420,106.01	$ 404,727.81	$ 393,426.86	$130,542.03
Profits Allocated as Follows						
Appropriated for Depreciation	$ 10,618.80	$127,893.83	$ 189,494.68	$ 20,602.01	$ 141,788.70	$ 58,963.03
Appropriated for Replacement	47,250.00	81,000.00	120,000.00	120,000.00	——	50,000.00
Appropriated for Needed Improvement	63,000.00	——	——	156,000.00	120,000.00	——
Appropriated for Compensation Fund	——	15,000.00	——	——	——	——
Appropriated for Retirement of Bonds	32,454.56	54,545.44	56,000.00	59,000.00	62,666.64	26,916.69
Unappropriated	32,293.26	63,086.11	54,611.33	49,125.80	68,971.52	5,337.69
NET PROFIT—as above	$185,616.62	$341,525.38	$ 420,106.01	$ 404,727.81	$ 393,426.86	$130,542.03

"EXHIBIT "C"

San Antonio Water Supply System

Additions to Production and Distribution System By Periods

From June 1, 1925 To May 31, 1930

	Balance June 1, 1925	Additions June 1, 1925 to Dec. 31, 1925	Additions Year 1926	Additions Year 1927	Additions Year 1928	Additions Year 1929	Additions Jan. 1, 1930 to May 31, 1930	Total Additions June 1, 1925 to May 31, 1930	TOTAL
Wells	$ 230,053.07	$ ——	$ 11,286.60	$ 7,265.09	$22,586.74	$ 4,988.23	$ ——	$ 46,126.66	$ 276,179.73
Machinery	308,874.34	7,150.98	5,508.40	18,872.30	78,070.89	62,733.45	——	172,336.02	481,210.36
Buildings	61,030.24	408.43	23,999.75	2,004.97	19,027.14	895.75	2,715.28	49,051.32	110,081.56
Mains, Including Feeders and Pavement Replacement	3,878,889.50	110,172.58	110,641.16	110,093.80	212,759.73	116,212.17	27,686.25	687,565.69	4,566,455.19
Small Mains	573,437.95	19,281.32	46,760.59	34,554.84	72,794.47	25,719.13	5,116.57	204,226.92	777,664.87
Service System	714,102.58	40,009.75	69,856.83	68,000.61	62,217.26	70,661.22	12,156.57	322,902.24	1,037,004.82
Meters	467,359.57	43,353.17	85,151.90	95,729.44	103,582.90	59,368.66	5,498.89	392,684.96	860,044.53
High Service Elevated Tank	6,382.00	6,382.00	67,119.21	——	——	1,316.48	——	62,053.69	68,435.69
Automobiles, Trucks and Transportation	7,814.01	1,562.50	462.00	864.00	1,337.00	2,171.50	82.50	6,479.50	14,293.51
Tools	6,561.14	731.17	554.98	789.87	707.78	59.70	233.32	37.88	6,599.02
Land	304,060.89	——	——	——	——	——	——	——	304.060.89
TOTALS		$214,825.56	$420,231.46	$338,174.92	$573,083.91	$344,126.29	$ 53,022.74		
BALANCE JUNE 1, 1925	$6,558,565.29								
ADDITIONS JUNE 1, 1925 TO MAY 31, 1930—NET								$1,943,464.88	
BALANCE MAY 31, 1930.									$8,502,030.17

EXHIBIT "D"

