

Guadalupe-Blanco River Authority of Texas



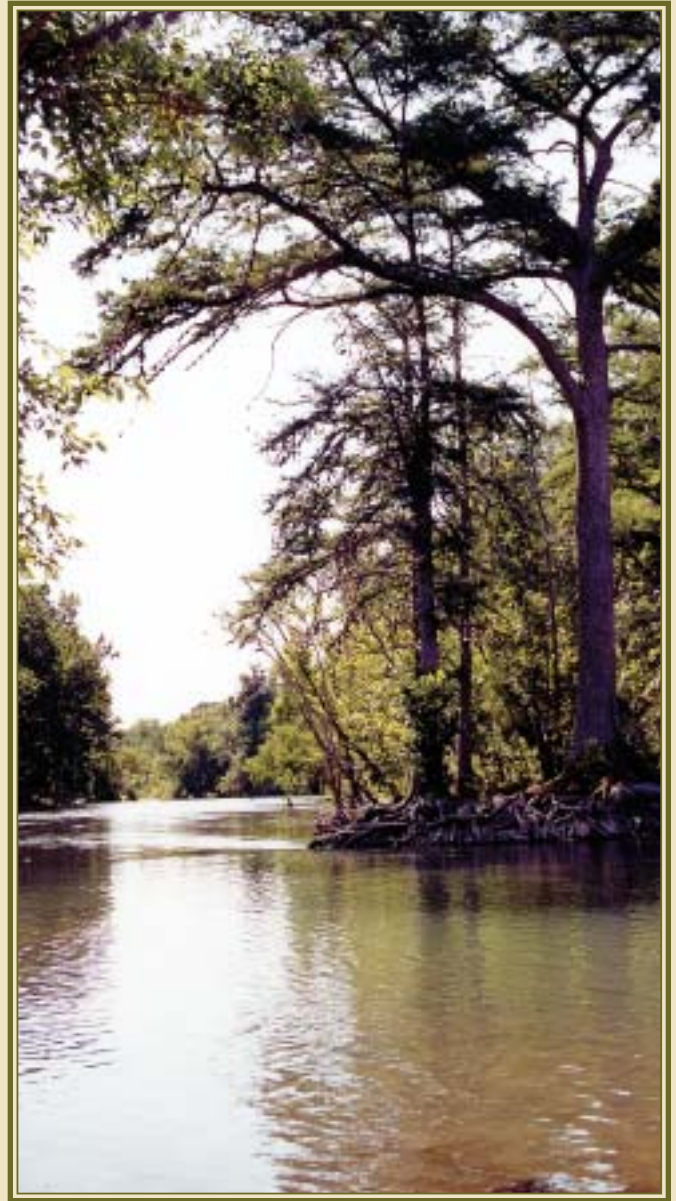
*Comprehensive Annual Financial Report
Fiscal Year Ended August 31, 2002*

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.



The Guadalupe River Basin



GBRA Operations

1. Kendall County WCID No. 1
2. Canyon Park Estates Wastewater Treatment Plant
3. Canyon Dam and Reservoir
Canyon Lake Hydroelectric Power Plant
4. Northcliffe Wastewater Treatment Plant
5. San Marcos Water Treatment Plant Operations
6. Dunlap Wastewater Treatment Plant
7. Lake Dunlap Hydroelectric Power Plant
8. Lake McQueeney Hydroelectric Power Plant
9. Lake Placid (TP-4) Hydroelectric Power Plant
Governor Ireland Park
10. Springs Hill Wastewater Treatment Plant
11. GBRA Main Office
12. Nolte Hydroelectric Power Plant
Nolte Island Park
13. Lockhart Wastewater Treatment Plant No. 1
14. Lockhart Wastewater Treatment Plant No. 2
15. Luling Water Treatment Plant
16. TxDOT Water and Wastewater Plant at IH-10
17. Lockhart Water Treatment Plant
18. H-4 Hydroelectric Power Plant
19. H-5 Hydroelectric Power Plant
20. Coletto Creek Reservoir and Park
21. Victoria Regional Wastewater Treatment Plants
22. Crestview Subdivision Wastewater Treatment Plant
23. Port Lavaca Water Treatment Plant
Calhoun County Rural Water Supply System
Calhoun Canal System
24. Diversion Dam & Salt Water Barrier

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Fiscal Year Ended August 31, 2002
Financials Prepared by the Accounting Department

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Guadalupe-Blanco River Authority of Texas



Established by the Texas Legislature

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

Planning for the Basin and Texas

GBRA's statutory district 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 are carefully coordinated with the broader consideration of regional and statewide water needs, to achieve GBRA's primary responsibilities of developing, conserving and protecting the water resources of the Guadalupe River basin. Today, eleven divisions supply essential services including water and wastewater treatment, water quality testing, the management of water rights and delivery of stored water, the production of electricity from seven hydroelectric plants, and engineering and design support.



Self-Supporting Operations

GBRA cannot levy or collect taxes or assessments, nor can it pledge the general credit of the State of Texas. Occasional funding for special projects comes from state and federal grants. All other revenues for maintenance and operation are derived from the products and services GBRA provides to customers throughout the basin.

Sound Management and Administration

GBRA is governed by a board of nine directors appointed by the Governor and subject to confirmation by the Texas Senate. Each director serves a six-year term, with three directors appointed or reappointed every two years. Prior to each regular monthly meeting, board committees meet to recommend and review policies, programs and actions for consideration. The general manager and staff conduct management and administrative duties in accordance with policies established by the board.



Letter from Board Chair and General Manager

Fiscal Year 2002 is highlighted by historic events, significant accomplishments and major milestones in water planning.

The historic importance of the flood of July 2002 will be remembered as the first time floodwaters overtopped the emergency spillway at Canyon Reservoir since it was completed in 1964. This flood, and its impact on the Guadalupe River basin and GBRA, is summarized in a special section in this report.


Another event of historic importance to this organization is the affirmation of the Canyon Permit Amendment issued to GBRA by TNRCC in 2001. This year, The 353rd District Court in Travis County and the Texas Court of Appeals, Third District, both dismissed challenges to this permit, paving the way for the Western Canyon Treated Water Supply Project to deliver a reliable supply of surface water to people and communities who currently rely on wells in the Trinity and Edwards Aquifers.

We are proud of the significant accomplishments by each of our divisions, as they strive to provide professional, quality water-related services to communities, industries and citizens of the Guadalupe River basin. Their achievements are highlighted on the following pages.

Finally, this has been a year of major progress in projects at the state, regional and local levels. These projects are addressing everything from statewide water planning needs to the sharing of water between two neighboring communities in our basin. Throughout this issue, we have highlighted these projects in red to emphasize their uniqueness and their potential to provide guidelines to the wise management of water resources.



General Manager



Board Chair

GBRA Board of Directors

GBRA is governed by a board of nine directors appointed by the Governor and subject to confirmation by the Texas Senate. Each director serves a six-year term, with three directors appointed or reappointed every two years. Board committees meet prior to each regular monthly meeting to recommend and review policies, programs and actions for consideration by the board. The general manager and staff conduct management and administrative duties in accordance with policies established by the board.



*Standing (L-R): Kathleen Devine, Frank Pagel, Stephen Wilson - Vice Chair, John Schneider, Kay McHaney.
Seated: Pamela Hodges - Chair, Jack Gary, Myrna McLeroy, Fritz Schlather - Secretary/Treasurer*

Pamela M. Hodges, Chair

Kendall County, Boerne, Texas

Appointed: 1997, Gov. George W. Bush

Ms. Hodges is self-employed as a commercial real estate investment manager. She chairs the Alamo Area Library System Advisory Council, is vice-chair of the Kendall County Historical Commission, and is a board member of the Guadalupe-Blanco River Trust and the Texas Federation of Republican Women. She is also a member of the Hill Country Roundtable Steering Committee, the Kendall County Republican Women and Republican Club, the Boerne Public Library County Board, the Boerne Area Historic Preservation Society, the Cibolo Wilderness Trail and Nature Center, and St. John's Lutheran Church.

Stephen F. Wilson, DVM, Vice-Chair

Calhoun County, Port Lavaca, Texas

Appointed: 1999, Gov. George W. Bush

Dr. Wilson received B. S. degrees in Biomedical Science, Veterinary Science and a Doctor of Veterinary Medicine from Texas A&M University. He owns the Calhoun County Animal Hospital and is a member of the American Animal Hospital Association, the American Veterinary Medical Association, the Texas Academy of Veterinary Practice, the Texas Veterinary Medical Association, the Calhoun County Veterinary Medical Association and the Golden Crescent Veterinary Medical Association. Dr. Wilson received the 1996 Texas Game Warden Association's award as Conservationist of the Year for wildlife rehabilitation in Calhoun County. He belongs to the Calhoun County Chamber of Commerce, the Port Lavaca Rotary Club and serves on the board of the Golden Crescent Regional Planning Commission.

Frederick "Fritz" Schlather, Secretary/Treasurer

Guadalupe County, Cibolo, Texas

Appointed: 1997, Gov. George W. Bush

Mr. Schlather received a bachelor's degree from Southwest Texas State University and is currently engaged in real estate brokerage and development. He formerly served as president and chairman of the board of Cibolo State Bank, president of the Garden Ridge State Bank, mayor of the City of Cibolo, past president of the Schertz-Cibolo Chamber of Commerce, past president and director of the Greater Randolph Area Chamber of Commerce, and was a director of the Schertz-Cibolo Development Corporation, the Guadalupe County MH-MR Clinic and a trustee and chairman of the board of the Gonzales Warm Springs Rehabilitation Hospital.

Kathleen A. Devine, Director

Comal County, New Braunfels, Texas

Appointed: 1999, Gov. George W. Bush

Ms. Devine is Vice President, Litigation/Labor Counsel for USAA in San Antonio, and is Certified in Labor and Employment Law by the Texas Board of Legal Specialization. Ms. Devine currently serves on the Board of Directors of the Texas Employment Law Council, is a member and past director of the Greater New Braunfels Chamber of Commerce, and chairs the Texas Legislative Conference Arrangements Committee. She is a member of the American Bar Association, the San Antonio Bar Association, and the Labor and Employment Section of the Texas Bar Association.

Jack R. Gary, Director

Hays County, San Marcos, Texas

Appointed: 2001, Gov. Rick Perry

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

Catherine R. "Kay" McHaney, Director

Victoria County, Victoria, Texas

Appointed: 1994, Gov. Ann Richards, 1997 Gov. George W. Bush

A native of Victoria, Ms. McHaney received a bachelor's degree from the University of Texas at Austin. She is secretary/treasurer and co-owner of the *Victoria Advocate* newspaper and serves on the boards of Victoria College, the Texas Taxpayers and Research Association, the Victoria Symphony Endowment Trust, and the Victoria Fine Arts Association.

Myrna P. McLeroy, Director

Gonzales County, Gonzales, Texas

Appointed: 2001, Gov. Rick Perry

Mrs. McLeroy lives in Gonzales and takes care of a farm that has been in her family since 1885. She is owner of the McLeroy Land Group in Gonzales, which conducts land title searches and negotiates oil and gas leases. She attended Southern Methodist University and the University of Houston. Her community activities include director, Torch of Freedom Foundation, commissioner of the Housing Authority of Gonzales, a member of the Empowerment Board of Gonzales, the American Association of Professional Landmen where she served as a member of the Ethics Committee, the Gonzales County Chamber of Commerce and Agriculture, the State Republican Executive Committee where she currently serves on the Officials Committee, chairman of the Gonzales County Republican party, and a member of the First Baptist Church of Gonzales.

Frank J. Pagel, Director

Refugio County, Tivoli, Texas

Appointed: 2001, Gov. Rick Perry

Mr. Pagel lives on a farm that has been in his family for three generations and has been involved in agricultural production since 1957. He received a B.S. in Animal Husbandry from Texas A&M College and formerly owned and operated Progreso Aviation and a commercial aerial application business. He served in the United States Air Force as an instructor of all-weather-interceptor jet pilots. Mr. Pagel was named Man of the Year in Agriculture by the Texas County Agricultural Agents Association in 1967. He has been the County Chairman of the Refugio County Republican Party since 1996 and attends Tivoli Presbyterian Church.

