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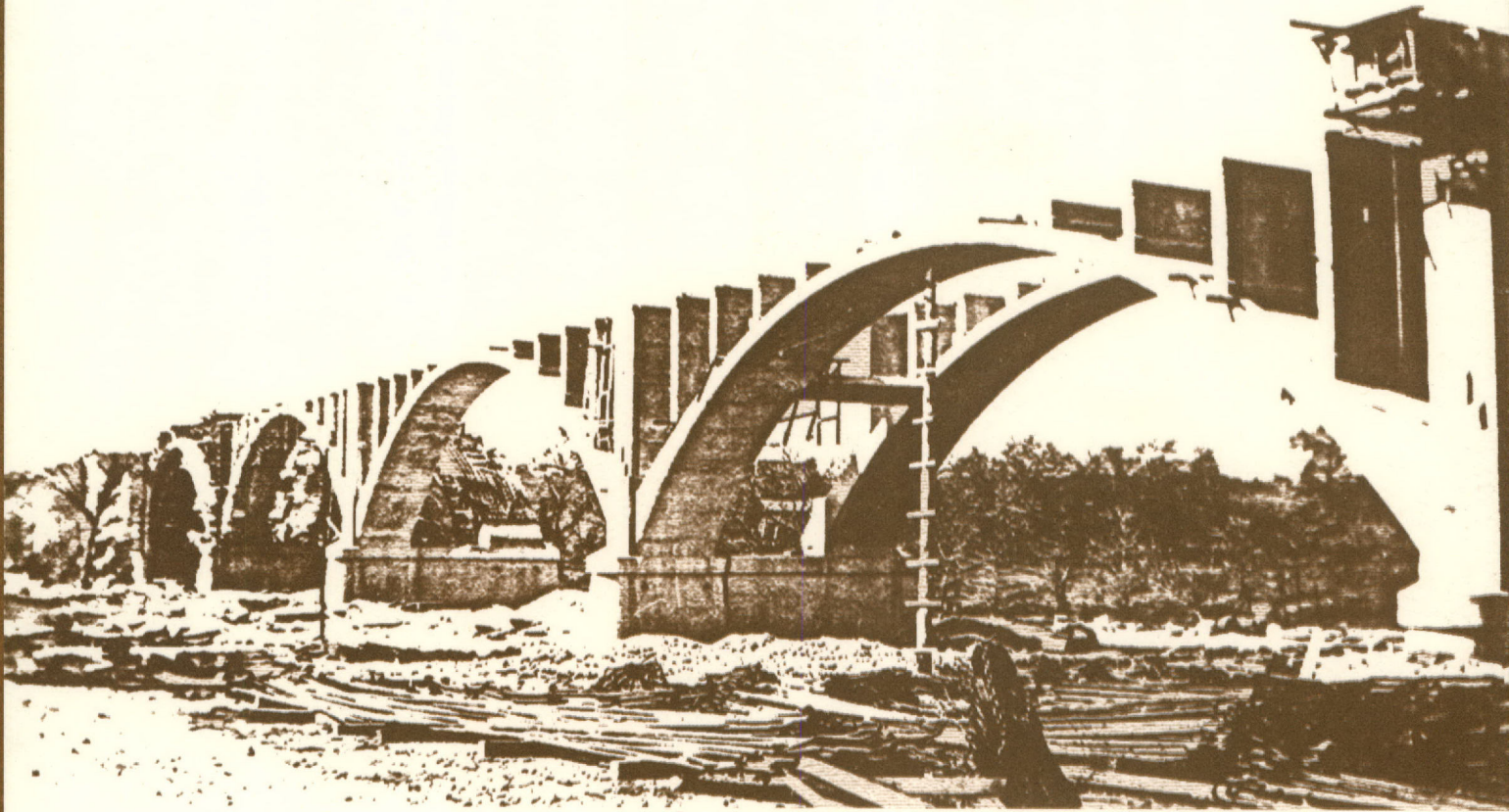
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# BRIDGES...CONNECTING OUR COMMUNITIES

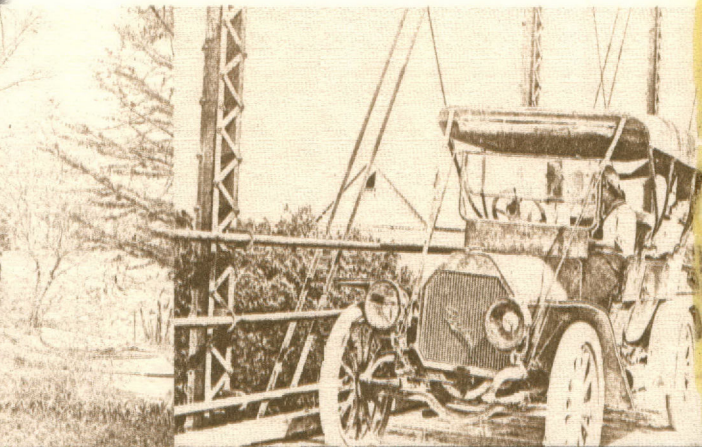
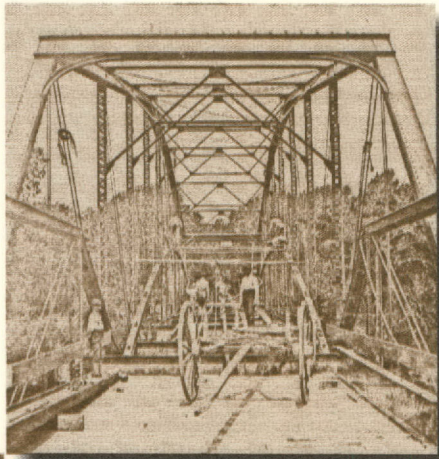
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Guadalupe-Blanco River Authority of Texas  
Comprehensive Annual Financial Report  
Fiscal Year Ended August 31, 2006



GUADALUPE-BLANCO RIVER AUTHORITY OF TEXAS  
COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended August 31, 2006

*Financial Information Compiled by GBRA Accounting Department.  
Introductory Section and Operating Division summaries  
written by GBRA Public Communication Department.  
Report Designed by GBRA Staff.*



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# GUADALUPE-BLANCO RIVER AUTHORITY OF TEXAS

## ESTABLISHED BY THE TEXAS LEGISLATURE

GBRA was created in 1933 as the Guadalupe River Authority under Section 59, Article 16 of the Constitution of Texas as a water conservation and reclamation district and a public corporation. It was reauthorized in 1935 as the Guadalupe-Blanco River Authority by an act of the Texas Legislature (VCS Art. 8280-106).

## SOUND MANAGEMENT AND ADMINISTRATION

GBRA is governed by a board of nine directors who are appointed by the Governor and confirmed by the Texas Senate. Directors serve six-year terms, with three directors appointed or reappointed every two years. Board committees meet prior to each monthly meeting to recommend and review policies, programs and actions for consideration. Management and administrative duties are carried out by the general manager and staff in accordance with policies established by the board.

## PLANNING FOR THE BASIN AND TEXAS

GBRA's primary responsibilities are to develop, conserve and protect the water resources within its ten-county statutory district, which begins near the headwaters of the Guadalupe and Blanco Rivers, ends at San Antonio Bay, and includes Kendall, Comal, Hays, Caldwell, Guadalupe, Gonzales, DeWitt, Victoria, Calhoun and Refugio counties. Planning and resource development efforts for the Guadalupe River basin are carefully coordinated within the broader consideration of regional and statewide water needs.

## SELF-SUPPORTING OPERATIONS

GBRA cannot levy or collect taxes, assessments, or pledge the general credit of the State of Texas. Funding for special projects comes from state and federal grants. All other revenues for maintenance and operation are obtained from the products and services GBRA provides to customers throughout the basin.

# VISION AND MISSION

## VISION

The Guadalupe-Blanco River Authority is a widely recognized leader in managing water resources that benefit both people and the environment.

## MISSION

The mission of GBRA is to protect, conserve, reclaim and steward the resources of the district, and provide leadership in regional cooperation, in order to enhance quality of life for those we serve.



Soda Springs Bridge on County Road 130, Soda Springs, Texas. This 75-foot lenticular parabolic truss bridge was built in 1897 by the Berlin Bridge & Iron Company of New Berlin, Connecticut. It was closed to traffic in 1989 but was preserved for historic interest and can be viewed from the new bridge recently constructed next to it. Photo courtesy Caldwell Genealogical Society.

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Comprehensive Annual Financial Report  
Fiscal Year Ended August 31, 2006  
Financials Prepared by the Accounting Department

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## BRIDGES – CONNECTIONS TO OUR COMMUNITIES

This year's Consolidated Annual Financial Report is dedicated to the unique and historic bridges in the GBRA ten-county district. From earliest recorded history, man has recognized the importance of bridges.

At their most basic, bridges are a shorter and easier route from one place to another, often crossing a natural obstacle such as a river or gorge.

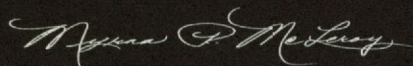
On a deeper level, bridges are a solution to isolation. They transport people and products and establish vital 'connections' with the outside world.

Bridges are also a symbol of man's willingness to reach out. Building bridges requires planning, commitment, teamwork and skill. The phrase 'building bridges' recognizes the importance of cooperation, compromise and tolerance in order to accomplish great things.

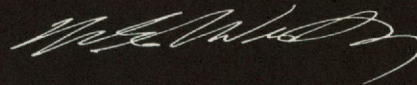
The willingness to 'bridge' different points of view is critical in the world of water. We must find ways to connect the various attitudes, beliefs and positions about water and its management so that water continues to be available to all who need it today and in the future. That is our commitment as the steward of the Guadalupe River, and as the protector of the springs, which are the lifeblood of the river itself.

Since 1933, GBRA has been building bridges in the best sense of the word. Whether it is our commitment to service and volunteerism, assisting communities through economic and business development, or planning for current and future water supplies, GBRA is helping the Guadalupe River basin and surrounding region grow and prosper.

We are proud to share this 2006 Annual Report with you – our clients, customers, employees and friends.

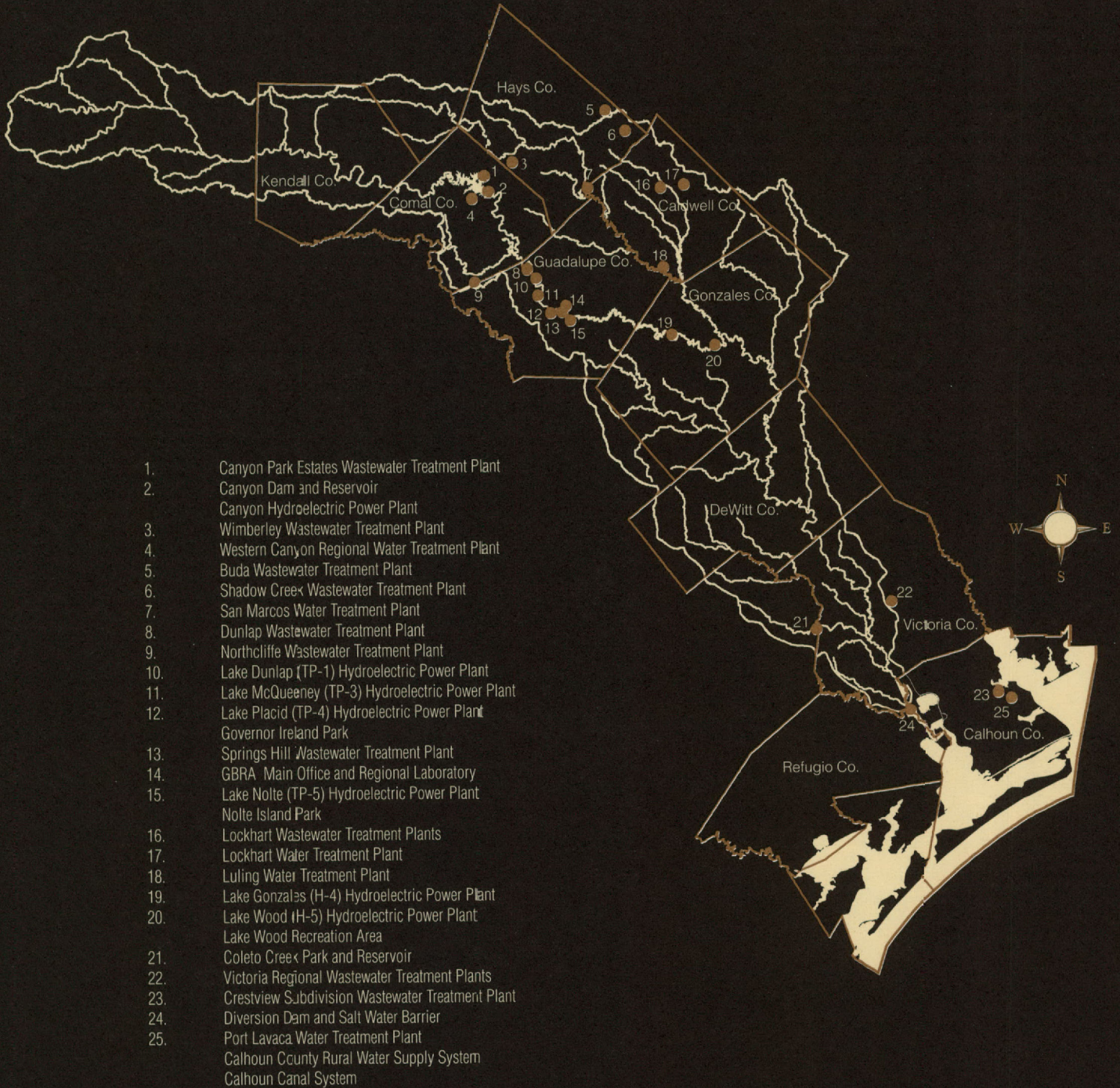


Myrna P. McLeroy, Board Chair



W. E. West, Jr, General Manager

# BASIN MAP



# BOARD OF DIRECTORS

Myrna P. McLeroy, Chair  
Oil and Gas Services  
Gonzales County  
Appointed: 2001, Gov. Rick Perry

Mrs. McLeroy was raised in Houston and moved to Gonzales in 1984. She is owner of the McLeroy Land Group in Gonzales, which conducts mineral title searches and negotiates oil and gas leases for various companies. She operates a farm that has been in her family since 1885. She attended Southern Methodist University and the University of Houston. Her community activities include commissioner of the Housing Authority of Gonzales; former chair of the Gonzales County Republican Party for 20 years; director, Torch of Freedom Foundation; member Gonzales Bread & Breakfast Association; member of the American Association of Professional Landmen since 1978; and a member of the Gonzales County Chamber of Commerce and Agriculture, and Memorial Heights Baptist Church.



John P. Schneider, Jr., Vice-Chair  
Real Estate  
Caldwell County  
Appointed: 1999, Gov. George W. Bush

Mr. Schneider is president of Schneider & Associates, Inc., specializing in commercial, farm and ranch real estate in Central and South Texas. He is a member of the Texas Society of Range Management, the Austin Real Estate Council, the Society of Texas A&M Real Estate Professionals, the Texas Southwestern Cattle Raisers Association, marketing member of the CCIM (Certified Commercial Investment Member) Austin chapter, member and past chairman of the Texas Real Estate Center Advisory Committee, and the Executive Committee of the Texas Agriculture Summit. Mr. Schneider received a Bachelor of Business Administration degree from Texas A&M University and is a member of the Texas A&M College of Agriculture Development Council, the Association of Former Students, and a board member of the A&M Twelfth Man Foundation.



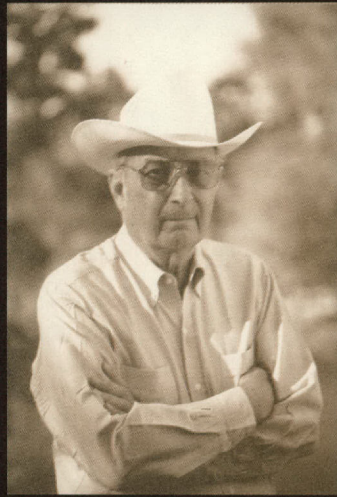
Margaret M. Grier, Secretary/Treasurer  
Publisher, Writer  
Kendall County  
Appointed: 2004, Gov. Rick Perry

Margaret M. Grier of Kendall County is the author of Grassroots Women and owner of the Wingscape Press. She has served on the Kendall County Advisory Board, the Friends of Cibolo Wilderness and the Boerne Public Library Foundation. She currently serves on the board of National Federation of Republican Women and the Hill Country Daily Bread. Grier is also an elder for St Mark Presbyterian Church in Boerne, her home town.



Jack R. Gary, Director  
Farming and Real Estate  
Hays County  
Appointed: 2001, Gov. Rick Perry

Mr. Gary is affiliated with the William M. Gary Partnership, which is involved in farming, real estate and investments. A resident of San Marcos, Mr. Gary attended Southwest Texas State University and the University of Houston, where he studied petroleum engineering. He is a member of the American Management Association, the American Forestry Association, the Farm Bureau and the First Presbyterian Church.

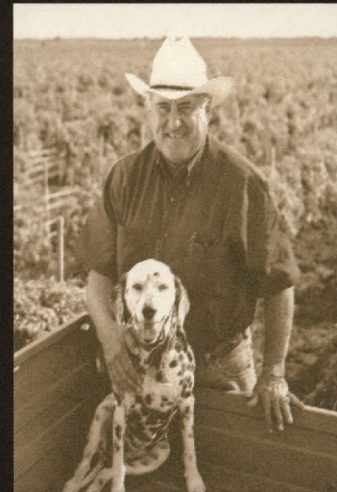
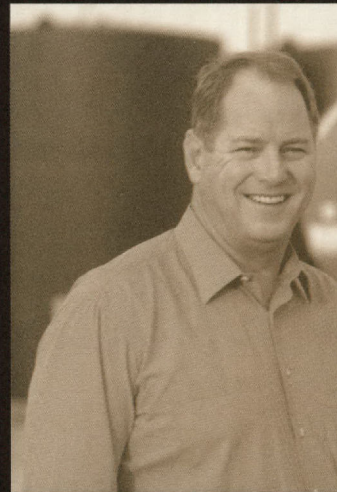


Grace L. Kunde  
Attorney at Law  
Guadalupe County  
Appointed: 2006, Gov. Rick Perry

Ms. Kunde received a B.A. in accounting from Texas Lutheran University and a law degree from St. Mary's University School of Law. She is a private practice attorney in Seguin and a member of the College of the State Bar of Texas, the San Antonio Bar Association, the Bexar County Women's Bar Association and the Guadalupe County Bar Association. Ms. Kunde volunteers her time to church, civic, and political activities. She is a member of Redeemer United Church of Christ, the Seguin Rotary Club, a member and former president of the Guadalupe County Republican Women and a former Guadalupe County Republican Party Precinct Chair. She previously served on the Board of Directors for the Comal County Children's Shelter as Treasurer and President and member of the Advisory Board.

Clifton L. Thomas Jr., Director  
Retail Merchant  
Victoria County  
Appointed: 2004, Gov. Rick Perry

Clifton L. Thomas, Jr. is a Texas A & M graduate and Founder/CEO of C. L. Thomas, Inc., a wholesale (Thomas Petroleum, Ltd.) and retail (Speedy Stop Food Stores, Ltd.) corporation. He serves on the DeTar Hospital and Wells Fargo Bank Board of Directors and currently resides in Victoria, Texas with his family.

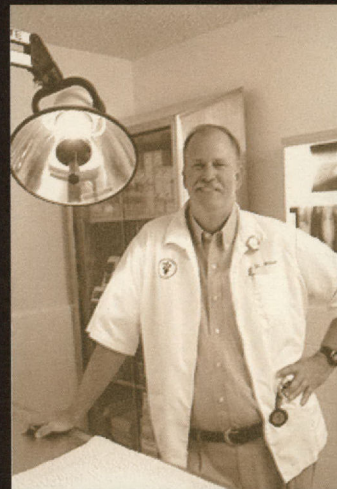


Frank J. Pagel, Director  
Agriculture  
Refugio County  
Appointed: 2001, Gov. Rick Perry

Mr. Pagel lives in Tivoli on a farm that has been in his family for three generations. He is a graduate of Texas A&M College with a B.S. in Animal Husbandry and has been actively involved in agricultural production since 1957. Mr. Pagel served in the United States Air Force as an instructor pilot for the 3558th Combat Crew Training Squadron and formerly owned and operated Progreso Aviation as well as a commercial aerial application business. He has served as County Chairman of the Refugio County Republican Party since 1996 and is a member of the Texas A&M Century Club and Former Students' Association. He attends Tivoli Presbyterian Church and volunteers at the Austwell-Tivoli Food Pantry.

T. L. Walker, Director  
Retired Bank Executive  
Comal County  
Appointed: 2006, Gov. Rick Perry

Mr. Walker has been appointed to his second term on the GBRA Board, after initially serving as Comal County director from 1994-1999. Walker is retired from Wells Fargo Bank after 28 years of service in the New Braunfels office. He received a commercial banking degree from the American Institute of Banking and a graduate degree in commercial banking from the Southwestern Graduate School of Banking at Southern Methodist University. He is a former member of the American Institute of Banking, the Bank Administration Institute, the American Bankers Association and the Texas Bankers Association. Walker currently serves as the Comal County representative on the South Central Texas Water Advisory Committee, is a past president of the New Braunfels Industrial Foundation, a member and former director of the Comal County Community Fund United Way, and a committee member and past board member of the Greater New Braunfels Chamber of Commerce.

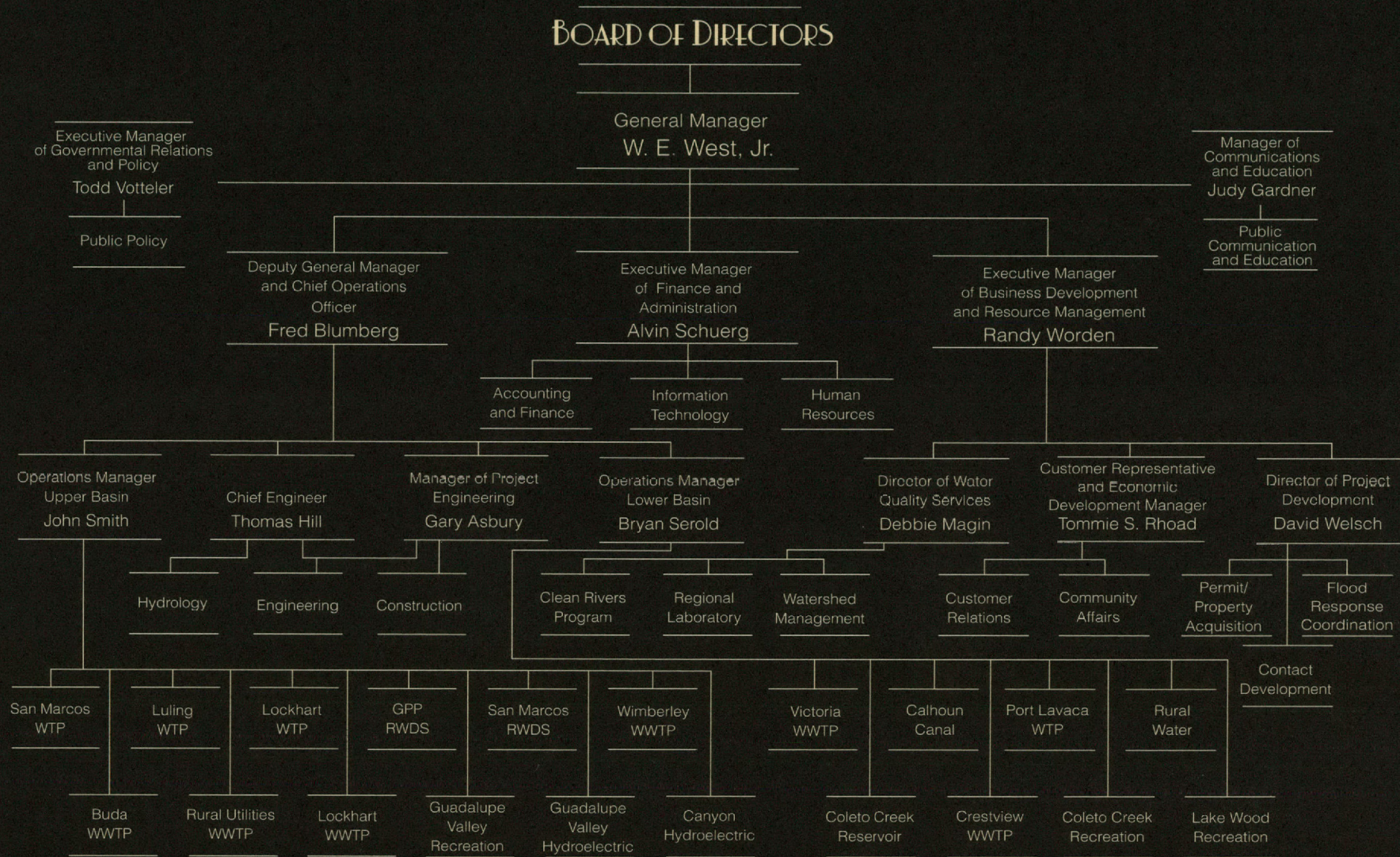


Stephen F. Wilson, DVM  
Veterinarian  
Calhoun County  
Appointed: 1999, Gov. George W. Bush

Dr. Wilson received B.S. degrees in Biomedical Science and Veterinary Science and a Doctor of Veterinary Medicine degree from Texas A&M University. He is owner of the Calhoun County Animal Hospital and a member of the American Veterinary Medical Association and the Texas Veterinary Medical Association. Dr. Wilson received the 1996 Texas Game Warden Association's award for Conservationist of the Year for his work with wildlife rehabilitation in Calhoun County. He is a former Advisory Director and Regional Medical Director of the Texas Marine Mammal Stranding Network. He is currently a member and past president of the Calhoun County Chamber of Commerce.

# GUADALUPE-BLANCO RIVER AUTHORITY

## OPERATIONAL CHART



# FISCAL YEAR 2006 HIGHLIGHTS

During this year, GBRA...

## Enhanced its organization:

**W**elcomed new directors Grace Kunde from Guadalupe County and T. L. Walker from Comal County.

Completed construction and moved staff into new Accounting and Operations offices in January 2006 and into the renovated General Offices in August. The Laboratory wing remodel is underway and will be completed in early 2007.

Received for the second time the prestigious R.B. Batchelor Memorial Safety Award from the Texas Water Utilities Association, which is given annually to a water utility devoted to providing an exceptional safety program.

The City of Lockhart's Larremore Plant, operated by GBRA since 1994, was selected by the Water Environment Association of Texas as Municipal Wastewater Treatment Plant of the Year for Category 2 (flows of 1.0 to 15 mgd).

Reviewed and updated the GBRA Emergency Operations Planning guidelines for all divisions and plants. As part of the EOP process, GBRA met with the staffs of the Trinity and Sabine River Authorities to discuss their experiences during Hurricane Rita and to tour the Lake Livingston Dam that was damaged in the storm.

## Contributed to regional water planning efforts:

Participated in the review and adoption of the Region L Water Plan and began work on activities for the next round of regional planning efforts.

Continued work with SAWS and SARA on termination of the Lower Guadalupe Water Supply Project.

Continued efforts to achieve meaningful spring flow protection in anticipation of the 2007 Texas Legislative session.

Hosted a joint meeting of the GBRA and SARA Boards of Directors for a briefing on the Whooping Crane studies being conducted by Texas A&M University, and assisted with several grant applications to help fund continuation of these studies.

Entered into a Letter of Interest with Sustainable Water Resources to evaluate a potential new source of water from the Simsboro Aquifer as part of GBRA's efforts to pursue long-term water supply options for the Guadalupe Basin.

Developed Strategic Planning initiatives, created operating agreements for water and wastewater services, and worked with various counties and communities to help assess requests for new water supplies.

## Participated in special programs and studies:

Received approval of a grant from Texas Department of Emergency Management and Federal Emergency Management Agency (FEMA) for retrofit modifications to the spillgates at the GBRA TP-4 Lake Placid Dam in Seguin. These modifications will prevent the damage associated with the 1998, 2002 and 2004 flooding on the Guadalupe River.

Negotiated a lease agreement with the U.S. Army Corps of Engineers to protect and develop the Canyon Gorge, received 501 (c) 3 status; conducted aerial mapping, and worked with Technical Advisory and Citizens' Committees on a master plan.

Implemented a basin-wide water conservation and public information program as part of the extended 2005-2006 drought response; coordinated with customers and communities during the height of the drought to help them prepare for declining groundwater production in local wells.

Donated funds to the Luling Foundation for a demonstration project on rainwater harvesting.

Published a Basin Highlights Report for the Clean Rivers Program.

## FISCAL YEAR 2006 HIGHLIGHTS, CONTINUED

### Completed facilities and projects for water-related services:

Completed construction of the Western Canyon Regional Treated Water Supply Project at Canyon Reservoir and began delivering a firm supply of treated drinking water to customers and water systems in Bexar, Comal and Kendall Counties in April 2006, including the cities of Fair Oaks Ranch and Boerne, Lomas Water Company and the San Antonio Water System (SAWS).

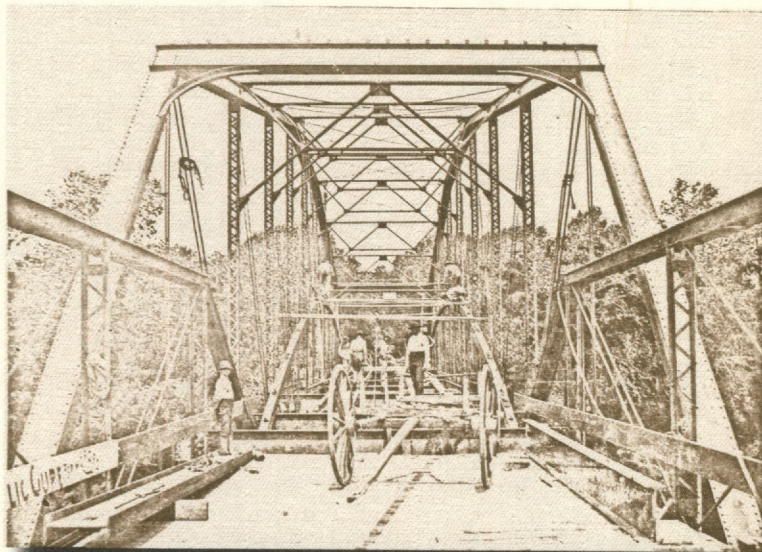
Finished construction of a treated water delivery system from the San Marcos Water Treatment Plant (SMWTP) to northern Hays County. System components include a pump station at the SMWTP, a 500,000 gallon storage tank, and approximately 22 miles of 12-inch to 30-inch diameter pipeline, which runs parallel to IH-35 to the City of Buda. Contracts are currently in place with the City of Kyle, the City of Buda, the Sunfield Municipal Utility District and Goforth Water Supply Corporation.

Expanded the Dunlap Wastewater Treatment Plant to provide service to the rapidly-growing area along FM 725 in Guadalupe and Comal counties.

Acquired rights of way and permits for various phases of the Bulverde Water Distribution System, including negotiations for treated water service for new development within the service area and initiating service to the Glenwood Subdivision.

Worked with the City of San Marcos on an expansion of the water treatment plant from 9 million gallons per day (mgd) to 21 mgd. GBRA will also construct an expansion of the raw water pump station at Lake Dunlap and a raw water booster pump station with two 1-million gallon storage tanks off Centerpoint Road. Both projects are scheduled to be completed by late 2007.

Purchased the Lomas Water Company and submitted an application for Sale, Transfer and Merger to TCEQ for final approval.



Gonzales County Bridge - not identified. Photo courtesy Gonzales County Records Center and Archives.



## DEDICATED DEPARTMENTS AND PROGRAMS

### General Offices-Seguin

This location provides administrative, technical and dedicated support services from a complex of general offices, laboratory facilities, a multi-purpose board/meeting room and a warehouse facility that houses the Canyon Hydroelectric, Guadalupe Valley Hydroelectric and Rural Utilities divisions.

**Business Development and Resource Management** provides services and support throughout the basin in customer and constituent relations, economic development, community affairs, new project assistance, chamber of commerce interaction, utility acquisitions, the Clean Rivers Program, laboratory services, source water protection, water conservation and reuse, surface and groundwater quality, lake association relations, and coastal zone, aquatic vegetation, brush and watershed management programs. Major projects this year included:

Canyon Lake Gorge - completed a lease agreement with the U.S. Army Corps of Engineers and held an introductory tour in November 2005; submitted an application to the IRS for 501 (c) 3 status; initiated and completed a master plan with implementation to begin in Winter 2006; established Technical Advisory and Citizens' Committees to assist with Gorge development; and conducted several research projects.

City of Luling-Zedler Mill - completed a multi-use agreement with TxDOT for major improvements to the Highway 90 roadside park; conducted cooperative projects with the National Park Service including establishment of the first State Paddling Trail on the San Marcos River; and began park area expansion and Mill restoration.

City of Cuero - partnered with Texas Parks and Wildlife Department and Bat Conservation International on an environmental and tourism project to relocate bats from downtown buildings to a new bat tower located on a railroad right-of way.