San Antonio Water Supply System

Additions to Production and Distribution System By Periods

From June 1, 1925 To May 31, 1930

	Balance June 1, 1925	Additions June 1, 1925 to Dec. 31, 1925	Additions Year 1926	Additions Year 1927	Additions Year 1928	Additions Year 1929	Additions Jan. 1, 1930 to May 31, 1930	Total Additions June 1, 1925 to May 31, 1930	TOTAL
Wells	$ 230,053.07	$ ——	$ 11,286.60	$ 7,265.09	$22,586.74	$ 4,988.23	$ ——	$ 46,126.66	$ 276,179.73
Machinery	308,874.34	7,150.98	5,508.40	18,872.30	78,070.89	62,733.45	——	172,336.02	481,210.36
Buildings	61,030.24	408.43	23,999.75	2,004.97	19,027.14	895.75	2,715.28	49,051.32	110,081.56
Mains, Including Feeders and Pavement Replacement	3,878,889.50	110,172.58	110,641.16	110,093.80	212,759.73	116,212.17	27,686.25	687,565.69	4,566,455.19
Small Mains	573,437.95	19,281.32	46,760.59	34,554.84	72,794.47	25,719.13	5,116.57	204,226.92	777,664.87
Service System	714,102.58	40,009.75	69,856.83	68,000.61	62,217.26	70,661.22	12,156.57	322,902.24	1,037,004.82
Meters	467,359.57	43,353.17	85,151.90	95,729.44	103,582.90	59,368.66	5,498.89	392,684.96	860,044.53
High Service Elevated Tank	6,382.00	6,382.00	67,119.21	——	——	1,316.48	——	62,053.69	68,435.69
Automobiles, Trucks and Transportation	7,814.01	1,562.50	462.00	864.00	1,337.00	2,171.50	82.50	6,479.50	14,293.51
Tools	6,561.14	731.17	554.98	789.87	707.78	59.70	233.32	37.88	6,599.02
Land	304,060.89	——	——	——	——	——	——	——	304,060.89
TOTALS		$214,825.56	$420,231.46	$338,174.92	$573,083.91	$344,126.29	$ 53,022.74		
BALANCE JUNE 1, 1925	$6,558,565.29								
ADDITIONS JUNE 1, 1925 TO MAY 31, 1930—NET								$1,943,464.88	
BALANCE MAY 31, 1930.									$8,502,030.17

EXHIBIT "D"

San Antonio Water Supply System

Cost Per Million Gallons Pumped and Distributed

For The Years Ended December 31, 1926, 1927, 1928 And 1929

	YEAR ENDED			
	12-31-26	12-31-27	12-31-28	12-31-29
Production Cost				
Pumping Salaries	$ 4.1376	$ 3.7151	$ 4.2868	$ 4.6965
Supplies and Maintenance	.7448	.9637	1.1236	1.2379
Fuel and Power	5.3025	5.3444	5.1661	5.0583
Maintenance of Grounds and Wells	.2724	.4948	.2507	.2839
Total Production Cost	$10.4573	$10.5180	$10.8272	$ 11.2766
Distribution Cost				
Repairs to Mains	$ 1.8081	$ 2.4771	$ 2.1871	$ 3.0503
Meter Maintenance	2.1989	2.4457	2.8891	3.4843
Maintenance of Services	.7932	.7720	.9126	1.1135
Maintenance of Autos and Trucks—Undistributed	.5810	.4330	.0474	.2136
Repairs to Buildings, etc.	.0625	.1187	.1431	.7449
Total Distribution Cost	$ 5.4437	$ 6.2465	$ 6.1793	$ 8.6066
Total Production and Distribution Cost	$15.9010	$16.7645	$17.0065	$ 19.8832
Overhead Cost				
Administrative Department Salaries	$ 2.5334	$ 2.4765	$ 2.6759	$ 2.6226
Administrative Department Expense	.0958	.1673	.1826	.2356
Collection Department Salaries	8.9139	8.3332	9.7008	10.2761
Collection Department Expense	2.9572	2.6121	3.1069	3.1323
Sundry Undistributed Expense	.3103	.4174	.3490	.3136
Total Overhead Cost	$14.8106	$14.0065	$16.0152	$ 16.5802
Total Operating Cost	$30.7116	$30.7710	$33.0217	$ 36.4634
Other Charges				
Interest on Bonded Debt	$45.3569	$42.0946	$46.2130	$46.7334
Bad Debts	.1184	.8753	.0176	.3416
Appropriations from Profits for Depreciation and Replacement	11.9444	15.6652	17.2289	17.7225
Total Other Charges	$57.4197	$58.6351	$63.4595	$ 64.7975
Total Costs	$88.1313	$89.4061	$96.4812	$101.2609
Deduct—Other Income	1.5701	2.8416	3.4176	3.5707
Total Cost per Million Gallons	$86.5612	$86.5645	$93.0636	97.6902
Gallons Pumped and Distributed	8,446,948,353	9,032,409,340	8,160,818,942	8,000,481,893

EXHIBIT "E"