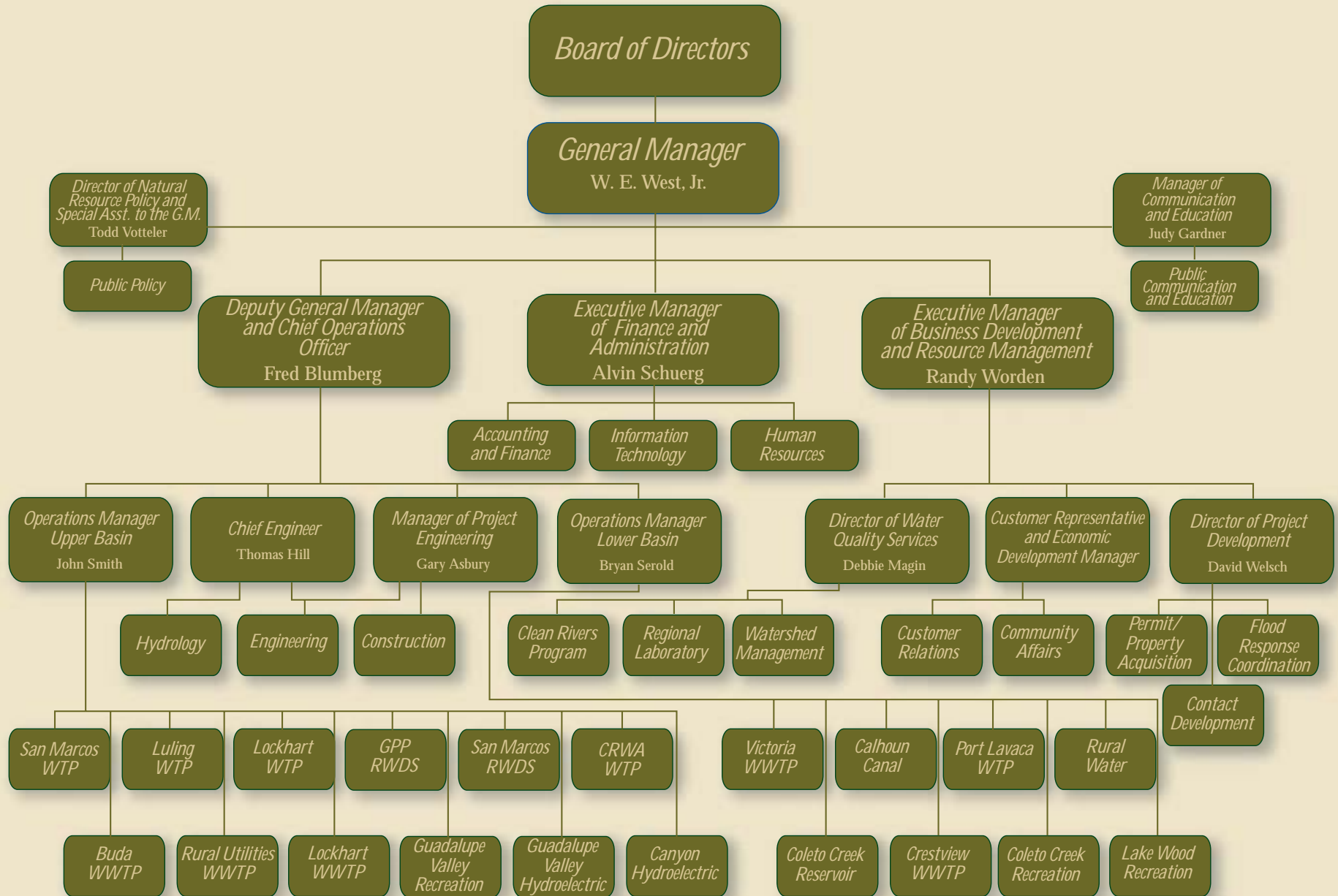
John P. Schneider, Jr., Director

Caldwell County, Lockhart, Texas

Appointed: 1999, Gov. George W. Bush

Mr. Schneider received a BBA degree from Texas A&M University and is president of Schneider & Associates, Inc., specializing in commercial, farm and ranch real estate in Central and South Texas. He belongs to 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, past chairman of the Texas Real Estate Center Advisory Committee and the Executive Committee of the Texas Agriculture Summit, the past chairman of the A&M College of Agriculture Development Council, the Association of Former Students and is a board member of the Twelfth Man Foundation. He is a former member of the State Executive Committee and former Austin Chapter President of the Coastal Conservation Association. Mr. Schneider assists in managing the family cow-calf operation.

Operational Chart



The Flood of July 2002



The Guadalupe River Basin is one of the three most dangerous regions in the United States for flash flooding. Local residents and weather experts refer to the Texas Hill Country as 'Flash Flood Alley,' because heavy rainfall and runoff from rivers, creeks and streams can create rapid rises and flooding in a matter of hours.

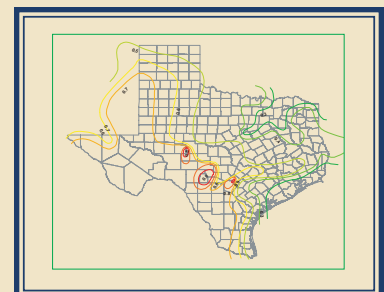
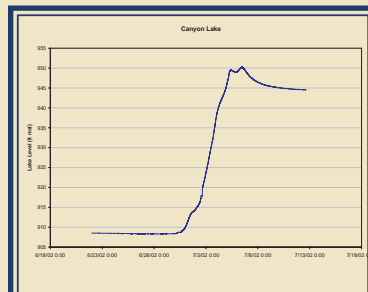
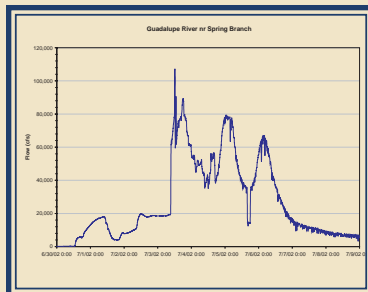
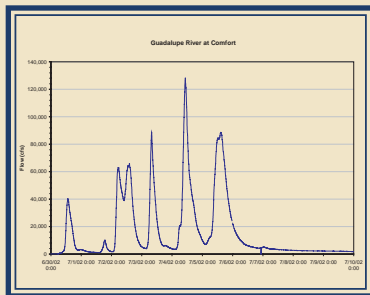
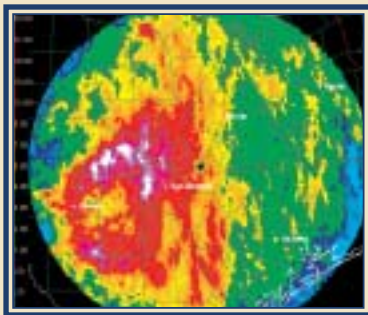
As people prepared for the Fourth of July holiday, they certainly were not anticipating another flood like the one that devastated much of the Guadalupe River Basin in October 1998. Most believed another catastrophic event would not be repeated for many years - hopefully, not in their lifetime. And yet, the flood of July 2002 turned out to be almost as devastating.

It began simply enough. On June 30, a low-pressure system migrating westward from Florida combined with a flow of deep tropical moisture from the Gulf of Mexico and moved over southern Texas. While not unusual for the region (one of the most flood prone areas in the nation), problems developed when the system hit a wall of high pressure and stalled over the central and south central portions of the state. For eight days, the storm system drew moisture from the Gulf, triggering massive rainfall that dumped from five to 35 inches throughout the region, especially the Texas Hill County northwest of San Antonio.

At least nine people died, an estimated 48,000 homes sustained flood damage, nearly 250 high-water rescue calls were reported, 5,000 people were instructed to evacuate their homes and sought refuge in the 25 shelters set up in their communities, and Texas Governor Rick Perry called out the National Guard to help with rescues and evacuations. More than 130 roads were closed, hundreds of flights were delayed, thousands of citizens lost power and telephone service, and several water treatment plants were inundated and could not operate. Significant flooding affected more than 80 counties. Thirty-four counties were identified by the Federal Emergency Management Agency (FEMA) as Federal Declared Disaster areas. Of those, 32 counties are eligible for individual assistance and 20 counties for individual and public assistance.

The July 2002 storm is being compared to the flooding of 1998, which caused \$1.5 billion in damage in the same region. However, the 1998 flooding occurred in a much shorter time period, while the 2002 flooding lasted eight days and produced several flood peaks at stream flow-gaging stations in the Guadalupe River Basin.

The biggest difference, however, occurred at Canyon Reservoir. For the first time since it filled in 1964, the reservoir was unable to hold the tremendous rainfall inflow from the upper Guadalupe River. On June 30, the reservoir elevation was 908.67 feet above mean sea level (msl), slightly below conservation pool elevation of 909 msl. By July 6, it had risen to 950.32 feet mean sea level (msl)- which is 7.4 feet above the emergency spillway!



The Flood of July 2002, continued

As floodwaters poured over the emergency spillway and down the channel at rates up to 67,000 cubic feet per second (cfs), they created tremendous devastation along their path.

Horseshoe Falls subdivision, built in the old Guadalupe River channel in the years after Canyon Dam was completed in 1964, was inundated. Several homes were washed completely off their foundations, and many suffered extensive flood damage.

In addition, huge rocks and boulders placed along the spillway channel were dislodged by the floodwaters and carried downstream, creating a huge rock 'plug' where the channel and the Guadalupe River join. On July 15, an emergency contract was issued to Phillips and Jordan, Inc. to remove rocks, gravel and other debris from the Guadalupe River channel at the spillway confluence. Approximately 50,000 cubic yards, including the main debris 'plug,' was removed by July 26. Additional material was removed on August 8 and 9 and the Corps began releasing water through the floodgate on August 10 to bring the reservoir elevation below the spillway level in order to empty the flood pool.



The emergency spillway at Canyon Reservoir is overtopped for the first time in its 40-year history.



Floodwater pouring down the spillway channel completely cuts through the access road to Canyon Dam.



Police and emergency workers respond to the severe flooding at Horseshoe Falls subdivision below Canyon Dam.



Even cars and trucks are no match for the destructive power of a flood.



Contractors begin the immense task of removing tons of rock washed into the Guadalupe River channel from the emergency spillway.



Raging floodwaters leave behind a vast sculpture of limestone formations.



A Comal County employee examines layers of stone exposed for the first time in centuries.



This formerly solid ground is now a breathtaking water-filled canyon.



Springs, once buried beneath the surface, gush forth in a miniature waterfall.

The Flood of July 2002, continued

Despite the devastation, Canyon Dam and Reservoir fulfilled the role it was designed to perform. Without the dam, the 63,900 cfs flows measured at New Braunfels on July 5 would have been greater than 126,000 cfs! From June 29 through July 9, approximately 700,000 acre-feet of water entered the reservoir. This was enough to fill the Canyon Lake flood pool (909' conservation level to the 943' spillway) twice! The dam also prevented an additional \$46 million damage from occurring downstream.

This historic event, and the resulting impact to the Guadalupe River and communities below the dam, created an immediate and outstanding cooperative response among the Fort Worth District- U.S. Army Corps of Engineers (Corps), GBRA, county officials, and numerous other emergency response departments and their employees.

As National Weather Service forecasts began to indicate the possibility of severe weather conditions, GBRA and its employees activated the flood response 'command and control center' at the Seguin office. This center remained manned 24-hours a day for the first week of flooding.

On July 4, GBRA coordinated efforts with the Corps and Comal County to arrange helicopter tours of the flooded areas for their officials. KMOL-TV and other organizations generously offered use of their helicopters to help videotape the flood damage. As local, state and national media converged on the area, GBRA and the Corps worked together to organize a press conference on July 5 at the Comal County Sheriff's Office Emergency Center in New Braunfels. Texas Governor Rick Perry, along with GBRA general manager Bill West, Colonel Gordon Wells from the Corps, and Comal County Judge Danny Scheel explained the current flood situation, the release procedures from Canyon Reservoir and answered questions about the general flood event.



"Ground Zero" - the edge of the emergency spillway at the height of the flood.



Yolanda Pierce, Alvin Schuerg and Debbie Magin answer phones as part of GBRA's 24-hour flood response team.



Governor Rick Perry addresses national media at a July 5 press conference in New Braunfels.

At the same time, recognizing the need to protect private property and the public from dangerous river conditions and flood debris, Comal and Guadalupe Counties and GBRA issued Emergency Orders on July 6. These orders prohibited public access or watercraft on the waters of Canyon Lake, the Comal River and the Guadalupe River and GBRA hydro lakes in Guadalupe County. On July 18, GBRA extended this order to include the hydro lakes in Gonzales County. During late summer and fall, these restrictions were gradually altered and removed as conditions improved and public safety was no longer in jeopardy.

On July 12, the Corps, GBRA and county officials coordinated a comprehensive flood briefing for federal and state officials at the Canyon Project Office in Sattler, including Federal Emergency Management Agency (FEMA) director Joe Allbaugh, Senators Phil Gramm and Kay Bailey Hutchison, and members of Congress and the Texas Legislature. This was followed by a press conference at the Horseshoe Falls subdivision below Canyon Dam to visit with local residents and see first-hand the damage caused by floodwaters that overtopped the Canyon Reservoir emergency spillway.



Congressman Lamar Smith, Senator Kay Bailey Hutchison and FEMA director Joe Allbaugh visit with residents of Horseshoe Falls subdivision as they tour the devastated area.

The Flood of July 2002, concluded

Along with homes, businesses and infrastructure, several GBRA facilities experienced flood damage. The Canyon Hydroelectric Plant, which generates electricity for New Braunfels Utilities, received about eleven (11) feet of water when floodwaters backed up the river channel to the outlet gate at Canyon Dam. While fully insured, it will cost approximately \$1.8 million dollars to replace the damaged switchgear and other equipment and return the plant to operating condition by August 2003.

Both spill gates at the Lake Placid dam suffered extensive damage and took two and one-half months to repair due to the high flood release rate from Canyon Reservoir. During this time, the level of Lake Placid remained approximately 10-12 feet below normal. Extensive work is still required to bring the gates back to their pre-flood condition.

While receding waters may signal the end of a flood, it is just the beginning of months of recovery and cleanup efforts for flood victims and employees of agencies like GBRA. High water marks must be recorded. Floodplain surveys are evaluated for accuracy and possible adjustment. Damage must be photographed and documented for insurance, FEMA assistance and other federal programs. Debris in river channels must be located, marked and removed, requiring extensive coordination among GBRA, lake associations, homeowners groups and agencies such as the Natural Resource Conservation Service (NRCS). And flood response plans must be reviewed and revised in preparation for the next flood event.