City of Gonzales - obtained a National Park Service grant to develop a comprehensive trail

system that will connect several local parks and historic areas to the Guadalupe River and initiated plans for a paddling trail in Gonzales.

City of Victoria - worked with a group of community volunteers and was successful in obtaining funding from several sources to restore the historic Riverside Park Baseball Stadium.

**Communications and Education** provides information about GBRA's mission, projects, services and initiatives through a variety of publications and educational programs. Its objective is to support a productive, mutually beneficial relationship among GBRA and the residents, businesses and schools in the Guadalupe River Basin and encourage public involvement in the river authority's decision-making process.

This year, staff implemented a basin-wide drought and water conservation public education campaign; worked with area media on GBRA feature stories and news releases; assisted with county and city strategic planning initiatives; developed and adopted a Media and Crisis Communication Manual; partnered with the Accounting Department to publish GBRA's 2005 Consolidated Annual Financial Report; produced the Water Resources quarterly newsletter; provided copies of the Guadalupe Basin Hazard Mitigation Plan to participating entities; coordinated the 2005 Consumer Confidence Reports for all GBRA treated water divisions, and assisted Calhoun County, the cities of Port Lavaca, Lockhart, Luling, the Port O'Connor MUD and the Cordillera Ranch development with preparation and printing of their CCR's.

Education staff coordinated the annual Archeology Fair for elementary students, funded by a grant from the Texas Historical Commission; distributed GBRA's water programs *Journey Through the Guadalupe River Basin* to 4th grade students and *River of Life* to grades 6-8; provided teacher inservice and training programs; participated in water exhibit development at the TSU Texas

## DEDICATED DEPARTMENTS AND PROGRAMS, CONTINUED

Rivers Center; worked on the Canyon Gorge project and related education materials; collaborated on the production of the CRP Basin Highlights Report and a watershed protection brochure for the public; sponsored a water conservation bookmark for students in cooperation with the Nueces River Authority and the San Antonio River Authority; participated in a water education workshop with the Region III Education Service Center in Victoria; took part in Earth Day events; and implemented a GIS training program for district students and teachers.

**Engineering** staff interface with the National Weather Service River Forecast Center in Fort Worth to share information with emergency management coordinators and local officials during severe weather events. They also evaluate basin rainfall conditions including surface run-off for streams, rivers, lakes, and groundwater in the Guadalupe River Basin; perform flow monitoring and

hydrology studies; and help with water and wastewater plant process evaluation.

Due to the extended drought throughout FY2006, staff spent a considerable amount of time projecting river flow and reservoir levels; they coordinated efforts with the Corps of Engineers on the Guadalupe Delta project modeling; on the scope and budget required to finalize a seasonal pool concept at Canyon Reservoir; and on the Nueces Feasibility Study and Cibolo Watershed Study. They worked with staff from cities and counties to review the new FEMA flood plain maps; assisted with construction of the Dunlap Wastewater Plant; reviewed designs for expansion of the San Marcos Raw Water Delivery System; and worked with the City of San Marcos to coordinate the second raw water pipeline crossing at the San Marcos River.



*Plum Creek Bridge on County Road 185 east of Clear Fork, Texas. This 119 foot bridge was originally erected across the San Marcos River near Prairie Lea in 1891 by the Groton Iron Bridge Company of Groton, NY. It was later moved to its present location across Plum Creek. Photo courtesy Caldwell Genealogical Society.*

**Finance and Administration** manages GBRA's financial reserves, investments, capital assets, debt service, procurement and risk management. It also handles the compilation of GBRA's annual budget and five-year financial plan and supplies payroll, accounts payable and receivable functions, human resource services and network administration support for all GBRA divisions. Staff also directs GBRA's Industrial Development Corporation which provides low-interest loans to outside entities.

This year, the Government Finance Officer's Association (GFOA) honored GBRA with its 9th consecutive Distinguished Budget Presentation Award for the FY 2005 budget, and its 32nd consecutive Certificate of Achievement for Excellence in Financial Reporting award for the FY 2005 Consolidated Annual/Financial Report. The firm of Holtman, Wagner and Company, LLP conducted the FY 2005 audit and was re-engaged to conduct

the FY 2006 audit. First Southwest Asset Management performed the biennial investment portfolio review.

Major work projects for FY2006 include completing the distribution of over 1,000 vendor questionnaires and ethics letters to GBRA vendors as required by new Texas Ethics Commission regulations; tax-exempt financing for several equipment purchases as well as the completion of the GBRA Headquarters Building expansion; assisting the Regional Laboratory with the conversion of their customer and sample software to a SQL database format; initiating the electronic imaging of all field office records, particularly those along the Texas Coast, as part of a renewed disaster planning initiative; beginning a redesign project for the GBRA website and an employee study and recommendations for the internal Intranet.



*Bridge on County Road 173 near Lockhart, Texas. Built in 1895, this 90 foot lenticular parabolic truss bridge could only be built by the Berlin Bridge & Iron Company of New Berlin, Connecticut, since they held a patent for the design. Photo courtesy of Hays County Road and Bridge Department.*



**Faust Street Bridge at the Guadalupe River, New Braunfels, Texas.** This unique bridge was built in 1887 by King Iron and Bridge Company of Cleveland, Ohio at a cost of \$33,269. It is historically unique because of its wrought-iron construction and is the most complex and intact example of a large, multiple-span Whipple Truss roadway bridge surviving in Texas. When opened by Comal County, it was one of the first toll-free structures over a major waterway in Texas. Its 640 feet spans the Guadalupe River at a location that was originally a ford used by early settlers on the Old San Antonio Road (or Camino Real). It was the major crossing for traffic from Dallas-Austin-San Antonio from 1887 to 1934, when the state built a new bridge just downstream. In 1978, the Faust Street Bridge was closed to local traffic due to fire damage and is now reopened to carry pedestrians and bicyclists. Photo courtesy of the Sophienburg Museum.



**The Highway 81 Bridge at New Braunfels, Texas.** Built in 1934, this concrete arch highway bridge now carries vehicular traffic along with parallel structures on adjacent IH-35. Photo courtesy of the Sophienburg Museum.

## DEDICATED DEPARTMENTS AND PROGRAMS, CONTINUED

**Guadalupe-Blanco River Trust** works with landowners to preserve their property for the use and enjoyment of future generations by creating a conservation easement to permanently protect their land without giving up ownership. The Trust helps to protect the water resources of the Guadalupe River Basin and accepts donations of land and other natural assets. The GBR Trust also partners with the Upper Guadalupe River Authority (UGRA) to further stewardship of the entire river basin.

In FY 2006, the Trust expanded its efforts at the Myrtle Foester-Whitmire Unit Project near Indianola by securing additional funding and easements for a project that will construct over two miles of canal to one of the most important wetland habitats on the Texas Coast, thus creating a reliable method for delivering freshwater to 750 acres of impoundments to benefit hundreds of thousands of waterfowl, wading and shorebirds at this important wildlife unit.

It also worked with local landowners to reduce the impact of Traylor Cut, created by local landowners in the 1930s to change the hydrology of the floodplain. The Trust has applied for a permit from the U.S. Army Corps of Engineers to remove a sandbar that has formed at the mouth of the old channel of the Guadalupe River below Traylor's Cut, which is affecting the distribution of freshwater and sediment within the San Antonio Bay, and has been awarded \$11,000 for the project by the U.S. Fish & Wildlife Service.

The Trust submitted applications for grants to acquire approximately 689 acres of coastal habitat, primarily wetlands and riparian streams, in the Guadalupe River Delta in Calhoun County. The project will benefit numerous fishery habitats, migratory birds, and help create a corridor of conserved lands along the Guadalupe River to San Antonio Bay.

Staff also worked with the Nature Conservancy, GBRA, Kendall County, and the Cow Creek

Groundwater Conservation District to develop the Kendall County Memorandum of Understanding (MOU), which establishes a framework to aid in the conservation of important natural resources by sharing access to computer models for planning purposes; completed the Cape Water Right Lease in November 2005 between Thornton Family Investments, L.P. to protect 70 acre-feet of historic senior water rights on the San Marcos River by assigning them to the Trust so the water can remain in the San Marcos/Guadalupe Rivers for the benefit of all who use the river system; and sponsored the Blanco River Land Conservation Seminar & Kendall County Land Stewardship Workshop for 80 area landowners on how to conserve their land resources and preserve their property for future generations.

**Project Development** coordinates project planning including permits, rights of way and contracts for services. It also works with interested parties on water and wastewater availability, and homeowner and lake associations to enhance current lake management and flood response programs.

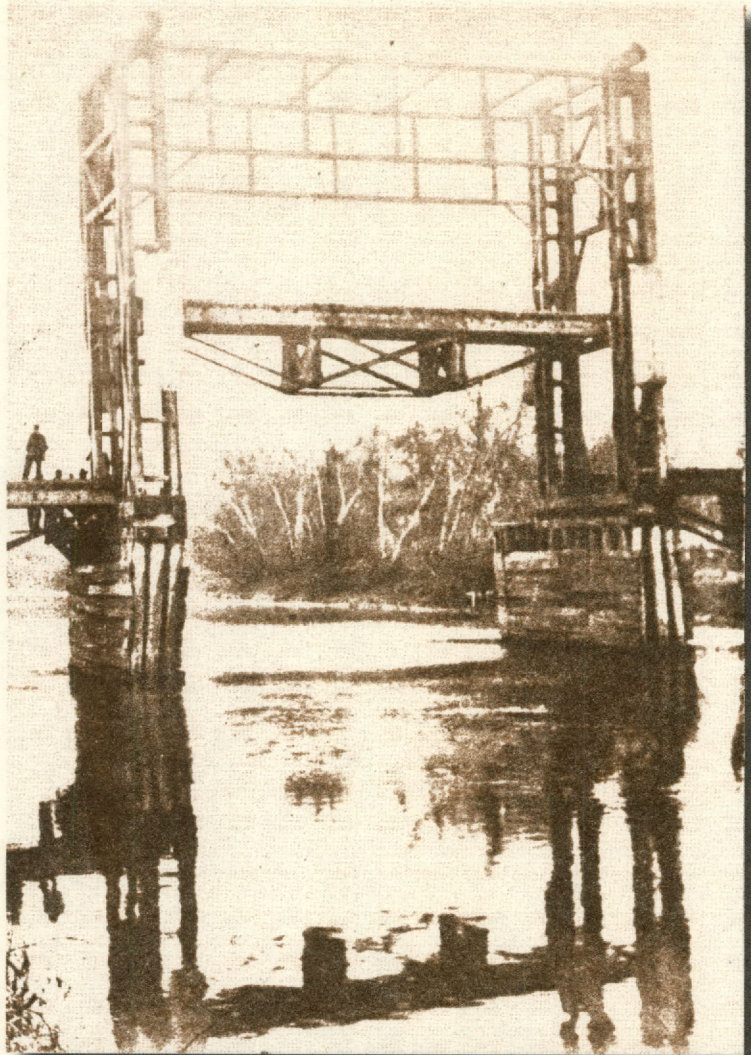
**Project Engineering** offers management oversight on GBRA facilities construction and installation including design, review and inspection services. Major projects for these departments in 2006 included:

Dunlap Wastewater Treatment Plant-provided construction management for the expansion project.

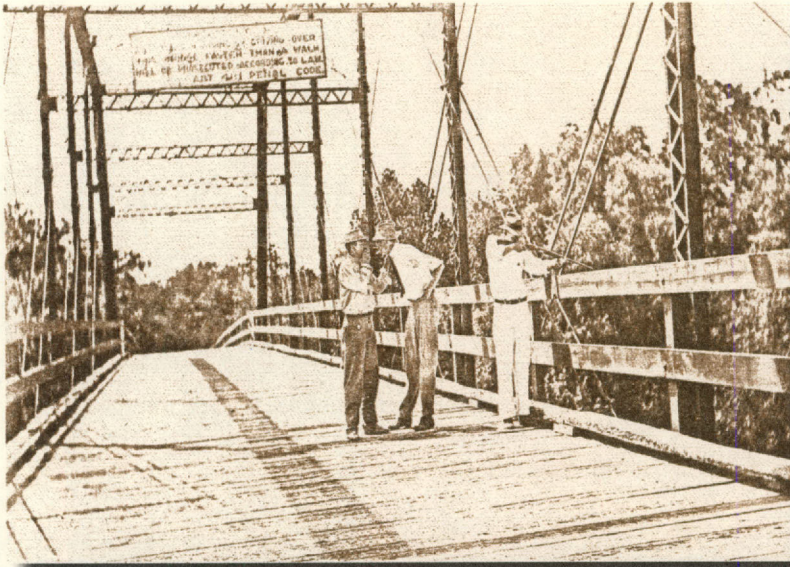
Bulverde Water Distribution System-acquired rights of way and permits, and continued negotiations for treated water service for new development within the service area.

Western Canyon Treated Water Supply Project-completed construction of the intake structure, pump station, water treatment plant, pipelines and booster pump stations and initiated delivery of water in March 2006.

**Frisco Lift Bridge, Tivoli, Texas.** This unusual railroad bridge was built circa 1912-1913 for the Missouri Pacific Railroad. It was located west of the current GBRA Diversion Dam and Salt Water Barrier on the Guadalupe River, approximately one-half mile before the confluence of the Guadalupe and San Antonio Rivers. The center section of the bridge could be lifted using a series of pulleys and counterweights for industrial barge passage, especially barges transporting cotton. Only a few pieces of the bridge's foundation structure remain today. Photo courtesy Mrs. Lucille Schneider.

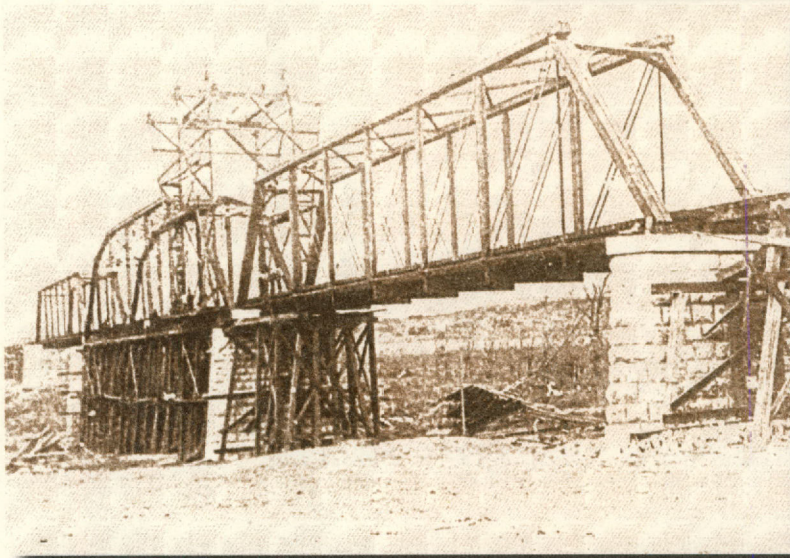
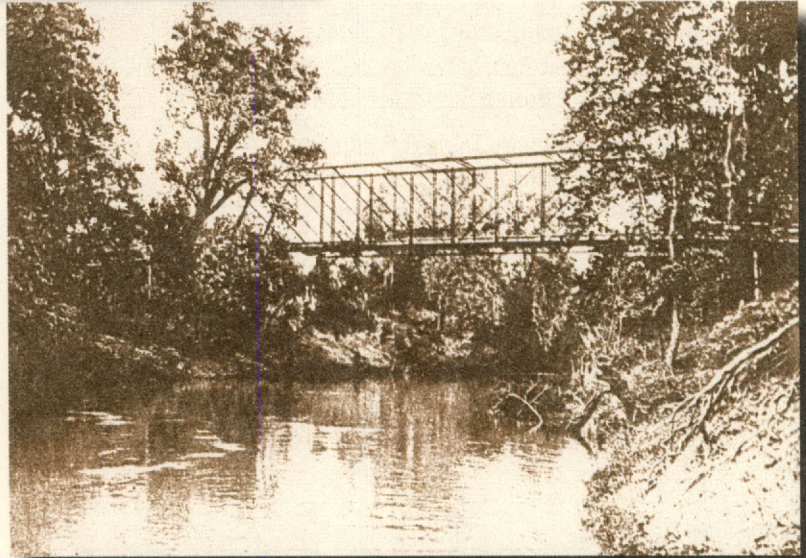


**Bunton Branch Bridge on Dry Hole Rd (CR 210), near Kyle, Texas.** This reinforced concrete arch single-lane bridge was built in 1915 at an estimated historic cost of \$4,000. It crosses Bunton Branch Creek on the old State Highway that runs between Austin and San Antonio and was widely used before the Interstate Highway System was put in place. The bridge is listed in the National Register of Historic Places by the U.S. Department of the Interior and certified by the Texas Historical Commission.



*The Walnut Street Bridge at San Geronimo Creek, Seguin, Texas. This bridge was built by the State of Texas circa 1922 on old Highway 3 at an approximate cost of \$22,300. It was 161 feet long and 20 feet wide, allowing one-way traffic only. Later, after the construction of Highway 90 and its new bridges, Highway 3 was renamed Walnut Street and the bridge was used primarily for local Seguin traffic. It was closed in October 1998 and demolished shortly thereafter due to its deteriorating condition. It was the last known truss bridge in Guadalupe County associated with the Old Spanish Trail, authorized by Congress in 1922 to promote automobile travel and tourism. The Trail went from St. Augustine, Florida, through San Antonio, and ended in San Diego, California. Photo copyright by the Leon Studio Collection of the Heritage Museum Seguin, Texas.*

*Clinton Toll Bridge, Cuero, Texas. This iron bridge was completed in August 1886 to replace the ferry boats that crossed the Guadalupe River in the vicinity of Cuero. By 1934, a longer and higher bridge was needed and the New River Bridge was built about one mile upstream. Photo courtesy of Mrs. Patsy Goebel, Cuero, Texas.*



*Seidensticker Bridge, Comfort, Texas. Built in 1910. Photo courtesy of the Boerne Public Library.*

## DEDICATED DEPARTMENTS AND PROGRAMS, CONTINUED

IH-35 Water Supply Project - Completed construction of a treated water delivery system from the San Marcos Water Treatment Plant (SMWTP) to northern Hays County.

San Marcos WTP Expansion - worked with the City of San Marcos on a planned expansion of the water treatment plant.

Canyon Reservoir - participated with Comal County, WORD, local Chambers of Commerce and recreation interests to address potential modification to boat ramps that provide access to Canyon Reservoir during high and low lake levels.

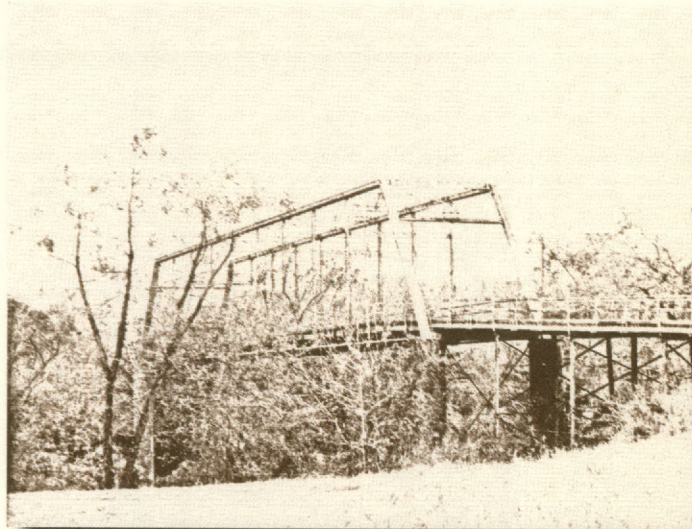
Luling-Lockhart Treated Water Project - Coordinated relocation of a portion of the Luling-Lockhart treated water pipeline required by a TxDOT highway widening project.

GBRA Building Expansion Project - Coordinated scheduling and contractor supervision.

**Volunteer Program** provides opportunities for GBRA employees and their families to donate their time, energy, talents and skills to help indi-

vidual or non-profit organizations dedicated to civic, health, education, social service and other charitable work. GBRA employees receive no pay for their volunteer service, which helps improve the quality of life in the communities GBRA serves throughout its ten-county district.

This year, GBRA volunteers completed their annual full-day project, "Our Day to Shine," by conducting extensive renovations at the Seguin Activity Center which provides a variety of programs for children in the community. They also supported the Coats for Kids Program, the Blue Santa programs in Seguin, Victoria and Pt. Lavaca, awarded a total of \$14,000 in scholarships to seven graduating seniors from the communities of Yoakum, Geronimo, Seguin, Comfort, San Marcos, Canyon Lake and Goliad; participated in the American Cancer Society "Relay for Life" events in Seguin and Victoria, and several Adopt-a-Highway projects. The Volunteer of the Year award was given to Teresa Van Booven, project coordinator in GBRA's economic development department.



*Schleicher Bridge West of Cuero, Texas. Named after Gustave Schleicher, this 1873 structure was the first wooden truss bridge built across the Guadalupe River, near the old Cuero-San Antonio road crossing. It was replaced in 1887 by Cuero's second iron bridge. Photo courtesy of Mrs. Patsy Goebel, Cuero, Texas.*



## Water Resources Division

**Regional Laboratory** provides technical assistance and support services for water and wastewater plants operated by GBRA. It also performs environmental monitoring within the river basin and conducts chemical and bacteriological analysis of potable water, wastewater and environmental samples for cities, water districts, industries, consulting firms and private individuals in the Guadalupe River and surrounding basins. The Laboratory is managed by a director with 14 years experience, a B.S. degree and a Laboratory Analyst Level C certificate and is staffed by 1 Lab Analyst and 4 Lab Technicians all holding B.S. degrees.

GBRA partners with the Texas Commission on Environmental Quality (TCEQ) to administer the Clean Rivers Program (CRP) for the Guadalupe River and Lavaca-Guadalupe Coastal Basins. The Texas CRP is managed by the TCEQ and is funded entirely by fees assessed to wastewater discharge and water rights permit holders. The GBRA, along with the Upper Guadalupe River Authority (UGRA), carry out the water quality management efforts in these basins under contract with the TCEQ. The Wimberley Valley Watershed Association (WVWA) contributes monitoring data collected under the Guadalupe Basin CRP quality assurance project plan from the Blanco River and Cypress Creek watersheds. In FY 2006, new CRP water quality sampling sites were added at Perdido Creek and Coleta Creek.

GBRA lab and water quality staff are also participating in the Plum Creek Watershed Partnership. This community-based effort, which supports the development of a Watershed Protection Plan (WPP) for Plum Creek in Hays and Caldwell counties, is funded by a grant from the Texas State Soil and Water Conservation Board. The Partnership is an excellent example of how dedicating CRP resources to collect data and knowledge of the watersheds in the basin has attracted additional funding and resources that will promote a sustainable,

proactive approach to improving water quality at the local level.

In FY 2006, the Regional lab participated in a special study with TCEQ, the Texas Engineering Extension and sixteen water systems located in the river basin. The study investigated the use of a new technology called ECLOX that can be used in screening water quality for emergency response. In addition to this special study, laboratory staff assisted Espey Consultants with initial sampling and diagnostic work for the New Braunfels Utilities water quality study for Lake Dunlap; evaluated a Laboratory Information Management System (LIMS); purchased a Konelab Aquachem Analyzer for automated nutrient analyses; expanded the Lab's TCEQ Drinking Water Certification to include *E. coli*, Standard Plate Count, Fluoride, Nitrate, and Nitrite; continued work on documentation to obtain National Environmental Laboratory Accreditation (NELAP) for the GBRA Regional Laboratory; and worked with TCEQ, USGS and the Wimberley Valley Watershed Association to obtain funding for a continuous monitoring station at Jacob's Well in Wimberley.

## HYDROELECTRIC GENERATION

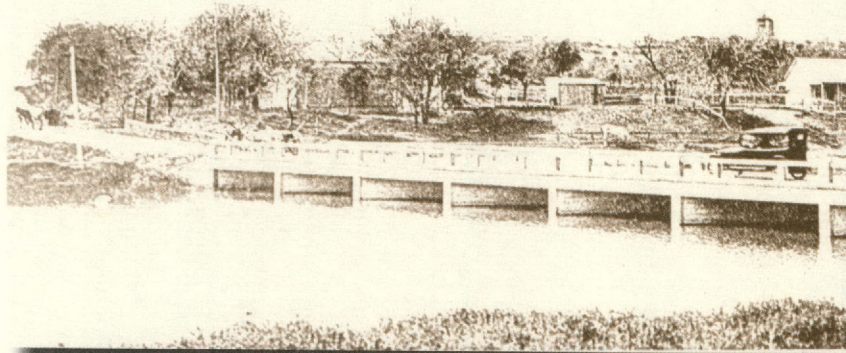
**G**GBRA operates seven dams and powerhouses along the Guadalupe River in Comal, Guadalupe and Gonzales counties. These facilities use the natural flows of the Guadalupe River to generate clean, renewable “green power” for customers and communities in the Guadalupe River basin. These flows pass through the hydroelectric plants, unchanged, and are ‘returned’ to the river to be reused by others downstream.

The **Guadalupe Valley Hydroelectric Division** operates the dams and powerhouses on Lakes Dunlap, McQueeney, Placid, Nolte, Gonzales (Lake H-4) and Wood (Lake H-5.) These plants were built in the late 1920s and early 1930’s and bought by GBRA in 1963.

In 2006, they generated a total of 44,412,000 kWh of electricity which was sold to the Guadalupe Valley Electric Cooperative (GVEC) for distribution to its customers. The Division also delivered 1,129.6 million gallons of industrial water to Guadalupe Power Partners’ 1,000-megawatt natural gas-fired power plant outside Marion.

Significant accomplishments this year included completing repairs on the Lake Placid TP-4 dam spillgates that were damaged during the flooding in 2004, and assisting with a hydraulic evaluation assessment to accompany a grant application for FEMA funding to retrofit the spillgates against further flood-related damage.

Crew members also conducted a cathodic protection survey on the Guadalupe Power Partner and San Marcos pipelines; worked on a basin-wide telemetry system and installed analog governor control relays at all 6 GBRA hydro plants; completed work on the emergency spillway at the Dunlap Canal; constructed a spill pier enclosure at the McQueeney Dam; performed annual turbine/generator inspections and necessary repairs at all hydro plants; and conducted preventative maintenance at the Guadalupe Power Partner and San Marcos pump stations.



*Cibolo Creek Bridge, Boerne, Texas. Built in 1920. Photo courtesy of the Boerne Public Library.*



*The railroad bridge at McQueeney, Texas. In June, 1905 the Guadalupe County Commissioners Court awarded the construction of a "steel bridge over the Guadalupe River" to the low bidder E.P. Alsbury and Sons, in the amount of \$13,400. The bridge served the Southern Pacific Railroad and is still in use today. Photo copyright by the Leon Studio Collection of the Heritage Museum Seguin, Texas.*

The **Canyon Hydroelectric Division** operates a plant at the base of Canyon Dam in Comal County. Built in 1969, the plant is equipped with two, 3-megawatt generators. It uses natural flows of the Guadalupe River, passed through Canyon Dam at rates between 90 and 600 cubic feet per second, to produce an average annual generation capacity of 25,000,000 kWh.

Due to severe drought in the Guadalupe River basin, the plant was shut down on June 23, 2006 due to low inflows into Canyon Reservoir, as required by Article 405 of GBRA's license with the Federal Energy Regulatory Commission. There was no hydroelectric generation during the months of July and August.

As a result, only 7,906,746 kWh of electricity was generated during FY2006, which was sold to

New Braunfels Utilities for distribution to their customers.

Team members inspected the power plant penstock and both generators and turbines, and assisted the U.S. Army Corps of Engineers in de-watering the penstock for the annual inspection of the take out structure. Employees in both Divisions completed the annual Emergency Action Plan training and relocated the Hydro Control Room and equipment into the newly-completed Operations building in Seguin. A special tour of the Canyon Hydro plant was conducted for the board members and staff of New Braunfels Utilities.

## WATER RESOURCES AND RECREATION

**C**anyon Dam and Reservoir is a dual-purpose project. It provides flood protection for downstream residents and communities and also serves as a reliable water supply for cities, industries, agricultural producers and other customers. The reservoir was completed in 1964 as a cooperative venture between the U.S. Army Corps of Engineers and GBRA. GBRA manages the Canyon Reservoir Conservation Pool -- the stored water portion below elevation 909 feet mean sea level (msl). For many, this is their sole water source while others contract with GBRA to ensure a firm backup supply during drought.

GBRA contributed to the construction cost of the project and serves as the local sponsor, with the Corps as the federal partner. Each year, the GBRA Water Resources Division makes annual payments to the U.S. Government for the portion of operation and maintenance costs attributed to the conservation pool water. This year, GBRA made an annual principal payment of \$183,909.01 and an interest payment of \$124,981.22 for debt service on Canyon Reservoir.

A major project started in FY 2006 will repair damage to the emergency spillway at Canyon Dam from the 2002 flood. The Corps of Engineers has received funding for this work and will oversee the project. Based on its operating contract with the Corps, GBRA will pay approximately 35% of the approximately \$2-million repair cost.

The **Calhoun Canal Division** uses two pump stations and a Diversion System to obtain source water from the Guadalupe River. One pump station downstream of Goff Bayou is owned and operated by Union Carbide-DOW, a raw water customer of GBRA. The other is owned by GBRA's Canal Division and delivers raw water to 76 Seadrift Coke LLC and INEOS USA LLC at Green Lake. It uses approximately 75 miles of earthen canals and 8 miles of underground piping to deliver raw water to other industrial and agricultural customers, as well as waterfowl impoundments on the

Foster-Whitmire Unit of the Aransas Wildlife Refuge. The Canal Division also supplies water to the GBRA Port Lavaca Water Treatment Plant, where it is treated for municipal customers.

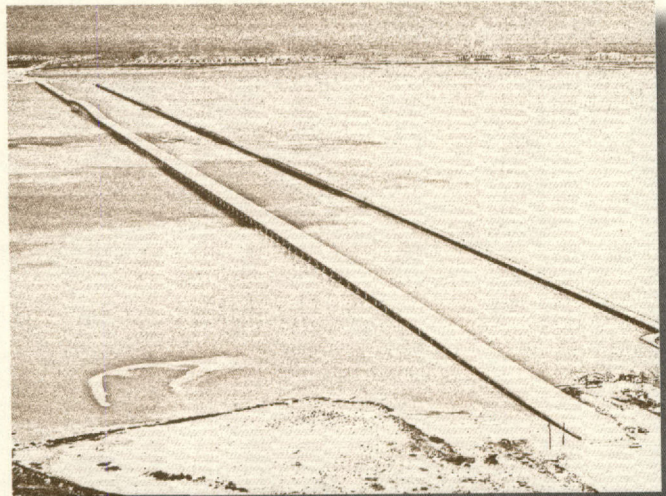
The Diversion System includes the Lower Guadalupe Diversion Dam and Salt Water Barrier (the 'Fabridam'), two saltwater barriers on Hog and Goff Bayous, and three siphons that deliver Guadalupe River water from GBRA's senior water rights, across the Victoria Barge Canal.

Due to continued drought and low river flow conditions in FY2006, the Fabridam --which provides water quality protection for the City of Port Lavaca and other agricultural, industrial and municipal customers --was inflated several times beginning on May 18, 2006. This prevents salt water from moving upriver and contaminating the freshwater intake. A water level recorder was installed at River Mile 20 and the original Fabridam deflation pump was pulled for maintenance, after operating without incident since its installation in 1965. Staff also provided a tour of the Fabridam and Guadalupe Delta for officials from TCEQ, USGS and USFWS.

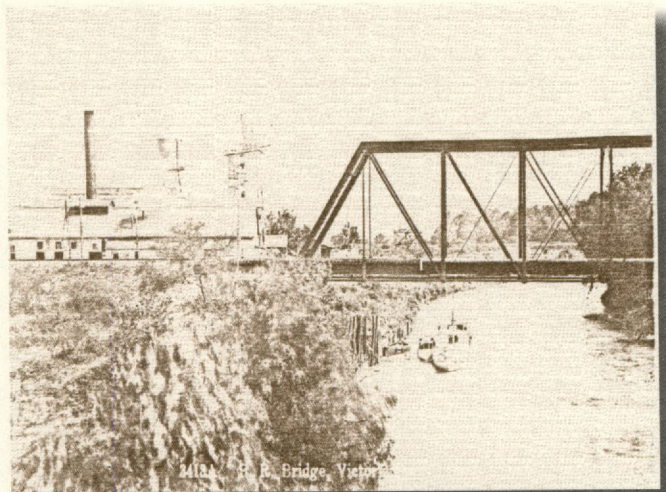
Other significant projects this year included inspections and repairs to various canals and checks in an continuing effort to maximize the water supply by reducing leakage; providing irrigation water to approximately 2,663 acres of rice, 687 acres of pasture and 358 acres of farm pond ventures; and working with the USFWS and ranchers to develop the Goggans-Whitmire Lateral to provide additional water for the Whitmire Wildlife Refuge. Public education efforts involved tours of the plant and Salt Water Barrier for area teachers and administrators, and over 120 third graders from HJM Elementary School in Port Lavaca during National Drinking Water Week.