San Antonio Water Supply System

Comparison of Water Rates Charged by Various Cities

May 31, 1930

	Population 1930 Census	Water Supply System Municipally or Privately Owned	Cost to Resident Consumer for 10,000 Gal. per Month	Percentage Higher or Lower than San Antonio
Cities in Other States				
Akron, Ohio	256,353	M	$2.13	52.0%
Atlanta, Georgia	347,991	M	2.07	48.0
Cincinnati, Ohio	449,331	M	1.56	11.0
Columbus, Ohio	289,056	M	1.60	14.0
Dayton, Ohio	200,763	M	1.38	1.4
Denver, Colorado	287,644	M	2.75	96.0
Indianapolis, Indiana	364,073	M	2.35	68.0
Kansas City, Missouri	392,640	M	2.27	62.0
Louisville, Kentucky	307,808	M	1.44	2.8
Memphis, Tennessee	252,049	M	3.32	137.0
New Orleans, Louisiana	455,792	M	1.50	7.0
Newark, New Jersey	444,170	M	1.67	19.0
Oakland, California	284,213	P	3.93	181.0
Oklahoma City, Okla.	182,845	M	2.50	79.0
Omaha, Nebraska	214,175	M	1.67	19.0
Providence, Rhode Island	251,029	M	2.40	71.0
Richmond, Virginia	182,883	M	1.54	10.0
Rochester, New York	325,019	M	1.80	29.0
St. Paul, Minnesota	270,883	M	1.45	3.6
Syracuse, New York	209,277	M	1.69	21.0
Worcester, Mass.	196,395	M	2.40	71.0
Cities in Other States—Average			$2.07	48.0%
Texas Cities				
Austin	53,118	M	$2.97	112.0%
Dallas	260,397	M	2.70	93.0
El Paso	101,975	M	2.00	43.0
Fort Worth	160,892	M	2.70	93.0
Galveston	51,939	M	2.92	109.0
Houston	289,428	M	1.95	39.0
Waco	58,971	M	2.79	99.0
Wichita Falls	43,614	M	2.38	70.0
Texas Cities—Average			$2.55	82.0%
San Antonio	254,562	M	$1.40	—%

EXHIBIT "F"

San Antonio Water Supply System

Comparison of Water Rates Charged by Various Cities

May 31, 1930

	Population 1930 Census	Water Supply System Municipally or Privately Owned	Cost to Resident Consumer for 10,000 Gal. per Month	Percentage Higher or Lower than San Antonio
Cities Smaller Than San Antonio				
Albany, New York	127,358	M	$1.32	5.7%
Bridgeport, Connecticut	147,206	P	2.50	79.0
Cambridge, Mass.	113,650	M	1.33	5.0
Des Moines, Iowa	142,469	M	3.00	114.0
Duluth, Minn.	101,231	M	2.00	43.0
Evansville, Indiana	103,151	M	2.50	79.0
Fall River, Mass.	114,384	M	3.13	124.0
Flint, Michigan	156,422	M	2.00	43.0
Fort Wayne, Indiana	115,121	M	1.33	5.0
Grand Rapids, Michigan	168,234	M	2.04	48.0
Hartford, Connecticut	163,849	M	2.00	43.0
Kansas City, Kansas	122,327	M	3.34	139.0
Knoxville, Tennessee	105,797	M	3.49	149.0
Long Beach, California	141,390	M	1.80	29.0
Lowell, Mass.	100,300	M	2.66	90.0
Lynn, Mass.	102,327	M	2.00	43.0
Miami, Florida	110,025	P	3.21	129.0
Nashville, Tennessee	153,153	M	1.82	30.0
New Bedford, Connecticut	112,804	M	1.62	16.0
New Haven, Conn.	162,650	P	1.80	29.0
Paterson, New Jersey	138,267	P	1.83	31.0
Peoria, Illinois	105,155	P	3.38	141.0
Reading, Pennsylvania	110,289	M	1.60	14.0
San Diego, California	147,897	M	2.67	91.0
South Bend, Indiana	103,694	M	2.00	43.0
Somerville, Mass.	103,604	M	2.00	43.0
Springfield, Mass.	149,861	M	2.93	109.0
Tacoma, Washington	106,837	M	1.80	29.0
Tampa, Florida	100,910	M	1.99	42.0
Tulsa, Oklahoma	141,281	M	3.50	150.0
Utica, New York	102,633	P	3.19	128.0
Wichita, Kansas	109,832	P	2.25	61.0
Youngstown, Ohio	170,004	M	3.33	138.0
Yonkers, New York	135,123	M	2.13	52.0
Average—Cities Smaller than San Antonio			$2.34	67.0%
Cities Over 500,000 Population				
Baltimore, Maryland		M	$2.67	91.0%
Boston, Mass.			2.45	75.0
Milwaukee, Wisconsin		M	3.30	136.0
Pittsburg, Penn.		M	1.96	40.0
San Francisco, Calif.			4.62	230.0
St. Louis, Mo.			1.88	34.0
Average—Cities over 500,000 Population			$2.81	101.0%
City of San Antonio	254,562	M	$1.40	——%

EXHIBIT "F-I"