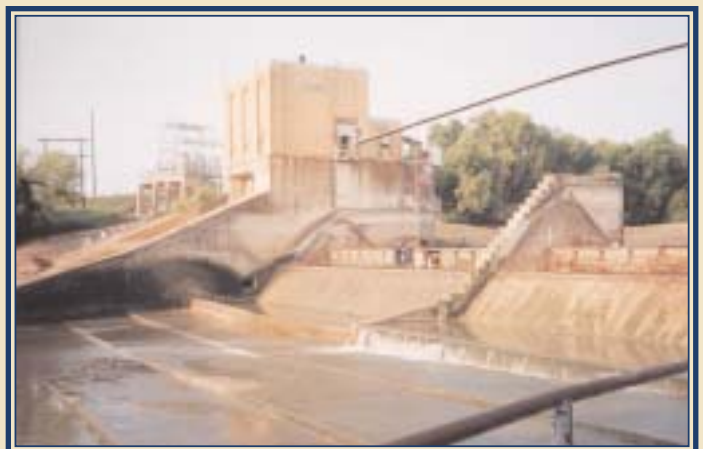
GBRA extends its sympathies to all who were affected by the July 2002 flooding. We express our gratitude to the citizens, public officials, emergency personnel, news media and local, state and federal agencies who worked with us throughout this disastrous event. Most of all, we thank our employees - who worked long days and nights, for weeks on end, in the best tradition of public service.



Floodwater from Canyon Reservoir churns through the release gate at the base of Canyon Dam at rates up to 5,000 cfs.



GBRA's Canyon Hydroelectric Plant will be out of operation until Summer 2003 to repair approximately \$1.8 million of flood damage.



GBRA employees repair the spillgates at Lake Placid dam.

General Division

The General Division is based in Seguin and supplies administrative, technical and other support services to the agency's operating divisions under the direction of the General Manager.

Accounting and Finance

Accounting and Finance furnishes payroll, accounts payable and receivable, and other financial services to GBRA divisions. General Division revenues are generated from administrative and general charges to operating divisions, investments in eligible securities and rental income. GBRA's Industrial Development Corporation also provides low-interest loans to outside entities.

Staff completed the five-year Management Audit; hired a webmaster for design and maintenance of the GBRA website; implemented new records management software; and accepted its 28th consecutive Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officer's Association for GBRA's 2001 Annual Report.

Business Development and Resource Management

Business Development and Resource Management, created and staffed at the end of FY 2002, will oversee the development of strategies, business opportunities and projects to meet current and future needs within the Guadalupe River basin. This will include strategic planning, economic development, the implementation of

plans through project management, seeking and procuring cooperative agreements, ensuring public participation, and acquiring new property, projects and programs.

Communications and Education

Communications and Education develops materials for internal and external distribution to explain GBRA's vision, mission, goals and current programs to the public. It provides public relations support, distributes and coordinates information during flood events, and creates youth education programs and water-related school curriculum.

Staff was actively involved in a cooperative public information effort with the U.S. Army Corps of Engineers and local officials throughout the July 2002 flood event; organized follow-up meetings for FEMA-related mitigation programs; completed River of Life, a new water education curriculum for students in grades 6-8; distributed Journey Through the Guadalupe River Basin for fourth grade students; worked on a GBRA 'watershed awareness' video; participated in National Drinking Water and Water Utilities Awareness Week activities; published the GBRA Water Resources Report and the 2001 Consolidated Annual Financial Report; and presented environmental education programs to students, teachers and the general public.

A new water education curriculum for middle school students, *River of Life*, will be distributed free, beginning in December 2002 and throughout 2003, to all sixth, seventh and eighth grade classrooms in GBRA's statutory district that covers Kendall, Hays, Comal, Caldwell, Guadalupe, Gonzales, DeWitt, Victoria, Calhoun and Refugio counties. The project is part of a sequenced curriculum that begins in the fourth grade with *Journey Through the Guadalupe River Basin* and will eventually include a high school component.

River of Life emphasizes science and social studies and involves multidisciplinary activities. The state-mandated TEKS and TAAS elements are correlated to the curriculum, which includes lessons on history and geography of the Guadalupe River watershed, surface and groundwater, mapping activities, water use, distribution and management issues, conservation, aquatic life, and water quality and treatment. Maps, laboratory slides, and powerpoint presentations complete the program.



The curriculum was developed with input from a Steering Committee. Teachers, and the school districts they represent are: (front) Candy Bagley, Seguin; Susan Curtis, Comal; Beth Doege, San Marcos; Sandy Abernathy, Boerne; (middle) Cinde Thomas-Jimenez, education consultant; Melba Sexton, Luling; Nancy Conley, Gonzales; Jane Reed, Seguin; (back) Sherrie Krause, Calhoun; Nathan Brown, Cuero; Virginia Adian, Victoria; Leslie Blackmon, Woodsboro. Not pictured are Renee Basinger, Victoria, Jill Law, Seguin and Robin Wright, New Braunfels.

General Division, Continued

Engineering

Engineering monitors rainfall events and river conditions through the National Weather Service River Forecast Center in Fort Worth; provides assistance to emergency management coordinators during severe weather events; conducts hydrology and flow monitoring studies; and assists with water and wastewater plant design services and process evaluation.

In an effort to develop a reliable model to better understand water flows in the lower Guadalupe delta region, staff used the newly-purchased Acoustic Doppler Current Profiler (ADCP) to gather additional flow and level data. This information will be used to refine the ongoing modeling effort for this project. The annual Flood Coordination Meeting for Emergency Management Coordinators and local officials featured a presentation by the National Weather Service on flood climatology, tropical flooding, the MAP program and 88D imagery; GBRA's overview of its internal flood response and communication plan, and the Flood Preparedness Plan for area hydro lakes; and a USGS presentation on the 100-year flood plain. Flood response and communication occupied the remainder of the year, due to numerous rainfall events that resulted in high river conditions.



The Delta project study area, outlined adjacent to Green Lake, will provide information to better understand water flows in the lower Guadalupe Delta region.



Emergency Management Coordinators, local officials and staff from the National Weather Service and the United States Geological Survey gathered in Seguin in April 2002 for the annual GBRA Flood Coordination Workshop. San Antonio television meteorologists (back row-right) Albert Flores from KENS, Steve Browne from KSAT, and Alex Garcia from KABB-Fox participated in a special roundtable discussion on communication during flood events.

Project Development

Project Development coordinates overall project planning, including contracts for services, permits and rights of way, contacts with entities interested in water and wastewater projects, and community interaction.

Staff continued work on the Western Canyon Water Supply Project, including acquisition of a plant site; worked with the U. S. Army Corps of Engineers on environmental issues that resulted in a Finding of No Significant Impact for the use of a portion of Comal Park as the site of the project's raw water intake; completed the piloting program for the process, vendor selection and beginning of design work; coordinated the design and construction of the infrastructure for water and wastewater services for Cordillera Ranch, near Bergheim, under a

Certificate of Convenience and Necessity (CCN) in the name of GBRA; significantly completed the certification for wastewater service for the Wimberley area, and for water service in the Bulverde area, as well as a study by the Lake Advisory Committee on the benefits and impacts of the new water supply permit on area uses of Canyon Lake.

During the Flood of July 2002, staff manned phones, helped provide public information, and later identified, marked and prepared specifications for removal of debris from the flood and subsequent rainfall events.



GBRA Hydro Division employees (l-r) Scott Kolbe, Mike Schultze, Rod Voss, David Kenda, David Maltony, Connie Molina, James Medrano, Dicky Maxwell, Happy Henry, Robby Scott and Allen Ognoskie breakground for the new warehouse facility to be completed in April 2003.

Project Engineering

Project Engineering provides management for design, review and inspection services necessary for the installation of GBRA facilities.

Staff worked with the architectural firm of Chesney, Morales and Associates, Inc. of San Antonio to complete plans for the Seguin Office expansion, which will include construction and renovation of warehousing, storage, office and laboratory facilities. Planning continued on the IH-35 Water Transmission Pipeline that will deliver treated water from the

San Marcos Regional Water Treatment Plant to the Kyle and Buda areas. The Luling-Lockhart Interconnect Water Transmission Pipeline project to deliver water from the Luling Water Treatment Plant to the Lockhart Water Treatment Plant was developed to the contract stage. Significant progress was made on the Western Canyon Water Supply Project, including site acquisition for the intake structure and testing for the membrane filtration treatment plant.

General Division, concluded

Working to Support our Communities

The Guadalupe-Blanco River Trust is a nonprofit organization developed to conserve land in the Guadalupe River Basin for its natural, recreational, scenic, historic and productive value. Its mission is to promote and encourage the conservation, stewardship and enjoyment of the land and water resources of the Guadalupe River Basin, while maintaining its unique and irreplaceable natural heritage. It was founded in 2001 and is guided by a voluntary board of directors who share a love of the Guadalupe River - one of the most pristine rivers in Texas. The Trust works to promote awareness of conservation easements, purchased conservation easements, land management programs, and works with corporate sponsors, charitable foundations and individuals to conserve the Guadalupe River.



Scenic area on the Guadalupe River above New Braunfels.

Volunteering to Make a Difference

The GBRA Volunteer Program was founded in December 2000 to help improve the quality of life in the communities we serve. GBRA employees, who receive no pay for their volunteer service, donate their time, energy, talents and skills to help nonprofit or government organizations engaged in civic, health, education, social services and other charitable pursuits. The program's annual highlight is "Our Day to Shine" - a full-day event dedicated to one significant project that has broad community impact. This year, 105 volunteers spent a day at the Baptist Children's Home in Luling, Texas and painted the interior of the long-range facility, the exterior of the emergency shelter, built bleachers for the riding arena, replaced wood with metal siding on the barn, provided electrical assistance and landscaped various areas of the campus. Employees also volunteer during Christmas for the Blue Santa programs in the Seguin, Victoria and Pt. Lavaca areas, the Eagles Lodge Annual Christmas Dinner and Coats for Kids. This year, a new scholarship program awarded a total of \$ 6,000 in scholarships to three graduating seniors in our service area.



Volunteers walk in Relay for Life to raise money for the American Cancer Society.



Employee volunteers install metal siding on a barn for the Baptist Children's Youth Ranch located in Gonzales County during "Our Day to Shine," 2002.

Hydroelectric Generation

The Guadalupe Valley Hydroelectric Division and the Canyon Hydroelectric Division operate seven dams and powerhouses along the Guadalupe River in Comal, Guadalupe and Gonzales counties. These plants use the natural flows of the Guadalupe River to generate clean, renewable 'green power' for communities in the GBRA service area.

The Guadalupe Valley Hydroelectric Division

The Guadalupe Valley Hydroelectric Division operates six dams and powerhouses at Lakes Dunlap, McQueeney, Placid, Nolte, H-4 (Lake Gonzales) and H-5 (Lake Wood). These facilities were built in the late 1920's and purchased by GBRA in 1963. Division employees maintain each plant, the pump stations for the Guadalupe Power Partners generating plant and the San Marcos Water Treatment Plant, and provide electrical, fabricating, repair and technical support to other GBRA divisions. This year, the division generated 77,361,500 kWh of electricity, which is purchased by the Guadalupe Valley Electric Cooperative (GVEC) and distributed to its customers.

Major work for FY2002 includes painting the exterior of the Dunlap and Nolte powerhouses, replacing the stator windings in McQueeney generator #4 and the generator at the Lake Placid powerhouse, completing the disassembly portion of the turbine overhaul at Lake Placid, and building an enclosure around the Nolte powerhouse spill pier.

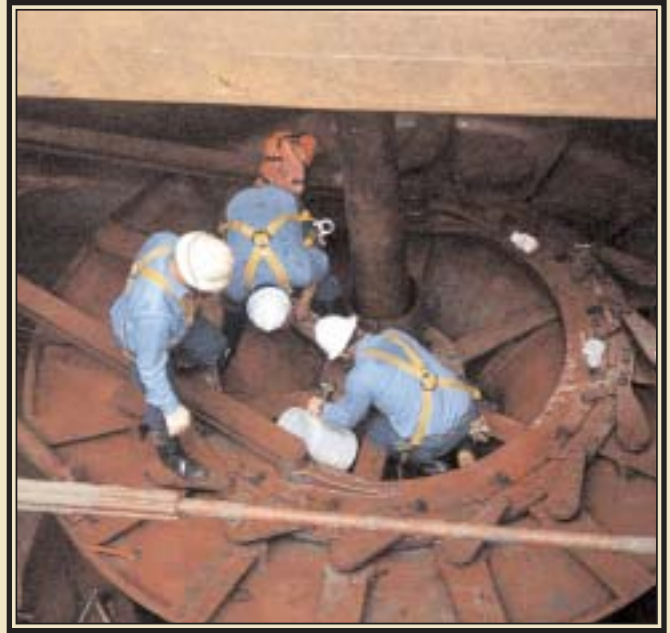
The July 2002 flood also damaged spill gates at the Placid Dam requiring significant repair, and division employees worked around the clock for 74 days in order to pass floodwaters from Canyon Reservoir through the GBRA hydro system.

The Canyon Hydroelectric Division

The Canyon Hydroelectric Division maintains and operates the Canyon Hydroelectric Plant at Canyon Dam in Comal County. Built in 1989, this facility uses natural flows of the Guadalupe River flows that are passed through two, 3-megawatt generators at rates between 90 and 600 cubic feet per second (cfs). The plant's average annual generation capacity is 25,000,000 kWh.

This year, the division generated 16,493,895 kWh, which is sold to New Braunfels Utilities for the benefit of the City of New Braunfels.