**Old Victoria County Bridge.** This historic bridge was built sometime in the mid to late 1800's at the foot of Bridge Street. It carried all vehicular and foot traffic across the Guadalupe River just below Victoria, and was demolished circa 1937 when the new county bridge was completed. Photo courtesy of the Victoria County Heritage Department.



**Port Lavaca Causeway, Port Lavaca, Texas.** This causeway replaced a wooden and concrete structure that was built in 1932. It was dedicated July 1, 1961. It was, at that time, the longest bridge in Texas. It also had the distinction of being the first prefabricated bridge in the state. The causeway is two and two-thirds miles long. The original structure, 400 feet away, became the longest fishing pier in Texas. The original causeway has since been damaged by hurricane and lightning strikes and no longer holds that distinction. Photo courtesy of the Calhoun County Museum.



**Southern Pacific bridge over Guadalupe River.** Originally built by the Southern Pacific Railroad, this bridge is still used by the Union Pacific Railroad to deliver coal from Colorado to the Coletto Creek Power Plant near Fannin. The building in the photo also still exists and is owned by the Central Power & Light Company. Photo courtesy of the Victoria County Heritage Department.

## WATER RESOURCES AND RECREATION, CONTINUED

The Coletto Creek Reservoir System uses water from the 3,100-acre reservoir to provide cooling water and help dissipate waste heat from the coal-fired electric generating plant near Fannin owned by Coletto Creek Power L.P. GBRA manages the reservoir's main dam and spillway, two baffle dikes, the discharge flume, pump station and pipeline and a monitoring system.

This year, the Coletto Creek Power Station was sold by Sempra Energy and Riverstone Holdings to American National Power, a subsidiary of International Power based in London, for \$1.14 billion.

Due to continued drought in the basin, the reservoir level declined from the normal pool elevation of 98.0 feet to 94.43 feet, making it necessary for the Coletto Creek Power Station to activate the Guadalupe River Diversion Pumps on April 19. The pumps were last operated in 2000 and GBRA assisted with pulling and repairing three broken shaft couplers. After repairs were completed, the pump was reinstalled and restarted on May 19.

Other major work projects included installing security cameras at the Main Spillway, Dike 1, and Dike 2 operating locations; completing a project to replace existing depleted cathodic protection anodes and installing additional anodes on the flood gates at the Main Spillway; and a flushing project on the Main Spillway underdrain system which is used to relieve uplift pressures from underneath the foundation of the Main Spillway.

The Coletto Creek Recreation System provides a variety of quality camping and outdoor recreation opportunities for Park visitors including RV and tent campsites, camping cabins, picnic and swimming areas, a nature trail, children's playground, a 200-foot lighted pier, a four-lane boat ramp, volleyball courts and a group pavilion. This year, the Park sold a total of 16,378 day permits and set a record of 13,218 camping nights.

Staff manned promotional booths at numerous shows including the TPWD EXPO; Houston International Boat, Sport and Travel Show; San

Antonio Boat Show; Corpus Christi Boat Show; Victoria Man-To-Man Outdoor EXPO; Victoria Jaycees Livestock Show; and the Corpus Christi Hunting and Fishing Fiesta. They also attended the Texas Invasive Plant Conference at the LBJ Wildflower Center, which was the first gathering of all Texas stakeholders on this issue.

Popular annual events included hosting 64 Bass Club Tournaments such as the Annual Coletto Bassmaster's Tourney with 112 entries; a Texas Bowfishing Tournament; TPWD Hunter Ed and Boater Safety Classes; Environmental Education Field Days for local school and scout groups; the public bowhunts and youth hunts with 116 bowhunters and 13 youth participating in the program to help with Coletto Creek's Deer Management Program; nuisance alligator removal with local TPWD Game Wardens and the State Trapper; and the Coletto Creek Photo Contest.

New projects completed were a 400-hour volunteer project for the first 2-mile loop of Coletto's Narrow Track Mountain Bike Trail, with plans to add at least 5 more miles; and installation of monofilament-recycling bins throughout the park to help reduce improper disposal of fishing line. Staff also enjoyed the help of several Park Hosts who contributed 1,555 hours toward park operations and maintenance.

Nolte Island Park, located adjacent to Lake Nolte in Seguin between Nolte Dam and the powerhouse, is another GBRA recreation area that offers several separate sites, a covered pavilion, restrooms, outdoor barbecues, a children's playground and areas for horseshoes and volleyball. All sites can be reserved for group or special events. GBRA's Rural Utilities division maintains the Nolte Island park area, which is the location of the annual Texas Electric Cooperative's Lineman Rodeo held each July.

The Lake Wood Recreation Area is another popular recreation site operated by GBRA just outside the City of Gonzales.

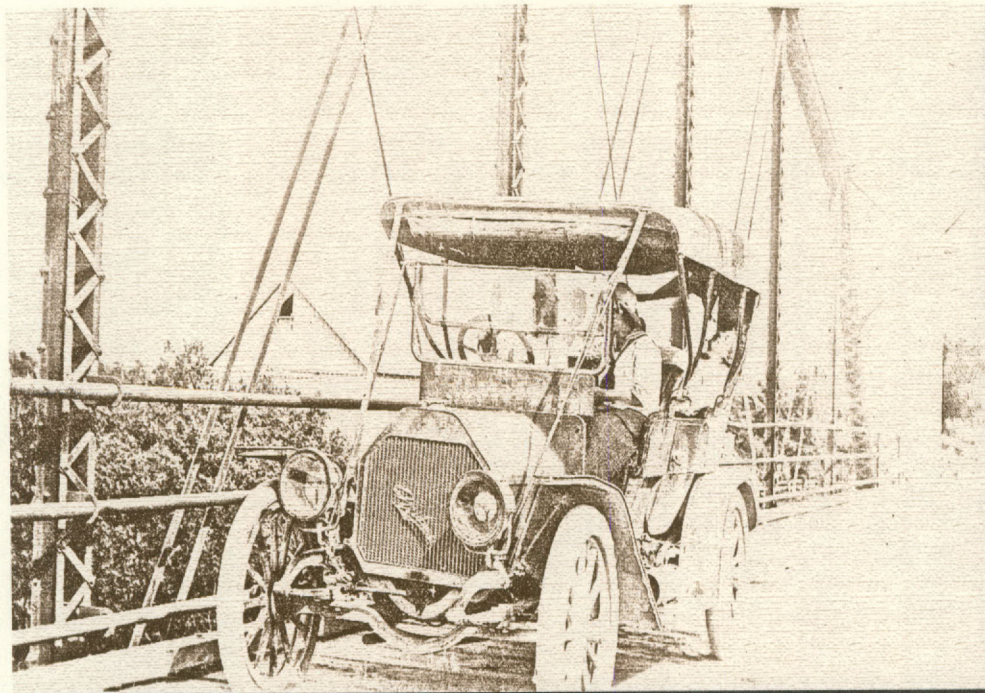
Visitors can enjoy a 488-acre freshwater lake and a variety of fishing and water recreation opportunities, including 35 acres of park grounds, RV campsites, tent camping areas, picnic sites and boat docks.

This year, Lake Wood sponsored the annual KIDFISH event for 100 children and 80 adults; provided trailer and tent sites for 20 families who evacuated due to Hurricane Rita; held the annual "Come and Take It Canoe Race" with 28 canoes and 40 participants paddling from Lake Wood to Gonzales Independence Park; and the Lake Wood

Easter Egg Hunt. Projects this year included replacement of boat docks, installation of a concrete bulkhead and upgrading park facilities.

Valuable assistance was also provided by several Park Host couples, the local ISF Crew, and Community Service Restitution (CSR) workers who contributed 5,598 volunteer hours to help with park operations and maintenance.

Detailed information about GBRA's recreation facilities and reservations is available at [www.gbra.org](http://www.gbra.org).



*The Walnut Street Bridge, Seguin, Texas. Copyright by the Leon Studio Collection of the Heritage Museum Seguin, Texas.*

## WATER TREATMENT

Since 1970, GBRA has been providing safe, reliable drinking water to citizens and communities in the Guadalupe River basin. Each facility produces a highly finished product of excellent quality that meets or exceeds all state and federal drinking water standards. GBRA also offers professional system management and planning in all areas of municipal water services.

The **Calhoun County Rural Water Supply System** serves the communities of Six-Mile, Alamo Beach, Indianola, the AIM area of Magnolia Beach, and the Highway 35 area. This year, the system purchased 78,541,000 gallons of water from GBRA's Port Lavaca Water Treatment Plant and delivered it to 1,229 metered customers.

Major work accomplishments included the completion of a water main loop on Sweetwater Road to improve capacity in the Highway 35 subdivisions, and the relocations of the water main crossings at Highway 35 and FM Road 2433. The Bay Point subdivision began construction and will be serviced by the Calhoun Rural Water System when the infrastructure is completed.

All of the reimbursement for the water main relocation project along Highway 87 was finally received from TxDOT for those areas where the Rural System lines had originally been installed in private rights-of-way. Two meetings were held with area realtors, engineering firms, and economic development representatives to discuss water needs for rural area expansions.

GBRA operates the **Lockhart Water Treatment Plant Division** under contract with the City of Lockhart. The city's water supply comes from wells in the Carrizo Aquifer and has high concentrations of iron and manganese. Using oxidation and filtration, the plant reduces these concentrations and provides high quality potable water to the citizens of Lockhart. The plant treated a total of 103,407,000 gallons of water in FY2006.

Lockhart citizens also receive some water through the Luling-Lockhart Water Delivery Proj-

ect. Using excess capacity at the GBRA Luling Water Treatment Plant, treated water is pumped through approximately 15 miles of 14-inch diameter pipe to the Lockhart plant, where it is blended and delivered to customers.

A significant project in FY 2006 was monitoring for the water quality ECLOX project. This is a voluntary toxicity testing program sponsored by TEEX and TCEQ, which tests treated and untreated water under normal conditions to establish baseline data. In the unlikely event that water should become contaminated in the future, this information can be used to develop appropriate response mechanisms.

Employees assisted with the LGB Guyton Study which will help to determine the current conditions of the Lockhart wells, schedule future maintenance activities and the need for future well sites. Other work included adding program enhancements to the SCADA system that enables staff to obtain and record daily data remotely from each water well; cleaning and rehabilitating water well #10; rebuilding high service motors and pumps and replacing the aeration tower motor.

The **Luling Water Treatment Plant Division** is owned and operated by GBRA. Under a permit from TCEQ, the plant can divert up to 2,800 acre-feet of raw water annually from the San Marcos River and treat it for municipal use. Since 1978, GBRA has supplied the City of Luling with treated drinking water.

The recently completed Luling-Lockhart Water Delivery Project uses excess plant capacity to provide supplemental drinking water to the City of Lockhart. The Luling Water Treatment Plant, with the addition of the Lockhart pipeline, set a new record for total treated water production from the Luling plant of 802,722,000 gallons, breaking the old record set in 1983 of 498,077,000.

A major highlight of FY2006 was the dedication and ribbon cutting ceremony for the Luling-Lockhart Water Delivery Project pump station



## WATER TREATMENT, CONTINUED

and transmission line. The event was held at the Luling Plant on September 29, 2005, and attended by elected officials and staff from Luling, Lockhart and GBRA.

Major work projects for the Luling Division this year involved the installation of 750 feet of new 2-inch PVC piping to replace the old chlorine solution feed line to the raw water intake; equipping the emergency 1250 KW portable generator with a new trailer so that it can be transported to various GBRA facilities to meet emergency backup power needs; completing a lease agreement for the Longcope water rights which enables GBRA to use the 580 ac-ft/year permit for diversion of surface water at the Luling WTP; and hosting approximately 300 third and fourth grade students from the Luling and Lockhart elementary schools during National Drinking Water Week.

The **Port Lavaca Water Treatment Plant** purchases surface water from the GBRA Water Supply Division. After treatment at the 6 mgd capacity plant, the drinking water is delivered to wholesale customers which include the City of Port Lavaca, the Port O'Connor Municipal Utility District and the GBRA Calhoun County Rural Water System.

This year, the plant treated and delivered 487,486,000 gallons of water to the City of Port

Lavaca, 100,058,000 gallons to the Port O'Connor MUD and 78,541,000 gallons to the Calhoun County Rural Water System, serving approximately 7,023 customer connections.

On June 13, a 6-inch cast-iron water feed line ruptured and flooded the pipe filter gallery. This resulted in a loss of pressure and drinking water for several hours for the City of Port Lavaca and the Calhoun County Rural Water System. A 'Boil Water' notice was issued to all wholesale customers and a 'Public Notice' for filter effluent turbidimeter recordings was issued. An intense recovery effort brought the plant on line within 12 hours of the outage. However, weeks of repairs and replacement of flooded and damaged equipment, exceeding \$250,000, was required.

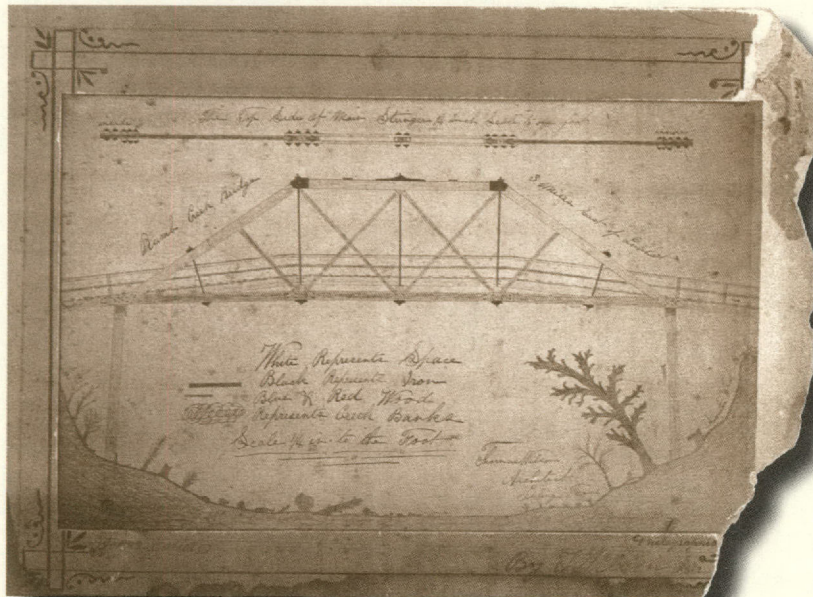
Water quality testing received major emphasis. The TCEQ, assisted by the Texas Rural Water Association, conducted contaminant byproducts formation studies and reviewed the disinfectant contact time for the Plant's treatment train. An ECLOX toxicity testing study was completed to establish baseline water quality data. And trial runs for detection of the cryptosporidium pathogen in the raw water were conducted, as required by the new Long Term 2 Enhanced Surface Water Treatment Rule.



*Slayden bridge over the San Marcos River in Gonzales County, Texas. This historic iron and wood deck bridge is still in use. Photo courtesy of the Gonzales County Records Center and Archives.*



**West Fork Bridge at Plum Creek in Caldwell County, Texas.** Built by the Milwaukee Bridge & Iron Company, Milwaukee, Wisconsin in 1897, this 58 foot bridge is an excellent example of the pin-connected Pratt half-hip pony truss construction. Photo courtesy of the Caldwell County Genealogical Society.



**Plum Creek Bridge – 3 miles East of Lockhart, Texas.** Thomas Wilson, Sr., an architect from Luling, Texas produced this rendering at a scale of  $\frac{1}{4}'' = 1$  foot, for a wood and iron bridge around 1880 to span Plum Creek. (Possibly a drawing for the existing bridge above.) Photo courtesy of the Caldwell County Genealogical Society.

A project scope was finalized for replacement of the plant's 1-million gallon clearwell and Requests for Qualifications were solicited from engineering firms. The Port O'Connor MUD brought its new elevated and ground storage units on line, and supervisory (SCADA) controls were installed for monitoring.

Personnel participated in the county's mandatory evacuation for Hurricane Rita and 'sheltered in place' following an explosion at a local industrial plant. Community education included judging district science fair entries; school presentations on nonpoint source pollution; an orientation session on treated water production for the Port Lavaca Fire Department academy training class; and participating in a special committee of GBRA representatives and City of Port Lavaca management and council members to review water production and storage issues.

The **San Marcos Regional Water Treatment Plant** is the result of a 1994 grant study funded by the Texas Water Development Board to explore the feasibility of a regional facility for communities and water systems in the Hays County and San Marcos area. Completed in 2000, the plant is owned by the City of San Marcos with GBRA serving as the contract operator. San Marcos purchases 5,000 acre feet of Canyon Reservoir stored water each year from GBRA, which diverts it from Lake Dunlap through a pump station and pipeline it owns and operates, and delivers it to the plant for treatment and distribution.

In FY2006, the plant delivered 134,063,000 gallons of treated water to the City of San Marcos, 36,059,000 gallons to the City of Kyle, and 2,062,000 gallons to the IH-35 construction project. The Hays Energy plant received 1,013 acre-feet of stored water from Canyon Reservoir, and the Canyon Regional Water Authority Hays County plant received 485 acre-feet.

This year, the City of San Marcos requested proposals from qualified water operating compa-

nies to manage, operate and maintain the surface water treatment plant and ground water system. GBRA was successful in retaining the contract, which will run through October 2016.

Work also began this year on a planned expansion of the water treatment plant from 9 million gallons per day (MGD) to 21 MGD. This will provide additional treatment capacity to meet the growth needs along the IH-35 corridor. The City of San Marcos awarded the construction contract to Archer Western Contractors, Ltd. and selected GBRA to provide construction management and inspection. Planning began for an expansion of the raw water pump station at Lake Dunlap and a booster pump station with two, 1 million gallon tanks. Both projects are scheduled to be completed by late 2007.

The **IH-35 Project** is a treated water delivery system from the San Marcos Water Treatment Plant (SMWTP) to northern Hays County. It will supply this rapidly-growing area -- which has some of the highest growth rate projections in Texas -- with an alternative to groundwater, and is capable of delivering up to 6 mgd with an ultimate capacity of 12 mgd.

Customers contract with GBRA to purchase raw water from Canyon Reservoir, which is treated at the plant and delivered under a separate contract on a wholesale basis through the distribution system. Contracts are in place with the City of Kyle, the City of Buda, the Sunfield Municipal Utility District and Goforth Water Supply Corporation.

During FY2006, construction was substantially completed on the pump station at the San Marcos Water Treatment Plant, a 500,000 gallon storage tank, and approximately 22 miles of 12-inch to 30-inch diameter pipeline to the City of Buda, parallel to IH-35. Project cost was approximately \$20-million and was funded by GBRA through the sale of bonds on the open market.



*Old Bastrop Highway Bridge at San Marcos, Texas. This bridge is typical of many low-elevation concrete bridges that still carry traffic across rivers and streams in Texas. It is scheduled to be replaced at the beginning of 2007. Photo courtesy of the Hays County Road and Bridge Department.*



*County Road 130 Bridge, Caldwell County, Texas. This old bridge was built in the late 1800's by the Austin Bridge Company of Dallas. It is 59 feet long and is an example of the Warren pony truss construction typical of the period. Photo courtesy of the Caldwell County Genealogical Society.*

## WATER TREATMENT, CONTINUED



*Guadalupe River Bridge at Oak Forest, Texas. This old steel truss bridge with wood planks served the community of Oak Forest, outside Gonzales, for many years. It was demolished and has been replaced with a newer structure. Photo courtesy of the Gonzales County Records Center and Archives.*

The **Western Canyon Regional Water Treatment Plant** uses water from Canyon Reservoir to provide a firm supply of treated drinking water to area communities and water systems. Some of these customers, as well as many other area residents, depend upon wells drilled into the groundwater supplies of the Edwards and Trinity Aquifers. Some wells experience water quality and quantity problems during low rainfall or drought, and the Western Canyon water will help to supplement these sources.

The facility consists of a raw water intake at Comal Park, a 10 mgd micro-filtration water treatment plant at Startz Hill, two booster pump stations, approximately 45 miles of raw and treated water pipelines, and a SCADA (control and monitoring) system.

The plant began its first delivery of water on April 3, 2005 to the City of Boerne and the San Antonio Water System (SAWS). The City of Fair Oaks Ranch and Lomas Water Company were added to the customer distribution shortly thereafter.

Additional water supply agreements have been executed with the City of Bulverde, Tapatio Springs Resort/Kendall County Utility Company; Cordillera Ranch; and Johnson Ranch developments. Some of these certificated water supply customers are scheduled for water delivery in 2007.

The agreements with Bexar County customers -- SAWS and the San Antonio River Authority (SARA) -- will supply a portion of the Western Canyon treated water, not initially required in-district, with a provision that the water will be returned in-basin at the end of the contract period.

Employees spent most of FY 2006 completing construction, testing and pre-startup activities, and optimizing the treatment process. A media tour of the plant was held on May 12, with customer representatives in attendance. On June 14, an operational tour was conducted for attendees of the American Water Works Association annual conference in San Antonio.

## WASTEWATER TREATMENT

Wastewater treatment is an important part of GBRA's water quality protection and conservation efforts, since the final product can be 'recycled' as non-potable irrigation water or used for other industrial purposes. Treated wastewater also contributes to environmental flows. GBRA established its first wastewater treatment operation in 1972. Today, it operates 11 plants that help protect the environment by producing a finished product that meets or exceeds all federal and state standards.

The **Buda Wastewater Treatment Plant** has been operated by GBRA for the City of Buda since 2001. This year, the plant treated 119,580,000 gallons of wastewater, an average of 0.33 million gallons per day (mgd).

A major plant expansion and upgrade was started this year. It includes an emergency holding pond, additional aeration and clarification capacity, larger chlorination facilities, effluent filters, and the capability to supply the City of Buda with Type I reuse water. When completed in December 2006, the expanded plant will provide 0.95 mgd treatment capacity for this growing area.

During the year, employees replaced the drive motor and some of the piping on the south clarifier and repaired wiring at the influent lift station due to severe corrosion. A computerized maintenance management system was installed by GBRA to assist in preventive maintenance.

The **Crestview Wastewater Plant** is operated by the GBRA Calhoun Rural Water System for the Crestview Subdivision in Calhoun County. This year, employees conducted a complete inspection of the collection system, including customer taps and manholes. The wastewater treatment plant wet well was refurbished with new piping and a new grinder lift pump was installed. A total of 2,404,060 gallons of wastewater was treated during FY2006.

The **Lockhart Wastewater Reclamation Division** consists of the Larremore Street Plant

that has been operated by GBRA since 1994, and the new FM 20 Plant that was placed on line in 1999. In FY2006, these plants treated a combined total of 491,100,000 gallons of wastewater, an average of 1.3 mgd.

Among the year's highlights was the Larremore Plant being selected by the Water Environment Association of Texas as Municipal Wastewater Treatment Plant of the Year for Category 2 (flows of 1.0 to 15 mgd).

Major projects included rebuilding transfer pumps at the Larremore Plant and the belt press at the FM 20 Plant. Employees replaced check valves at the return activated sludge pump station and painted the administration building.

GBRA assumed operation of the **Shadow Creek Wastewater Treatment Plant** on January 1, 2006, under contract with the North Hays County MUD No. 1. The Plant is located east of Buda in north Hays County and serves Shadow Creek, which will ultimately be developed to 1,550 homes. Since the plant startup on March 6, the plant has treated a total of 3,641,000 gallons of wastewater.

Personnel from the GBRA Buda Wastewater Division are responsible for operating this extended aeration wastewater treatment plant, two lift stations, the associated collection system and a subsurface irrigation system for effluent disposal. Billing of residential customers for wastewater service is coordinated with the Goforth WSC, which provides retail water service for the area. This year, GBRA hired a chief operator to supervise wastewater operations in Shadow Creek, Buda and Wimberley.

The **Rural Utilities Division** serves areas that would normally use septic tanks, by providing cost-effective and environmentally sound treatment alternatives from five small wastewater treatment plants operated by GBRA. Financing for these projects was provided by private developers, EPA grants and a community block grant from HUD.

In addition to specific projects listed below, CL2 scales were installed in the chlorine storage rooms at all plants.

<b>System</b>	<b>FY2006 total treated wastewater</b>
<b>Canyon Park Estates Wastewater Reclamation System</b> serves residential units at Canyon Lake. RUD employees conducted a successful trial use of alum for phosphorus removal. The division also completed the final portion of a two year sewer main replacement project.	23,070,000 gallons or an average of 0.06 mgd
<b>Dunlap Wastewater Reclamation System</b> serves the Southbank Subdivision near New Braunfels and the River Bend and Longcreek Subdivisions. This year, the plant was undergoing an expansion from .16 mgd to .95 mgd to serve this rapidly-growing area.	31,460,000 gallons or an average of 0.09 mgd
<b>Northcliffe Wastewater Reclamation System</b> serves the Northcliffe area of Schertz near New Braunfels and uses the treated effluent to irrigate the adjacent golf course. Major work in 2006 included the planning and design of the new headworks bar screen.	63,500,000 gallons or an average of 0.17 mgd
<b>Springs Hill Wastewater Reclamation System</b> serves the Nob Hill, Country Club Estates and other neighborhoods south of Seguin. This year, a service extension project was completed that included a new lift station and installation of new pumps.	31,490,000 gallons or an average of 0.09 mgd
<b>Guadalupe County Wastewater Treatment Plant and Drinking Water System at TxDOT IH-10 Rest Area.</b> Employees assisted TxDOT in closing down the old rest areas in spring 2006 by cleaning all the treatment basins. GBRA assumed operation of the new Rest Area Wastewater Treatment and Drinking Water Systems on IH-10 east of Seguin in conjunction with a TxDOT contractor.	

## WASTEWATER TREATMENT, CONTINUED

The **Victoria Regional Wastewater Reclamation Division** has operated the Regional and Willow Street wastewater treatment plants under contract with the City of Victoria since 1972. GBRA assists the City with its TCEQ approved pre-treatment program.

The Regional WWTP is permitted to process 9.6 mgd of wastewater. The plant operates two belt press units for sludge de-watering and disposal and maintains a waste hauler program. This year, 14 haulers currently permitted by GBRA and TCEQ disposed of a total of 4,661,681 gallons of hauled waste. The Regional facility also provides laboratory services and technical support for other area treatment facilities. The Willow Street WWTP is permitted to process 2.5 mgd and is also covered under a storm water run-off permit. This year, the two plants treated a combined total of 3,102,500,000 gallons of wastewater or an average of 8.5 mgd.

Significant highlights this year included achieving zero lost time injuries for the year and receiving special recognition for over 5 years without a lost time accident. Employees updated the Division's Emergency Operating Plan (EOP); conducted wind loading testing and inspection of structures; and upgraded the on-site emergency generator building and storm shelter rooms. They also installed new power contingency equipment at the Willow Street Plant for quick hook up of a portable generator large enough to provide backup emergency power for the entire facility.

Major maintenance projects at both plants included cleaning the raw sewage wet well and aeration basins; rebuilding valves and pumps; installing new dissolved oxygen meters on the aeration basins and new chlorine and sulfur dioxide feed controllers; and upgrading the belt press building.

GBRA has managed the **Wimberley Wastewater Treatment Plant** under an operating agreement with the Village of Wimberley since February 2004. This year, the plant treated a total of

4,381,000 gallons of wastewater. Treatment modifications during the year included installation of a chemical feed system at the lift station, electrical phase monitoring, and an ultrasonic flow meter on the effluent line.

GBRA employees worked with the Village of Wimberley Capital Improvements Committee to establish impact fees for the collection system and future plant improvements.

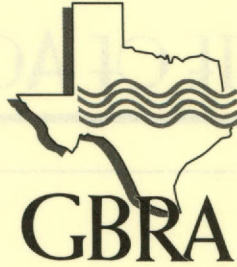
A request for qualifications was issued to select an engineering firm to design a collection system and wastewater treatment plant to provide service to the Village of Wimberley downtown square. Several engineering firms responded, and Alan Plummer & Associates was selected to design the new wastewater system.



ACCOUNTABILITY -- RESULTS IN DETAIL







GUADALUPE-BLANCO RIVER AUTHORITY

October 6, 2006

The Honorable Myrna P. McLeroy, Chair  
and Members of the Board of Directors

Dear Chair McLeroy and Directors,

The Comprehensive Annual Financial Report (CAFR) of the Guadalupe-Blanco River Authority (GBRA) for the fiscal year ended August 31, 2006, is hereby submitted. Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with GBRA. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds (divisions) of GBRA. All disclosures necessary to enable the reader to gain an understanding of GBRA's financial activities have been included.

This CAFR is presented in four sections: introductory, financial, statistical and the independent auditors' report in accordance with government auditing standards. The introductory section includes this transmittal letter and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting as well as descriptions of GBRA's operations, Board of Directors, and management. The financial section includes the independent auditors' report, management discussion and analysis, combined financial statements, notes to the combined financial statements and more detailed combining and individual schedules. The notes to the combined financial statements are an essential part of this comprehensive annual financial report and should be read for an enhanced understanding of the statements and information presented within. The statistical section includes selected financial and operating information, presented pursuant to the Government Accounting Standards Board Statement No.44. The report includes all funds of GBRA. The independent auditors' report in accordance with government auditing standards section includes the report on compliance and on internal controls over financial reporting. A single audit report is not included since GBRA did not expend sufficient governmental grant funds to require a single audit.

GBRA provides a variety of services including hydroelectric generation, water and wastewater treatment, municipal, industrial and agricultural raw water supply, and recreation operations. These operations are accounted for in the following divisions.

The *General Division*, located in the general business office in Seguin, consists of technical, accounting, administrative and support staff working under the direction of the General Manager. Revenues are derived from interest earnings on investments as well as administrative and general charges that are paid by GBRA's operating divisions.

The *Guadalupe Valley Hydroelectric Division* operates six hydroelectric plants in Guadalupe and Gonzales counties. All electricity produced by the division is delivered to the Guadalupe Valley Electric Cooperative. Division personnel are responsible for the operation and maintenance of the generating stations as well as the associated dams, lakes, ancillary equipment and adjacent properties.

The *Rural Utilities Division* operates and maintains six wastewater treatment plants in Comal, Hays and Guadalupe counties. These small plants serve housing subdivisions in areas where septic tanks do not provide proper or safe wastewater disposal and the extension of municipal services is not cost effective. The most recent wastewater treatment plant operation to be added to the Rural Utilities Division is the North Hays County Municipal Utility District's (MUD) Shadow Creek Wastewater Treatment Plant. GBRA began operating the plant in January 2006 jointly using personnel from the nearby City of Buda wastewater plant which GBRA operates for the City. GBRA's operation of both plants using the same personnel provides a cost effective means for both the City and MUD to safely and properly meet their wastewater treatment needs.

The development and operation of water supply sources and raw water delivery systems is the responsibility of the *Water Resource Division*. The division contracts with municipal, industrial and agricultural users throughout the river basin to provide a dependable supply of surface water. This division is anchored in the upper reaches of the river basin by Canyon Reservoir and in the lower reaches of the basin by the Guadalupe River Diversion Dam and Salt Water Barrier. This division is also responsible for GBRA's water quality program as well as the operation of a regional water quality laboratory located at the general office in Seguin. The regional water quality laboratory provides services to GBRA's other operations in addition to individuals, municipalities and private entities. Additional operations recognized within the Water Resource Division are the Calhoun Canal System, the City of San Marcos Water Treatment Plant, the City of Buda Wastewater Treatment Plant, the Western Canyon Water Treatment Plant, and the new treated water delivery systems in Comal County for the City of Bulverde and the Cordillera development.

GBRA also operates and maintains a water treatment plant for the benefit of the City of Port Lavaca, the Calhoun County Rural Water Supply System, and the Port O'Connor Municipal Utility District (MUD) through its *Port Lavaca Water Treatment Plant Division*. The division receives raw water from the Guadalupe River delivered through 20 miles of canals. It then treats and disinfects the water to drinking water standards before delivering it to the City, Rural Water System, and MUD.

The *Calhoun County Rural Water Supply Division* operates and maintains a treated water distribution system to supply approximately 1,230 homes and businesses located throughout most of the unincorporated areas of Calhoun County.

GBRA contracted with the City of Victoria in 1970 to provide wastewater treatment services through its *Victoria Regional Wastewater Reclamation Division*. The division operates and maintains two plants with a combined treatment capacity of 11.6 million gallons per day (MGD). The Regional Plant uses a complete mix activated sludge process while the Willow Street plant utilizes a conventional trickling filter process. The waste sludge from both plants is dewatered and disposed of in the City's sanitary landfill.

The *Coletto Creek Division* operates and maintains the Coletto Creek Reservoir located thirteen miles southwest of Victoria just off State Highway 59. The reservoir serves as a cooling pond for a coal-fired electric generating plant owned by Coletto Creek Power, LP. This division also operates and maintains recreation facilities that provide grounds for camping and picnicking as well as public access to the lake for fishing, swimming, and boating.

Surface water from the San Marcos River is treated by the *Luling Water Treatment Plant Division* and delivered to the City of Luling and the City of Lockhart for distribution. The plant was constructed in 1978 and has a treatment capacity of 2.5 MGD.