The flood of July 2002 created a major unscheduled event when 11 feet of water backed up the Guadalupe River channel and flooded the hydroelectric plant. Crews worked through the summer and early fall in preparation for a \$1.8 million rehabilitation effort to return the plant to operating condition by August 2003.



Hydro crew members conduct a turbine inspection before adjusting the bearing blocks.

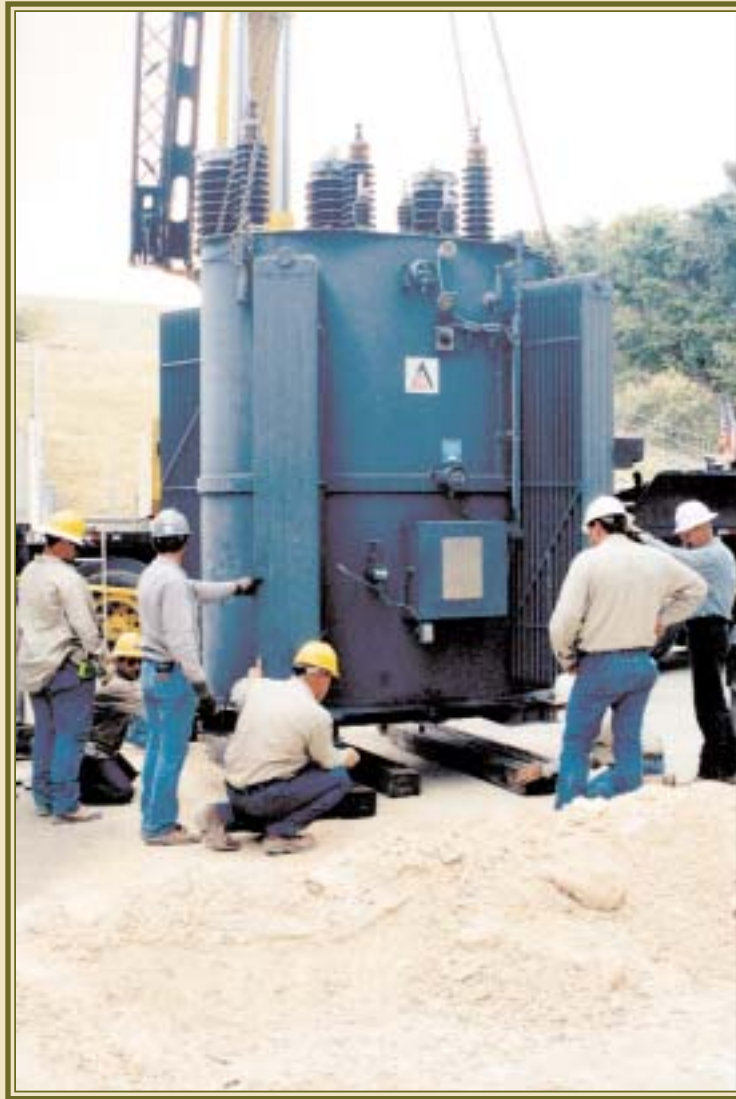


Eleven feet of floodwater damaged a majority of the switchgear at the GBRA Canyon Hydroelectric Plant.

Hydroelectric Generation, concluded

The primary project for FY2002 was a cooperative effort among GBRA, the Lower Colorado River Authority (LCRA) and the Pedernales Electric Cooperative (PEC) to upgrade the electric substation located at the Canyon Hydroelectric Plant to provide additional capacity for the rapidly-growing areas around Sattler, Canyon Dam, Fischer, and the Highway 32

area. A new power transformer was installed, the existing 69 kV transformer was replaced with a 138 kV transformer and three line surge arresters, fences were relocated, and a spill containment moat was built around the transformer.



Crews remove the old kV transformer prior to installing the new 138 kV upgrade at the Canyon Hydroelectric Plant Substation.

Water Treatment

GBRA has been providing citizens and communities with safe, reliable drinking water since 1970. We operate water treatment plants for the cities of Lockhart, Luling, Port Lavaca and San Marcos that consistently meet or exceed state and federally-mandated standards. GBRA also offers professional system management and planning in all areas of municipal water services.

The Lockhart Water Treatment Plant Division

The Lockhart Water Treatment Plant Division operates the 4 mgd plant under contract for the City of Lockhart. Currently, 100% of the city's water supply comes from wells drilled into the Carrizo Aquifer, which has high concentrations of iron and manganese. The treatment process uses oxidation and filtration to increase the efficiency of iron reduction.

A major project for 2002 involved rehabilitating several of the City's existing wells, including remote TV examinations to

determine needed repairs. Tests were conducted to ensure the wells could be operated directly from the water plant by bypassing the pump station prior to emptying and cleaning the storage tank. With successful results, employees emptied, cleaned and inspected the 300,000 gallon booster station storage tank. In addition, the 2 million gallon elevated storage tank, and the 300,000 gallon clearwell were cleaned. Screens were brushed and chlorinated at Well #5, and the pump was changed over from a vertical to a submersible pump. New electrical junction boxes and a new disconnect box for the backwash pump were installed at the clearwell, and a new fluoride system was added to the water plant process. This year, the plant produced a total of 614,466,054 gallons of treated drinking water.



Mike Urrutia, GBRA Rural Utilities Manager and Debbie Magin, GBRA Director of Water Quality Services, explain the benefits of land-applied sludge treatment at the 2002 Luling Foundation Farm Annual Field Day tour of the Luling Water Treatment Plant.

The Luling Water Treatment Plant Division

The Luling Water Treatment Plant Division has supplied the City of Luling with treated drinking water since 1978. This 2.5 mgd plant, owned and operated by GBRA, is permitted by TCEQ to divert up to 2,800 acre-feet of water annually from the San Marcos River for municipal purposes. The plant is a past winner of the Region 6 Environmental Excellence Award for Public Water Supply by the Environmental Protection Agency.

Major work items completed this year by division employees include installing spill containment around bulk chemical storage containers and a security enclosure around the chlorine storage area; cleaning sludge from filtrate ponds and land-applying it to a site adjacent to the plant; seal coating the main

road and parking area; purchasing total organic carbon testing equipment for the plant laboratory; and installing increased security measures at the plant. The annual 'open house' for National Drinking Water and Water Utilities Awareness Week was held for approximately 240 students in the third and eighth grades in Luling schools. The Luling Foundation Farm Annual Field Day selected the plant for one of their educational tour sites. Approximately 225 people attended the tour, which included a program by GBRA staff on the benefits of land-applied sludge. Two employees achieved 'A' waterworks licenses from TCEQ. The plant treated and delivered a total of 306.2 million gallons of drinking water.

Water Treatment, continued

In December 1999, GBRA met with several area communities and water supply corporations to explore the potential for using excess treatment capacity at the GBRA Luling Water Treatment Plant. After completing cost estimates and a blending study, the City of Lockhart elected to supplement its existing well water supply with surface water from the San Marcos River. Lockhart's citizens will benefit from an additional firm, economical water supply and enhanced water quality. GBRA will finance, design, construct, permit and operate a pump station at the Luling plant and approximately 15 miles of pipeline between the Luling and Lockhart plants, at an estimated project cost of \$5,300,000.



Luling Water Treatment Plant.



In an outstanding example of cooperation, the Luling and Lockhart Interconnect Water Transmission Project will deliver treated drinking water from the City of Luling to the City of Lockhart.

The San Marcos Water Treatment Plant

The San Marcos Water Treatment Plant is a \$7.2 million facility owned by the City of San Marcos. The plant's initial treatment capacity of 6 mgd can be expanded to 24 mgd to meet future regional growth requirements. GBRA has been the contract operator since the plant was placed on line in January 2000. GBRA owns and operates the pump station at Lake Dunlap, and 24 miles of pipeline that delivers stored water from Canyon Reservoir to the plant. The City of San Marcos is one of several area municipalities that has converted to surface water from the Edwards Aquifer, reducing its use of the aquifer by approximately 75%, and helping to protect springflows at the Comal and San Marcos Springs.

July 2002 flooding on the Guadalupe River affected many GBRA divisions, including the San Marcos plant, which experienced high turbidity levels in the raw water delivered to the plant. Several major projects were also completed during the summer months. Plant employees helped to operate the Western Canyon Water Supply project pilot plant at Canyon

Reservoir during membrane technology testing, and also assumed operation of the newly-constructed Canyon Regional Water Authority Hays/Caldwell membrane water treatment plant in August. Staff worked on a high service voltage study with Bluebonnet Electric Cooperative, received assistance from GBRA Hydro Division employees to complete wiring on all motor heater circuits, conducted a successful backflow preventer test, and completed predictive maintenance on all major components. Personnel manned a booth at the San Marcos Chamber of Commerce Business Expo and hosted several major plant tours including Basic Water Treatment class, graduate students from Southwest Texas State University, area teachers studying Environmental Sciences, and children from a SWTSU Summer Environmental Camp. The plant treated a total of 1,401,000 mgd of treated drinking water during FY2002.

The Port Lavaca Water Treatment Plant Division

The Port Lavaca Water Treatment Plant Division receives water from the Guadalupe River through 20 miles of delivery canals, and treats it to drinking water quality at the 6 mgd treatment plant. The division has served the City of Port Lavaca as a customer since 1968, the Calhoun County Rural Water Supply System since 1970, and the Municipal Utility District of Port O'Connor was added in October 2000.

A Process Study contracted to the engineering firm of Black and Veatch was conducted to ensure that the plant treatment process would meet new Safe Drinking Water Act regulations for disinfection, disinfection byproducts and clarity. The study concluded that the plant would function well within quality requirements and recommended no major changes. Drinking water treatment plants are now required to monitor individual filters for turbidity (clarity) values to ensure that all parts of the process are producing high quality water. Turbidimeters were installed on each filter to ensure the new monitoring standard would be met, prior to this requirement becoming law.

GBRA employees assisted the City of Port Lavaca in a review of engineering proposals for water and wastewater sys-

tem upgrades for the City's system. Modifications to the high service pumping facility were made to provide a tap for the City of Port O'Connor's new water main constructed by the Municipal Utility District. G&W Engineering, R Construction and the USDA Rural Development Agency inspected and approved the work. A new 13,500 gallon double-walled storage tank was purchased and installed to store the plant's primary coagulant, aluminum sulfate. Also, a new stainless steel line was installed for feeding liquid ammonium sulfate, a primary component of chloramines, which is the disinfectant in use. Other projects included cleaning settling basins, effluent saw-tooth weirs and the sludge pond. The plant staff presented school tours, educational programs, hosted 'job shadow' students from Travis Middle School, and served as science fair judges at the HJM Elementary School in Port Lavaca, the Victoria High School Science Fair and the Water Environment Association of Texas (WEAT).

The Calhoun County Rural Water Supply System

The Calhoun County Rural Water Supply System purchases treated water from GBRA's Port Lavaca Water Treatment Plant and delivers it to the Six-Mile Community, Indianola, Magnolia Beach and the Highway 35 area, through approximately 60 miles of pipeline and pumping facilities. Customers of this retail distribution system are members of the Calhoun County Rural Water Supply Corporation. Their elected Board of Directors works closely with GBRA to review system operations and plan for future water needs.

This year, division employees continued to install new touch-read meters in the service area. A new letter-size customer billing format was implemented and a new barcode scan-

ner increased entry efficiency for accounts receivable. The system now serves 1,135 metered customers. The General Land Office renewed the Powderhorn Channel water main permit for an additional 10 years to ensure that a supplemental water supply will be available for this area in the future. The TCEQ completed its inspection of the Crestview wastewater plant. Over a period of several months, a draft operating agreement was prepared in response to a development group's request for GBRA to operate a groundwater treatment system for the Seaport Lakes project near Seadrift, Texas.

Water Treatment, concluded

IH-35 Water Supply Project:

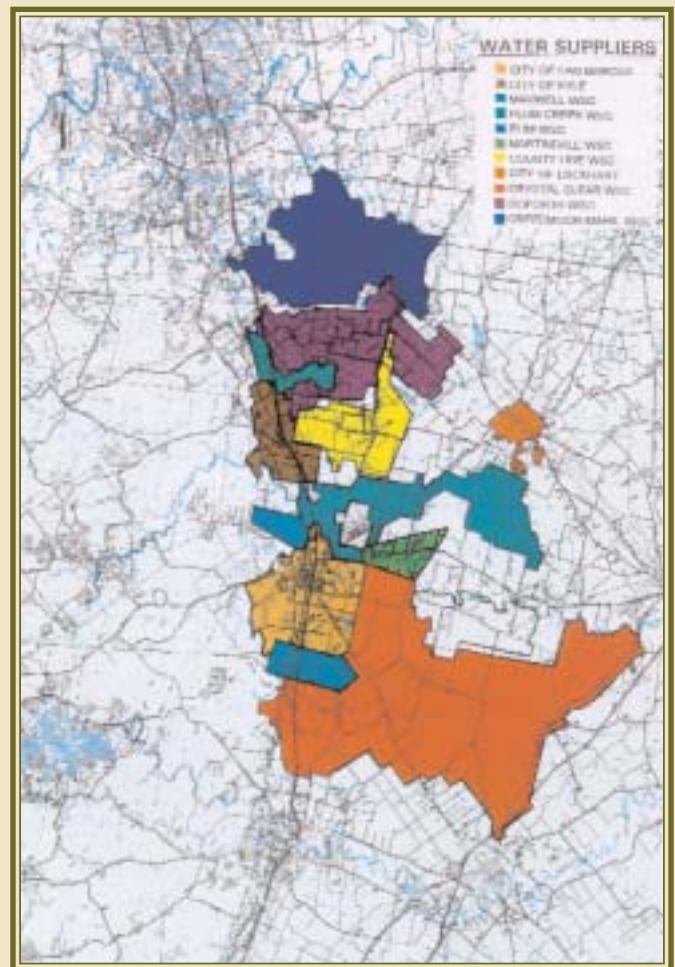
Hays County, located along the rapidly-growing IH-35 corridor, has some of the highest growth rate projections in the state. Its Hill Country location, just south of the Austin/Travis County metroplex, makes it a choice destination for suburban residential growth. Most of the county is served by groundwater wells drawn from two major aquifers. The Edwards in the south and southeast serves communities along IH-35 including San Marcos, while the Trinity (and Glen Rose) in the north and northwest supply water to Dripping Springs and other nearby areas. Identifying alternative surface water supplies is one way to help protect these aquifers.

In 1994, the Texas Water Development Board funded a grant study with GBRA, the cities of San Marcos and Kyle, and nine rural water supply corporations to look at the benefit of a regional water treatment facility for rural communities and water systems in the Hays County and San Marcos area. The San Marcos Regional Water Treatment Plant (SMWTP), built as a result of this study, has been serving the City San Marcos since January 2000.

GBRA has continued to work with other communities and water supply corporations along IH-35 to develop a treated water delivery system from the SMWTP to northern Hays County. The delivery system will consist of a pump station at the plant and a pipeline paralleling IH-35 through Kyle and Buda. The IH-35 system is initially planned to deliver up to 6 million gallons per day (mgd) with an ultimate capacity of 12 mgd. Treated water will be delivered outside of sensitive aquifer recharge zones to each customer entity on a wholesale basis.

The City of Kyle began receiving treated water from the SMWTP on September 25, 2002. The City contracts with GBRA to purchase 5 mgd of raw water from Canyon Reservoir, which is treated at the plant and delivered under a separate contract with the City of San Marcos through their existing distribution system.

GBRA also has executed a water supply agreement with the City of Buda for future delivery. Under this agreement, GBRA will finance, construct, own and operate the treated water delivery system and expand the SMWTP to provide the required treated water capacity.



Wastewater Treatment

GGBRA currently operates 11 wastewater treatment plants in five of the ten counties in its statutory district. These facilities help protect the environment by treating waste to a finished quality that meets or exceeds all federal and state standards. This process also conserves water, because the final product can either be returned to rivers and streams or recycled as non-potable irrigation water. Wastewater treatment plants are inspected annually by the Texas Commission on Environmental Quality (TCEQ), and all GBRA-operated facilities meet or exceed federal and state requirements.

The Buda Wastewater Treatment Plant

The Buda Wastewater Treatment Plant has been operated by GBRA since October 1, 2001, when the Buda City Council asked GBRA to assume contractual operation responsibility for the facility. Since then, employees have brought the plant into full TCEQ compliance.

This year, a plant expansion was completed to a permitted capacity of 600,000 gallons per day, which will help Buda meet anticipated future growth needs. The 2002 sludge report was submitted to TCEQ, in addition to reports for 1991 and 2001, to help bring the plant into compliance with reporting requirements. TCEQ also held a public meeting to obtain comments on the plant's discharge permit. A sludge level indicator, chlorine gas leak detection equipment, electrical phase monitors, and high level monitoring equipment were installed and connected to an automated dialing device that will alert operators of potential problems during non-duty hours. Other significant projects included modifying the bar screen at the raw structure, and manufacturing a slide gate to automatically divert excess flows to the emergency holding lagoon. The plant treated a total of 102.9 million gallons of wastewater.

The Lockhart Wastewater Reclamation Division

The Lockhart Wastewater Reclamation Division includes the original 1.1 mgd Larremore Street plant, operated by GBRA for the City of Lockhart since 1994, and the new 1.5 mgd FM 20 Plant that began operation in February 1999. Together, these two plants meet Lockhart's current wastewater treatment needs and provide additional capacity for future growth.

All employees obtained groundwater licensing, which enables them to assist the Lockhart Water Treatment Plant team members with plant operation as needed. At the FM 20 plant, preventative maintenance was performed to the bar screen, the grit chamber was drained and cleaned of all debris, the airlift was modified by the plant team to prevent future clogging, and the plant disinfection system was completely reworked. In addition, all plant computers were networked to

enhance communication and data collection. The Larremore Street Plant treated a total of 227.4 million gallons of wastewater, and the FM 20 Plant treated 285 million gallons.

The Rural Utilities Division

The Rural Utilities Division operates and maintains small wastewater treatment plants in rural areas, with financing provided by private developers, Environmental Protection Agency (EPA) grants, and a community development block grant from the Department of Housing and Urban Development (HUD). These plants provide cost-effective and environmentally sound treatment alternatives to rural areas that would otherwise need to rely on septic tanks.

A major division project was the completion of a Supervisory Control and Data Acquisition (SCADA) Master Plan to permit remote control and monitoring of plant facilities. Electrical conduit and equipment was installed at the Northcliffe and Springs Hill Wastewater Treatment Plants in preparation for the SCADA installation. In addition, infrared analysis was completed on all plant motor circuits and vibration analysis on pumps and motors, and employees repaired damage from the July 2002 flood at Canyon Park Estates and the Dunlap WWTP.

The Canyon Park Estates Wastewater Reclamation System serves a number of condominiums and vacation units at Canyon Lake. Inflow and infiltration work was coordinated for the condominiums being served, and the system treated 22.9 million gallons of wastewater.

The Dunlap Wastewater Reclamation System treats wastewater for the Southbank subdivision near New Braunfels and the River Bend and Longcreek subdivisions. Sewer line rehabilitation inspection was conducted at River Bend and the system treated 36.2 million gallons of wastewater.

The Northcliffe Wastewater Reclamation System provides wastewater treatment to this residential community near New Braunfels. Treated effluent is recycled as irrigation water for the adjacent golf course. During the year, smoke testing was conducted for an Inflow and Infiltration study. Following a presentation to the Board of GUADCO MUD #1 and the City of Schertz, the City performed repairs to the collection system using the results of the study. RUD personnel also met with the City of Schertz officials to discuss future development in the Northcliffe area. Major rehabilitation work was completed on the clarifier drive unit at the plant, and the system treated 52.6 million gallons of wastewater.

Wastewater Treatment, continued

The Springs Hill Wastewater Reclamation System serves the Nob Hill and Country Club Estates neighborhoods in Seguin. In FY 2002, employees located GBRA sewer lines along Sutherland Springs Road as part of a coordinated project with the City of Seguin's contractor during construction of the water pipeline portion of the Carrizo Aquifer project between Seguin and Schertz. Employees also hosted a "Microscopic Evaluation of Activated Sludge" class at the plant as part of GBRA's education outreach, and submitted the RUD sludge application site TNRCC permit for consideration. Annual wastewater treated by the system was 38.4 million gallons.

RUD also provides water and wastewater service for the Texas Department of Transportation's Guadalupe County Rest Area on IH-10. This year, employees submitted the annual TWDB survey of ground water use for the 2001 calendar year. The system treated 2.31 million gallons of wastewater, all of which is reused for irrigation of the rest area's landscaping using an underground sprinkler system.



The RUD Beneficial use Land Application Sludge Site is located in Marion, Texas. The RUD Division uses this site to beneficially re-use wastewater treatment plant sludge that has been treated to TCEQ and Environmental Protection Agency (EPA) standards for Class B biosolids. Biosolids recycling improves soil quality by enhancing the soil's ability to absorb and store moisture, reducing the need to irrigate and providing

natural drought resistance. Biosolids recycling also lessens the need for more landfills. Biosolids use in agriculture protects groundwater because -- unlike commercial chemical fertilizers -- plant nutrients are released slowly which minimizes the release of excess nitrogen into groundwater.

The Victoria Regional Wastewater Reclamation Division

The Victoria Regional Wastewater Reclamation Division has operated two wastewater treatment plants under contract for the City of Victoria since 1972. The Regional Wastewater Treatment Plant is permitted to process an average of 9.6 million gallons per day (mgd), and the Willow Street Wastewater Treatment Plant is permitted to process an average of 2.5 mgd. The treatment process includes the City's enforcement of an EPA-approved pre-treatment program that includes technically-based local limits.

Staff worked with the City of Victoria to develop a pretreatment program sampling routine for the six-day intensive sampling requirement for local limits development. After completing an energy procurement study with Malcom Pirnie Engineering for the Regional and Willow Street wastewater plants and the Port Lavaca Water Treatment Plant, competitive bids were solicited from retail service providers to obtain future electric service at the lowest possible cost. TCEQ conducted

annual inspections of both plants and bio-monitoring testing was successfully completed. In addition, public and school tours were held during National Drinking Water and Water Utilities Awareness Week.

Electrical controls were installed on the raw sewage influent gates, enabling them to be remotely operated from the SCADA computer; raw sewage pumps were rebuilt; the raw sewage wet well was drained and settled grit was removed to allow the raw sewage pumps to operate more efficiently; the screw conveyors on the new headworks structure were completely re-built due to excessive wear from grit; the first two of the plant re-paving project were completed; and a concrete driveway was added to the hauler tank washout station. The Willow Street Plant treated a total of 452,000,000 gallons of wastewater, and the Victoria Plant treated a total of 2,121,000,000 gallons.



Frank Tompkins, GBRA maintenance crew member at the Victoria Regional Wastewater Plant, explains to students from O'Connor Elementary School how modern wastewater processes protect the environment. In many cases, treated water attains a quality level that exceeds the water in the receiving stream. All GBRA-operated wastewater treatment plans meet or exceed federal and state requirements.

Water Resource Management

GGBRA's Water Resources Division manages the development, storage and delivery of water from the Guadalupe River to municipal, industrial, agricultural and other users. Included in the division are the stored water portion of Canyon Reservoir, the Regional Laboratory in Seguin, the Calhoun Canal System, the Coletto Creek Division and the Lake Wood Recreation Area.

Canyon Dam and Reservoir provides flood control protection and a dependable source of water to the Guadalupe River Basin. It was completed in 1964 as a cooperative project between the U.S. Army Corps of Engineers and GBRA, and jointly financed by the federal government and GBRA. The Corps manages releases from the flood control pool (elevation 909 to 943 feet mean sea level (msl), which is normally kept empty to capture inflows from heavy rainfall events. Releases are made in accordance with reservoir operating regulations at rates that will not contribute to downstream flooding.

GBRA is responsible for the conservation pool below 909 feet msl. Many cities, industries and agricultural producers rely on this water for their sole supply. Others contract for water to ensure a firm source during drought.

One of GBRA's newest stored water customers is Guadalupe Power Partners, which has contracted to purchase water from Canyon Reservoir through 2021. However, GPP will gradually reduce its use of Canyon water by blending treated effluent from GBRA's Dunlap Wastewater Treatment Plant. This year, 821,496,000 gallons of industrial water were delivered to GPP's 1,000 megawatt natural gas-fired power plant in Marion, Texas. The water is used as cooling water in the production process and is reused and recycled completely inside the plant.

The Water Resources Division made annual principal payments of \$166,613 and \$142,277 in interest for debt service on Canyon Reservoir. Additionally, GBRA received a \$1,750,000 loan for the purchase of water rights in fiscal year 2002. Payments of \$161,696 in principal and \$29,839 in interest were made on the water right loan.

The importance of Canyon Reservoir as a vital source of current and future water is reflected in several significant projects that are focused on this outstanding resource:

The Canyon Permit Amendment

To make the fullest use of the water storage and delivery potential of Canyon Reservoir, GBRA filed an application with the Texas Natural Resource Conservation Commission (now the Texas Commission on Environmental Quality - TCEQ) on August 29, 1997. This application requested an amendment of Certificate of Adjudication No. 18-2074 to allow an increase in Canyon Reservoir's authorized water deliveries from 50,000 to 90,000 acre-feet per year (ac-ft/year).

This increase could be achieved based on the subordination to Canyon Reservoir of GBRA's downstream hydroelectric rights by its Board of Directors on June 19, 1996, and the anticipated subordination of the hydroelectric right of the City of Seguin, which was completed on August 19, 1998. Following the permit review process, TNRCC officially approved and issued GBRA's requested permit amendment on August 9, 2001.

Friends of Canyon Lake (FOCL) filed suit challenging the amendment on a number of grounds. On March 5, 2002 in a pre-trial hearing, Judge Margaret Cooper of the 353rd District Court in Travis County dismissed all issues raised by FOCL, leaving the sole issue to be decided if GBRA properly posted its intention to file the permit amendment request with TNRCC. On March 18, the District Court ruled in GBRA's favor stating that "FOCL has failed to demonstrate any violation by GBRA of the Open Meetings Act." The Court also authorized GBRA to issue the \$75,000,000 in contract revenue bonds that were approved by its Board of Directors on October 17, 2001. A subsequent appeal by FOCL to the Texas Court of Appeals, Third District, also resulted in a ruling in favor of GBRA in October, 2002. GBRA General Manager Bill West has indicated that GBRA is ready to move ahead to fund and construct the Western Canyon Treated Water Supply Project that will deliver a reliable supply of surface water to the people and communities who currently rely on wells in the Trinity and Edwards Aquifers.