The *Canyon Hydroelectric Division* operates the electric generating plant located at Canyon Dam in Comal County. All power generated by the plant is sold to New Braunfels Utilities for the benefit of the City of New Braunfels. The plant, completed in 1989 with a capacity of 6 megawatts, provides a

beneficial use of waters passed through the dam without interfering with the reservoir's primary purposes of flood control and water supply.

GBRA added the *Lockhart Division* to its list of operations on October 1, 1994. After signing a contract with the City of Lockhart during 1994, GBRA assumed the operation of the City's 1.1 million-gallon per day (MGD) wastewater treatment plant and began construction of a new 1.5 MGD plant that became fully operational in February 1999. On October 1, 2000, the Lockhart Division was expanded further when GBRA assumed operation of the City's water well system and water treatment plant.

## **ECONOMIC CONDITION AND OUTLOOK**

*The Texas Economy.* According to the latest economic forecast released by the Texas Comptroller of Public Accounts, the Texas economy is closely tracking national economic growth and is expected to "moderate over the next three years, growing at a somewhat slower pace than what the state has seen recently, but still at a healthy rate." Statistically, the Comptroller projected that "the gross state product this year will grow 5.0 percent" while further stating that "Texas' real gross state product is now expected to grow at an average annual rate of 3.5 percent in calendar years 2007 through 2009, compared to 4.8 percent annually from 2003 to 2006". In the past, the Comptroller has stated that the reasons for positive economic growth, jobs creation and population gains is the State's sunbelt location, low business costs and a continued migration into the state. Dr. M. Ray Perryman an economist and founder of the Perryman Group, generally projects similar positive economic growth and highlights some of the reasons as the State's relatively young population, number one ranking in exports, and the Port of Houston being the busiest seaport in the country. A third source, the Federal Reserve Bank of Dallas (Fed), also projects positive economic growth for Texas. In its October 2006 regional update, the Fed states that "despite a few signs of cooling, the Texas economy continues to expand strongly, propelled by robust energy and construction industries and further, Texas' job growth has been twice as fast as the nation's for slightly over a year".

*The Local Economy.* GBRA's service area is geographically part of south central Texas. It stretches from the Hill Country through the IH-35 Corridor and onto the Gulf Coast. This geographic diversity in turn provides economic diversity with a unique combination of agriculture, oil and gas, defense, high tech, higher education centers, tourism, and heavy industry. This diversity allows the local economy to be among the State's growth leaders and outpace the national economy. The State Comptroller divides the GBRA service area into three principal areas for reporting purposes. These include the Alamo Region being the counties surrounding the City of San Antonio, the Capital Region being the counties surrounding the City of Austin, and the Coastal Bend Region being the counties surrounding the Cities of Corpus Christi and Victoria. GBRA's 10 county district includes three counties in the Alamo Region, two in the Capital Region, with the remaining five counties in the Coastal Bend Region. While the Comptroller has not updated her calendar year 2002 regional economic project report, it appears from her general comments that the good overall economic projections for the State will also be prevalent throughout the GBRA district. In fact, previous strong economic growth for both the Alamo and Capital Regions is expected to continue. Somewhat indicative of this are expected population gains throughout the GBRA district of 7% - 8% over the next ten years. Also supporting these positive economic projections for the GBRA district is the Texas Association of Regional Councils Strategic Directions Report which states that the growth expectations of the Alamo Region are strong, the Capital Region are stable then accelerating, and the Coastal Bend Region are stable. A basic assumption of all of these projections is State's ability to provide ever increasing amounts of water. With GBRA's district located between two rapidly growing major metropolitan areas, the need for future water supplies is no where more apparent and as a result GBRA's Board of Directors and staff are working diligently to plan for future water supplies in order to better assure the district's future economic vitality.

## **MAJOR INITIATIVES**

*For the Year.* GBRA's major initiative for Fiscal Year 2006 was the successful construction of several water treatment and delivery projects as well as one wastewater treatment project. The largest of these construction projects is the Western Canyon Project costing approximately \$80,000,000. The

Western Canyon Project broke ground in April 2004 and commenced operations in April 2006 with final construction expected to be complete in calendar year 2006. The project includes a water treatment plant, 40 miles of transmission pipeline, and intake facilities to withdraw raw water from Canyon Reservoir. These facilities will deliver approximately 11,200 acre-feet or 10 MGD of water per year to the Cities of Boerne, Fair Oaks Ranch, and Bulverde. Water will also be provided to the San Antonio Water System, San Antonio River Authority, and several developments in unincorporated areas of Comal and Kendall counties. With the successful startup of the Project and the delivery of high quality potable water, several of the Project's existing customers and several potential new customers are discussing with GBRA the possible need to expand the Project from 10 MGD to 15 MGD in order to meet the water demands of this rapidly growing area north of the City of San Antonio.

A second major water supply project is GBRA's \$20,965,000 Interstate 35 Project. Similar to the Western Canyon Project, the IH-35 project uses raw water stored in Canyon Reservoir, treats the water at the existing City of San Marcos water treatment plant, and delivers that water through a new 20 mile long transmission pipeline to northern Hays County terminating just south of Travis County and the City of Austin. Participants in this new project include the Cities of Buda and Kyle, GoForth Water Supply Corporation, and the Sunfield Municipal Utility District which will deliver water to a major new development east of the City of Buda. The IH-35 Project was necessitated by the extremely rapid population growth of northern Hays County and the limited supply of water available from the Edwards Aquifer to meet that growth. During Fiscal Year 2005, GBRA completed the project engineering, design, financing and initiated construction of the Project. During FY 2006, most of the construction was completed and as a result, operation of the Project commenced with the delivery of treated water to three of the Project's customers starting in March 2006.

A third project that was under construction during Fiscal Year 2006 was the expansion of GBRA's Dunlap Wastewater Treatment Plant. GBRA has worked with a number of developers in the Dunlap Plant's service area, which lies just south of IH-35 and the City of New Braunfels, to design an expansion of the plant from a capacity of 160,000 gallons per day to 950,000 gallons per day. Financing for the project was completed in September, 2005 with a \$4,400,000 long-term loan from Wells Fargo Bank while construction on the project, which started in August 2005, is expected to be completed in the Fall of 2006.

Another construction project that continued in fiscal year 2006 was the expansion of the Seguin headquarters office. Beginning in FY 2002, GBRA's staff worked with an architectural firm to design the office expansion with actual construction starting in FY 2003. Phase one of the project, a new warehouse, was completed during 2003 while phase two, a new river annex building, was completed in 2004 and provides additional meeting room and office space. In FY 2007, GBRA will complete the third phase which is an expansion and remodeling of the original Seguin headquarters building. Together these expansions will provide much needed office, meeting and storage space and better position GBRA to meet the needs of GBRA's existing and future operations.

Other projects that are currently underway or are currently being planned include an expansion of the San Marcos Raw Water Delivery System and related San Marcos Water Treatment Plant; construction of treated water distribution systems in and around the City of Bulverde; and an expansion of GBRA's Canyon Park Estates Wastewater Treatment Plant. The San Marcos project will include an approximate 9 – 10 MGD expansion of raw water facilities which will be GBRA's responsibility to complete and an expansion of treated water facilities which is the responsibility of the City of San Marcos to complete. The Bulverde project will include various water distribution systems near the City which will provide water from the Western Canyon Project to new customers. Finally, the Canyon Park Plant expansion will increase the treatment capacity of the Plant from 100,000 gallons per day (GPD) up to 180,000 GPD in order to meet the needs of expected customer growth in the Canyon Reservoir area.

From an operational perspective, with the absence of any flooding on the Guadalupe River unlike several of the recent past years, Fiscal Year 2006 was reasonably routine. Operations personnel

completed a number of predictive and preventative maintenance projects as well as initiated engineering of structural modifications to mitigate future flood damage to the TP-4 hydroelectric spillgates which have been damaged during the last three Guadalupe River floods. To help fund these spillgate modifications, GBRA requested and was granted funding from FEMA in the amount of \$406,478.

*For the Future.* GBRA efforts to insure adequate water supplies have complemented the work of the Texas State Legislature. Emanating from the 1997 legislative session was a new State Water Policy labeled Senate Bill One (SB1). One of the principal provisions of this new water plan was the establishment of regional water planning areas. GBRA has been actively involved in and helps to underwrite the administrative costs of the South Central Texas Regional Water Planning Group which was charged with developing a water plan for this area of Texas. While the new water plan has been completed and approved by the Texas Water Development Board, the regional planning groups continue to update projected future water demands and the water supply projects that are anticipated to meet those demands. The plan includes several major water supply projects within the Guadalupe River Basin that will require GBRA's future participation.

One of the most significant potential water supply projects in GBRA's district is the Lower Guadalupe Water Supply Project. This project as originally planned would divert water from very near the mouth of the Guadalupe River where it enters the Gulf of Mexico. The water would then be treated and delivered throughout the Guadalupe River Basin in order to meet the burgeoning water demands of the Basin. GBRA originally agreed with the San Antonio River Authority (SARA) and the San Antonio Water System (SAWS) to jointly pursue the planning studies and permitting necessary for the project. However during FY 2005 SAWS withdrew from the project, whereupon GBRA and SARA agreed to continue some of the economic, social, and environmental studies necessary for the project. Over the next several years, the two organizations will decide which studies to continue in order to determine if the Project should be built or deferred. While much of GBRA's future water supply planning focus was on the Lower Guadalupe Project during recent years, GBRA has also begun to look at other possible water supply alternatives. Principal among these possibilities is the development of groundwater from the Simsboro Aquifer which lies north and east of GBRA's district. It is incumbent on both GBRA and the SB1 regional water planning group to continue studying and ultimately implement various water supply projects in order to meet the water demands of the rapidly growing Guadalupe River Basin.

In addition to the effort focused on future water supply alternatives, GBRA also worked to insure existing water supplies are used efficiently and wisely. GBRA actively worked with water users and local governments located within the Basin to educate them on water conservation efforts. GBRA also worked closely with the Edwards Aquifer Authority and Guadalupe Basin Coalition to insure the aquifer was managed effectively and in accordance with state law thereby insuring adequate springflow into the Guadalupe and San Marcos Rivers. The appropriate management of the aquifer will require ongoing efforts by GBRA to insure the protection of the Comal and San Marcos Springs.

On the federal level, GBRA will continue to participate with the Texas Water Conservation Association in efforts to further the Texas federal initiatives to obtain funding for water projects in the State. The GBRA General Manager will also be serving as the President of the National Water Resources Association for calendar years 2007 and 2008.

## **FINANCIAL INFORMATION**

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



As demonstrated by the statements and schedules included in the financial section of this report as well as the management discussion and analysis also included herein, GBRA continues to meet its responsibility for sound financial management. GBRA recommends each reader to closely read each section of this report including the oversight review provided by the management discussion and analysis in order to have a thorough understanding of GBRA, its activities, financial position and results of operations.

*Budgeting Controls.* In addition to other internal controls, GBRA also maintains budgetary controls. The objective of these budgetary controls is to ensure compliance with contractual provisions and to properly manage resources. Since GBRA does not have the power of taxation, there is no appropriated budget or encumbrance accounting system. There are no legal requirements to include comparative budget to actual expenditure statements in this report. The staff prepares budget reports monthly that are used as management tools to measure GBRA's operations against the budgets adopted by the Board of Directors prior to the beginning of each year.

*Pension Plan Operations.* The operations of the Retirement Plan for Employees of GBRA was favorable as the actuarial value of the plan assets increased from \$7,677,107 as of January 1, 2005 to \$8,298,010 as of January 1, 2006 or 8.09%. GBRA's annual contribution of \$625,333 during fiscal year 2006 contributed to the increase in plan assets held by the plan. Further, plan assets as a percentage of the actuarial accrued liability increased from 60% to 61% during the year principally due to the annual contribution amount and market returns improving over prior year results.

*Debt Administration.* At August 31, 2006, GBRA had 11 bond issues outstanding. A schedule of these issues is included in Footnote B to the financial statements in this report. GBRA does not have the power of taxation nor does it derive any of its revenues from taxes; therefore, it issues no general obligation bonds. Outstanding revenue bonds as of August 31, 2006 were \$135,935,000 while outstanding long-term loans were \$14,266,575. No state law nor GBRA's enabling act requires debt service coverage greater than 1:1, thus a schedule of the revenue bond coverage is not included in the statistical section of this report. Debt service coverage is however required by GBRA to be greater than 1:1 if the size and complexity of the project financed necessitates it. Debt service coverage is discussed further in Footnote I. Each revenue bond issue is insured or credit rated based on the financial strength of GBRA's service contracts. GBRA did not issue any new bond issues during fiscal year 2006 however two new long-term bank loans were procured. One of the bank loans in the amount of \$4,400,000 was to finance the expansion of GBRA's Dunlap Wastewater Treatment Plant while the other bank loan in the amount of \$1,600,000 was procured to complete the expansion of GBRA's headquarters building project. Both of these projects are discussed in more detail above.

*Cash Management.* Cash not required for current operations, debt service payments or construction expenditures is invested in securities authorized by GBRA's investment policy that is reviewed and approved annually by the Board of Directors. For the year, the average yield on investments approximated 4.20%. This yield compares to an average 90 Day treasury yield of 4.29%. During most years, GBRA is able to equal or exceed the one-year treasury yield. However this past year as short-term interest rates rose and GBRA maintained considerable investments in more liquid investments due to the cash flow requirements of several construction projects, GBRA was not able to exceed the one-year treasury yield. Interest earnings on investments were \$555,487 for Fiscal Year 2006.

GBRA's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized with United States government, agency, or instrumentality securities. All collateral on deposits is held by GBRA, its agent, or the Federal Reserve Bank in GBRA's name. All investments held by GBRA at August 31, 2006 were classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. The market value of all GBRA investments

was 99.69% of their book value and 99.63% of their par value as of August 31, 2006. A complete disclosure of GBRA's investments is found in Footnote D in the notes to the financial statements.

*Risk Management.* GBRA has implemented an intensive loss control program to minimize risk exposures. Employees are well trained in safety practices and maintain a constant vigil to correct safety hazards. A safety committee coordinates the overall program under the direction of the Deputy General Manager while monthly safety meetings are held by each of the divisions. During the fiscal year, the safety manual continued to be updated; employee health fairs were held in Seguin and Victoria; and GBRA's safety glasses and boots program continued. Part of the success of GBRA's excellent safety record can be attributed to the support it gets from the Texas Water Conservation Association Risk Management Fund. A schedule of insurance coverage is included in the statistical section of this report.

## **OTHER INFORMATION**

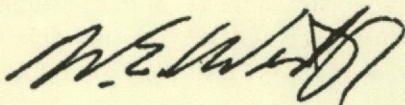
*Independent Audit.* Section 50.371 of the Texas Water Code requires an annual audit of the GBRA's accounting records by the state auditor or by an independent certified public accountant selected by the Board of Directors. The firm of Holtman, Wagner & Company, LLP was selected by the Board for the 2006 fiscal year. We appreciate their professionalism, timeliness and assistance in completing this report. Copies of this report will be filed with the TCEQ, State Comptroller, State Auditor, as well as with the county clerk of each county within the GBRA district.

*Awards.* The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to GBRA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2005. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

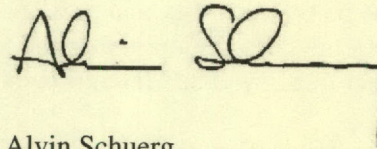
In order to be awarded a Certificate, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. GBRA has received a Certificate for the last 32 consecutive fiscal years (1973-2005). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

*Acknowledgments.* We congratulate our employees for another successful year of operation. Without their dedication and professionalism, we could not have provided the high level of service to the residents of the GBRA service area. The preparation of the CAFR on a timely basis was made possible by the dedicated efforts of the accounting department and public communications department. Each member has our sincere appreciation for the contributions made in the preparation of this report. In closing, we would be remiss to not recognize the leadership and support each GBRA Director has provided to the staff and this organization. Without that leadership, another successful year and the preparation of this report would not have been possible. We thank you for your dedicated public service.

Sincerely,



W. E. West, Jr.  
General Manager



Alvin Schuerg  
Executive Mgr of Finance and Administration

# FINANCIAL SECTION

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# INDEPENDENT AUDITORS' REPORT

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## **HOLTMAN, WAGNER & COMPANY, L.L.P.**

**Certified Public Accountants**

876 Loop 337 Building 501  
New Braunfels, Texas 78130  
830-625-1182  
Fax 830-625-1498

### **INDEPENDENT AUDITORS' REPORT**

To the Board of Directors  
Guadalupe-Blanco River Authority

We have audited the accompanying financial statements of Guadalupe-Blanco River Authority as of and for the years ended August 31, 2006 and 2005 as listed in the table of contents. These financial statements are the responsibility of Guadalupe-Blanco River Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of Guadalupe-Blanco River Authority as of August 31, 2006 and 2005, and the respective changes in financial position and cash flows, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2006, on our consideration of Guadalupe-Blanco River Authority'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 50 through 54 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Guadalupe-Blanco River Authority's basic financial statements. The introductory section and statistical tables are presented for purposes of additional analysis and are not a required part of the basic financial statements. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

*Holtman Wagner & Company LLP*

Holtman, Wagner & Company, L.L.P.  
New Braunfels, Texas  
October 6, 2006

# MANAGEMENT DISCUSSION AND ANALYSIS

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The Guadalupe-Blanco River Authority's (GBRA) financial statements are presented within the financial section of this Comprehensive Annual Financial Report (CAFR). The components of the basic financial statements include this Management Discussion and Analysis (MD&A), the Basic Financial Statements, and Other Supplementary Information.

The MD&A, as Required Supplemental Information, introduces the basic financial statements and provides an analytical overview of GBRA's financial activities. GBRA's fiscal year ending August 31, 2006 is the fourth year in which the provisions of the Government Accounting Standards Board Statement Number 34 (GASB 34) have been implemented; therefore, the MD&A that follows presents a comparison of each of the last two years under the GASB 34 standard.

## Overview of the Basic Financial Statements

GBRA was created in 1935 as a political subdivision of the State of Texas and structured as a conservation and reclamation district under Article 16, Section 59 of the Texas Constitution. GBRA's principal functions are to control, store, preserve, and distribute the waters of the Guadalupe River Basin for all useful purposes within the ten county district that GBRA serves. In meeting these principal functions, GBRA does not have the power of taxation and instead must rely upon user fees to provide these services.

GBRA's financial statements consist entirely of one enterprise fund because of the nature of GBRA's activities, the reliance upon user fees, and the fact that GBRA does not have any separate component units to report the activities of. The major features of this enterprise fund reporting are:

- **Scope** – All GBRA activities are included in the enterprise fund, the reporting format of which is similar to private businesses.
- **Required Financial Statements** – The financial statements prepared for the enterprise fund include a Balance Sheet; Statement of Revenues, Expenses and Changes in Net Assets; and Statement of Cash Flows.
- **Accounting Basis and Measurement Focus** – Accrual accounting and economic resources focus.
- **Type of Asset/Liability Information** – The enterprise fund reports all current and long-term assets and liabilities, both financial and capital.
- **Type of Inflow/Outflow Information** – The enterprise fund records all revenues and expenses during the year, regardless of when the cash is received from the revenue or when the cash is paid for the expense.

The remaining information that is included within GBRA's basic financial statements are the Notes to the Financial Statements. These Notes are included to provide additional information to assist the readers of the CAFR attain a more complete understanding of GBRA's financial position.

## Condensed Financial Information

The financial statements are designed to provide readers with a broad overview of GBRA's financial position. The Balance Sheet presents information on all of GBRA's assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of GBRA is improving or deteriorating. In Fiscal Year 2006, assets exceeded liabilities by \$49,854,422 which is an increase of \$2,111,763 from last year which in turn indicates a continued improvement in GBRA's financial position. Also during FY 2006, Current Restricted Assets declined by \$21,342,735 while Long-Term Capital Assets increased by \$29,258,245 both amounts of which relate to GBRA's construction of two water supply projects and the expenditure of bond funds received in prior years. Other significant account changes include the \$4,947,296 increase in Unrestricted Net Assets and the related \$2,772,012 decrease in Investments in Capital Assets Net of Related Debt. These changes are principally the result of a reduction in construction account payables due to several construction projects nearing completion.

The following table presents a Condensed Balance Sheet for August 31, 2006 and 2005:

<b>GUADALUPE-BLANCO RIVER AUTHORITY</b>		
<b>CONDENSED BALANCE SHEET</b>		
<b>AUGUST 31, 2006 AND 2005</b>		
<b>ASSETS</b>	<b>2006</b>	<b>2005</b>
Current Assets		
Unrestricted Assets	\$ 7,319,554	\$ 6,339,400
Restricted Assets	17,650,238	38,992,973
Long-Term Assets		
Restricted Assets	2,015,774	11,302,010
Capital Assets	174,081,804	144,823,559
Other Assets	10,876,496	10,445,452
<b>Total Assets</b>	<b>\$ 211,943,866</b>	<b>\$ 211,903,394</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Payable from Current Assets	\$ 3,281,444	\$ 3,441,802
Payable from Restricted Assets	7,438,235	12,445,952
Long-Term Liabilities		
Bonds and Loans Payable	146,275,246	144,880,316
Advances for Operations	564,705	503,712
Deferred Income	4,529,814	2,888,953
<b>Total Liabilities</b>	<b>162,089,444</b>	<b>164,160,735</b>
<b>NET ASSETS</b>		
Investments in Capital Assets Net of Related Debt	38,506,620	41,278,632
Restricted for Construction	1,081,749	1,414,557
Restricted for Debt Service	1,585,363	1,136,075
Restricted for Insurance	982,190	1,162,191
Unrestricted	7,698,500	2,751,204
Total Net Assets	49,854,422	47,742,659
<b>Total Liabilities and Net Assets</b>	<b>\$ 211,943,866</b>	<b>\$ 211,903,394</b>

In addition to the Investments in Capital Assets Net of Related Debt component of Net Assets as shown above, GBRA maintains other reserves as part of the total amount of Net Assets. These include reserves for future expansions, debt service payments, bond reserve requirements and insurance reservations. These reserves remained relatively the same from the prior year and are explained in more detail in Footnote A and G.

The following table presents a Condensed Statement of Revenues, Expenses and Changes in Net Assets for August 31, 2006 and 2005:

<b>GUADALUPE-BLANCO RIVER AUTHORITY</b>		
<b>COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>		
<b>FISCAL YEARS ENDED AUGUST 31, 2006 AND 2005</b>		
	<u>2006</u>	<u>2005</u>
<b>REVENUE</b>		
Program Revenues:		
General Operating	\$ 2,156,739	\$ 2,017,339
Recreation and Land Use	1,495,781	1,164,908
Hydroelectric Generation	3,628,891	4,316,581
Water Treatment & Distribution	21,370,494	16,210,146
Waste Water Treatment	6,218,125	5,697,907
Interfund Eliminations	<u>(2,130,695)</u>	<u>(2,014,919)</u>
Total Revenues	<u>32,739,335</u>	<u>27,391,962</u>
<b>EXPENSES</b>		
Program Expenses:		
General Operating	2,209,584	1,796,866
Recreation and Land Use	1,392,441	1,264,220
Hydroelectric Generation	3,319,589	3,980,063
Water Treatment & Distribution	14,423,680	12,356,275
Waste Water Treatment	5,292,402	5,040,508
Interfund Eliminations	<u>(2,130,695)</u>	<u>(2,014,919)</u>
Total Expenses	<u>24,507,001</u>	<u>22,423,013</u>
<b>NON OPERATING REVENUES (EXPENSES)</b>		
Investment Income	555,481	310,337
Gain (Loss) on Disposal of Capital Assets	7,716	(19,523)
Interest Expense	<u>(5,090,494)</u>	<u>(4,015,142)</u>
Total Non Operating Revenues (Expenses)	<u>(4,527,297)</u>	<u>(3,724,328)</u>
Income Before Recognition of Capital Contributions and Deferrals	3,705,037	1,244,621
Capital Contributions	<u>11,496</u>	<u>309,411</u>
Net Income Before Recognition of Deferrals	<u>3,716,533</u>	<u>1,554,032</u>
Revenue to be Recognized in Future Years	(1,604,770)	(790,362)
Net Losses Related to Special Items	<u>--</u>	<u>(233,321)</u>
Change in Net Assets	2,111,763	530,349
Net Assets at August 31, 2005 and 2004	<u>47,742,659</u>	<u>47,212,310</u>
Net Assets at August 31, 2006 and 2005	<u>\$ 49,854,422</u>	<u>\$ 47,742,659</u>

As stated above, changes to GBRA's Net Assets is one measure of whether GBRA's financial position is improving or not. The Fiscal Year 2006 increase in Net Assets of \$2,111,763 is indicative of strong financial performance and a stable financial position. The components of Net Assets and the means in



which it is calculated is apparent in the above Combined Statement of Revenues, Expenses and Changes in Net Assets.

Contributing to the increase in Net Assets were revenue increases approximating 20% compared to expense increases approximating 12%. Noteworthy in these amounts is the revenue increase for GBRA resulting from increased firm water sales in the Water Resource Division. These firm water sales increased from approximately 65,500 acre-feet per year (AF/Y) to 73,100 AF/Y. Also in the Water Resource Division significant revenue increases resulted from billings to customers following the start-up of the Western Canyon Water Treatment Plant Project during fiscal year 2006. This new revenue and new billings represent the cost of treated water from the plant and include the recovery of both operating and debt service costs of the Project.

### **Capital Asset and Long-Term Debt Activity**

As of August 31, 2006, GBRA's total investment in Capital Assets was \$174,081,804 net of depreciation. These Capital Assets which are shown in the Long-Term Asset section of GBRA's Balance Sheet are comprised of a number of different type of assets. Included in this asset type are water rights, dams, canals, water treatment plants, wastewater treatment plants, park facilities, hydroelectric plants, pipelines, and electric transmission facilities. The amount of Capital Assets recognized by GBRA grew by 20% or \$29,258,245 during FY 2006. The principal reason for this asset growth was the continuation of, and in one case the near completion of, several construction projects namely (1) the approximate \$80,000,000 Western Canyon Water Supply project to supply water to Comal, Kendall, and Bexar Counties which started operation in FY 2006 and which is scheduled for final completion in late calendar year 2006, (2) the \$20,965,000 IH35 Treated Water Supply Project constructed to supply water to multiple customers along Interstate 35 in northern Hays County south of the City of Austin and which is scheduled for completion in calendar year 2006, and (3) the General Office Expansion construction project which is providing much needed additional warehouse, meeting room and office space and once again, which should be completed in calendar year 2006.

GBRA's long-term debt is comprised of outstanding revenue bond issues, bank loans, a loan from the United States related to the construction of Canyon Reservoir, and a loan from an electric generating company related to the construction of a water supply pipeline to that company. The total revenue bonds outstanding at August 31, 2006 were \$135,935,000 which is 3% less than the outstanding revenue bond total at the end of the previous year. The reason for this decrease in bonded indebtedness was the absence of any new bond issues during FY 2006 coupled with the annual principal retirements made on each of GBRA's existing bond issues. While the amount of outstanding revenue bonds decreased, the amount of outstanding long-term loans increased by \$5,392,537 during the year. The reasons for this increase include the procurement of a \$1,600,000 long-term bank loan to complete the office expansion described above and a \$4,400,000 long-term bank loan to expand GBRA's Dunlap Wastewater Treatment Plant. The expansion of the Dunlap Plant will increase its capacity to nearly 1 million gallons per day to better serve the wastewater treatment needs of the rapidly growing area south of the City of New Braunfels along Farm to Market Road 725.

More information on GBRA's capital assets and long-term debt is available in footnotes to the Basic Financial Statements. Capital asset information is presented in Footnote E and information about GBRA's long-term debt is available in Footnote B.

### **Infrastructure**

GBRA recognizes all equipment and infrastructure with an original cost greater than \$1,000 and with a life exceeding one year as Capital Assets. Since all of GBRA's activity is accounted for in an enterprise fund similar to the accounting businesses have traditionally employed, GBRA has always recorded the historical cost of Capital Assets and depreciated that cost over the estimated life of the asset.

The condition of GBRA's infrastructure and capital assets is very good. GBRA believes in and practices an extensive preventive maintenance program at all of its facilities. Examples of this program were the repairs completed during the last ten years within the Guadalupe Valley Hydroelectric System. Repairs to the spillgates, turbines, and generators has insured that this System continues to produce cost effective, environmental friendly electricity despite the fact that the dams and plants within this System were built in the 1920's. While the remaining equipment and infrastructure is generally less than 30 years old, with much of it being less than 10 years old, this equipment is subject to the ongoing preventive maintenance program.

### **Other Potentially Significant Matters**

The GBRA Board of Directors established on October 1, 2006 a rate of \$96 per acre-foot per year for committed, firm raw water. Presently, GBRA contracts with about 100 customers throughout the GBRA district to commit approximately 73,100 acre-feet of firm, raw water. Currently the source of this water is water stored in Canyon Reservoir although in the future, other sources of supply will also be used to supply customers. Despite the fact that GBRA's rate approximates the average rate for similar firm raw water supplies in Texas, during Fiscal Year 2002 three customers challenged GBRA's firm water rate by petitioning the Texas Commission on Environmental Quality (TCEQ) to review and possibly set a new rate. While one of the three customers has since rescinded their rate challenge, the petition of the remaining two customers was still ongoing as of the end of Fiscal Year 2006 and while GBRA believes it will be resolved favorably, the final resolution is not expected for another 12-36 months.

**GUADALUPE-BLANCO RIVER AUTHORITY  
COMBINED BALANCE SHEET**

**AUGUST 31, 2006 AND 2005**

ASSETS	2006	2005
<b>CURRENT ASSETS</b>		
Unrestricted Assets		
Cash and Cash Equivalents (Note A18 and Note D).....	\$2,251,731	\$4,240,594
Investments-Unrestricted (Note A18 and Note D).....	2,128,923	862,476
Interest Receivable.....	52,861	62,354
Accounts Receivable-Operating (Note A5).....	2,484,360	1,513,109
Other Current Assets.....	401,679	417,796
Total Unrestricted Assets.....	<u>7,319,554</u>	<u>7,096,329</u>
Restricted Assets		
Cash and Cash Equivalents (Note A18 and Note D).....	9,183,292	28,178,635
Investments-Restricted (Note A18 and Note D).....	8,387,779	9,950,105
Interest Receivable.....	79,167	107,304
Total Restricted Assets.....	<u>17,650,238</u>	<u>38,236,044</u>
Total Current Assets.....	<u>24,969,792</u>	<u>45,332,373</u>
<b>LONG-TERM ASSETS (Note A6)</b>		
Restricted Assets		
Investments-Restricted (Note D).....	2,015,774	11,302,010
Total Restricted Assets.....	<u>2,015,774</u>	<u>11,302,010</u>
Capital Assets		
Land, Water and Storage Rights.....	22,047,908	22,047,908
Dams, Plants and Equipment.....	94,649,012	93,752,311
Construction In Progress.....	100,250,038	69,155,212
Less Accumulated Depreciation.....	(42,865,154)	(40,131,872)
Total Capital Assets.....	<u>174,081,804</u>	<u>144,823,559</u>
Other Assets		
Investments-Unrestricted (Note D).....	2,116,785	2,075,117
Long-term Loans Receivable.....	295,519	351,842
Contract Development Costs (Net of Amortization).....	62,354	69,032
Debt Issuance Costs (Net of Amortization).....	2,939,726	3,158,143
Permits and Licenses (Net of Amortization).....	726,499	755,015
Project Development Costs.....	2,651,947	2,091,064
Deferred Costs and Expenses (Note A12 and Note A17).....	2,083,666	1,945,239
Total Other Assets.....	<u>10,876,496</u>	<u>10,445,452</u>
Total Long-Term Assets.....	<u>186,974,074</u>	<u>166,571,021</u>
Total Assets.....	<u>\$211,943,866</u>	<u>\$211,903,394</u>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Payable from Unrestricted Assets		
Current Portion of Long-Term Loans Payable (Note B).....	\$677,612	\$660,072
Interest Payable.....	81,367	87,711
Accounts Payable-Operating.....	2,522,465	2,694,019
Total Current Unrestricted Liabilities.....	<u>3,281,444</u>	<u>3,441,802</u>
Payable from Restricted Assets		
Current Portion of Revenue Bonds (Note B).....	4,070,000	3,600,000
Current Portion of Long-Term Loans Payable.....	118,332	--
Interest Payable.....	1,662,481	1,564,043
Accounts Payable-Construction.....	1,587,422	7,281,909
Total Current Restricted Liabilities.....	<u>7,438,235</u>	<u>12,445,952</u>
Total Current Liabilities.....	<u>10,719,679</u>	<u>15,887,754</u>
<b>LONG-TERM LIABILITIES (Note B)</b>		
Revenue Bonds Payable.....	136,874,615	140,266,351
Long-Term Loans Payable.....	14,266,575	8,874,037
	151,141,190	149,140,388
Less Current Portion.....	(4,865,944)	(4,260,072)
Total Bonds and Loans Payable.....	<u>146,275,246</u>	<u>144,880,316</u>
Advances for Operations.....	564,705	503,712
Deferred Income.....	4,529,814	2,888,953
Total Long-Term Liabilities.....	<u>151,369,765</u>	<u>148,272,981</u>
Total Liabilities.....	<u>162,089,444</u>	<u>164,160,735</u>
<b>NET ASSETS</b>		
Investments in Capital Assets Net of Related Debt.....	38,506,620	41,278,632
Restricted for Construction (Note A15).....	1,081,749	1,414,557
Restricted for Debt Service (Note A15).....	1,585,363	1,136,075
Restricted for Insurance (Note G).....	982,190	1,162,191
Unrestricted.....	7,698,500	2,751,204
Total Net Assets.....	<u>49,854,422</u>	<u>47,742,659</u>
Total Liabilities and Net Assets.....	<u>\$211,943,866</u>	<u>\$211,903,394</u>

The accompanying notes are an integral part of this statement.