Western Canyon Treated Water Supply Project

This project was formally approved by the GBRA Board of Directors in 1998 and will provide a firm supply of treated surface water at an economical cost to people and communities in portions of Comal and Kendall counties. Currently, wells drilled into the limited groundwater supplies of the Trinity Aquifer may experience water quality and quantity problems during times of low rainfall or drought. Project components include a 10 million gallon per day (mgd) water treatment plant near Canyon Reservoir, and the initial treatment and delivery of 10,500 acre-feet of water through approximately 42 miles of pipeline.

GBRA has executed in-district water supply agreements for treated water service from the project with the cities of Boerne, Bulverde and Fair Oaks Ranch, Tapatio Springs Resort, Cordillera Ranch, Water Services, Inc., and Johnson Ranch. Additional customers may eventually be added from other certificated water supply areas. Out of district contracts have been signed with the San Antonio Water System (SAWS), the San Antonio River Authority (SARA) and the Bexar Metropolitan Water District (BMWD). These agreements will supply a portion of this water, not initially required in-district, with the provision that the water will be returned or replaced at the end of the contract period.

The project's total estimated cost is approximately \$75,000,000, which covers all elements including design, engineering, plant construction, pipeline and rights-of-way acquisition. GBRA will be responsible for the design, permit-

ting, financing, construction and operation of the project, which is expected to take approximately 2 years from the time construction begins.



Canyon Reservoir-Economic Benefit Study

This study is the first overall economic assessment of the Canyon Reservoir area designed to develop comprehensive data to help quantify the economic impact and benefits of all aspects of the reservoir to the entire river basin. BBC Research and Consulting of Denver, Colorado was selected through a competitive bidding process to examine water supply functions, operating scenarios, upstream and downstream recreation, public safety, public access and economic issues.

Members of the study Advisory Committee are Jack Olrich, Bob Mehall, Maria Carson and Stovy Bowlin appointed by the Comal County Commissioner's Court; David Welsch from GBRA; Dennis Heitkamp representing the Greater New Braunfels Chamber of Commerce; John Guenzel appointed by the Canyon Lake Chamber of Commerce; Jerry Brite from the U. S. Army Corps of Engineers; Bob Wickman representing Friends of Canyon Lake; Larry Ratliff from Canyon Lake Water Supply Corporation; and Charles Stephens appointed by the Water Oriented Recreation District (WORD). The study is being funded by GBRA at an estimated cost of approximately \$100,000 and is expected to be completed by September 2002.

Water Quality Assessment and Regional Wastewater Facility Planning Project for the Canyon Reservoir Watershed

This study will support the efforts to analyze land uses, land development and population densities, delineate areas currently served by wastewater plants and septic tanks and investigate the opportunities for regional wastewater treatment in the rapidly-growing Canyon Reservoir watershed area.

The Austin firm of PBS&J is providing consulting environmental services for the project, including a Geographic Information System (GIS) data library, coordinating the steering committee for public participation and input, generating information for the steering committee, website posting and public information, developing and analyzing plans, and modeling feasibility scenarios for regional wastewater treatment. The total project cost is \$130,000 and is funded through a \$65,000 Texas Water Development Board Grant, a cash contribution and in-kind services from GBRA of \$60,000, and \$5,000 from the Comal County Commissioners Court. The study will be completed in late summer 2002.

Water Resource Management, continued

The Regional Laboratory, located at the GBRA General Offices in Seguin, performs chemical and bacteriological analysis of potable water, wastewater and biosolids, groundwater wells and environmental samples for cities, water districts, industries, consulting firms and private individuals. It also provides technical assistance to GBRA's water and wastewater treatment operations, including preparing applications for new, renewed or amended wastewater discharge permits.

The Director of Water Quality Services and lab employees are responsible for GBRA's Water Quality Program. This program helps to ensure that the quality of water in the Guadalupe River and its tributaries is suitable for municipal, industrial, agricultural and recreational use, as well as aquatic life, by identifying and monitoring sources of pollution and recommending appropriate remediation.

In January 2002, a one-year study was started that will monitor and collect data on elevated sulfate concentrations in the upper Blanco River at twelve sites. Another major study, involving hourly measurements of dissolved oxygen, temperature, pH and conductivity for a 24 hour period, was conducted on Cypress Creek in Wimberley and Camp Meeting Creek near Kerrville. Employees performed analyses for the membrane technology pilot project that will be part of the process at the new Western Canyon Water Treatment Plant; assisted Paul Price & Associates with a rapid bio-assessment on the Andrews Branch of Plum Creek, collected fish and benthic macroinvertebrates at the request of the Buda City Council, tested for the City of Seguin's industrial pre-treatment program and the Gonzales County Water project; sampled for the Rio Nogales

Power Plant project in Seguin; and analyzed samples for the PBS&J water quality studies at Calaveras and Braunig Lakes in Bexar County.

Lab and Communications and Education staff worked together to coordinate the preparation of the calendar year 2001 drinking water Consumer Confidence Reports for the cities of Luling, Lockhart and Port Lavaca, the Port O'Connor MUD and the GBRA Calhoun County Rural Water Supply System.

GBRA administers the Texas Clean Rivers Program (CRP), under contract with TNRCC, as it applies to the Lavaca-Guadalupe Coastal Basin and the Guadalupe River Basin. The 2003 Coordinated Monitoring Meeting, which organizes water quality monitoring efforts and schedules among the various entities conducting testing in the watershed, was held in Seguin on April 9, 2002. Participating organizations include TCEQ, GBRA, the Upper Guadalupe River Authority (UGRA), the U.S. Geological Survey (USGS) and the Texas Parks and Wildlife Department (TPWD). Two studies for the CRP -- "Unique Challenges Posed by Small Streams in Determining Dissolved Oxygen and Bacteria Water Quality Criteria Compliance," and "Sediment Characteristics for Run-of-River Impoundments in the Guadalupe River Basin" -- were completed under contract with PBS&J, and submitted and approved by TCEQ.

Numerous private well samples were tested following the July 2002 flood. Education efforts, including classroom presentations and tours for summer science camps sponsored by area school districts, rounded out the year's activities.



GBRA employees Mike McCall and Brian Lyssy perform nekton (fish) sampling. This data, including number and composition of fish species, is used to determine short and long-term water quality trends, as well as the overall quality of an aquatic ecosystem.

The Calhoun Canal System supplies raw water for industrial, municipal and agricultural uses to a variety of customers including Union Carbide Corporation (an operating entity of The Dow Chemical Company), BP Chemicals Company, Seadrift Coke, the GBRA Port Lavaca Water Treatment Plant, the Calhoun County Rural Water Supply System of GBRA, the Aransas Wildlife Refuge and about 15 rice producers, pasture and row crop producers, waterfowl operations and aquaculture ventures.

System components includes the Lower Guadalupe Diversion Dam and Salt Water Barrier located at river mile 10 on the Guadalupe River near Tivoli, two salt water barriers on Hog and Goff Bayous, a pump station operated jointly by Union Carbide and GBRA, a separate pump station operated by GBRA for area refineries, 80 miles of delivery canals and approximately eight miles of water supply pipeline. GBRA employees operate and maintain these facilities, as well as remove log jams in the lower reach of the Guadalupe River.

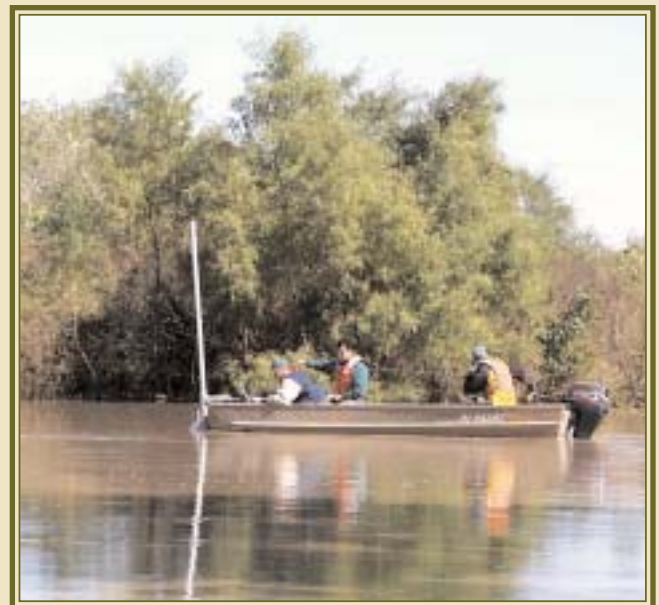
Up to 22 inches of rainfall occurred in the lower GBRA district counties in September 2001, and another large rainfall event occurred in July 2002, causing significant flooding on the Guadalupe and San Antonio Rivers. The river diversion gates remained closed in both situations due to high river and bayou levels. Plans were developed to expand log jamming and removal capabilities through the construction of a new work barge with an integrated boom and spud anchors. The existing 'Miss Guadalupe' will be retained and continue to play an important role in this work.

A Doppler Flow Profiler was purchased and put into operation under the direction of GBRA's chief engineer in order to study flood flows in the lower delta area, including the Guadalupe River, Hog, Schwing's and Goff Bayous. Programmable flow meters were installed on a cooperating farmer's three rice fields to carry out trial runs of irrigation water inflow. An inspection of similar flow measuring equipment at the Foster Whitmire unit of the Aransas Refuge was also conducted. These projects have the potential to greatly increase the accurate accounting of water use in irrigation operations.

Employees constructed a new crossing downstream of the Twin 60's siphon crossing on the Main Canal to replace the old timber bridge, requiring two weeks of concentrated effort to complete this major project. Divers test inflated and inspected the fabridam bags at the Salt Water Barrier, and staff conducted a tour of the structure and diversion system for representatives of the San Antonio River Authority. System employees also helped sponsor the awards ceremony for the conclusion of the Texas River Safari Race in Seadrift.



Throughout the year, GBRA crews broke up numerous logjams upstream and downstream of the Lower Guadalupe Diversion Dam and Salt Water Barrier and removed and stacked logs for drydown and future burning when weather permitted.



Scientists use a Doppler Flow Profiler to obtain data that has many uses, including measuring water flow between two points, flow patterns and river bed profiles.

Water Resource Management, continued

The Coletto Creek Division began operations in June 1980, with the completion of the 3,100 acre Coletto Creek Reservoir and adjacent park area. The Reservoir provides water to cool condensers, supplies other facility needs, and helps dissipate waste heat created by the production of electricity at the Central Power & Light Company's coal-fired generating plant near Fannin. Today, The Reservoir System and The Recreation System have grown into two separate and successful operations.

The Reservoir System operates the main dam and spillway, two baffle dikes, the discharge flume, pump station and pipeline and the reservoir's monitoring system. During FY 2002, employees completed a major erosion control project on the north slope of the main spill way discharge channel that involved placement of fill material, reshaping of approximately 150 feet of slope, and the final application of 900 tons of rock rip rap. All work was performed in house by reservoir staff.

Employees also installed new barrier floats, float support cable and warning buoys across the approach channel at the main spill way; completed prescribed range burns on project properties adjacent to the north wing of the main dam as part of the Coletto Creek division's ongoing wildlife and range management and enhancement programs; installed new programmable logic controls on the Dike #2 spill gates; set up a new remote weather monitoring station for the control room; and continued to work with GBRA's hydrologist to refine and test a new software program to help calculate flood releases from the Coletto Creek reservoir.

GBRA encourages its employees to actively participate in local education programs and staff again served as judges for the American Water Works Association (AWWA) of Texas, and the annual Victoria Mid-Coast Science and Engineering Fair at which GBRA provides cash awards for water-related science projects.

The Recreation System manages an extremely varied park property that provides outdoor public leisure opportunities for

the local area, major metropolitan cities in Texas, and visitors from many other states. Facilities include a 200-foot lighted pier, RV and tent campsites, camping cabins; a four-lane boat ramp, picnic and swimming areas, nature trail, childrens' playground, volleyball courts and a group pavilion.

Major projects this year were the development and approval of a bowfishing program on Coletto Creek Reservoir, and 'Youth Hunts' on Coletto Creek properties in coordination with the Texas Wildlife Association. Employees expanded the park picnic area by clearing 20 years growth of huisache and mesquite from approximately 5 acres of previously unused land. They also installed an additional restroom structure in the new campground loop to handle increased camper usage.

The 4th annual "Archery Only" public antlerless deer hunt was held during September through December 2001. A total of 78 hunters participated and harvested 13 deer. In August 2002, the 2002 season drawing was held from 199 postcard entries representing 578 potential hunters from 66 Texas cities.

Staff represented GBRA on the TPWD Task Force to examine the use of all-terrain vehicles in state-owned streambeds. They started a newsletter for current and repeat park customers and inaugurated a series of special Saturday Summer Park Programs. Employees manned GBRA booths at the TP&WD Wildlife Expo, the Aransas Wildlife Refuge "Refuge Days Celebration," the Houston Boat, Sport & Travel Show, and the McAllen International Travel Show, hosted several bass tournaments, scout troop outings, the Texas Association of Bass Clubs State Directors' Meeting, YMCA events, school presentations and the 9th Annual Coletto Creek Kids fishing Tournament for 62 children aged 2-16. Park use for FY 2002 included 15,056 day-use permits, 241 annual permits, 11,901 camping permits, and 425 camping cabin night reservations.



As part of a major erosion control project, GBRA employees place the last of 900 tons of rip-rap on the north slope of the Coletto Reservoir main spillway discharge channel.

Water Resource Management, concluded



A young hunter prepares to join 77 other hopefuls selected in a drawing to participate in the 4th annual "Archery Only" public antlerless deer hunt at Coleta Creek.

An "Archery Only" participant proudly shows off his deer, one of 13 harvested during the Fall 2001 event.



The Lake Wood Recreation Area is staffed by GBRA Park Rangers and resident park hosts. This facility just outside the City of Gonzales features a 488-acre freshwater lake for fishing and water recreation, 35 acres of park grounds, RV campsites, tent camping areas, picnic sites, boat docks and a fully-stocked park store.

The July 2002 flood inundated the Recreation Area with 4 to 8 feet of water and forced the closing of Lake Wood facilities until campsites were opened on Labor Day weekend. During

the summer, employees removed debris, repaired several structures, rebuilt the boundary fence, reworked eroded roads and completed numerous other projects. They raised the powerlines in the park to permit clear passage of camper trailers and also constructed a new laundry room facility for visitor use. Annual events sponsored by the park staff included the Easter egg hunt, the "Come and Take It" canoe race, and the KIDFISH event with 110 children, 125 parents and 30 volunteers participating.

LOWER GUADALUPE WATER SUPPLY PROJECT

In May 2001, the Guadalupe-Blanco River Authority (GBRA), the San Antonio Water System (SAWS) and the San Antonio River Authority (SARA) announced a joint project whose goal is to provide a significant new source of water for San Antonio, the Bexar County community and the surrounding region, while protecting instream flow to the San Antonio-Guadalupe bay and estuary system. The project has been approved by Region L-one of 16 areas within Texas designated in the State Water Plan-and is one of the early projects in the plan to be implemented.

The Lower Guadalupe Water Supply Project will provide a reliable water supply of at least 94,500 acre-feet per year. This water will come from a number of different sources: 1) combined water developed from existing water rights owned by the Guadalupe-Blanco River Authority; 2) unappropriated flows from downstream of the confluence of the San Antonio and Guadalupe Rivers, including off-channel storage facilities near the proposed diversion point; and 3) groundwater from the Gulf Coast Aquifer. The project includes these facilities: (1) a pump station to divert water from the river; (2) off-channel reservoirs to store water for times when water in the river is not available; (3) wells and collection pipelines to provide groundwater to supplement surface water; (4) a transmission pipeline; and (5) pump stations and storage facilities necessary to deliver water to Bexar County and the surrounding region.

All water-planning options for Region L, including the Lower Guadalupe Water Supply Project, were evaluated using consensus environmental criteria developed by the Texas Parks and Wildlife Department (TPWD), the Texas Water Development Board (TWDB), and the Texas Commission on Environmental Quality (TCEQ), formerly called the Texas Natural Resource Conservation Commission. Other criteria included availability, cost, reliability and sustainability. In addition, GBRA, SARA and SAWS are committed to working with existing and future groundwater districts to respect individual groundwater management plans that promote the reasonable and responsible use of groundwater in the region.

Today, the Lower Guadalupe Water Supply Project is in the process of planning, conducting comprehensive environmental and engineering studies, and gathering governmental and public input. GBRA, SAWS and SARA are committed to conducting in-depth environmental, hydrologic and engineering studies to analyze the possible environmental effects of this project before it is implemented. We also are committed to providing ample opportunity for public involvement as this project moves forward. We want to understand the citizens' issues and

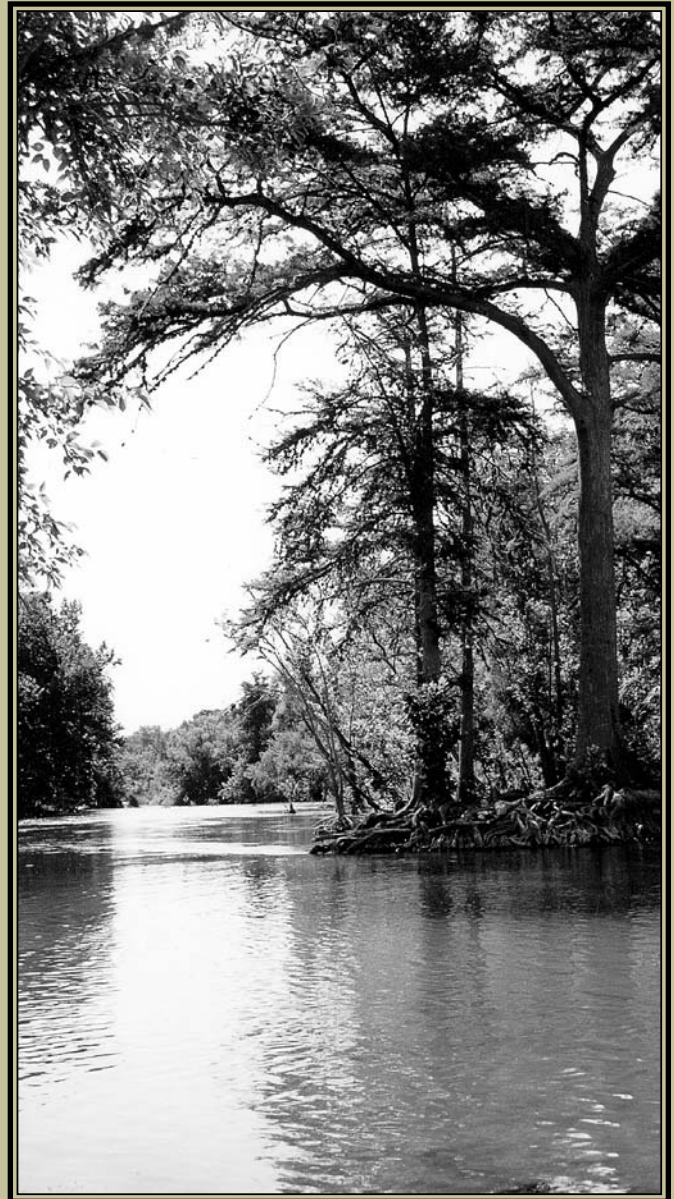
concerns so we can take the appropriate steps to address them and make the project even more positive for all the communities within Region L. This process is underway, and all findings will be made available to elected officials, concerned interests and the general public. The first water from this project will flow toward Bexar County and the surrounding region in 2011. It will be a tremendous, lasting benefit in terms of protecting the Edwards Aquifer, while meeting future water needs.



An aerial view of the GBRA Diversion Dam and Salt Water Barrier, located on the lower Guadalupe River below the confluence of the Guadalupe and San Antonio rivers. The diversion point for water for the Lower Guadalupe Water Supply Project is expected to be located in this general vicinity.

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Accountability...results in detail



*Comprehensive Annual Financial Report
Fiscal Year Ended August 31, 2002*

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

Guadalupe-Blanco
River Authority, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2001

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government units and public employee retirement
systems whose comprehensive annual financial
reports (CAFRs) achieve the highest
standards in government accounting
and financial reporting.



William Patrick Rosta
President

Jeffrey L. Essler
Executive Director



GUADALUPE-BLANCO RIVER AUTHORITY

December 1, 2002

The Honorable Pamela M. Hodges, Chair
and Members of the Board of Directors

Dear Chair Hodges and Directors,

The Comprehensive Annual Financial Report (CAFR) of the Guadalupe-Blanco River Authority (GBRA) for the fiscal year ended August 31, 2002, 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 three sections: introductory, financial and statistical. A single audit section is not included since GBRA did not expend sufficient governmental grant funds to require a single audit. 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, combined financial statements, notes to the combined financial statements and more detailed combining and individual statements and 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, generally presented on a ten-(10) year basis. The report includes all funds and account groups of GBRA.

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 five wastewater treatment plants in Comal 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. Financing for these facilities was provided by private developers, Environmental Protection Agency (EPA) grants, and a community development block grant from the Department of Housing and Urban Development (HUD).

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, and the Canyon Regional Water Authority Hays-Caldwell Water Treatment Plant. Each of these treatment plants are owned by their respective municipal organizations but GBRA operates them pursuant to various contractual agreements.

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 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 Central Power and Light Company. 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 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. The new plant was completed and fully operational in February 1999. On October 1, 2000, GBRA also assumed the operation of the City's water well system and 4.0 MGD water treatment plant.

ECONOMIC CONDITION AND OUTLOOK

The Texas Economy. According to the latest "Texas Economic Update", published by the Texas Comptroller of Public Accounts, the outlook for the Texas economy is mixed. The Comptroller projects that during the later part of 2002 and early 2003, economic growth in Texas will be lower than in years past. However, the Comptroller projects that the remainder of 2003 and beyond, the "Texas economy should rebound at a relatively robust 4.4%". The Comptroller further stated that despite a mixed performance over the last few years, the Texas economy did not fall into recession as the national economy did. The Comptroller stated that the reasons for this are a Sunbelt location, low business costs, low housing costs, and a flood of new residents to the state. Statistically during the last year, nonfarm employment decreased 0.8% while industrial production decreased 0.5%. Retail sales however increased 0.1%, while the consumer price index increased 0.3%. The outlook for the Texas economy over the next year remains positive in the opinion of the State Comptroller due to continued population gains, low interest rates, federal tax cuts and stimulative federal spending in response to September 11.

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, and heavy industry. 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 State Comptroller divides the GBRA service area into two principal areas for reporting purposes. These include the Alamo Region being the counties surrounding the City of San Antonio and the Coastal Bend Region being the counties surrounding the Cities of Corpus Christi and Victoria. The Comptroller projects strong economic growth for the Alamo Region and stable economic growth for the Coastal Bend Region during the next two years. The challenge for both reporting regions according to the Comptroller will be providing the educational skills needed to train the work force of the future. The Comptroller also sees a challenge for the Coastal Bend Region during the new millennium in replacing the slowly declining oil and gas industry. Nevertheless, population and personal income growth in Texas and in particular GBRA's service area, should provide increased opportunities for GBRA to provide additional water and wastewater services to our constituents.

MAJOR INITIATIVES

For the Year. GBRA's major initiative for Fiscal Year 2002 was the continuation of an effort to amend the water right associated with Canyon Reservoir. Previously, GBRA could deliver an average of 50,000 acre-feet of water each year from the reservoir. However during the last several years, GBRA has worked with the Texas Commission on Environmental Quality (TCEQ) successor to the Texas Natural Resource Conservation Commission (TNRCC) to amend this water right to allow an average of 90,000 acre-feet of water to be delivered each year. This amendment was granted by the TNRCC on August 9, 2001 and later reaffirmed following an appeal by a citizens group. This citizens group subsequently filed lawsuits in State District Court and later in State Appeals Court against the TCEQ and GBRA seeking to rescind the new permit. GBRA and the TCEQ received positive outcomes in each of these court cases however the citizens group has indicated that further appeals may be filed. Nevertheless, as the appeals process winds down and the amended permit is free from legal challenge, GBRA with the increased water availability will be positioned to construct projects identified in the Texas State Water Plan and meet the growing water supply needs of the residents of the Guadalupe River Basin.

Once GBRA and the TCEQ are successful in defending the water permit amendment, GBRA will commence two major water supply projects. These projects, which will initially deliver about 15,000 acre-feet of water per year, will provide treated water to portions of Comal, Kendall, Caldwell, Hays, and Bexar counties. The larger of the two projects, the Western Canyon Project, will include a new 10 MGD water treatment plant and 40 miles of transmission pipeline. These facilities will deliver up to 12,000 acre-feet of water to the cities of Boerne, Fair Oaks Ranch, and Bulverde. Water will also be provided to the San Antonio Water System, Bexar Metropolitan Water District, San Antonio River Authority, and several developments in unincorporated areas of Comal and Kendall counties. The second project, the Interstate 35 Project will require an expansion of the San Marcos Water Treatment Plant and the construction of a pipeline along IH-35 to the Cities of Buda and Kyle and other water purveyors in the area.

In addition to the effort focused on amending the Canyon Reservoir permit, 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 Guadalupe River basin to educate them on water conservation efforts. GBRA also worked closely with the Edwards Aquifer Authority to insure the aquifer was managed effectively and in accordance with state law thereby insuring adequate springflow into the Guadalupe and San Marcos Rivers.

Construction activity during fiscal year 2002 was very limited. Instead, GBRA planned and prepared for several major construction projects that should commence during fiscal year 2003. The two largest construction projects that should commence during 2003 are the Western Canyon Project and IH-35 Project mentioned above. One additional construction project that has commenced already in fiscal year 2003 is the expansion of the Seguin headquarters office. Throughout FY 2002, GBRA staff worked with an architectural firm to design the office expansion. The expansion will provide much needed office and storage space required for additional staff positions. GBRA has added new positions as the need arises to provide administrative, technical, and engineering support for new GBRA operations as well as projects being developed to meet the Texas Water Plan.

GBRA's operating divisions experienced relatively normal conditions through the first ten months of fiscal year 2002. However over the July 4th week, significant flooding occurred throughout the Guadalupe River Basin. This flooding was the result of a tropical depression stalling over the headwaters of the Guadalupe and Blanco rivers where it released between 30 and 50 inches of rainfall over a four-day period. The copious amount of rainfall caused Canyon Reservoir to completely fill and spill over its emergency spillway for the first time in its 40-year history. Downstream flooding inundated the Canyon Hydroelectric Plant and caused severe structural damage to the dam spillgates at GBRA's TP4 Hydroelectric Plant. While many of GBRA's operations were unaffected by the flood, much of GBRA's operational focus since that time has been on repairing the damage and returning all facilities to their preflood condition. Fortunately, the estimated \$2.5 million in flood damage will be paid almost entirely by flood insurance with the remainder paid by FEMA disaster grants. Another noteworthy operational event that occurred during this past fiscal year was GBRA's agreement with the Canyon Regional Water Authority (CRWA) to commence contract operation of CRWA's new Hays-Caldwell Water Treatment Plant. CRWA completed construction of this new 2.0 MGD plant during 2002 and after a brief trial operation period, GBRA assumed daily operation of the plant in August. The plant uses raw water from both the Guadalupe River and San Marcos River and produces treated water for several of CRWA's member customers in Guadalupe, Hays, and Caldwell counties.