**GUADALUPE-BLANCO RIVER AUTHORITY  
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**

**FISCAL YEARS ENDED AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>REVENUE</b>		
Power Sales.....	\$3,427,563	\$3,872,868
Water Sales and Lake Operations.....	20,122,065	15,663,761
Recreation and Land Use.....	511,757	480,654
Waste Water Treatment Services.....	5,581,511	5,002,254
Laboratory Services.....	538,302	435,819
Rental.....	269,495	260,334
Pollution and Industrial Financing (Note F).....	222,657	205,233
Miscellaneous .....	2,065,985	1,471,039
Total Operating Revenue.....	<u>32,739,335</u>	<u>27,391,962</u>
<b>EXPENSES</b>		
Personnel Operating Costs.....	7,830,077	7,229,312
Operating Supplies and Services.....	10,084,494	8,879,415
Maintenance and Repairs .....	3,454,708	3,298,910
Depreciation and Amortization.....	3,137,722	3,015,376
Total Operating Expenses.....	<u>24,507,001</u>	<u>22,423,013</u>
Operating Income .....	8,232,334	4,968,949
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment Income.....	555,481	310,337
Gain (Loss) on the Disposal of Capital Assets.....	7,716	(19,523)
Interest Expense.....	(5,090,494)	(4,015,142)
Total Nonoperating Revenues (Expenses) .....	<u>(4,527,297)</u>	<u>(3,724,328)</u>
Income Before Recognition of Capital Contributions and Deferrals.....	3,705,037	1,244,621
Capital Contributions.....	11,496	309,411
Income Before Recognition of Deferrals.....	<u>3,716,533</u>	<u>1,554,032</u>
Revenue to be Recognized in Future Years (Note A17).....	(1,604,770)	(790,362)
Income Before Special Items.....	<u>2,111,763</u>	<u>763,670</u>
<b>SPECIAL ITEMS</b>		
Gain on Deferrals Resulting From Early Pay-off of Bonded Debt.....	--	295,053
Loss From Write Off of Certain Diversion and Water Supply Project Development Costs.....	--	(528,374)
Change in Net Assets.....	<u>2,111,763</u>	<u>530,349</u>
Net Assets at August 31, 2005 and 2004.....	<u>47,742,659</u>	<u>47,212,310</u>
Net Assets at August 31, 2006 and 2005.....	<u>\$49,854,422</u>	<u>\$47,742,659</u>

*The accompanying notes are an integral part of this statement.*

**GUADALUPE-BLANCO RIVER AUTHORITY  
COMBINED STATEMENT OF CASH FLOWS**

**FISCAL YEARS ENDED AUGUST 31, 2006 AND 2005**

	<u>2006</u>	<u>2005</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Cash Received from Customers.....	\$31,579,788	\$27,550,787
Cash Received from Interfund Administrative Charges.....	2,130,695	2,014,919
Cash Received from Administration of Industrial Revenue Bonds.....	222,657	--
Cash Paid for Personnel Operating Costs.....	(8,067,193)	(7,436,432)
Cash Paid for Other Operating and Maintenance Costs.....	(13,701,677)	(12,335,514)
Cash Paid for Interfund Administrative Charges.....	(1,893,579)	(1,807,799)
Net Cash Flows From Operating Activities.....	<u>10,270,691</u>	<u>7,985,961</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>		
Net Cash Flows From Noncapital Financing Activities.....	--	--
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>		
Proceeds from Issuance of Revenue Bonds.....	--	20,271,368
Proceeds from Advances from Customers, Developers, and Other Governmental Units.....	193,087	74,784
Proceeds from Loans for Capital Assets and Plant Expansion.....	6,121,246	--
Proceeds from Sale of Capital Assets.....	41,975	95,000
Purchase of Capital Assets.....	(1,054,894)	(4,765,996)
Cash Paid for Construction in Progress.....	(37,491,527)	(46,310,720)
Interest Paid.....	(4,919,797)	(3,738,885)
Principal Payments on Revenue Bonds.....	(3,600,000)	(1,925,000)
Principal Payments on Loans.....	(728,708)	(635,887)
Net Cash Flows From (Used by) Capital and Related Financing Activities.....	<u>(41,438,618)</u>	<u>(36,935,336)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Cash Received from Investments .....	12,816,910	60,982,245
Investment Income Received.....	593,111	430,477
Cash Paid for Investments .....	(3,226,300)	(2,144,518)
Net Cash Flows From (Used by) Investing Activities.....	<u>10,183,721</u>	<u>59,268,204</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<u><u>(\$20,984,206)</u></u>	<u><u>\$30,318,829</u></u>
<b>CURRENT CASH AND CASH EQUIVALENTS:</b>		
At Beginning of Year.....	\$4,240,594	\$1,235,826
At End of Year.....	2,251,731	4,240,594
Net Increase (Decrease).....	<u>(1,988,863)</u>	<u>3,004,768</u>
<b>RESTRICTED CASH AND CASH EQUIVALENTS:</b>		
At Beginning of Year.....	28,178,635	864,574
At End of Year.....	9,183,292	28,178,635
Net Increase (Decrease).....	<u>(18,995,343)</u>	<u>27,314,061</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS.....</b>	<u><u>(\$20,984,206)</u></u>	<u><u>\$30,318,829</u></u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Operating Income .....	\$8,232,334	\$4,968,949
Adjustments to Reconcile Operating Income to Net Cash Flow:		
From Operating Activities		
Depreciation and Amortization.....	3,137,722	3,015,376
Non-Cash Pollution and Industrial Financing Income.....	--	(205,233)
Net Change in Assets and Liabilities from Operating Activities		
Operating Accounts Receivable.....	(2,344,788)	(61,756)
Other Current Assets.....	14,622	(70,316)
Operating Accounts Payable.....	1,230,801	338,941
Total Adjustments.....	2,038,357	3,017,012
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES.....</b>	<u><u>\$10,270,691</u></u>	<u><u>\$7,985,961</u></u>

**NON-CASH TRANSACTIONS SCHEDULE**

1. During fiscal year 2005, \$205,233 of interest expense on the \$4,700,000 of Floating Rate Monthly Demand Water Supply Refunding Revenue Bonds was paid by SOHIO Chemical Company directly to the Trustee, Chemical Bank. The bonds were fully retired by SOHIO during fiscal year 2005
1. During fiscal year 2006 and 2005, an adjustment of \$19,541 and \$64,901 respectively, was made to increase (decrease) investments to fair value

*The accompanying notes are an integral part of this statement.*

GUADALUPE-BLANCO RIVER AUTHORITY  
 NOTES TO COMBINED FINANCIAL STATEMENTS  
 AUGUST 31, 2006 AND 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of Guadalupe-Blanco River Authority's (GBRA) more significant accounting policies is presented to assist the reader in interpreting the combined financial statements. These policies, as presented, should be viewed as an integral part of the accompanying combined financial statements.

1. **Reporting Entity.** Guadalupe-Blanco River Authority is a political subdivision of the State of Texas, created by the Texas Legislature in 1935 by Article 8280-106 Vernon's Texas Civil Statutes. GBRA is a separate self-supporting governmental unit serving a ten county area and is administered by a nine member board of directors who are appointed by the Governor of the State of Texas. The State of Texas does not have a financial accountability with GBRA; therefore, GBRA is not a part of the State's reporting entity. In evaluating the governmental activities and entities to be included in the Authority's financial statements, the management has considered all potential component units. According to the criteria as set forth by the Governmental Accounting Standards Board and based upon the significance of their operational or financial relationships with the Authority there are no separate component units included in the financial statements.
2. **Principles of Accounting.** The accompanying combined financial statements have been prepared on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 20, 1989. However, from that date forward, proprietary funds have the option of not applying future FASB pronouncements. GBRA has chosen to apply future FASB pronouncements unless they conflict with GASB guidance.
3. **Fund Reporting.** GBRA's accounting system is one enterprise fund consisting of eleven divisions. These divisions account for the acquisition, construction, operation and maintenance of GBRA's facilities and services which are entirely or predominately self-supporting through charges to customers.
4. **Budgets and Budgetary Accounting.** GBRA is not required under its enabling act to adopt a budget; therefore, comparative statements of actual expenses to budget expenses are not included within the combined financial statements.
5. **Accounts Receivable.** GBRA considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operating expenses when that determination is made.
6. **Restricted Assets.** Contractually restricted cash, investments, interest receivable and accounts receivable balances are reported as separate line items in the asset section of the balance sheet. Such amounts are physically segregated from other enterprise fund assets pursuant to provisions of the applicable bond indentures. It is GBRA's policy to first apply restricted resources when an expense is incurred for which both unrestricted and restricted assets are available.
7. **Capital Assets.** Land is not depreciated since it is considered to have an indefinite useful life. Land rights, storage rights and water rights were primarily acquired prior to November 1, 1970. Since these assets have no evident limited life, no amortization is recognized. Property, plant and equipment are recorded at their historical cost except for contributed assets which are recorded at their fair market value at the time donated. GBRA Board Policy, 411-Capital Assets, provides guidelines for safeguarding and disposing of GBRA's capital assets. This policy identifies capital assets as all equipment and machinery with a useful life exceeding one year and with an original cost exceeding \$1,000. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives as follows:

Asset	Service Lives	Depreciation Method
Dams	30-50 Years	Straight-Line
Plants	30-50 Years	Straight-Line
Equipment	3-15 Years	Straight-Line

8. **Other Assets.** Included within other assets are contract development costs, debt issuance costs, permits and licenses and project development costs. With the exception of project development costs, these assets are amortized on a straight-line basis over the life of the related contract, bond issue, or license. Project development costs represent the capitalization of expenditures during the initial stage of a new project. These costs are accumulated until the viability of the new project is determined. If a project is determined to be viable, the costs are either transferred to capital or intangible assets. If a project is determined not to be viable, the costs are expensed.
9. **Unbilled Revenue.** Revenue relating to unbilled rural water and waste water treatment services has not been recognized since the amounts are immaterial.
10. **Administrative and General Charges.** The operating divisions of GBRA pay administrative and general charges to the General Division for the administrative oversight the General Division provides. These interdivision charges and revenues have been eliminated in the combined statements.
11. **Vacation and Sick Leave.** GBRA allows employees to accumulate vacation and sick leave within certain limitations. Pursuant to Governmental Accounting Standards Board pronouncements, GBRA does not accrue nor record as an expense non-vested sick leave rights. GBRA does record as an expense and liability the value of vested vacation rights which as of August 31, 2006 and 2005 amounted to \$397,307 and \$367,606, respectively.
12. **Contingent Liabilities.** GBRA provides for contingent liabilities when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. At August 31, 2006, GBRA had \$3,322,473 contractual commitments for construction of the Office Expansion project, Western Canyon Construction project, the IH-35 Pipeline project, and the Dunlap Wastewater Treatment Plant.
13. **Operating and Nonoperating Activities.** Proprietary funds, like GBRA, distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating activities result from providing services in connection with GBRA's principal ongoing operations. GBRA's primary operating revenues include charges for water sales and lake operations, power sales, wastewater treatment services, and other services. Operating expenses include the costs of sales and services, general and administrative expenses, and depreciation expense. Nonoperating revenues and expenses are all other activities not meeting the above definitions.
14. **Management's Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as, reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, allowance for doubtful accounts, realization of project development costs, and other accounts. Actual results may differ from these estimates.
15. **Restricted Net Assets.** GBRA recognizes net assets restricted for future construction costs, debt service payments, and insurance in divisions or funds in which assets exceed the related liabilities in accordance with bond issue and debt covenants and other externally imposed restrictions.
16. **Capitalization of Interest.** In accordance with Financial Accounting Standards Board (FASB) Statement 62, GBRA's policy is to capitalize net interest costs on funds borrowed to finance the construction of fixed assets. GBRA recorded \$2,281,790 of interest expense and \$863,901 of interest income as construction in progress in 2006. GBRA recorded \$3,175,723 of interest expense and \$1,513,734 of interest income as construction in progress in 2005. The current construction projects, in which net interest costs were recognized, are the Western Canyon Construction project, the IH-35 Pipeline project, San Marcos Pipeline project and the Luling-Lockhart Pipeline project.
17. **Deferred Expenses.** Certain utility expenses that do not require funds currently are deferred to such periods as they are intended to be recovered in rates charged to customers. Likewise, certain utility revenue is deferred to such periods in which the costs related to that revenue is recognized. Deferred expenses and revenue will be recognized in future years by setting rates sufficient to provide funds for the related debt service requirements. GBRA adopted the provisions of Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation" in 1992.
18. **Reclassifications.** Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

**GUADALUPE-BLANCO RIVER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED**  
**AUGUST 31, 2006 AND 2005**

**NOTE B - LONG TERM LIABILITIES**

GBRA currently has \$150,201,575 of debt outstanding from long-term loans and revenue bonds. This is exclusive of defeasance, discounts and premiums associated with these bonds.

The loans and revenue bonds outstanding at August 31, 2006 mature serially through 2037 as follows:

Year Ending August 31	LONG-TERM LOANS				REVENUE BONDS			
	Total	Interest	Principal	Balance of Principal Outstanding	Total	Interest	Principal	Balance of Principal Outstanding
				\$14,266,575				\$135,935,000
2007	1,491,114	695,170	795,944	13,470,631	10,435,502	6,365,502	4,070,000	131,865,000
2008	1,292,670	664,477	628,193	12,842,438	10,783,874	6,208,874	4,575,000	127,290,000
2009	1,284,528	635,058	649,470	12,192,968	10,800,489	6,055,489	4,745,000	122,545,000
2010	1,273,924	604,486	669,438	11,523,530	10,859,840	5,874,840	4,985,000	117,560,000
2011	1,252,476	572,806	679,670	10,843,860	10,888,921	5,683,921	5,205,000	112,355,000
2012	1,235,691	540,416	695,275	10,148,585	10,104,703	5,489,703	4,615,000	107,740,000
2013	1,228,708	506,665	722,043	9,426,542	10,114,568	5,274,568	4,840,000	102,900,000
2014	1,193,826	471,484	722,342	8,704,200	10,110,225	5,065,225	5,045,000	97,855,000
2015	1,155,560	436,724	718,836	7,985,364	9,034,514	4,844,514	4,190,000	93,665,000
2016	3,842,002	314,674	3,527,328	4,458,036	9,057,138	4,647,138	4,410,000	89,255,000
2017	606,541	202,056	404,485	4,053,551	8,746,113	4,446,113	4,300,000	84,955,000
2018	606,542	182,481	424,061	3,629,490	8,084,927	4,249,927	3,835,000	81,120,000
2019	606,542	161,629	444,913	3,184,577	8,087,631	4,057,631	4,030,000	77,090,000
2020	606,542	139,405	467,137	2,717,440	8,083,577	3,853,577	4,230,000	72,860,000
2021	606,542	115,705	490,837	2,226,603	8,088,754	3,638,754	4,450,000	68,410,000
2022	606,541	90,414	516,127	1,710,476	8,085,141	3,410,141	4,675,000	63,735,000
2023	606,542	63,411	543,131	1,167,345	8,088,098	3,178,098	4,910,000	58,825,000
2024	606,544	34,562	571,982	595,363	8,093,818	2,933,818	5,160,000	53,665,000
2025	308,890	14,884	294,006	301,357	7,442,333	2,692,333	4,750,000	48,915,000
2026	308,890	7,533	301,357	--	7,435,030	2,455,030	4,980,000	43,935,000
2027					7,436,110	2,206,110	5,230,000	38,705,000
2028					7,134,710	1,944,710	5,190,000	33,515,000
2029					7,129,652	1,684,652	5,445,000	28,070,000
2030					7,131,590	1,411,590	5,720,000	22,350,000
2031					6,689,420	1,134,420	5,555,000	16,795,000
2032					6,689,630	854,630	5,835,000	10,960,000
2033					6,690,720	560,720	6,130,000	4,830,000
2034					1,371,940	251,940	1,120,000	3,710,000
2035					1,368,540	193,540	1,175,000	2,535,000
2036					1,367,270	132,270	1,235,000	1,300,000
2037					1,367,840	67,840	1,300,000	--
	<u>\$20,720,615</u>	<u>\$6,454,040</u>	<u>\$14,266,575</u>		<u>\$236,802,614</u>	<u>\$100,867,614</u>	<u>\$135,935,000</u>	

**GUADALUPE BLANCO RIVER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED**  
**AUGUST 31, 2006 AND 2005**

**NOTE B – LONG-TERM LIABILITIES (CONTINUED)**

GBRA had the following changes in long-term liabilities for the fiscal years ended August 31, 2006 and 2005 (exclusive of interfund loans payable).

Series	Date of Issue	Final Maturity	Effective Interest Rate	Original Amount	Outstanding 8/31/2004	Retired During FY 2005	Outstanding 8/31/2005	Retired During FY 2006	Outstanding 8/31/2006	Amounts Due Within One Year
<b>OBLIGATIONS PAYABLE DIRECTLY BY GBRA</b>										
<b>RURAL UTILITIES DIVISION</b>										
Wells Fargo Loan, Dunlap Construction	09/15/2005	2015	6.1%	4,400,000	--	--	--	--	4,400,000	118,332
<b>WATER RESOURCE DIVISION</b>										
U. S. Government Loan	01/01/1977	2026	2.5%	\$8,979,862	\$5,178,673	\$179,423	\$4,999,250	183,909	\$4,815,341	188,507
First Lockhart National Bank Loan	12/31/2001	2007	3.5%	1,750,000	913,088	355,722	557,366	368,337	189,029	189,029
GE Capital Public Finance Loan	03/19/2004	2014	4.8%	467,276	452,702	38,061	414,641	43,186	371,455	41,920
General Improvement Revenue Bonds 2002	09/15/2002	2027	3.35-4.75%	4,390,000	4,185,000	100,000	4,085,000	105,000	3,980,000	110,000
Old National Bancorp, Lab Equipment	12/21/2005	2010	4.38%	65,000	--	--	--	10,122	54,878	12,275
JPMorgan Chase Loan, Office Expansion	05/09/2006	2016	4.18%	1,600,000	--	--	--	53,333	1,546,667	160,000
Frost National Bank Loan, Equipment	06/26/2006	2011	4.95%	43,696	--	--	--	1,938	41,756	7,996
<b>COLETO CREEK DIVISION</b>										
Frost National Bank Loan, Equipment	06/26/2006	2011	4.95%	13,609	--	--	--	1,059	12,550	4,368
<b>Total Obligations Payable Directly by GBRA</b>				<b>\$21,709,443</b>	<b>\$10,729,463</b>	<b>\$673,206</b>	<b>\$10,056,257</b>	<b>\$766,884</b>	<b>\$15,411,676</b>	<b>\$832,427</b>
<b>CONTRACT REVENUE BONDS AND LOANS</b>										
<b>WATER RESOURCE DIVISION</b>										
Hays Energy Ltd. Loan	09/23/1999	2024	8.0%	\$3,200,000	\$2,965,461	\$62,680	\$2,902,781	67,882	\$2,834,899	73,517
Regional Raw Wtr Delivery System Bonds, San Marcos 1998	09/15/1998	2024	4.50-6.0%	9,735,000	8,580,000	270,000	8,310,000	285,000	8,025,000	300,000
Western Canyon Regional Water Supply Project Revenue Bonds 2003	04/01/2003	2033	3.0-5.25%	79,450,000	79,450,000	--	79,450,000	1,440,000	78,010,000	1,505,000
Combination Contract Revenue Bonds 2004A	12/07/2004	2037	3.0-4.13%	15,660,000	--	--	15,660,000	--	15,660,000	--
Combination Contract Revenue Bonds 2004B	12/07/2004	2037	5.5-5.8%	5,305,000	--	--	5,305,000	--	5,305,000	--
<b>PORT LAVACA WATER TREATMENT PLANT DIVISION</b>										
Water Supply Revenue Refunding Bonds 2000	12/15/2000	2016	4.50-5.375%	3,265,000	2,820,000	170,000	2,650,000	180,000	2,470,000	190,000
<b>VICTORIA REGIONAL WASTE DISPOSAL DIVISION</b>										
Regional Waste Disposal Refunding and Improvement Revenue Bonds 1989	12/15/1989	2010	6.15-7.10%	5,520,000	2,610,000	--	2,610,000	435,000	2,175,000	435,000 (2)
Regional Waste Disposal Refunding Revenue Bonds 1993	11/15/1993	2004	2.75-4.60%	2,780,000	415,000	415,000	--	--	--	--
Regional Waste Disposal Revenue Bonds 1996	07/18/1996	2010	2.9-4.75%	3,750,000	2,135,000	270,000	1,865,000	280,000	1,585,000	290,000
<b>LULING WATER TREATMENT PLANT DIVISION</b>										
Treated Water Delivery System Contract Revenue Bonds (City of Lockhart) 2004	05/01/2004	2030	3.0-5.0%	6,370,000	6,370,000	--	6,370,000	150,000	6,220,000	150,000
<b>CANYON HYDROELECTRIC DIVISION</b>										
Hydroelectric Project Revenue Refunding Bonds 2002	04/15/2002	2014	3.5-4.75%	9,705,000	8,485,000	695,000	7,790,000	720,000	7,070,000	750,000 (3)
<b>LOCKHART WASTEWATER RECLAMATION DIVISION</b>										
Regional Wastewater Treatment System Contract Revenue Bonds 1996	04/02/1996	2017	2.85%-4.55%	5,480,000	5,445,000	5,000	5,440,000	5,000	5,435,000	340,000
<b>Total Contract Revenue Bonds and Loans</b>				<b>\$150,220,000</b>	<b>\$119,275,461</b>	<b>\$1,887,680</b>	<b>\$138,352,781</b>	<b>\$3,562,882</b>	<b>\$134,789,899</b>	<b>\$4,033,517</b>



GUADALUPE-BLANCO RIVER AUTHORITY  
 NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED  
 AUGUST 31, 2006 AND 2005

NOTE B – LONG-TERM LIABILITIES (CONTINUED)

Series	Date of Issue	Final Maturity	Effective Interest Rate	Original Amount	Outstanding 8/31/2004	Retired During FY 2005	Outstanding 8/31/2005	Retired During FY 2006	Outstanding 8/31/2006	Amounts Due Within One Year
<b>POLLUTION CONTROL BONDS</b>										
<b>WATER RESOURCE DIVISION</b>										
Water Supply Refunding Revenue Bonds (SOHIO Chemical Company Project)										
1983	05/01/1983	2013	6.55%	\$4,700,000	\$4,700,000	\$ 4,700,000	\$ --	\$ --	\$0	\$ -- (1)
<b>Total Pollution Control Bonds</b>				\$ 4,700,000	\$ 4,700,000	\$ 4,700,000	\$ --	\$ --	\$0	\$ --
<b>Total Bonds and Loans Payable Prior to Defeasance and Accretion of Interest</b>					<u>\$134,704,924</u>	<u>\$148,409,038</u>	<u>\$150,201,575</u>	<u>\$4,865,944</u>		

	8/31/2005	8/31/2006
Total Bonds and Loans Payable Prior to Defeasance and Accretion of Interest	\$148,409,038	\$150,201,575
Less Deferred Defeasance on Advance Refunding	(2,523,119)	(2,393,461)
Plus Revenue Bond Discounts and Accretion of Interest	3,254,469	3,333,076
<b>Net Revenue Bonds and Long-Term Loans Payable</b>	<u>149,140,388</u>	<u>151,141,190</u>
Less Current Portion	(4,260,072)	(4,865,944)
<b>TOTAL BONDS AND LOANS PAYABLE</b>	<u>144,880,316</u>	<u>146,275,246</u>

INTERDIVISION LOANS ELIMINATED FROM COMBINED BALANCE SHEET

Long-term loans payable to the General Division are as follows:	8/31/2005	8/31/2006
GuadalupeValley Hydroelectric Division	531,000	912,000
Rural Utilities Division	140,000	--
Water Supply Division	7,778,631	8,794,184
Port Lavaca Water Treatment Plant Division	--	185,000
Coletto Creek Division	305,598	144,207
Lockhart Wastewater Reclamation Division	21,375	9,879
<b>Total Long-term loans payable to the General Division</b>	<u>8,776,604</u>	<u>10,045,270</u>

1. A bond issue totaling \$4,700,000 was guaranteed by Standard Oil Company of Ohio (SOHIO), and was paid-off by SOHIO during 2005. Although GBRA owns the water supply facilities and the bond issue bore the GBRA's name, GBRA did not pledge its credit nor was it liable for any principal, premium, interest, or costs associated this issue except to the extent of revenue collected on this project. Instead, British Petroleum Chemical Company and Standard Oil Company pledge their credit and bore sole responsibility for all debt service payments
2. GBRA issued in Fiscal Year 1990 Regional Waste Disposal Refunding and Improvement Revenue Bonds. These bonds included both current interest bonds and capital appreciation or deep-discount bonds. The original combined discount on these bonds was in the amount of \$1,879,910. GBRA is amortizing the discount over the life of the bonds using the effective interest method. The August 31, 2006 and 2005 discount balance was \$284,911 and \$414,568 respectively. Part of the proceeds from these bonds were used to purchase U.S. Government securities which were placed in a separate irrevocable trust fund in order to defease a 1982 bond issue which was subsequently called on October 1, 1992.
3. GBRA issued in Fiscal Year 2002, Hydroelectric Project (City of New Braunfels, Texas) Revenue Refunding Bonds, Series 2002. These bonds were issued to retire the Series 1991 bonds, except for \$50,000 in principal and associated interest, which matured on December 1, 2002. The Series 2002 bonds were sold at a premium of \$33,774 which is being amortized over the life of the bond. The premium balance at August 31, 2006 and 2005 was \$23,306 and \$25,676 respectively. In addition to the refunding, New Braunfels Utilities contributed \$2,000,000 toward the reduction of the debt and reduced the term of the debt by two years. The refunding produced a net present value benefit (economic gain) of \$1,195,411. The combination of the refunding of the old bonds and the \$2,000,000 advance payment resulted in a net cash flow savings of \$2,972,819.
4. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service retirement, construction, contingencies, etc. These accounts are reported as restricted assets in the accompanying combined financial statements. The bond indentures contain flow of funds requirements which generally provide the order in which funds are to be applied. These requirements have been met. None of the bond indentures of GBRA contain bond coverage requirement provisions, except the General Improvement Revenue Bonds and the Series 2004 Combination Contract Revenue Bonds. Therefore coverage data is not applicable for those issues. The General Improvement Revenue Bonds required provisions are disclosed in footnote "Continuing Disclosure Requirements".

**GUADALUPE-BLANCO RIVER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED**  
**AUGUST 31, 2006 AND 2005**

**NOTE C - DEFINED BENEFIT PENSION PLAN**

**1. PLAN DESCRIPTION**

GBRA contributes to the Retirement Plan for Employees of Guadalupe-Blanco River Authority which was established June 1, 1966, and restated effective January 1, 1997. The Plan is a single employer, non-contributory, defined benefit plan. The Plan's benefit provisions were established and may be amended by GBRA's Board of Directors. The Plan is administered by the Retirement and Benefit Committee appointed by the GBRA Board. GBRA does not have access nor can it utilize assets within the Retirement Plan Trust.

All full-time GBRA employees who have completed one (1) year of service are eligible to participate in the Plan. Employees are 100% vested in the accrued benefit upon completion of five (5) years of service. Employees with less than five (5) years of service are not vested. Normal retirement age is 65. The Plan also provides benefits for early and late retirement, death, and disability. The retirement benefit at normal retirement is equal to 1.3% of final average earnings times the number of years of credited service. The normal form of payment is a ten (10) year certain and lifetime monthly benefit.

Wells Fargo Bank is the trustee of the plan. There is no stand-alone pension plan report available but a copy of the actuarial report is available from Rudd and Wisdom, Inc. at 9500 Arboretum Boulevard, Suite 200, Austin, Texas 78759.

**2. FUNDING POLICY**

The GBRA Board of Directors has sole authority to establish or amend the obligations to contribute to the plan by participants or the employer.

Employees are not required to contribute to the plan. GBRA makes contributions which are actuarially determined to pay the plan's total cost. GBRA contributes an amount annually (usually in December) for each plan year (ending December 31) that equals the sum of the normal cost using the entry age actuarial cost method plus an amount that will amortize the unfunded actuarial liability over an open period that varies from year to year but that in recent years has been 30 years. The employer contributions were 8.97% of total participant payroll for 2005 and are expected to be 9.06% for the 2006 plan year. All of the costs of administering the plan are paid by GBRA and are not considered in the determination of the employer contribution.

**3. ANNUAL PENSION COST AND NET PENSION OBLIGATION**

For the GBRA fiscal year commencing September 1, 2005 and ending August 31, 2006, the Annual Pension Cost for GBRA of \$625,333 was equal to the employer's required and actual contribution. There is no existing net pension obligation since GBRA has historically contributed the required annual contribution.

Fiscal Year Ending	SIX-YEAR TREND INFORMATION		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
August 31, 2001	\$350,082	100%	\$ --
August 31, 2002	\$386,646	100%	\$ --
August 31, 2003	\$423,589	100%	\$ --
August 31, 2004	\$538,629	100%	\$ --
August 31, 2005	\$514,051	100%	\$ --
August 31, 2006	\$625,333	100%	\$ --

The required contribution for the fiscal year ending August 31, 2006 was based on the results of the actuarial valuation as of January 1, 2005 using the entry age actuarial cost method and was determined in compliance with the GASB Statement No. 27 parameters. The actuarial assumptions used for the three most recent valuations are shown below:

Actuarial Valuation Date:	January 1, 2004	January 1, 2005	January 1, 2006
Actuarial Cost Method:	Entry age	Entry age	Entry age
Amortization Method:	Level % of payroll, open	Level % of payroll, open	Level % of payroll, open
Amortization Period:	30 years	30 years	30 years
Asset Valuation Method:	5-yr adjusted market value	5-yr adjusted market value	5-yr adjusted market value
Annual Actuarial Assumptions:			
Investment return*	8.25%	8.25%	8.25%
Projected salary increases*	4.0% plus merit	4.0% plus merit	4.0% plus merit
Inflation	4.0%	4.0%	4.0%
Cost-of-living increases	0.0%	0.0%	0.0%

\* includes inflation at the stated rate

**4. REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	1-Jan-01	1-Jan-02	1-Jan-03	1-Jan-04	1-Jan-05	1-Jan-06
Actuarial Value of Assets	\$6,040,155	\$6,613,194	\$6,366,054	\$7,205,740	\$7,677,107	\$8,298,010
Actuarial Accrued Liability (AAL)	\$8,688,221	\$9,550,335	\$10,754,778	\$11,372,521	\$12,690,710	\$13,572,098
Unfunded AAL (UAAL)	\$2,648,066	\$2,937,141	\$4,388,724	\$4,166,781	\$5,013,603	\$5,274,088
Funded Ratio	70%	69%	59%	63%	60%	61%
Covered Payroll	\$5,014,674	\$5,513,092	\$6,109,780	\$5,941,599	\$6,972,148	\$7,319,088
UAAL as a Percentage of Covered Payroll	53%	72%	70%	72%	72%	72%

GUADALUPE-BLANCO RIVER AUTHORITY  
 NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED  
 AUGUST 31, 2006 AND 2005

**NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS**

The monetary assets of GBRA are held in various forms and accounts. These assets are described and presented in the combined financial statements in two groups. One group is described as "Cash and Cash Equivalents". This group is characterized as having high liquidity with little market risk and includes cash, checking accounts, money market accounts and bank time deposits with an original maturity of less than three months. The second group of monetary assets is presented in the combined financial statements as "Investments". Investments are recorded at their fair value as based upon quoted market prices with the exception of bank certificates of deposit which are recorded at their historical cost which approximates fair value

**1. CASH AND DEPOSITS**

At August 31, 2006, GBRA held \$750,132 in restricted and unrestricted cash. Included in this amount was \$1,700 of cash on hand and the remainder was on deposit at various banks in demand accounts.

GBRA bank deposits were entirely insured or collateralized with securities held by GBRA's agent in GBRA's name.

**2. INVESTMENTS**

In March 2003 the GASB issued No. 40 "Deposits and Investment Risk Disclosures", which GBRA has implemented. Risk disclosures in previous financial reports (under the provisions of GASB 3) focused only on custodial credit risk. GASB 40 not only addresses custodial credit risk, but other common areas of investment risk as well (e.g. interest rate risk, credit risk, and concentration of credit risk).

GBRA customarily invests its funds in certificates of deposit, mortgage backed securities, direct obligations of the United States or money market investment funds such as the Texas State Treasury's TexPool Fund and the Texas Cooperative Liquid Assets Securities System (Texas CLASS). GBRA usually holds its investments until maturity.

Custodial Credit Risk: Investments which may be purchased pursuant to Texas state law and GBRA's investment policy are direct or indirect obligations of the United States of America, any "A" rated obligation of a state of the United States or political subdivision thereof, investment grade repurchase agreements, prime commercial paper rated P-1, obligations of the Federal National Mortgage Association and Government National Mortgage Association, and bank time deposits to the extent collateral is pledged on the amount exceeding Federal Deposit Insurance Corporation (FDIC) coverage.

	Fair Value	Weighted Average Maturity in Months
Federal Home Loan Bank	\$ 5,726,789	18.39
Federal Home Loan Mortgage Corp.	3,271,306	5.33
Federal National Mortgage Assn.	3,613,642	3.81
U. S. Treasury	325,906	0.89
Subtotal	12,937,643	
Certificates of Deposit	1,753,707	6.83
Money Market Funds	2,569,227	0.00
TexClass	354,390	1.00
TexPool	7,719,185	1.00
Total Investments	\$ 25,334,152	6.19

Interest Rate Risk: GBRA'S investment policy calls for maximum final maturity of any operating investments to be 5 years, with at least 50% of all operating investments maturing within 3 years. Bond funds may be invested with maturities of less than 5 years, and construction funds may be invested in accordance with a construction draw schedule. The weighted average maturities noted above are in compliance with this policy.

Investments are rated as follows:

	Moody's	S&P
Federal Home Loan Bank	Aaa	AAA
Federal Home Loan Mortgage Corp.	Aaa	AAA
Federal National Mortgage Assn.	Aaa	AAA
TexClass	Aaa	AAA
TexPool	Aaa	AAAm

\* The other investment categories are not rated.

TexPool has been organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. The Comptroller of Public Accounts (Comptroller) is the sole officer, director and shareholder of the Texas Treasury Safekeeping Trust Company which is authorized to operate TexPool. Pursuant to the TexPool Participation Agreement, administrative and investment services to TexPool are provided by Lehman Brothers, under an agreement with the Comptroller, acting on behalf of the Trust Company. The Comptroller maintains oversight of the services provided to TexPool by Lehman Brothers and Federated Investors. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases.

**GUADALUPE-BLANCO RIVER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED**  
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**NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

Texas CLASS is rated "AAA/V1+". Local government investment pools in this rating category meet the highest standards for credit quality, conservative investment policies, and safety of principal. The pool invests in a high-quality portfolio of investments legally permissible for Texas local government entities pursuant to the Texas Public Funds Investment Act. MBIA Municipal Investors Service Corporation, which manages the Texas CLASS, is a Securities and Exchange Commission registered investment advisor and provides investment management services specifically for the public sector.

The investment pools seek to maintain a net asset value of \$1.00 and are designed to be used for investment of funds which may be needed at any time.

**Concentration of Credit Risk:** GBRA's investment policy provides for diversification to reduce overall portfolio risk. The funds portfolio should consist of no more than 75% government or mortgage backed securities, 50% certificates of deposits, or 50% other types of eligible instruments. The investment portfolio concentrations are as follows:

Description	Fair Value	% of Portfolio
Mortgage Backed Securities	\$ 12,611,737	48.35%
Government Securities	325,906	1.25%
Certificates of Deposit	1,753,707	6.72%
Money Market Funds	2,569,227	9.85%
Public Funds Investment Pool	8,073,575	30.95%
Cash	750,132	2.88%
<b>Total</b>	<b>\$ 26,084,284</b>	<b>100.00%</b>

**NOTE E - CAPITAL ASSETS**

Capital asset activity for the fiscal year end was as follows:

Classification	ASSETS			
	Balance August 31, 2005	Additions	Removals	Balance August 31, 2006
Land, Water & Storage Rights	\$ 22,047,908	\$ --	\$ --	\$ 22,047,908
Construction in Progress	69,155,212	31,715,907	621,081	100,250,038
<b>Total Assets Not Being Depreciated</b>	<b>\$ 91,203,120</b>	<b>\$ 31,715,907</b>	<b>\$ 621,081</b>	<b>\$ 122,297,946</b>
Structures & Improvements	\$ 78,624,780	\$ 647,401	\$ --	\$ 79,272,181
Specialized Equipment	6,794,913	60,202	--	6,855,115
Office Buildings & Communications	2,260,173	--	--	2,260,173
Shops & Storerooms	89,909	--	--	89,909
Auto & Heavy Equipment	3,068,382	195,622	196,829	3,067,175
Office Furniture & Equipment	988,954	94,745	--	1,083,599
Miscellaneous Equipment	1,925,199	95,561	--	2,020,760
<b>Total Dams, Plants and Equipment</b>	<b>\$ 93,752,310</b>	<b>\$ 1,093,531</b>	<b>\$ 196,829</b>	<b>\$ 94,649,012</b>
<b>Total Capital Assets</b>	<b>\$ 184,955,430</b>	<b>\$ 32,809,438</b>	<b>\$ 817,910</b>	<b>\$ 216,946,958</b>
Classification	DEPRECIATION			
	Balance August 31, 2005	Additions	Removals	Balance August 31, 2006
Structures & Improvements	\$ (30,153,738)	\$ (2,277,109)		\$ (32,430,847)
Specialized Equipment	(5,119,021)	(110,334)		(5,229,355)
Office Buildings & Communications	(1,335,216)	(48,315)		(1,383,531)
Shops & Storerooms	(69,507)	(1,918)		(71,425)
Auto & Heavy Equipment	(1,856,563)	(258,869)	(168,892)	(1,946,540)
Office Furniture & Equipment	(684,036)	(100,855)		(784,891)
Miscellaneous Equipment	(913,790)	(104,775)	--	(1,018,565)
<b>Total Accumulated Depreciation</b>	<b>\$ (40,131,871)</b>	<b>\$ (2,902,175)</b>	<b>\$ (168,892)</b>	<b>\$ (42,865,154)</b>
<b>NET CAPITAL ASSETS</b>	<b>\$ 144,823,559</b>	<b>\$ 29,907,263</b>	<b>\$ 649,018</b>	<b>\$ 174,081,804</b>

**GUADALUPE-BLANCO RIVER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED**  
**AUGUST 31, 2006 AND 2005**

**NOTE F - POLLUTION CONTROL AND INDUSTRIAL DEVELOPMENT BONDS**

GBRA has assisted industries within the GBRA service area by providing tax-exempt financing for pollution control facilities and private industrial development. GBRA receives annual fees to administer this debt and these fees are recognized as pollution and industrial financing income. Additionally, GBRA owns certain facilities which supply raw water to the BP Chemical Company. BP Chemical pays all the debt service related to these water supply facilities. The amount of debt service that BP Chemical pays is recognized by GBRA as pollution and industrial financing income as well as interest expense.

For each of the remaining pollution control and industrial development bonds listed below, GBRA acted as an issuing conduit so that the user of the bond proceeds benefited from reduced debt service requirements. In each case, the user of the bond proceeds pledge their credit, bear sole responsibility for all debt service, make all payments directly to the trustee, and completely indemnify GBRA for any costs incurred. Due to the character of these bonds, GBRA considers them debts of the third party users rather than debts of GBRA. Therefore, these bonds and the related receivables have been excluded from the combined financial statements in order to avoid misrepresenting the nature of the bonds and distorting GBRA's financial statements. This exclusion is in conformity with the Texas State Auditor's Report dated October 6, 1986 for Water Districts and River Authorities reporting third party conduit financings. On December 12, 2005, E.I. Dupont redeemed all of the 1982A Floating Rate Monthly Demand Pollution Control Revenue Bonds. The Pollution Control and Industrial Development Bonds outstanding at August 31, 2005 total \$90,890,000 and are as follows:

Series	Date of		Interest Rate	Original Amount	Outstanding 8/31/05	Outstanding 8/31/06
	Issue	Maturity				
Pollution Control Revenue Bonds (Central Power and Light Company Project)						
1996	10/1/95	2015	4.75%	40,890,000	40,890,000	40,890,000
Floating Rate Monthly Demand Pollution Control Revenue Bonds (E. I. duPont Co. Project)						
1982A	7/1/82	2022	6.35%	13,500,000	13,500,000	---
Sewage and Solid Waste Disposal Facility Bonds (E. I. duPont Co. Project)						
1996	4/1/96	2026	Variable	25,000,000	25,000,000	25,000,000
Sewage and Solid Waste Disposal Facility Bonds (E. I. duPont Co. Project)						
1999	5/1/99	2029	5.5%	25,000,000	25,000,000	25,000,000

**NOTE G - RISK MANAGEMENT**

GBRA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, natural disasters, and job-related injuries or illnesses to employees for which GBRA carries commercial insurance or participates in the Texas Water Conservation Association Risk Management Fund (Fund). GBRA's relationship with the Fund parallels that with a commercial insurance company. The Fund has the responsibility to defend any suit seeking damages on account of any liability up to the applicable limits of the agreement. GBRA on the other hand has the responsibility to notify the Fund of all potential claims and to reimburse the Fund for amounts paid within the agreement's deductible. GBRA does not have the responsibility to reimburse the Fund for amounts related to the claims of other Fund participants. On January 1, 1994, GBRA changed its medical insurance coverage from a fully-insured plan to a partially self-insured plan. The purpose of the change was to reduce total medical costs for both the employees and GBRA. Medical claims exceeding \$999,093 for the group and \$40,000 per covered individual are insured through Combined Insurance Company of America. The plan is administered by United Health Care.

Liabilities are reported when a contingency risk exists that may exceed reasonable cost projections. Annual costs did exceed the plan year budget over the past fiscal year. As a result, GBRA's previously accumulated restricted health insurance investment fund declined to a total of \$196,209. These funds will be available in any future year that health costs exceed that plan year budget.

**NOTE H - CONTINUING DISCLOSURE REQUIREMENTS**

**GENERAL IMPROVEMENT REVENUE BONDS**

On September 18, 2002, GBRA authorized the issuance of General Improvement Revenue Bonds, Series 2002 in the amount of \$4,390,000 with a delivery date of September 27, 2002. The proceeds are being used for the expansion and construction of the GBRA headquarters, meeting room and office facilities, and an operations warehouse.

Moody's Investors Service, Inc. assigned an underlying rating on the Bonds of "A1" and an additional rating on the Bonds of "Aaa" based upon a municipal bond insurance policy issued by Ambac Assurance Corporation.

The bonds constitute special obligations of GBRA, both principal and interest, payable from and secured by an irrevocable lien on and pledge of the "Pledged Revenues" and the Pledged Revenues are further pledged to the establishment and maintenance of certain funds created in the Resolution authorizing the Bonds. "Pledged Revenues" generally consist of the gross revenues received by GBRA from the sale or commitment of raw water currently stored in Canyon Reservoir and from other sources of firm, dependable supplies of water as they are acquired and developed in the "Water Supply System" of GBRA's Water Resources Division.

**COMBINATION CONTRACT REVENUE BONDS**

On December 7, 2004, GBRA authorized the issuance of Combination Contract Revenue Subordinate Water Resources Division Revenue, and Surplus Water Project Revenue Bonds, Tax-Exempt Series 2004A and Taxable Series 2004B, \$15,660,000 and \$5,305,000, respectively. Proceeds from the sale of the Bonds will be used for the purpose of providing funds to construct and equip facilities and acquire rights-of-ways necessary for delivering treated water from a water treatment plant located in San Marcos, Texas to portions of Hays and Caldwell Counties, Texas.

The bonds constitute special obligations of GBRA that are equally and ratably payable from and secured by an irrevocable lien on and pledge of the "Pledged Revenues," and the Pledged Revenues are further pledged to the establishment and maintenance of certain funds created in the Resolution authorizing the bonds. "Pledged Revenues" generally consist of (i) the "Gross Contract Revenues" derived by GBRA from various public and private entities pursuant to certain "Water Supply Agreements" related to the Treated Water Delivery System; (ii) the "Subordinate Water Resources Division Revenues (which generally consist of the gross revenues received by GBRA from the sale of firm raw water stored in Canyon Reservoir and other sources of firm, dependable supplies of water as they are acquired and developed in the Water Supply System of GBRA's Water Resource Division, less payment of all debt service and other payments required to be made in connection with any "Senior Lien Water Resources Division Obligations" and operation and maintenance expenses of such Water Supply System), and (iii) the "Surplus Western Canyon Regional Water Supply Project Revenues" (which generally consist of gross revenues received by GBRA from various public and private entities and certain retail customers of GBRA that receive treated water from GBRA's "Western Canyon Regional Water Supply Project" pursuant to water supply agreement with GBRA, less all debt service, reserve fund, operation and maintenance expenses, and other funding requirement payable from such gross revenues which are then due and payable).

**GUADALUPE-BLANCO RIVER AUTHORITY**  
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Under the continuing disclosure agreements of these bonds, GBRA is obligated to provide certain updated financial information and operating data annually. The required information is identified below and in the preceding footnote.

**1. DEBT SERVICE REQUIREMENTS**

The amortization schedules associated with these bonds are included in the Other Supplemental Information section of this report.

**2. FUND BALANCES AND COVERAGE**

GENERAL IMPROVEMENT REVENUE BONDS

Interest and Sinking Fund Balances as of August 31, 2006	\$	23,625
Reserve Fund Balance as of August 31, 2006	\$	-- (1)
Pledged Revenues for the Fiscal Year Ended August 31, 2006	\$	6,713,379 (2)
Net Revenues for the Fiscal Year Ended August 31, 2006	\$	2,210,056 (3)
Average Annual Debt Service Requirements (2003-2027)	\$	295,625
Coverage Factor based on Pledged Revenues		22.71
Coverage Factor based on Net Revenues		7.48

(1) The reserve fund requirements are funded through Ambac Assurance Corporation.

(2) See "Water Sales" under "Raw Water Sales" table.

(3) See "Net Revenues" under "Raw Water Sales" table.

Note: Pledged revenues and coverages disclosure requirement for the Combination Contract Revenue Bonds, Series 2004A and 2004B are not applicable until 2007 when the participants begin paying debt service. The bonds included the funding of capitalized interest and a debt service reserve fund.

**3. RAW WATER SALES COMPONENT OF WATER RESOURCES DIVISION – HISTORICAL OPERATING STATEMENT**

	Fiscal Year Ended August 31				
	2006	2005	2004	2003	2002
<b>Revenue</b>					
Raw Water Sales (1)	\$ 6,713,379	\$ 5,691,556	\$ 5,387,503	\$ 5,395,420	\$ 4,112,175
Reservation Fees (2)and(3)	39,181	609,750	504,750	504,750	504,750
Water Replacement Fees (4)	220,000				
Recreation and Land Use	87,415	78,990	81,441	81,920	82,209
Rental Income	167,772	158,937	158,077	145,439	19,860
Miscellaneous	32,236	31,298	185,560	37,519	105,896
<b>Total Operating Revenue</b>	<b>\$ 7,259,983</b>	<b>\$ 6,570,531</b>	<b>\$ 6,317,331</b>	<b>\$ 6,165,048</b>	<b>\$ 4,824,890</b>
<b>Expense</b>					
Operating Expenses (5)	\$ 3,613,693	\$ 4,879,440	\$ 4,197,678	\$ 3,377,812	\$ 3,073,064
Maintenance and Repairs	1,030,821	430,913	228,875	321,898	334,652
Administrative and General	405,413	404,101	378,547	340,081	314,105
<b>Total Operating Expense</b>	<b>\$ 5,049,926</b>	<b>\$ 5,714,454</b>	<b>\$ 4,805,100</b>	<b>\$ 4,039,791</b>	<b>\$ 3,721,821</b>
<b>Net Revenue</b>	<b>\$ 2,210,056</b>	<b>\$ 856,077</b>	<b>\$ 1,512,231</b>	<b>\$ 2,125,257</b>	<b>\$ 1,103,069</b>
<b>Less Debt Service for Senior Lien Bonds (6)</b>	<b>\$ 283,225</b>	<b>\$ 282,725</b>	<b>\$ 282,000</b>	<b>\$ 285,954</b>	<b>\$ --</b>
<b>Subordinate Revenues Available</b>	<b>\$ 1,926,831</b>	<b>\$ 573,352</b>	<b>\$ 1,230,231</b>	<b>\$ 1,839,303</b>	<b>\$ 1,103,069</b>

(1) Pledged Revenues.

(2) Annual fee paid by the San Antonio Water System and the San Antonio River Authority to preserve 70,000 acre-feet of run-of-the-river water rights currently held by GBRA and Union Carbide in the anticipation of the construction of a water supply delivery project from Refugio County to Bexar County, Texas. Both San Antonio Water System and the San Antonio River Authority cancelled their reservation contracts during FY2006.

(3) During FY 2006, new customers in the Western Canyon project paid reservation to reserve plant capacity for water treatment at the Western Canyon Water Treatment Plant.

(4) New customers in the Western Canyon Project are required to pay a one time charge of \$225 per annual reserved acre foot commitment.

(5) Includes \$528,374 of FY 2005 costs recognized as Special Items in the Combining Schedule of Revenues, Expenses and Change in Net Assets.

(6) Senior Lien Bonds include the outstanding General Improvement Bonds, Series 2002.

**GUADALUPE-BLANCO RIVER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED**  
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**4. CUSTOMER BASE BY TYPE**

GBRA receives revenues from the sale or commitment of raw water currently stored in Canyon Reservoir. Such raw water is sold in accordance with various long-term contracts between GBRA and the purchaser where the purchaser agrees to pay for stored water whether or not it ultimately is delivered. There are four types of purchasers: municipal, domestic, industrial and irrigation. The total acre-feet of firm raw water contracted with each type of customer is shown below:

	As of August 31, 2006		As of August 31, 2005		As of August 31, 2004	
	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total
Municipal	53,872	76.40%	49,856	74.96%	46,248	73.40%
Domestic	22	0.03%	25	0.04%	24	0.04%
Industrial	15,830	22.45%	15,831	23.80%	15,830	25.12%
Irrigation	792	1.12%	799	1.20%	903	1.43%
<b>Total contracted acre-feet</b>	<b>70,516</b>	<b>100.00%</b>	<b>66,511</b>	<b>100.00%</b>	<b>63,005</b>	<b>100.00%</b>

	As of August 31, 2003		As of August 31, 2002	
	Acre-Feet	% of Total	Acre-Feet	% of Total
Municipal	44,823	63.56%	42,868	66.42%
Domestic	25	0.04%	25	0.04%
Industrial	15,833	22.45%	20,739	32.13%
Irrigation	909	1.29%	906	1.40%
<b>Total contracted acre-feet</b>	<b>61,590</b>	<b>87.34%</b>	<b>64,538</b>	<b>100.00%</b>

**5. MAJOR FIRM WATER CUSTOMERS (1,000 ACRE-FEET PER YEAR OR MORE)**

Municipal and Industrial customers account for the majority of the total acre-feet under contract between GBRA and purchasers, and purchasers with contracts for 1,000 acre-feet or more per year account for 85% of the total acre-feet currently under contract. For this reason, major firm water customers have been identified as those with contracts for the sale of firm raw water in the amount of 1,000 or more acre-feet per year. Major firm water customers for the fiscal year ended August 31, 2006 are shown below:

Customer	Type	Total AF/YR	Revenue	Contract Information		
				Contract Date	Expiration Date	Renewal Option
<b>Municipal</b>						
Canyon Regional Water Authority	Regional Water Authority	10,225	\$ 1,079,243	10/31/1998	12/31/2039	(1)
City of Marion (100 A/F)						
City of Cibola (1000 A/F)						
Green Valley SUD (1,800 A/F)						
Springs Hill WSC (1925 A/F)						
East Central WSC (1,400 A/F)						
Bexar Metropolitan WD (4,000 A/F)						
New Braunfels Utilities	City	6,720	616,000	01/26/1989	01/25/2009	20 Yrs
City of Seguin	City	2,000	183,333	07/11/1995	12/31/2037	(1)
Canyon Lake WSC	Water Supply Corporation	2,000	183,333	10/01/1994	12/31/2044	(1)
Canyon Lake WSC II	Water Supply Corporation	2,000	183,333	08/27/2001	12/31/2050	(1)
SHWSC I	Water Supply Corporation	1,000	91,667	06/26/1967	12/31/2050	(1)
SHWSC II	Water Supply Corporation	1,000	91,667	06/01/2000	12/31/2050	(1)
San Marcos RWDS Project						
City of San Marcos	City	5,000	458,333	10/01/1989	07/01/2047	(1)
City of Kyle	City	2,957	271,058	05/20/2005	12/31/2038	20 YRS
City of Buda	City	1,120		04/09/2002	12/31/2042	(1)
CRWA --Hays Project	Regional Water Authority	2,038	186,817	06/16/1999	12/31/2039	(1)
GoForth WSC	Water Supply Corporation	1,050	56,600	03/01/2004	12/11/2029	(1)
GBRA Western Canyon						
SAWS	City	4,000	660,459	03/17/2000	12/31/2037	40 Yrs (2x20 Yrs)
Boerne	City	1,861	111,760	02/22/2000	12/31/2037	40 Yrs (2x20 Yrs)
Fair Oaks Ranch	City	1,400	84,075	02/10/2000	12/31/2037	40 Yrs (2x20 Yrs)
<b>Total Major Municipal Customers</b>		<b>44,371</b>	<b>\$ 4,257,679</b>			
<b>Industrial</b>						
Guadalupe Power Partners	Electric Generation	6,840	\$ 617,320	03/17/1999	12/31/2021	30 Yrs (6x5 Yrs)
Coletto Creek Power LP	Electric Generation	4,000	412,500	09/01/1975	09/01/2025	(1)
Hays Energy Limited Partners	Electric Generation	2,464	225,867	06/25/1999	12/31/2025	(1)
INEOS USA LLC	Chemical Company	1,100	100,833	02/11/1980	02/21/2005	40 Yrs (15 Yrs = (5x5 Yrs))
<b>Total Major Industrial Customers</b>		<b>14,404</b>	<b>\$ 1,356,520</b>			
<b>Other</b>						
Cordillera Ranch	Housing Development	1,000	57,333	10/11/2001	12/31/2037	40 Yrs (2x20 Yrs)
<b>Total Major Other Customers</b>		<b>1,000</b>	<b>\$ 57,333</b>			
<b>Total Major Customers</b>		<b>59,775</b>	<b>\$ 5,614,198</b>			
<b>Total Firm Water Sales</b>		<b>70,516</b>	<b>5,713,379</b>			
<b>Major Customers as a Percentage of Total</b>		<b>84.77%</b>	<b>83.63%</b>			

(1) Contract does not provide for specific renewal options

GUADALUPE-BLANCO RIVER AUTHORITY  
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5. FIRM WATER SALES RATE HISTORY

Price Per Acre-Foot (1)	Effective Date
\$38.75	10/1/1980
44.76	10/1/1985
53.03	10/1/1990
61.00	10/1/1997
69.00	10/1/2000
80.00	10/1/2002
84.00	11/1/2003
88.00	10/1/2004
92.00	10/1/2005
96.00	10/1/2006

(1) Excludes out-of-district charges.

7. OTHER OBLIGATIONS

**Obligations Payable Directly by GBRA**

The long-term obligations payable directly by GBRA are disclosed in "Note B – Long Term Liabilities" in the "Notes to Combined Financial Statements" section of this report.

**Contract Revenue Bonds**

The contract revenue bonds which are payable from revenue derived from contracts between GBRA and the various parties securing payment to GBRA for debt service payments on the bonds are disclosed in "Note B – Long Term Liabilities" in the "Notes to Combined Financial Statements" section of this report.

**Pollution Control and Industrial Development Bonds**

GBRA has assisted industries within the GBRA service area by providing tax-exempt financing for pollution control facilities and private industrial development which are disclosed in "Note B – Long Term Liabilities" and in "Note F – Pollution Control and Industrial Development Bonds" in the "Notes to Combined Financial Statements" section of this report.

8. CASH, CASH EQUIVALENTS AND INVESTMENTS OF GBRA

The percentages of GBRA's unrestricted investable funds by category is included in Note D – Cash, Cash Equivalents and Investments of this report.

NOTE I – SPECIAL ITEMS

**Gain on Deferrals Resulting from Early Pay-off of Bonded Debt**

Certain utility revenue was deferred to such periods in which the debt service costs related to that revenue was recognized in accordance with the provisions of Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation". Deferred revenue totaling \$295,053 was to be recognized in future years on the debt guaranteed by Standard Oil Company of Ohio (SOHIO). The debt was paid off by SOHIO during 2005. As a result of this pay-off, there is no future debt service costs associated with the deferred revenue, therefore gain was recognized in 2005.

**Loss From Write Off of Certain Diversion and Water Supply Project Development Costs**

In 2001 GBRA entered into an agreement with San Antonio Water System (SAWS) and San Antonio River Authority (SARA) for water supply and delivery. The source of water was to be diverted flow from the Guadalupe River, and GBRA incurred development costs related to the proposed diversion and water delivery. In 2005, SAWS terminated its agreement under the terms of the contract. Therefore GBRA wrote-off those development costs associated with diversion and delivery to SAWS totaling \$528,374.



**GUADALUPE-BLANCO RIVER AUTHORITY**  
**NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED**  
**AUGUST 31, 2006 AND 2005**

**NOTE J - SEGMENT INFORMATION, INCLUDING INTERFUND RECEIVABLES/PAYABLES**

GBRA is comprised of eleven (11) enterprise funds. These funds provide various services including raw and treated water supply, wastewater treatment and disposal, water quality monitoring, cooling reservoir operation, parks and recreational opportunities, as well as, hydroelectric generation. Governments that use enterprise funds accounting and reporting standards to report their activities are required to present segment information. A segment is an identifiable activity reported as or within an enterprise fund or another stand-alone entity that has one or more bonds outstanding with a revenue stream pledged in support of that debt, and the activity is externally required to maintain separate accounts.

All operating revenues result from charges for services.

Segment information at August 31, 2006 is as follows:

	Water Sales	Port Lavaca Water Plant	Victoria Waste Disposal	Luling Water Plant	Canyon Hydroelectric	Lockhart WWTP	Total
<b>REVENUES, EXPENSES AND CHANGES IN NET ASSETS</b>							
Operating Revenue	\$ 13,604,889	\$ 1,284,974	\$ 3,478,291	\$ 1,020,473	\$ 1,344,011	\$ 1,247,600	\$ 21,980,238
Operating Expenses	(5,612,458)	(965,682)	(2,476,323)	(713,463)	(282,775)	(792,518)	(10,843,219)
Depreciation and Amortization Exp	(888,066)	(222,316)	(385,882)	(208,354)	(356,158)	(201,427)	(2,262,204)
Operating Income	7,104,364	96,976	616,086	98,656	705,078	253,655	8,874,815
Nonoperating Revenue (Expenses)	(3,661,485)	(114,886)	(176,258)	(112,159)	(388,595)	(228,230)	(4,681,613)
Capital Contributions	--	--	--	--	--	11,496	11,496
Costs to be Recovered (Deferred Rev)	(1,415,203)	(48,118)	(172,066)	(361)	(293,485)	186,545	(1,742,688)
Change in Net Assets	\$ 2,027,676	\$ (66,028)	\$ 267,762	\$ (13,864)	\$ 22,998	\$ 223,466	\$ 2,462,010
<b>BALANCE SHEET ACTIVITIES</b>							
Current Assets	\$ 16,303,922	\$ 462,774	\$ 1,320,391	\$ 413,835	\$ 778,279	\$ 456,730	\$ 19,735,931
Capital Assets	129,020,919	2,710,217	5,505,446	6,478,002	7,381,777	4,276,640	155,373,001
Other Assets	4,974,441	916,896	134,509	199,478	1,091,318	1,392,812	8,709,554
Total Assets	\$ 150,299,282	\$ 4,089,887	\$ 6,960,446	\$ 7,091,315	\$ 9,251,374	\$ 6,126,182	\$ 183,818,486
Current Liabilities	\$ 6,444,818	\$ 530,357	\$ 1,128,779	\$ 656,344	\$ 935,509	\$ 581,255	\$ 10,277,061
Long Term Liabilities	127,325,236	2,493,250	2,899,686	6,112,581	7,642,671	5,135,291	151,608,715
Total Liabilities	133,770,054	3,023,607	4,028,465	6,768,925	8,578,180	5,716,545	161,885,776
Invested in Capital Assets Net of Related Debt	30,085,115	55,217	2,030,357	512,427	1,098,239	(1,168,239)	32,613,116
Restricted	--	182,739	836,825	232,500	366,683	222,357	1,841,104
Unrestricted	(13,555,887)	828,324	64,799	(422,537)	(791,728)	1,355,518	(12,521,511)
Total Net Assets	16,529,228	1,066,280	2,931,581	322,390	673,194	409,636	21,932,709
Total Liabilities and Net Assets	\$ 150,299,282	\$ 4,089,887	\$ 6,960,446	\$ 7,091,315	\$ 9,251,374	\$ 6,126,181	\$ 183,818,485
Revenue Bonds Payable	\$ 113,007,009	\$ 2,470,000	\$ 3,475,089	\$ 6,203,980	\$ 6,283,537	\$ 5,435,000	\$ 136,874,615
Loans Payable	9,799,147	--	--	--	--	--	9,799,147
Interfund Balances:							
Accounts Receivable	518,694	136,051	283,231	55,000	38,000	85,000	1,115,976
Accounts Payable	865,363	175,977	84,535	376,516	37,154	124,828	1,664,423
Notes Payable	5,223,136	185,000	--	--	--	9,879	5,418,015
<b>CASH FLOW ACTIVITIES</b>							
<b>Cash Flows</b>							
Operating Activities	\$ 1,706,296	\$ 381,861	\$ 999,631	\$ 495,784	\$ 808,145	\$ 405,407	\$ 4,797,124
Noncapital Financing Activities	--	--	--	--	--	--	--
Capital & Related Financing Activities	(32,370,709)	(421,048)	(1,012,002)	(896,355)	(1,006,333)	(279,275)	(35,985,722)
Investing Activities	31,103,189	(41,854)	(77,233)	(156,624)	31,828	(132,399)	30,726,907
	\$ 438,776	\$ (81,041)	\$ (89,604)	\$ (557,195)	\$ (166,360)	\$ (6,267)	\$ (461,691)
<b>Current Cash and Cash Equivalents</b>							
At Beginning of Year	\$ 252,118	\$ 84,096	\$ 220,644	\$ 70,572	\$ 203,587	\$ 299,045	\$ 1,130,062
At End of Year	793,780	954	65,422	11,561	37,249	70,421	979,387
Net Increase (Decrease)	\$ 541,662	\$ (83,142)	\$ (155,222)	\$ (59,011)	\$ (166,338)	\$ (228,624)	\$ (150,675)
<b>Restricted Cash and Cash Equivalents</b>							
At Beginning of Year	\$ 7,303,720	\$ 2,964	\$ 711,623	\$ 504,089	\$ 266,705	\$ --	\$ 8,789,101
At End of Year	7,200,834	5,065	777,241	5,905	266,683	222,357	8,478,085
Net Increase (Decrease)	(102,886)	2,101	65,618	(498,184)	(22)	222,357	(311,016)
	\$ 438,776	\$ (81,041)	\$ (89,604)	\$ (557,195)	\$ (166,360)	\$ (6,267)	\$ (461,691)



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# OTHER SUPPLEMENTAL INFORMATION

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**GUADALUPE-BLANCO RIVER AUTHORITY  
COMBINING BALANCE SHEET**

**AUGUST 31, 2006**

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division	Port Lavaca Water Treatment Plant Division	Calhoun County Rural Water Supply Division
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Unrestricted Assets						
Cash and Cash Equivalents.....	\$ 1,667,236	\$ 2,585	\$ 82,155	\$ 215,847	\$ 954	\$ 62,595
Investments-Unrestricted.....	1,541,085	--	40,000	174,790	50,000	88,910
Interest Receivable.....	44,972	--	783	2,092	834	317
Accounts Receivable-Operating.....	17,858	156,152	270,932	1,453,476	102,068	75,846
Accounts Receivable-Interfund.....	2,913,671	191,277	120,025	1,158,497	136,051	85,691
Other Current Assets.....	16,238	49,762	10,186	221,956	18,558	23,074
Total Current Assets.....	6,201,060	399,776	524,081	3,226,658	308,465	336,433
Restricted Assets						
Cash and Cash Equivalents.....	179,434	--	393,628	7,332,979	5,065	--
Investments.....	497,630	--	1,689,597	5,660,144	147,908	--
Interest Receivable.....	1,454	--	9,016	55,345	1,336	--
Total Restricted Assets.....	678,518	--	2,092,241	13,048,468	154,309	--
Total Current Assets.....	6,879,578	399,776	2,616,322	16,275,126	462,774	336,433
<b>LONG-TERM ASSETS</b>						
Restricted Assets						
Investments.....	303,671	--	297,595	1,384,747	29,761	--
Total Restricted Assets.....	303,671	--	297,595	1,384,747	29,761	--
Capital Assets						
Land, Water and Storage Rights.....	511,854	2,196,916	84,199	17,134,368	41,424	51,396
Dams, Plants and Equipment.....	1,884,823	9,787,249	3,083,365	30,411,403	5,371,522	2,260,084
Construction In Progress.....	--	382,147	3,900,510	95,056,985	305,946	47,086
Less Accumulated Depreciation.....	(1,308,396)	(5,340,436)	(2,175,751)	(9,969,710)	(3,008,675)	(1,295,725)
Total Capital Assets.....	1,088,281	7,025,876	4,892,323	132,633,046	2,710,217	1,062,841
Other Assets						
Investments-Unrestricted.....	1,991,785	--	--	--	--	50,000
Long-term Loans Receivable.....	54,000	--	241,519	--	--	--
Contract Development Costs (Net of Amortization).....	--	--	--	1,262	--	--
Debt Issuance Costs (Net of Amortization).....	--	--	--	2,160,932	103,011	--
Permits and Licenses (Net of Amortization).....	--	--	--	--	--	--
Project Development Costs.....	--	--	--	2,651,947	--	--
Interfund Loans Receivable.....	10,045,270	--	--	--	--	--
Deferred Costs and Expenses.....	--	--	--	--	784,124	--
Total Other Assets.....	12,091,055	--	241,519	4,814,141	887,135	50,000
Total Long-Term Assets.....	13,483,007	7,025,876	5,431,437	138,831,934	3,627,113	1,112,841
Total Assets.....	\$ 20,362,585	\$ 7,425,652	\$ 8,047,759	\$ 155,107,060	\$ 4,089,887	\$ 1,449,274
<b>LIABILITIES AND NET ASSETS</b>						
<b>CURRENT LIABILITIES</b>						
Payable from Unrestricted Assets						
Current Portion of Long-Term Loans Payable.....	\$ --	\$ --	\$ --	\$ 673,244	\$ --	\$ --
Interest Payable.....	--	--	--	81,367	--	--
Accounts Payable-Operating.....	665,206	209,786	134,525	622,503	144,604	32,368
Accounts Payable-Interfund.....	2,348,438	320,133	128,806	1,435,975	175,977	41,711
Total Current Unrestricted Liabilities.....	3,013,644	529,919	263,331	2,813,089	320,581	74,079
Payable from Restricted Assets						
Current Portion of Debt.....	--	--	118,332	1,915,000	190,000	--
Interest Payable.....	--	--	134,200	1,356,789	19,776	--
Accounts Payable-Construction.....	--	--	281,705	1,269,924	--	--
Total Current Restricted Liabilities.....	--	--	534,237	4,541,713	209,776	--
Total Current Liabilities.....	3,013,644	529,919	797,568	7,354,802	530,357	74,079
<b>LONG-TERM LIABILITIES</b>						
Revenue Bonds Payable.....	--	--	--	113,007,009	2,470,000	--
Long-Term Loans Payable.....	--	--	4,400,000	9,854,025	--	--
Interfund Loans Payable.....	--	912,000	--	8,794,184	185,000	--
Less Current Portion.....	--	912,000	4,400,000	131,655,218	2,655,000	--
Total Bonds and Loans Liabilities.....	--	912,000	4,281,668	129,066,974	2,465,000	--
Advances for Operations.....	--	--	13,975	64,830	28,250	--
Deferred Income.....	--	--	--	2,639,720	--	--
Total Long-Term Liabilities.....	--	912,000	4,295,643	131,771,524	2,493,250	--
Total Liabilities.....	3,013,644	1,441,919	5,093,211	139,126,326	3,023,607	74,079
<b>NET ASSETS</b>						
Investments in Capital Assets Net of Related Debt.....	1,088,281	6,113,876	1,661,652	15,123,552	55,217	1,062,841
Restricted for Construction.....	--	--	826,008	--	29,761	--
Restricted for Insurance.....	982,190	--	--	--	--	--
Restricted for Debt Service.....	--	--	--	--	152,978	--
Unrestricted.....	15,278,470	(130,143)	466,888	857,182	828,324	312,354
Total Net Assets.....	17,348,941	5,983,733	2,954,548	15,980,734	1,066,280	1,375,195
Total Liabilities and Net Assets.....	\$ 20,362,585	\$ 7,425,652	\$ 8,047,759	\$ 155,107,060	\$ 4,089,887	\$ 1,449,274

See accompanying independent auditors' report.

Victoria Regional Wastewater Reclamation Division	Coletto Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	2006 Eliminations	2006 Total
\$ 65,422	\$ 19,727	\$ 11,561	\$ 37,249	\$ 86,400	\$ --	\$ 2,251,731
100,000	--	84,138	--	50,000	--	2,128,923
2,472	3	417	--	971	--	52,861
3,215	38,842	15,413	323,417	27,141	--	2,484,360
283,231	93,309	55,000	38,000	125,000	(5,199,752)	0
24,157	8,595	7,259	8,425	13,469	--	401,679
478,497	160,476	173,788	407,091	302,981	(5,199,752)	7,319,554
777,241	--	5,905	266,683	222,357	--	9,183,292
60,000	--	232,500	100,000	--	--	8,387,779
4,653	--	1,642	4,505	1,216	--	79,167
841,894	--	240,047	371,188	223,573	--	17,650,238
1,320,391	160,476	413,835	778,279	526,554	(5,199,752)	24,969,792
--	--	--	--	--	--	2,015,774
--	--	--	--	--	--	2,015,774
1,003,391	--	875,292	12,187	136,881	--	22,047,908
14,396,206	1,804,436	6,986,562	12,428,328	6,235,034	--	94,649,012
23,555	--	408,256	125,553	--	--	100,250,038
(9,917,706)	(1,368,544)	(1,792,108)	(5,184,291)	(1,503,812)	--	(42,865,154)
5,505,446	435,892	6,478,002	7,381,777	4,868,103	--	174,081,804
50,000	--	--	--	25,000	--	2,116,785
--	--	--	--	--	--	295,519
--	--	--	46,748	14,344	--	62,354
84,609	--	199,478	318,071	73,625	--	2,939,726
--	--	--	726,499	--	--	726,499
--	--	--	--	--	--	2,651,947
--	--	--	--	--	(10,045,270)	0
--	--	--	--	1,299,542	--	2,083,666
134,609	--	199,478	1,091,318	1,412,511	(10,045,270)	10,876,496
5,640,055	435,892	6,677,480	8,473,095	6,280,614	(10,045,270)	186,974,074
\$ 6,960,446	\$ 596,368	\$ 7,091,315	\$ 9,251,374	\$ 6,807,168	\$ (15,245,022)	\$ 211,943,866
\$ --	\$ 4,368	\$ --	\$ --	\$ --	\$ --	677,612
--	--	--	--	--	--	81,367
289,089	90,606	69,828	70,638	193,312	--	2,522,465
84,585	123,557	376,516	37,154	126,900	(5,199,752)	0
373,674	218,531	446,344	107,792	320,212	(5,199,752)	3,281,444
725,000	--	150,000	750,000	340,000	--	4,188,332
30,105	--	24,207	77,717	19,687	--	1,662,481
--	--	35,793	--	--	--	1,587,422
755,105	--	210,000	827,717	359,687	--	7,438,235
1,128,779	218,531	656,344	935,509	679,899	(5,199,752)	10,719,679
3,475,089	--	6,203,980	6,283,537	5,435,000	--	136,874,615
--	12,550	--	--	--	--	14,266,575
--	144,207	--	--	9,879	(10,045,270)	0
3,475,089	156,757	6,203,980	6,283,537	5,444,879	(10,045,270)	151,141,190
(725,000)	(4,368)	(150,000)	(750,000)	(340,000)	--	(4,865,944)
2,750,089	152,389	6,053,980	5,533,537	5,104,879	(10,045,270)	146,275,246
82,673	--	34,805	309,760	30,412	--	564,705
66,924	--	23,796	1,799,374	--	--	4,529,814
2,899,686	152,389	6,112,581	7,642,671	5,135,291	(10,045,270)	151,369,765
4,028,465	370,920	6,768,925	8,578,180	5,815,190	(15,245,022)	162,089,444
2,030,357	291,684	512,427	1,098,239	(576,776)	10,045,270	38,506,620
125,980	--	--	100,000	--	--	1,081,749
--	--	--	--	--	--	982,190
710,845	--	232,500	266,683	222,357	--	1,585,363
64,799	(66,236)	(422,537)	(791,728)	1,346,397	(10,045,270)	7,698,500
2,931,981	225,448	322,390	673,194	991,978	--	49,854,422
\$ 6,960,446	\$ 596,368	\$ 7,091,315	\$ 9,251,374	\$ 6,807,168	\$ (15,245,022)	\$ 211,943,866

**GUADALUPE-BLANCO RIVER AUTHORITY  
COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGE IN NET ASSETS**

**FISCAL YEAR ENDED AUGUST 31, 2006**

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division	Port Lavaca Water Treatment Plant Division
<b>REVENUE</b>					
Power Sales.....	--	2,097,141	--	--	--
Water Sales and Lake Operations.....	--	--	--	16,037,468	1,284,912
Recreation and Land Use.....	--	--	--	87,415	--
Waste Water Treatment Services.....	--	--	1,046,092	345,440	--
Laboratory Services.....	--	--	--	527,187	--
Rental.....	--	2,641	--	174,156	--
Administrative and General.....	2,130,695	--	--	--	--
Pollution and Industrial Financing.....	16,875	--	--	--	--
Miscellaneous.....	9,169	185,098	100,256	1,118,109	62
Total Operating Revenue.....	2,156,739	2,284,880	1,146,348	18,289,775	1,284,974
<b>EXPENSES</b>					
Personnel Operating Costs.....	987,140	849,606	313,935	3,100,180	397,670
Operating Supplies and Services.....	957,392	596,054	285,174	5,662,233	337,605
Maintenance and Repairs.....	140,132	703,447	209,990	918,540	127,253
Administrative and General.....	--	304,055	89,955	768,688	103,154
Depreciation and Amortization.....	124,920	227,494	100,754	1,109,082	222,316
Total Operating Expenses.....	2,209,584	2,680,656	999,808	11,558,723	1,187,998
Operating Income (Loss).....	(52,845)	(395,776)	146,540	6,731,052	96,976
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Investment Income.....	214,205	272	56,793	203,517	6,994
Gain (Loss) on the Disposal of Capital Assets.....	6,639	(3,743)	--	1,623	--
Interest Expense.....	--	--	(134,200)	(3,861,231)	(121,880)
Total Nonoperating Revenues (Expenses).....	220,844	(3,471)	(77,407)	(3,656,091)	(114,886)
Income (Loss) Before Recognition of Capital Contributions and Deferrals.....	167,999	(399,247)	69,133	3,074,961	(17,910)
Capital Contributions.....	--	--	--	--	--
Income (Loss) Before Recognition of Deferrals.....	167,999	(399,247)	69,133	3,074,961	(17,910)
Costs to be Recovered (Revenue to be Recognized) in Future Years.....	--	--	--	(1,304,608)	(48,118)
Change in Net Assets.....	167,999	(399,247)	69,133	1,770,353	(66,028)
Net Assets at September 1, 2005.....	17,180,942	6,382,980	2,885,415	14,210,381	1,132,308
Net Assets at August 31, 2006.....	17,348,941	5,983,733	2,954,548	15,980,734	1,066,280

See accompanying independent auditors' report.

Calhoun County Rural Water Supply Division	Victoria Regional Wastewater Reclamation Division	Coletto Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Eliminations	Total
--	--	--	--	1,330,422	--	\$ --	\$ 3,427,563
632,345	--	758,892	1,020,448	--	388,000	--	20,122,065
--	--	424,342	--	--	--	--	511,757
35,280	3,107,047	--	--	--	1,047,652	--	5,581,511
--	11,115	--	--	--	--	--	538,302
--	--	92,698	--	--	--	--	269,495
--	--	--	--	--	--	(2,130,695)	--
--	--	205,782	--	--	--	--	222,657
65,087	360,129	14,067	25	13,589	200,394	--	2,065,985
732,712	3,478,291	1,495,781	1,020,473	1,344,011	1,636,046	(2,130,695)	32,739,335
272,095	914,298	551,348	295,022	98,149	287,750	(237,116)	7,830,077
282,558	768,913	322,132	265,996	69,341	537,096	--	10,084,494
51,743	537,609	336,208	76,692	78,938	274,156	--	3,454,708
70,632	255,503	107,526	75,753	36,347	81,966	(1,893,579)	--
78,114	385,882	75,227	208,354	356,158	249,421	--	3,137,722
755,142	2,862,205	1,392,441	921,817	638,933	1,430,389	(2,130,695)	24,507,001
(22,430)	616,086	103,340	98,656	705,078	205,657	--	8,232,334
6,349	24,455	556	10,559	22,479	9,302	--	555,481
873	2,189	135	--	--	--	--	7,716
--	(202,902)	(163)	(122,718)	(411,074)	(236,326)	--	(5,090,494)
7,222	(176,258)	528	(112,159)	(388,595)	(227,024)	--	(4,527,297)
(15,208)	439,828	103,868	(13,503)	316,483	(21,367)	--	3,705,037
--	--	--	--	--	11,496	--	11,496
(15,208)	439,828	103,868	(13,503)	316,483	(9,871)	--	3,716,533
--	(172,066)	27,323	(361)	(293,485)	186,545	--	(1,604,770)
(15,208)	267,762	131,191	(13,864)	22,998	176,674	--	2,111,763
1,390,403	2,664,219	94,257	336,254	650,196	815,304	--	47,742,659
1,375,195	2,931,981	225,448	322,390	673,194	991,978	--	49,854,422

**GUADALUPE-BLANCO RIVER AUTHORITY  
COMBINING SCHEDULE OF CASH FLOWS**

**FISCAL YEAR ENDED AUGUST 31, 2006**

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Cash Received from Customers.....	\$ --	\$ 2,428,825	\$ 1,021,242	\$ 17,463,174
Cash Received from Interfund Administrative Charges.....	2,130,695	--	--	--
Cash Received from Administration of Industrial Revenue Bonds.....	16,875	--	--	--
Cash Received from Customer Operating Advances.....	--	--	--	--
Cash Paid for Personnel Operating Costs.....	(987,140)	(849,606)	(312,935)	(3,100,180)
Cash Paid for Other Operating and Maintenance Costs.....	(1,019,402)	(1,589,266)	(622,532)	(6,297,445)
Cash Paid for Interfund Administrative Charges.....	--	(304,055)	(89,955)	(768,688)
Net Cash Flows From (Used by) Operating Activities.....	141,028	(314,102)	(5,180)	7,296,861
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>				
Interfund Operating Loans Received.....	--	481,000	--	1,844,249
Interfund Operating Loans Made.....	(2,598,249)	--	--	--
Principal Payments Made on Interfund Operating Loans.....	--	(100,000)	(140,000)	(828,696)
Principal Payments Received on Interfund Operating Loans.....	1,329,583	--	--	--
Net Cash Flows From (Used by) Noncapital Financing Activities.....	(1,268,666)	381,000	(140,000)	1,015,553
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>				
Proceeds from Advances from Customers, Developers, and Other Governmental Units.....	--	--	--	18,067
Proceeds from Loans for Capital Assets and Plant Expansions.....	--	--	4,400,000	1,708,696
Proceeds from Sale of Capital Assets.....	19,742	3,709	5,323	2,836
Purchase of Capital Assets.....	(54,012)	(13,011)	(118,078)	(350,993)
Cash Paid for Construction in Progress.....	--	(68,180)	(2,838,829)	(32,926,262)
Cash Paid for Project Development.....	--	--	--	(1,001,769)
Interest Paid.....	--	--	--	(3,889,176)
Principal Payments on Revenue Bonds.....	--	--	--	(1,830,000)
Principal Payments on Loans.....	--	--	--	(728,708)
Net Cash Flows Used by Capital and Related Financing Activities.....	(34,270)	(77,482)	1,449,416	(38,997,309)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>				
Cash Received from Investments.....	828,882	163	--	11,870,896
Investment Income Received.....	227,880	283	60,827	226,027
Cash Paid for Investments.....	(1,178,687)	--	(1,396,570)	(174,790)
Net Cash Flows From (Used by) Investing Activities.....	(121,925)	446	(1,335,743)	11,922,133
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>\$ (1,283,833)</b>	<b>\$ (10,138)</b>	<b>\$ (31,507)</b>	<b>\$ (18,762,762)</b>
<b>CURRENT CASH AND CASH EQUIVALENTS:</b>				
At Beginning of Year.....	3,100,864	12,723	51,080	104,183
At End of Year.....	1,667,236	2,585	82,155	215,847
Net Increase (Decrease).....	(1,433,628)	(10,138)	31,075	111,664
<b>RESTRICTED CASH AND CASH EQUIVALENTS:</b>				
At Beginning of Year.....	29,638	--	456,211	26,207,405
At End of Year.....	179,433	--	393,629	7,332,979
Net Increase (Decrease).....	149,795	--	(62,582)	(18,874,426)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....</b>	<b>\$ (1,283,833)</b>	<b>\$ (10,138)</b>	<b>\$ (31,507)</b>	<b>\$ (18,762,762)</b>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:</b>				
Operating Income (Loss).....	\$ (52,845)	\$ (395,776)	\$ 146,540	\$ 6,731,052
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:				
Depreciation and Amortization.....	124,920	227,494	100,754	1,109,082
Net Change in Assets and Liabilities from Operating Activities				
Operating Accounts Receivable.....	(798,596)	143,945	(154,131)	(1,269,109)
Other Current Assets.....	597	1,826	3,832	15,668
Operating Accounts Payable.....	866,952	(291,591)	(102,175)	710,168
Total Adjustments.....	193,873	81,674	(51,720)	565,809
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES.....</b>	<b>\$ 141,028</b>	<b>\$ (314,102)</b>	<b>\$ (5,180)</b>	<b>\$ 7,296,861</b>
<b>NON-CASH TRANSACTIONS SCHEDULE</b>				

1. During fiscal year 2006 and 2005, an adjustment of \$19,541 and \$64,901, respectively, was made to decrease investments to fair value.

See accompanying independent auditors' report.



Port Lavaca Water Treatment Plant Division	Calhoun County Rural Water Supply Division	Victoria Wastewater Reclamation Division	Coletto Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Eliminations	Total
\$ 1,281,902	\$ 726,472	\$ 3,492,160	\$ 1,280,831	\$ 1,068,058	\$ 1,189,204	\$ 1,627,920	\$ --	\$ 31,579,788
--	--	--	--	--	--	--	--	2,130,695
--	--	--	205,782	--	--	--	--	222,657
--	--	--	--	--	--	--	--	--
(397,670)	(272,095)	(914,298)	(551,348)	(295,022)	(98,149)	(287,750)	--	(8,067,193)
(399,217)	(427,464)	(1,322,728)	(638,383)	(201,499)	(246,563)	(937,178)	--	(13,701,677)
(103,154)	(70,632)	(255,503)	(107,526)	(75,753)	(36,347)	(81,966)	--	(1,893,579)
<u>381,861</u>	<u>(43,719)</u>	<u>999,631</u>	<u>189,356</u>	<u>495,784</u>	<u>808,145</u>	<u>321,026</u>	--	<u>10,270,691</u>
185,000	--	--	88,000	--	--	--	(2,598,249)	--
--	--	--	--	--	--	--	2,598,249	--
--	--	--	(249,391)	--	--	(11,496)	1,329,583	--
--	--	--	--	--	--	--	(1,329,583)	--
<u>185,000</u>	--	--	<u>(161,391)</u>	--	--	<u>(11,496)</u>	--	--
--	98,108	3,710	--	--	60,993	12,209	--	193,087
--	--	--	12,550	--	--	--	--	6,121,246
--	2,600	2,516	4,249	--	--	--	--	41,975
(1,164)	(75,638)	(95,198)	(43,171)	(275,991)	--	(27,638)	--	(1,054,894)
(301,391)	--	(169)	--	(347,269)	(7,658)	--	--	(36,489,758)
--	--	--	--	--	--	--	--	(1,001,769)
(123,493)	--	(207,861)	(163)	(123,095)	(339,668)	(236,341)	--	(4,919,797)
(180,000)	--	(715,000)	--	(150,000)	(720,000)	(5,000)	--	(3,600,000)
--	--	--	--	--	--	--	--	(728,708)
<u>(606,048)</u>	<u>25,070</u>	<u>(1,012,002)</u>	<u>(26,535)</u>	<u>(896,355)</u>	<u>(1,006,333)</u>	<u>(256,770)</u>	--	<u>(41,438,618)</u>
2,190	31,234	50,001	--	--	9,655	23,889	--	12,816,910
5,956	8,672	22,766	556	10,265	22,173	7,706	--	593,111
(50,000)	(50,000)	(150,000)	--	(166,889)	--	(59,364)	--	(3,226,300)
(41,854)	(10,094)	(77,233)	556	(156,624)	31,828	(27,769)	--	10,183,721
<u>\$ (81,041)</u>	<u>\$ (28,743)</u>	<u>\$ (89,604)</u>	<u>\$ 1,986</u>	<u>\$ (557,195)</u>	<u>\$ (166,360)</u>	<u>\$ 24,991</u>	<u>\$ --</u>	<u>\$ (20,984,206)</u>
84,096	91,338	220,644	17,741	70,572	203,587	283,766	--	\$ 4,240,594
954	62,595	65,422	19,727	11,561	37,249	86,400	--	2,251,731
<u>(83,142)</u>	<u>(28,743)</u>	<u>(155,222)</u>	<u>1,986</u>	<u>(59,011)</u>	<u>(166,338)</u>	<u>(197,366)</u>	--	<u>(1,988,863)</u>
2,964	--	711,623	--	504,089	266,705	--	--	28,178,635
5,065	--	777,241	--	5,905	266,683	222,357	--	9,183,292
2,101	--	65,618	--	(498,184)	(22)	222,357	--	(18,995,343)
<u>\$ (81,041)</u>	<u>\$ (28,743)</u>	<u>\$ (89,604)</u>	<u>\$ 1,986</u>	<u>\$ (557,195)</u>	<u>\$ (166,360)</u>	<u>\$ 24,991</u>	<u>\$ --</u>	<u>\$ (20,984,206)</u>
\$ 96,976	\$ (22,430)	\$ 616,086	\$ 103,340	\$ 98,656	\$ 705,078	\$ 205,657	\$ --	\$ 8,232,334
222,316	78,114	385,882	75,227	208,354	356,158	249,421	--	3,137,722
(3,803)	(22,431)	(26,147)	(9,168)	27,585	(154,807)	(78,126)	--	(2,344,788)
(2,547)	(3,071)	1,730	(1,495)	(3,129)	471	740	--	14,622
68,919	(73,901)	22,080	21,452	164,318	(98,755)	(56,666)	--	1,230,801
284,885	(21,289)	383,545	86,016	397,128	103,067	115,369	--	2,038,357
<u>\$ 381,861</u>	<u>\$ (43,719)</u>	<u>\$ 999,631</u>	<u>\$ 189,356</u>	<u>\$ 495,784</u>	<u>\$ 808,145</u>	<u>\$ 321,026</u>	<u>\$ --</u>	<u>\$ 10,270,691</u>

**DUNLAP WASTEWATER TREATMENT PLANT EXPANSION  
AMORTIZATION SCHEDULE FOR WELLS FARGO BANK  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 118,332	\$ 264,791	\$ 383,123
2008	125,550	257,352	382,902
2009	133,209	249,460	382,669
2010	141,335	241,087	382,422
2011	149,956	222,776	372,732
2012	159,103	222,776	381,879
2013	168,809	212,775	381,584
2014	179,106	202,163	381,269
2015	190,032	190,905	380,937
2016	3,034,568	92,554	3,127,122
	<u>\$ 4,400,000</u>	<u>\$ 2,156,639</u>	<u>\$ 6,556,639</u>

**CANYON DAM AND RESERVOIR SCHEDULE  
AMORTIZATION SCHEDULE FOR U.S. GOVERNMENT LOAN  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 188,507	\$ 120,383	\$ 308,890
2008	193,219	115,671	308,890
2009	198,050	110,840	308,890
2010	203,001	105,889	308,890
2011	208,076	100,814	308,890
2012	213,278	95,612	308,890
2013	218,610	90,280	308,890
2014	224,075	84,815	308,890
2015	229,677	79,213	308,890
2016	235,419	73,471	308,890
2017	241,305	67,585	308,890
2018	247,337	61,553	308,890
2019	253,521	55,369	308,890
2020	259,859	49,031	308,890
2021	266,355	42,535	308,890
2022	273,014	35,876	308,890
2023	279,839	29,051	308,890
2024	286,835	22,055	308,890
2025	294,006	14,884	308,890
2026	301,358	7,532	308,890
	<u>\$ 4,815,341</u>	<u>\$ 1,362,459</u>	<u>\$ 6,177,800</u>

**WATER RESOURCE WATER RIGHT AMORTIZATION SCHEDULE  
FOR FIRST LOCKHART NATIONAL BANK LOAN  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 189,029	\$ 2,505	\$ 191,534
	<u>\$ 189,029</u>	<u>\$ 2,505</u>	<u>\$ 191,534</u>

**EQUIPMENT LOAN AMORTIZATION SCHEDULE  
GE CAPITAL PUBLIC FINANCE LOAN  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 41,920	\$ 17,206	\$ 59,126
2008	43,993	15,132	59,125
2009	46,170	12,956	59,126
2010	48,453	10,672	59,125
2011	50,850	8,276	59,126
2012	53,365	5,760	59,125
2013	56,005	3,120	59,125
2014	30,699	550	31,249
	<u>\$ 371,455</u>	<u>\$ 73,672</u>	<u>\$ 445,127</u>

**LAB EQUIPMENT LOAN AMORTIZATION SCHEDULE  
OLD NATIONAL BANKCORP CORPORATION  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 12,275	\$ 2,157	\$ 14,432
2008	12,823	1,609	14,432
2009	13,395	1,037	14,432
2010	13,993	439	14,432
2011	2,392	13	2,405
	<u>\$ 54,878</u>	<u>\$ 5,255</u>	<u>\$ 60,133</u>

**GENERAL IMPROVEMENT OFFICE EXPANSION  
AMORTIZATION SCHEDULE  
JP MORGAN CHASE BANK  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 160,000	\$ 61,585	\$ 221,585
2008	160,000	54,897	214,898
2009	160,000	48,209	208,209
2010	160,000	41,521	201,521
2011	160,000	34,833	194,833
2012	160,000	28,145	188,145
2013	160,000	21,457	181,457
2014	160,000	14,769	174,769
2015	160,000	8,081	168,081
2016	106,667	1,672	108,339
	<u>\$ 1,546,667</u>	<u>\$ 315,169</u>	<u>\$ 1,861,837</u>

**EQUIPMENT LOAN AMORTIZATION SCHEDULE  
FROST NATIONAL BANK  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	7,996	1,887	9,883
2008	8,401	1,482	9,883
2009	8,826	1,057	9,883
2010	9,273	610	9,883
2011	7,260	151	7,411
	<u>\$ 41,756</u>	<u>\$ 5,187</u>	<u>\$ 46,943</u>

**VEHICLE LOAN AMORTIZATION SCHEDULE  
FROST NATIONAL BANK  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 4,368	\$ 521	\$ 4,889
2008	4,589	301	4,890
2009	3,593	74	3,667
	<u>\$ 12,550</u>	<u>\$ 896</u>	<u>\$ 13,446</u>

**SAN MARCOS RAW WATER DELIVERY SYSTEM  
AMORTIZATION SCHEDULE FOR  
HAYS ENERGY LIMITED PARTNERSHIP LOAN  
AUGUST 31, 2006**

<b>YEAR ENDING AUGUST 31</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL REQUIREMENTS</b>
2007	\$ 73,517	\$ 224,135	\$ 297,652
2008	79,618	218,033	297,651
2009	86,227	211,425	297,652
2010	93,383	204,268	297,651
2011	101,134	196,517	297,651
2012	109,528	188,123	297,651
2013	118,619	179,033	297,652
2014	128,464	169,187	297,651
2015	139,127	158,525	297,652
2016	150,674	146,977	297,651
2017	163,180	134,471	297,651
2018	176,724	120,928	297,652
2019	191,392	106,260	297,652
2020	207,278	90,374	297,652
2021	224,482	73,170	297,652
2022	243,113	54,538	297,651
2023	263,292	34,360	297,652
2024	285,147	12,507	297,654
	<u>\$ 2,834,899</u>	<u>\$ 2,522,831</u>	<u>\$ 5,357,730</u>

**GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2002  
AMORTIZATION SCHEDULE  
AUGUST 31, 2006**

<b>YEAR ENDING AUGUST 31</b>	<b>PRINCIPAL</b>	<b>INTEREST</b>	<b>TOTAL REQUIREMENTS</b>
2007	\$ 110,000	\$ 173,500	\$ 283,500
2008	115,000	168,275	283,275
2009	125,000	162,698	287,698
2010	130,000	156,635	286,635
2011	135,000	152,280	287,280
2012	145,000	147,623	292,623
2013	150,000	142,475	292,475
2014	155,000	137,000	292,000
2015	165,000	131,188	296,188
2016	175,000	124,753	299,753
2017	180,000	117,753	297,753
2018	190,000	110,283	300,283
2019	200,000	102,208	302,208
2020	210,000	93,608	303,608
2021	220,000	84,368	304,368
2022	230,000	74,468	304,468
2023	245,000	63,888	308,888
2024	255,000	52,250	307,250
2025	270,000	40,138	310,138
2026	280,000	27,313	307,313
2027	295,000	14,013	309,013
	<u>\$ 3,980,000</u>	<u>\$ 2,276,717</u>	<u>\$ 6,256,717</u>

**REGIONAL RAW WATER DELIVERY SYSTEM CONTRACT REVENUE BONDS, SERIES 1998**  
**CITY OF SAN MARCOS, TEXAS - AMORTIZATION SCHEDULE**  
**AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ - *	\$ - *	\$ -
2008	300,000	354,818	654,818
2009	310,000	341,930	651,930
2010	325,000	328,518	653,518
2011	340,000	314,383	654,383
2012	355,000	299,440	654,440
2013	370,000	283,668	653,668
2014	385,000	266,865	651,865
2015	405,000	249,090	654,090
2016	420,000	230,528	650,528
2017	440,000	211,178	651,178
2018	460,000	190,698	650,698
2019	485,000	168,963	653,963
2020	505,000	145,940	650,940
2021	530,000	121,618	651,618
2022	555,000	95,981	650,981
2023	585,000	69,638	654,638
2024	610,000	42,750	652,750
2025	645,000	14,513	659,513
	<u>\$ 8,025,000</u>	<u>\$ 3,730,519</u>	<u>\$ 11,755,519</u>

\* The principal and related interest were due on September 1, 2006 but were paid in fiscal year ending August 31, 2006.

**CONTRACT REVENUE BONDS, SERIES 2003**  
**WESTERN CANYON REGIONAL WATER SUPPLY PROJECT - AMORTIZATION SCHEDULE**  
**AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 1,505,000	\$ 3,814,300	\$ 5,319,300
2008	1,575,000	3,746,575	5,321,575
2009	1,620,000	3,699,325	5,319,325
2010	1,685,000	3,634,525	5,319,525
2011	1,755,000	3,567,125	5,322,125
2012	1,825,000	3,496,925	5,321,925
2013	1,915,000	3,405,675	5,320,675
2014	1,990,000	3,329,075	5,319,075
2015	2,070,000	3,249,475	5,319,475
2016	2,180,000	3,140,800	5,320,800
2017	2,295,000	3,026,350	5,321,350
2018	2,415,000	2,905,863	5,320,863
2019	2,540,000	2,779,075	5,319,075
2020	2,675,000	2,645,725	5,320,725
2021	2,815,000	2,505,288	5,320,288
2022	2,965,000	2,357,500	5,322,500
2023	3,110,000	2,209,250	5,319,250
2024	3,265,000	2,053,750	5,318,750
2025	3,430,000	1,890,500	5,320,500
2026	3,600,000	1,719,000	5,319,000
2027	3,780,000	1,539,000	5,319,000
2028	3,970,000	1,350,000	5,320,000
2029	4,170,000	1,151,500	5,321,500
2030	4,375,000	943,000	5,318,000
2031	4,595,000	724,250	5,319,250
2032	4,825,000	494,500	5,319,500
2033	5,065,000	253,250	5,318,250
	<u>\$ 78,010,000</u>	<u>\$ 65,631,601</u>	<u>\$ 143,641,601</u>

**COMBINATION CONTRACT REVENUE BONDS SERIES 2004A & 2005B**  
**(IH 35 PROJECT)**  
**AMORTIZATION SCHEDULE**  
**AUGUST 31, 2006**

YEAR ENDING AUGUST 31	SERIES 2004A			SERIES 2004B			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2007	\$ --	\$ 720,537	\$ 720,537	\$ --	\$ 303,745	\$ 303,745	\$ 1,024,282
2008	275,000	720,537	995,537	70,000	303,745	373,745	1,369,282
2009	285,000	712,287	997,287	75,000	299,895	374,895	1,372,182
2010	290,000	703,737	993,737	80,000	295,770	375,770	1,369,507
2011	300,000	694,675	994,675	85,000	291,370	376,370	1,371,045
2012	310,000	684,775	994,775	90,000	286,695	376,695	1,371,470
2013	320,000	673,925	993,925	95,000	281,745	376,745	1,370,670
2014	335,000	662,325	997,325	100,000	276,520	376,520	1,373,845
2015	345,000	649,762	994,762	105,000	271,020	376,020	1,370,782
2016	360,000	636,825	996,825	110,000	265,245	375,245	1,372,070
2017	370,000	622,425	992,425	115,000	259,195	374,195	1,366,620
2018	385,000	607,625	992,625	125,000	252,870	377,870	1,370,495
2019	405,000	591,744	996,744	130,000	245,995	375,995	1,372,739
2020	420,000	574,025	994,025	135,000	238,845	373,845	1,367,870
2021	440,000	555,650	995,650	145,000	231,420	376,420	1,372,070
2022	460,000	533,650	993,650	150,000	223,010	373,010	1,366,660
2023	485,000	510,650	995,650	160,000	214,310	374,310	1,369,960
2024	510,000	486,400	996,400	170,000	205,030	375,030	1,371,430
2025	535,000	460,900	995,900	180,000	195,170	375,170	1,371,070
2026	560,000	435,487	995,487	190,000	184,730	374,730	1,370,217
2027	585,000	408,887	993,887	200,000	173,710	373,710	1,367,597
2028	615,000	381,100	996,100	215,000	162,110	377,110	1,373,210
2029	645,000	351,887	996,887	225,000	149,640	374,640	1,371,527
2030	675,000	321,250	996,250	240,000	136,590	376,590	1,372,840
2031	705,000	287,500	992,500	255,000	122,670	377,670	1,370,170
2032	740,000	252,250	992,250	270,000	107,880	377,880	1,370,130
2033	780,000	215,250	995,250	285,000	92,220	377,220	1,372,470
2034	820,000	176,250	996,250	300,000	75,690	375,690	1,371,940
2035	860,000	135,250	995,250	315,000	58,290	373,290	1,368,540
2036	900,000	92,250	992,250	335,000	40,020	375,020	1,367,270
2037	945,000	47,250	992,250	355,000	20,590	375,590	1,367,840
	<u>\$ 15,660,000</u>	<u>\$ 14,907,065</u>	<u>\$ 30,567,065</u>	<u>\$ 5,305,000</u>	<u>\$ 6,265,735</u>	<u>\$ 11,570,735</u>	<u>\$ 42,137,800</u>

**WATER SUPPLY REVENUE BONDS  
(CITY OF PORT LAVACA, TEXAS) SERIES 2000  
AMORTIZATION SCHEDULE  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 190,000	\$ 113,549	\$ 303,549
2008	200,000	103,943	303,943
2009	215,000	94,551	309,551
2010	230,000	84,370	314,370
2011	240,000	73,500	313,500
2012	250,000	62,045	312,045
2013	265,000	49,810	314,810
2014	275,000	36,850	311,850
2015	295,000	22,875	317,875
2016	310,000	7,750	317,750
	<u>\$ 2,470,000</u>	<u>\$ 649,243</u>	<u>\$ 3,119,243</u>

**REGIONAL WASTE DISPOSAL REVENUE BONDS AND  
REFUNDING AND IMPROVEMENT REVENUE BONDS  
(CITY OF VICTORIA, TEXAS) SERIES 1989, AND 1996  
AMORTIZATION SCHEDULE  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	1989 SERIES		1996 SERIES		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
2007	\$ 435,000	\$ --	\$ 290,000	\$ 65,945	\$ 790,945
2008	435,000	--	305,000	52,851	792,851
2009	435,000	--	315,000	38,899	788,899
2010	435,000	--	330,000	24,060	789,060
2011	435,000	--	345,000	8,194	788,194
	<u>\$ 2,175,000</u>	<u>\$ --</u>	<u>\$ 1,585,000</u>	<u>\$ 189,949</u>	<u>\$ 3,949,949</u>

*The 1989 series bonds maturing during fiscal years 2007 through 2011 are capital appreciation bonds which were sold at a deep discount and with no stated interest rate. These bonds do not pay interest but rather mature at their face value which exceeds their original discounted sales price.*



**CONTRACT REVENUE BONDS  
(CITY OF LOCKHART, TEXAS) SERIES 2004  
AMORTIZATION SCHEDULE  
AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 150,000	\$ 288,229	\$ 438,229
2008	155,000	283,654	438,654
2009	160,000	278,729	438,729
2010	165,000	272,829	437,829
2011	175,000	266,029	441,029
2012	180,000	258,929	438,929
2013	190,000	251,434	441,434
2014	200,000	243,039	443,039
2015	205,000	233,926	438,926
2016	215,000	224,584	439,584
2017	225,000	214,791	439,791
2018	235,000	204,324	439,324
2019	250,000	192,669	442,669
2020	260,000	179,756	439,756
2021	275,000	166,047	441,047
2022	285,000	151,875	436,875
2023	300,000	137,250	437,250
2024	315,000	121,875	436,875
2025	335,000	105,625	440,625
2026	350,000	88,500	438,500
2027	370,000	70,500	440,500
2028	390,000	51,500	441,500
2029	405,000	31,625	436,625
2030	430,000	10,750	440,750
	<u>\$ 6,220,000</u>	<u>\$ 4,328,469</u>	<u>\$ 10,548,469</u>

**HYDROELECTRIC PROJECT (CITY OF NEW BRAUNFELS, TEXAS)**  
**REVENUE REFUNDING BONDS, SERIES 2002**  
**AMORTIZATION SCHEDULE**  
**AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 750,000	\$ 310,868	\$ 1,060,868
2008	780,000	280,868	1,060,868
2009	815,000	249,668	1,064,668
2010	850,000	215,438	1,065,438
2011	905,000	178,463	1,083,463
2012	945,000	138,190	1,083,190
2013	995,000	95,193	1,090,193
2014	1,030,000	48,925	1,078,925
	<u>\$ 7,070,000</u>	<u>\$ 1,517,613</u>	<u>\$ 8,587,613</u>

**CONTRACT REVENUE BONDS, SERIES 1996**  
**(CITY OF LOCKHART PROJECT)**  
**AMORTIZATION SCHEDULE**  
**AUGUST 31, 2006**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2007	\$ 340,000	\$ 229,618	\$ 569,618
2008	355,000	215,888	570,888
2009	375,000	201,100	576,100
2010	450,000	183,963	633,963
2011	475,000	164,300	639,300
2012	500,000	143,088	643,088
2013	525,000	120,406	645,406
2014	555,000	96,376	651,376
2015	585,000	70,865	655,865
2016	620,000	43,753	663,753
2017	655,000	14,901	669,901
	<u>\$ 5,435,000</u>	<u>\$ 1,484,258</u>	<u>\$ 6,919,258</u>

# STATISTICAL SECTION

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## Table of Contents and Explanations

*This part of the Guadalupe Blanco River Authority's (GBRA) comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and supplementary information says about GBRA's overall financial health.*

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**Guadalupe Blanco River Authority**  
**Net Assets By Component**  
**Last Four Fiscal Years**  
*(accrual basis of accounting)*

	<b>Fiscal Year</b>			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Primary government				
Invested in capital assets, net of related debt	\$ 38,506,620	\$ 41,278,632	\$ 29,946,905	\$ 28,544,428
Restricted	3,649,302	3,712,823	3,767,282	3,732,721
Unrestricted	<u>7,698,500</u>	<u>2,751,204</u>	<u>13,498,123</u>	<u>14,427,337</u>
Total primary government net assets	<u>\$ 49,854,422</u>	<u>\$ 47,742,659</u>	<u>\$ 47,212,310</u>	<u>\$ 46,704,486</u>

**Note:** GBRA began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Guadalupe Blanco River Authority**  
**Changes in Net Assets**  
**Last Four Fiscal Years**

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>	<u>Total Nonoperating Revenues (Expenses)</u>	<u>Income before Capital Contributions</u>	<u>Capital Contributions</u>	<u>Change in Net Assets</u>
2003	\$ 24,715,917	\$ 19,570,481	\$ 5,145,436	\$ (2,478,241)	\$ 2,667,195	\$ 422,599	\$ 3,089,794
2004	24,746,450	21,722,827	\$ 3,023,623	(2,527,295)	496,328	11,496	\$ 507,824
2005	27,391,962	22,423,013	\$ 4,968,949	(4,748,011)	220,938	309,411	\$ 530,349
2006	32,739,335	24,507,001	\$ 8,232,334	(6,132,067)	2,100,267	11,496	\$ 2,111,763

**Note:** GBRA began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

**Guadalupe Blanco River Authority**

**Operating Revenues by Source  
Last Four Fiscal Years**

Year	Pollution and Industrial Financing	Power Sales	Water Sales and Lake Operations	Rental, Recreation and Land Use	Waste Water Treatment Services	Laboratory Services	Miscellaneous	Total
2003	\$ 341,600	\$ 3,291,811	\$ 13,218,362	\$ 693,986	\$ 4,787,951	\$ 303,199	\$ 2,079,008	\$ 24,715,917
2004	324,725	3,497,610	12,612,934	739,851	4,994,556	337,564	2,239,210	24,746,450
2005	205,233	3,872,868	15,663,761	740,988	5,002,254	435,819	1,471,039	27,391,962
2006	222,657	3,427,563	20,122,065	781,252	5,581,511	538,302	2,065,985	32,739,335

**Operating Expenses  
Last Four Fiscal Years**

Year	Personnel Operating Costs	Operating Supplies and Services	Maintenance and Repairs	Depreciation and Amortization	Total
2003	\$ 6,328,767	\$ 7,676,099	\$ 2,807,840	\$ 2,757,775	\$ 19,570,481
2004	6,800,123	9,034,504	3,068,368	2,819,832	21,722,827
2005	7,229,312	8,879,415	3,298,910	3,015,376	22,423,013
2006	7,830,077	10,084,494	3,454,708	3,137,722	24,507,001

**Nonoperating Revenue and Expenses  
Last Four Fiscal Years**

Year	Interest Expense	Investment Income	Gain (Loss) on Disposal of Capital Assets	Costs to be Recovered in Future Years	Special Items (a)	Total
2003	\$ (2,521,188)	\$ 171,472	\$ (4,004)	\$ (124,521)		\$ (2,478,241)
2004	(2,413,026)	180,130	(734)	(293,665)		(2,527,295)
2005	(4,015,142)	310,337	(19,523)	(790,362)	(233,321)	(4,748,011)
2006	7,830,077	10,084,494	3,454,708	3,137,722		24,507,001

(a.) Special Items in FY 2005 include a gain of \$295,053 resulting from early pay-off of Bonded debt, and a loss of (\$528,374) from the write off of Certain Diversion and Water Supply Development Costs.

**Note:** GBRA began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.

### List of Principal Customers

Guadalupe Valley Electric Cooperative  
New Braunfels Utilities  
Coletto Creek Park Customers  
Lake Wood Recreational Park Customers  
Nolte Island Park Customers  
Regional Laboratory Customers  
Victoria Laboratory Customers

City of Buda  
City of Lockhart  
City of Schertz  
City of Seguin  
City of Victoria  
Cordillera Ranch  
North Hays County MUD #1  
Texas Department of Transportation  
Village of Wimberley

**POWER SALES & OTHER SERVICES**

---

**WATER SALES CUSTOMERS**

2428 Partners, L.P.  
Canyon Lake Water Supply Corp.  
Canyon Regional Water Authority  
City of Boerne  
City of Buda  
City of Fair Oaks Ranch  
City of Kyle  
City of Port Lavaca  
City of San Marcos  
City of Seguin  
Coletto Creek Power, LP  
Cordillera Ranch  
Crystal Clear Water Supply Corporation  
Guadalupe Power Partners  
Hays Energy Limited Partnership  
Ineos Nitriles Green Lake Plant  
New Braunfels Utilities  
San Antonio Water Systems  
Springs Hill Water Supply Corporation



**WASTEWATER TREATMENT CUSTOMERS**

---

**WATER TREATMENT CUSTOMERS**

Calhoun County Rural Water Corporation  
City of Boerne  
City of Buda  
City of Bulverde  
City of Fair Oaks Ranch  
City of Kyle  
City of Lockhart  
City of Luling  
City of Port Lavaca  
City of San Marcos  
Cordillera Ranch  
Go Forth Water Supply Corporation  
Port O'Connor Municipal Utility District  
San Antonio Water Systems



### Types of Operating Systems

GBRA divisions are further broken into systems to allow for cost accounting and control for each type of operation. Depending on the contractual relationship with the customers, each system operates on either a “Budget-to-Actual” or “Units of Service” operation.

Budget-to-Actual systems provide services based on a budget approved by the customer and GBRA. During the course of the year, the customer is billed monthly based on the annual budget. At the end of the fiscal year, the amount of the monthly billings is adjusted to the total actual cost of service.

Unit-of Service budgets are for the other GBRA operations where the customer pays for some type of service based on a unit of measure times a rate approved by the GBRA Board of Directors. The revenue, derived from these customers, pay the operating and maintenance, debt service, and capital addition expenses of the system. In these divisions and systems, the income is completely dependent upon the number of units sold. The table below distinguishes the systems according to the type of operations in which they operate:

<b>Budget-to-Actual Operations:</b>	<b>Principal Customers</b>	<b>County</b>
Shadow Creek Wastewater Treatment Plant	North Hays County MUD #1	Hays
Northcliffe Wastewater Treatment Plant	City of Schertz	Guadalupe
Buda Wastewater Treatment Plant	City of Buda	Hays
Port Lavaca Water Treatment Plant	City of Port Lavaca	Calhoun
Victoria Regional Wastewater Reclamation System	City of Victoria	Victoria
Coletto Creek Reservoir	Coletto Creek Power, LP	Victoria/Goliad
Luling Water Treatment Plant	City of Luling	Caldwell
Canyon Hydroelectric Plant	New Braunfels Utilities	Comal
Lockhart Wastewater Reclamation System	City of Lockhart	Caldwell
Lockhart Water Treatment Plant	City of Lockhart	Caldwell

<b>Unit of Service Operations:</b>	<b>Principal Customers</b>	<b>County</b>
General Division	GBRA Systems	Guadalupe
Guadalupe Valley Hydroelectric Division	Guadalupe Valley Electric Coop.	Guadalupe/Gonzales
Canyon Park Wastewater Reclamation System	Residential Customers	Comal
Dunlap Wastewater Reclamation System	Residential Customers	Guadalupe
Springs Hill Wastewater Reclamation System	Residential Customers	Guadalupe
Wimberley Wastewater Treatment Plant	Village of Wimberley	Hays
Water Sales System	Communities, industries, farmers	Entire River Basin
Regional Laboratory System	Residential, Industrial, City Customers	Guadalupe
Calhoun Canal System	Farmers, Port Lavaca Plant	Calhoun
San Marcos Water Treatment Plant	City of San Marcos	Hays
Western Canyon Division	Boerne, Bulverde, Fair Oaks, Cordillera	Comal/Kendall
Calhoun County Rural Water System	Residential Customers	Calhoun
Coletto Creek Recreation	Recreational Customers	Victoria/Goliad

**Guadalupe Blanco River Authority**  
**Debt By Type**  
**Last Four Fiscal Years**

Year	<u>Obligations Payable Directly By GBRA</u>		<u>Obligations Payable From Revenue Contracts (a)</u>		<u>Pollution Control (b)</u>
	<u>Bonds</u>	<u>Loans</u>	<u>Bonds</u>	<u>Loans</u>	<u>Bonds</u>
2003	\$4,280,000	\$ 6,610,246	\$ 106,905,000	\$ 3,023,337	\$ 4,700,000
2004	4,185,000	6,544,463	116,310,000	2,965,461	4,700,000
2005	4,085,000	5,971,257	135,450,000	2,902,781	-
2006	3,980,000	11,431,676	131,955,000	2,834,899	-

(a) Contract revenue bonds and loans are payable from revenue derived from various contracts between GBRA and the various parties securing payment to GBRA for debt service payments on the bonds and loans. Each revenue bond contract is insured or credit rated based on the financial strength of GBRA's service contract.

(b) A bond issue totaling \$4,700,000 was guaranteed by Standard Oil Company of Ohio. Although GBRA owns the water supply supply facilities and the bond issue bore GBRA's name, GBRA did not pledge its credit nor was it liable for any principal, premium, interest or costs associated with this issued. British Petroleum Chemical Company and Standard Oil Company pledged their credit and bore sole responsibility for all debt service payments. The amount of debt service that British Petroleum paid was recognized as pollution and industrial financing income as well as interest expense. The bond issue entirely retired by Standard Oil Company of Ohio during 2005.

**Notes:** All balances for bonds and loans outstanding are shown prior to defeasance and accretion of interest.

**Guadalupe Blanco River Authority  
Third Party Debt  
Last Four Fiscal Years**

**Pollution Control and  
Industrial Development Bonds**

<b>Year</b>	
2003	\$ 104,390,000
2004	104,390,000
2005	104,390,000
2006	90,890,000

GBRA has assisted industries within the GBRA service area by acting as issuing conduit so that the user of the bond proceeds benefited from reduced debt service requirements. Fees to administer this debt are recognized as pollution and industrial financing income. In each case, the user of the bond proceeds pledge their credit, bear sole responsibility for all debt service, make all payments directly to the trustee and completely indemnify GBRA for any costs incurred. Due to the character of these bonds, GBRA considers them debts of the third party users rather than debts of GBRA. Therefore, these bonds and the related receivables have been excluded from the combined financial statements in order to avoid misrepresenting the nature of the bonds and distorting GBRA's statements. The exclusion is in conformity with the Texas State Auditor's Report dated October 6, 1986 for Water Districts and River Authorities reporting third party conduit financings.

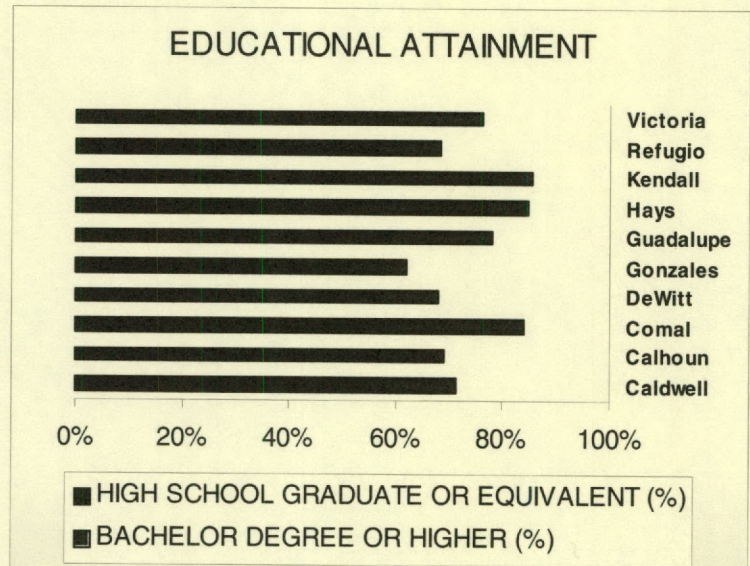
## GBRA District Demographics

GBRA's service area is geographically part of south central Texas. It stretches from the Hill Country through the I-35 Corridor and into the Gulf Coast. GBRA's service area includes ten-counties and more than seventy cities and communities. This geographic diversity in turn provides economic diversity with a unique combination of agriculture, oil and gas, defense, high tech and heavy industry.

GBRA provides a variety of services to rural water corporations, electric cooperatives, industries and individuals within this ten-county district. The array of services includes water sales and distribution, water treatment, wastewater treatment, hydroelectric generation, laboratory analysis and recreation opportunities.

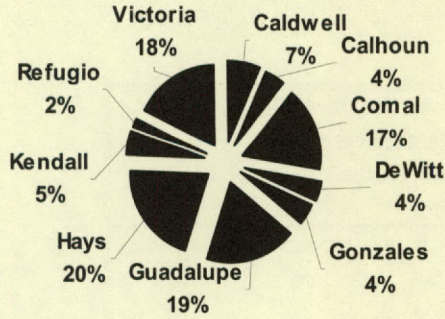
This diversity allows the local economy to be among the State's growth leaders and outpace the national economy as well as weather the effects of any global economic problems better than other areas may. The local economy is also being spurred by tremendous population growth along the I-35 Corridor. Indicative of this population boom is the fact that the cities of Austin and San Antonio are the 3<sup>rd</sup> and 5<sup>th</sup> fastest growing metropolitan areas in the state. The graphs below and on the following page portray the population and economic base within GBRA's ten-county district.

COUNTY	HIGH SCHOOL GRADUATE OR EQUIV.	BACHELOR DEGREE OR HIGHER
Caldwell	58%	13%
Calhoun	57%	12%
Comal	58%	26%
DeWitt	56%	12%
Gonzales	51%	11%
Guadalupe	59%	19%
Hays	53%	31%
Kendall	54%	31%
Refugio	57%	12%
Victoria	60%	16%



SOURCE: U.S. Census Bureau, Census 2000

**DISTRICT POPULATION BY COUNTY**

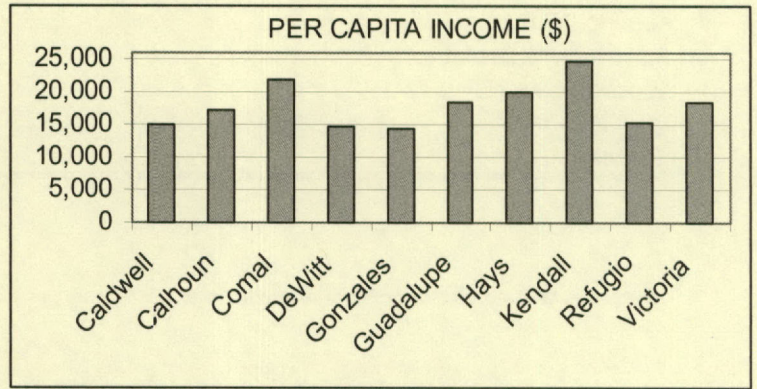


COUNTY	POPULATION
Hays	97,589
Guadalupe	89,023
Victoria	84,088
Comal	78,021
Caldwell	32,194
Kendall	23,743
Calhoun	20,647
DeWitt	20,013
Gonzales	18,628
Refugio	7,828

SOURCE: U.S. Census Bureau, Census 2000

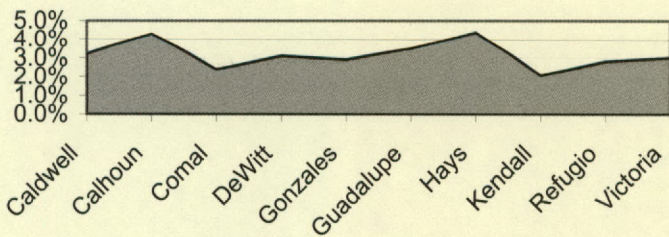
**COUNTY PER CAPITA INCOME**

COUNTY	PER CAPITA INCOME
Kendall	24,619
Comal	21,914
Hays	19,931
Guadalupe	18,430
Victoria	18,379
Calhoun	17,125
Refugio	15,481
Caldwell	15,099
DeWitt	14,780
Gonzales	14,269



SOURCE: U.S. Census Bureau, Census 2000

**UNEMPLOYMENT RATE**



SOURCE: U.S. Census Bureau, Census 2000

**UNEMPLOYMENT**

COUNTY	RATE
Hays	4.4%
Calhoun	4.3%
Guadalupe	3.5%
Caldwell	3.2%
DeWitt	3.1%
Victoria	3.0%
Gonzales	2.9%
Refugio	2.8%
Comal	2.4%
Kendall	2.1%

**Guadalupe Blanco River Authority  
Number of Employees by Division  
Last Four Fiscal Years**

Division	Number of Authorized Positions Full Time Equivalent			
	Fiscal Year Ended August 31			
	2003	2004	2005	2006
General	33.5	34.5	35.5	35.5
Guadalupe Valley Electric	24	25	25	25
Rural Utilities	5	6	5	6
Water Resources	39	41.5	45.5	45
Western Canyon	0	0	7	7
Port Lavaca WTP	8	8	8	8
Calhoun County RWSS	4	4	4	4
Victoria Regional WWRS	21	21	21	21
Coletto Creek Park and Reservoir	16	16	16	16
Luling WTP	5	5	5	5
Canyon Hydroelectric	2	2	2	2
Lockhart WWTP & WTP	10	10	11	11
<b>Total</b>	<b>167.5</b>	<b>173</b>	<b>185</b>	<b>185.5</b>

**Notes:** A full-time employee is scheduled to work 2,088 hours per year (including vacation and sick leave).

**GUADALUPE-BLANCO RIVER AUTHORITY  
OPERATING STATISTICS**

<b>Operating Statistics:</b>	<b>FY 2002</b>	<b>FY 2003</b>	<b>FY 2004</b>	<b>FY 2005</b>	<b>FY 2006</b>
<b>Water Treatment Customers:</b>					
Total Water Distributed (Gal.)					
Calhoun County Rural Water Supply Division	70,348,000	70,501,000	72,392,000	76,710,000	75,334,000
Total Water Treated (Gal.)					
CRWA-Hays/Caldwell Water Treatment Plant System	--	331,000,000	225,000,000	89,818,289	--
Lockhart Water Treatment System	614,466,054	560,814,000	527,260,000	557,882,000	581,087,000
Luling Water Treatment Plant Division	306,271,000	286,551,000	256,335,000	470,651,000	802,677,000
Port Lavaca Water Treatment Plant Division	755,453,000	642,047,000	686,938,000	692,600,000	666,085,000
San Marcos Water Treatment Plant System	1,401,515,000	1,656,000,000	1,586,000,000	1,645,448,005	1,711,018,000
Western Canyon Water Treatment Plant System	--	--	--	--	1,041,235,000
<b>Waste Water Treatment Customers:</b>					
Total Wastewater Treated (Gal.)					
Buda Wastewater Treatment Plant	102,900,000	125,300,000	110,470,000	120,300,000	119,580,000
Crestview Subdivision Wastewater Treatment Plant	1,867,506	1,910,945	2,433,849	2,523,245	2,404,060
Lockhart Wastewater Reclamation System	516,100,000	588,700,000	542,930,000	609,430,000	491,100,000
Rural Utilities Division	152,410,000	147,100,000	150,410,000	153,054,000	149,520,000
Victoria Regional Wastewater Reclamation Division	2,155,900,000	2,741,000,000	2,788,000,000	2,811,000,000	2,741,000,000
Village of Wimberley Wastewater Treatment Plant	--	--	1,760,000	2,974,000	4,381,000
North Hayes County MUD #1	--	--	--	--	3,641,000
<b>Water Sales Customers:</b>					
Rice Irrigation (Acres)					
Calhoun Canal System	1,475	1,897	2,488	2,430	2,634
Water Delivered (Gal.)					
Guadalupe Power Partners	821,496,000	846,695,620	898,443,000	966,788,000	1,129,607,000
San Marcos Pipeline	1,445,000,000	1,965,000,000	1,713,000,000	2,151,367,000	1,811,222,000
<b>Power Sales &amp; Other Services:</b>					
Total Generation (kWh)					
Guadalupe Valley Hydroelectric Division	77,361,500	64,974,600	77,975,500	86,911,400	44,412,900
Canyon Hydroelectric Division	16,493,895	--	14,930,325	24,371,501	7,906,746
Annual Permits					
Lake Wood Recreation Area	45	34	35	13	23
Coletto Creek Regional Park	241	246	262	260	258
Camping Permits					
Lake Wood Recreation Area	2,105	2,323	2,030	2,264	3,235
Coletto Creek Regional Park	12,326	11,856	12,736	11,800	12,554
Camping Cabins					
Coletto Creek Regional Park	425	568	573	692	664
Day Use Permits					
Lake Wood Recreation Area	2,501	2,671	2,641	2,686	2,860
Coletto Creek Regional Park	15,056	15,052	14,771	16,051	16,378

**Guadalupe Blanco River Authority**  
**Schedule of Capital Asset Additions by Division**  
**Last Four Fiscal Years**

Year	General Division	Guadalupe		Water Resource Division	Port Lavaca	Calhoun	Victoria	Coleta Creek Division	Luling	Canyon	Lockhart Division	Total
		Valley Hydro Division	Rural Utilities Division		Water Treatment Plant Division	Rural Water Supply Division	Regional Wastewater Reclamation Division		Water Treatment Plant Division	Hydro Plant Division		
2003	\$ 115,774	\$1,057,456	\$ 31,397	\$ 2,470,569	\$ 37,202	\$ 191,897	\$ 77,682	\$ 37,499	\$ 1,256	\$ -	\$ 598,990	\$ 4,619,722
2004	114,217	26,438	35,959	598,055	29,509	39,592	39,466	13,074	-	-	13,193	\$ 909,504
2005	86,849	99,352	28,790	334,940	17,721	51,209	66,455	14,451	5,803,879	-	32,030	\$ 6,535,676
2006	54,012	13,010	118,078	350,993	1,165	114,275	95,199	43,171	275,991	-	27,638	\$ 1,093,531

**Note:** GBRA began to report accrual information when it implemented GASB Statement 34 in fiscal year 2003.



INDEPENDENT AUDITOR'S REPORT IN  
ACCORDANCE WITH GOVERNMENT  
AUDITING STANDARDS

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# REPORT ON COMPLIANCE AND INTERNAL CONTROLS

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## **HOLTMAN, WAGNER & COMPANY, L.L.P.**

**Certified Public Accountants**

876 Loop 337 Building 501  
New Braunfels, Texas 78130  
830-625-1182  
Fax 830-625-1498

### **REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors  
Guadalupe-Blanco River Authority

We have audited the financial statements of Guadalupe-Blanco River Authority as of and for the year ended August 31, 2006 and have issued our report thereon dated October 6, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guadalupe-Blanco River Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we reported to management of GBRA in a separate letter dated October 6, 2006.

Compliance and Other Matters

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

This report is intended solely for the information and use of the audit committee, management, and the board of directors and is not intended to be and should not be used by anyone other than these specified parties.

*Holtman Wagner & Company LLP*

Holtman, Wagner & Company, L.L.P.  
New Braunfels, Texas  
October 6, 2006



# PRINCIPAL OFFICES AND BUSINESS LOCATIONS

General Office  
General Division  
Canyon Hydroelectric Division  
Guadalupe Valley Hydroelectric Division  
Regional Laboratory  
Rural Utilities Division  
Water Resources Division  
933 East Court Street  
Seguin, TX 78155  
TEL: (830) 379-5822 or (800) 413-5822  
FAX: (830) 379-9718  
Website: <http://www.gbra.org>

Buda Wastewater Reclamation Plant  
P. O. Box 216  
Buda, TX 78610  
TEL: (512) 312-0526  
FAX: (512) 295-1207  
email: [dball@gbra.org](mailto:dball@gbra.org)

Coleto Creek Division  
P. O. Box 68  
Fannin, TX 77960  
TEL: (361) 575-6366  
FAX: (361) 575-2267  
email: [gbraccp@gbra.org](mailto:gbraccp@gbra.org)

Lake Wood Recreation Area  
Route 2, Box 158-A  
Gonzales, TX 78629  
TEL and FAX: (830) 672-2779  
email: [lakewood@gvtc.com](mailto:lakewood@gvtc.com)

Lockhart Wastewater Reclamation  
Division  
4435 FM 20 East  
Lockhart, TX 78644  
TEL: (512) 398-6391  
FAX: (512) 398-2036  
email: [gbra-lockhart@lockhart.net](mailto:gbra-lockhart@lockhart.net)

Lockhart Water Treatment Division  
547 Old McMahan Road  
Lockhart, TX 78644  
TEL: (512) 398-3528  
email: [gbra-lockhart-wtp@lockhart.net](mailto:gbra-lockhart-wtp@lockhart.net)

Luling Water Treatment Plant  
350 Memorial Drive  
Luling, TX 78648  
TEL: (830) 875-2132  
FAX: (830) 875-3670  
email: [jdowney@gbra.org](mailto:jdowney@gbra.org)

Port Lavaca Water Treatment Plant  
Calhoun County Rural Water Supply  
Division  
Calhoun Canal System  
P. O. Box 146  
Port Lavaca, TX 77979  
TEL: (361) 552-9751  
FAX: (361) 552-6529  
email: [gbrapl@gbra.org](mailto:gbrapl@gbra.org)

San Marcos Water Treatment Plant  
91 Old Bastrop Road  
San Marcos, TX 78666  
TEL: (512) 353-3888  
FAX: (512) 353-3127  
email: [jsharp@gbra.org](mailto:jsharp@gbra.org)

Victoria Regional Wastewater Reclamation  
Division  
P. O. Box 2085  
Victoria, TX 77902  
TEL: (361) 578-2878  
FAX: (361) 578-9039  
email: [gbravic@gbra.org](mailto:gbravic@gbra.org)

Western Canyon Regional Treated Water  
Plant  
4775 South Cranes Mill Road  
New Braunfels, Texas 78132  
TEL: (830) 885-2639  
FAX: (830) 885-2564  
email: [jturner@gbra.org](mailto:jturner@gbra.org)

The 2006 Comprehensive Annual Financial Report is published for the clients, customers, employees and friends of GBRA  
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For additional information about GBRA,  
contact the Manager of Communications and Education  
at (830) 379-5822, (800) 413-5822,  
or visit our website at <http://www.gbra.org>