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. One of the principal provisions of this new water plan was the establishment of regional water planning areas. GBRA has been actively involved in the South Central Texas Regional Water Planning Group that was charged with developing a water plan for this area of Texas. This new water plan was recently completed and approved by the Texas Water Development Board. The plan

includes several major water supply projects within the Guadalupe River Basin that will require GBRA's future participation.

Perhaps the most significant of these projects has been identified as the Lower Guadalupe Water Supply Project. This project will divert water from a point very near the mouth of the Guadalupe River where it enters the Gulf of Mexico. GBRA has agreed with the San Antonio River Authority and the San Antonio Water System to jointly initiate the planning studies and permitting necessary for the project. Over the next several years, the three organizations will conjunctively study the economic, social, and environmental aspects of the project in addition to seeking all the necessary state and federal permits for the project's construction. After the study and permitting phase of the project, construction will begin on the infrastructure necessary to transmit and treat approximately 100,000 acre-feet of water for use within the San Antonio and Guadalupe River basins. Besides the water supply benefit of the project for the Guadalupe River basin, the project also provides substantial benefits by diversifying San Antonio's water source. This water supply diversification will reduce San Antonio's dependence on the Edwards Aquifer thereby better assuring stable springflow from Comal and San Marcos springs.

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, GBRA continues to meet its responsibility for sound financial management. As with the financial section, all amounts presented in the remainder of this letter are expressed in whole dollars.

Enterprise Operations. GBRA's enterprise operations are comprised of eleven divisions. The following table presents a summary of the operating revenues for the 2002 fiscal year as compared to the 2001 fiscal year:

Revenues	Amount	% of Total	Change From 2001	% Change
Water Sales	\$11,116,968	44.20%	\$-33,419	-3.00%
Power Sales	5,564,628	22.13%	2,017,948	56.90%
Waste Water Treatment	4,675,744	18.59%	396,602	9.27%
Admin. & General	1,543,741	6.14%	92,898	6.40%
Recreation & Rental	559,420	2.22%	13,336	2.44%
Financing	307,850	1.22%	-35,000	-10.21%
Laboratory Services	293,643	1.17%	51,486	21.26%
Miscellaneous	1,088,404	4.33%	552,313	103.07%
Total	\$25,150,398	100.00%	\$3,056,164	13.83%

Power Sales Revenue increased substantially during Fiscal Year 2002 due to a bond refunding in the Canyon Hydroelectric Division. The refunding included a \$2,000,000 contribution from New Braunfels Utilities (NBU), the power supply customer of the Canyon Hydroelectric plant, to further reduce bonded indebtedness and the future costs NBU will be expected to pay. Miscellaneous Revenue also increased substantially during the year but for several different reasons. The most significant change in

Miscellaneous Revenue occurred in the Port Lavaca Water Treatment Plant Division as the result of an early interfund loan payoff in the amount of \$250,000 by the City of Port Lavaca. A second increase in Miscellaneous Revenue occurred as a result of a grant in the amount of \$181,940 from the Texas Department of Emergency Management. This grant was the final one related to flood recovery costs incurred following the October 1998 Guadalupe River flood. A final increase in Miscellaneous Income resulted from the sale of \$110,000 of “renewable energy credits” (RECs). The idea of RECs was created by the Texas Public Utility Commission in order to promote environmentally friendly electricity generation. Since GBRA’s hydroelectric generation is indeed environmentally friendly, GBRA was able to benefit from this new revenue source. A final revenue source that increased appreciably was Waste Water Treatment Revenue. The majority of this increase was the result of a new contract for wastewater treatment in the City of Buda. The City transferred operation of their .6 MGD wastewater plant to GBRA on October 1, 2001.

The following table shows a summary of the operating divisions' expenses for the 2002 fiscal year compared to the 2001 fiscal year:

Expenses	Amount	% of Total	Change From 2001	% Change
Personnel	\$6,109,711	32.34%	\$411,694	7.23%
Supplies & Services	5,889,469	31.18%	1,104,395	23.08%
Maintenance & Repairs	2,694,737	14.26%	74,899	2.86%
Deprec. & Amortization	2,767,931	14.65%	31,525	1.15%
Admin. & General	1,430,227	7.57%	84,169	6.25%
Total	\$18,892,075	100.00%	\$1,706,682	9.93%

The most significant change in GBRA’s expenses during 2002 was an increase in the amount of supplies and services costs. This increase was the result of many factors including additional professional fees due to a strategic planning effort throughout the year, additional computer services costs due to the completion of the GBRA wide area computer network, and recovery costs following the July 4th flood along the Guadalupe River. However the principal reason for increased supplies and services costs relates to the completion of many study projects within the Water Resource Division. These studies covered a variety of water supply issues including flow path monitoring within the Guadalupe River delta, water quality of Canyon Reservoir, subordination of run-of-river water rights, safety and aquatic weed issues on hydroelectric lakes, and wastewater reuse to supplement industrial water consumption. Another significant change was the increase in personnel costs. This added cost was the result of normal wage increases as well as GBRA adding personnel for two new operations at the City of Buda wastewater plant and the CRWA Hays-Caldwell water treatment plant.

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 plan assets increased from \$6,040,155 as of January 1, 2001 to \$6,613,194 as of January 1, 2002 or 8.67%. GBRA’s annual contribution during fiscal year 2002 contributed to this increase in plan assets as well as some growth in the value of investments held by the plan. However, plan assets as a percentage of actuarial accrued liability decreased from 70% to 69% during the year. This decrease is

primarily the result of less than expected growth in equity values, less than expected employee turnover, and slightly higher than expected employee compensation.

Debt Administration. At August 31, 2002, GBRA had 9 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, 2002 were \$36,751,537 while outstanding long-term loans were \$10,189,580. 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. Each revenue bond issue is insured or credit rated based on the financial strength of GBRA's service contracts. GBRA fully retired one revenue bond issue during fiscal year 2002, except for a final debt service payment on December 1, 2002, by issuing a refunding bond issue. This refunding, as shown in Footnote B, was completed to affect an interest rate savings from a maximum of 6.30% to a maximum rate of 4.75%.

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 approved annually by the Board of Directors. For the year, the average yield on restricted investments approximated 3.25% while the yield on unrestricted investments approximated 3.83%. These yields compare to an average one-year treasury yield of 2.32%. During most years, GBRA is able to equal or exceed the one-year treasury yield including this past year as short-term interest rates generally declined throughout the year. Interest earnings on investments were \$339,672 for the year.

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 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, 2002 were classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. The market value of GBRA's government securities investments was 100.65% of their historical costs as of August 31, 2002. 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 operating divisions. During the fiscal year, GBRA attained a "no lost time accident" record; the safety manual was 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 Padgett, Stratemann & Co., LLP was selected by the Board for the 2002 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 service area.

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, 2001. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

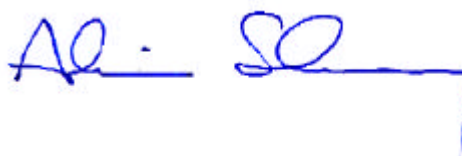
In order to be awarded a Certificate, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. GBRA has received a Certificate for the last 28 consecutive fiscal years (1973-2001). 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
Director of Accounting & Finance

Financial Section

Independent Auditors' Report



PADGETT, STRATEMANN & CO., L.L.P.

Certified Public Accountants and Business Advisors

Independent Auditors' Report

To the Board of Directors
Guadalupe-Blanco River Authority

We have audited the accompanying combined balance sheets of Guadalupe-Blanco River Authority ("GBRA") as of August 31, 2002 and 2001, and the related combined statements of revenue, expenses and changes in retained earnings and cash flows for the years then ended. These combined financial statements are the responsibility of the GBRA's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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 of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the combined financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the combined financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Guadalupe-Blanco River Authority as of August 31, 2002 and 2001, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the combined financial statements of Guadalupe-Blanco River Authority taken as a whole. The combining financial statements and supplemental statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements. Such information has been subjected to the auditing procedures applied in the audits of the combined financial statements and, in our opinion, is fairly stated, in all material respects in relation to the combined financial statements taken as a whole. The statistical data, as listed in the table of contents, has been summarized from Guadalupe-Blanco River Authority's records and was not subjected to the audit procedures applied in the audits of the combined financial statements. Accordingly, we do not express an opinion on such additional statistical data.

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

Certified Public Accountants
October 7, 2002

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**GUADALUPE-BLANCO RIVER AUTHORITY
COMBINED BALANCE SHEETS - PROPRIETARY ENTERPRISE FUND**

AUGUST 31, 2002 AND 2001

ASSETS	2002	2001
CURRENT ASSETS		
Cash and Cash Equivalents (Note D).....	\$1,266,757	\$565,014
Investments (Note D).....	4,745,658	5,436,028
Interest Receivable.....	45,421	43,705
Accounts Receivable-Operating (Note A4).....	1,370,362	1,194,890
Interfund (Note I).....	3,030,280	3,061,042
Other Current Assets.....	210,180	205,337
Total Current Assets.....	10,668,658	10,506,016
RESTRICTED ASSETS (Note A12)		
Cash and Cash Equivalents (Note D).....	470,829	522,358
Investments (Note D).....	4,351,862	4,091,291
Interest Receivable.....	47,037	56,636
Accounts Receivable (Notes A4 and H).....	102,617	102,617
Total Restricted Assets.....	4,972,345	4,772,902
FIXED ASSETS (Note A6)		
Land, Water and Storage Rights.....	18,881,635	16,829,880
Dams, Plants and Equipment.....	83,329,019	81,737,516
Construction In Progress (Note A14).....	514,802	1,426,303
Less Accumulated Depreciation.....	(32,732,208)	(30,161,405)
Total Fixed Assets.....	69,993,248	69,832,294
OTHER ASSETS (Note A7)		
Contract Development Costs (Net of Amortization).....	89,060	95,736
Debt Issuance Costs (Net of Amortization).....	1,124,727	980,977
Permits and Licenses (Net of Amortization).....	840,561	869,077
Project Development Costs.....	4,887,591	2,903,260
Interfund Loans Receivable (Notes B and I).....	9,482,944	9,218,511
Long-term Loans Receivable.....	223,394	--
Deferred Costs and Expenses (Note A16).....	4,256,123	5,911,321
Total Other Assets.....	20,904,400	19,978,882
Total Assets.....	\$106,538,651	\$105,090,094
LIABILITIES AND EQUITY		
CURRENT LIABILITIES (Payable from Current Assets)		
Current Portion of Long-Term Loans Payable (Note B).....	\$555,997	\$215,958
Interest Payable.....	101,416	94,852
Accounts Payable-Operating.....	2,475,247	1,756,235
Interfund (Note I).....	3,030,280	3,061,042
Total.....	6,162,940	5,128,087
CURRENT LIABILITIES (Payable from Restricted Assets)		
Current Portion of Revenue Bonds (Note B).....	1,565,000	1,480,000
Interest Payable.....	340,854	420,251
Accounts Payable-Construction.....	--	15,127
Total.....	1,905,854	1,915,378
LONG-TERM LIABILITIES (Note B)		
Revenue Bonds Payable.....	36,751,537	39,731,581
Long-Term Loans Payable.....	10,189,580	8,817,233
Interfund Loans Payable (Notes B and I).....	9,482,944	9,218,511
	56,424,061	57,767,325
Less Current Portion.....	(2,120,997)	(1,695,958)
Total Long-Term Liabilities.....	54,303,064	56,071,367
OTHER LIABILITIES		
Advances for Operations.....	552,101	516,138
Total Other Liabilities.....	552,101	516,138
Total Liabilities.....	62,923,959	63,630,970
EQUITY		
Capital Contributed--By Grants, Customers and Corporations (Note F).....	9,606,152	10,148,057
By Other Divisions (Note F).....	304,408	304,408
Retained Earnings-Reserved (Note A13).....	3,445,201	3,132,932
Unreserved.....	30,258,931	27,873,727
Total Equity.....	43,614,692	41,459,124
Total Liabilities and Equity.....	\$106,538,651	\$105,090,094

The accompanying notes are an integral part of this statement.

GUADALUPE-BLANCO RIVER AUTHORITY
COMBINED STATEMENTS OF REVENUE, EXPENSES AND CHANGES
IN RETAINED EARNINGS - PROPRIETARY ENTERPRISE FUND

FISCAL YEARS ENDED AUGUST 31, 2002 AND 2001

	2002	2001
REVENUE		
Power Sales.....	\$5,564,628	\$3,546,680
Water Sales and Lake Operations.....	11,116,968	11,150,387
Recreation and Land Use.....	413,771	413,294
Waste Water Treatment Services.....	4,675,744	4,279,142
Laboratory Services.....	293,643	242,157
Rental.....	145,649	132,790
Administrative and General (Note A8).....	1,543,741	1,450,843
Pollution and Industrial Financing (Note E).....	307,850	342,850
Miscellaneous (Note H)	1,088,404	536,091
Total Operating Revenue.....	<u>25,150,398</u>	<u>22,094,234</u>
EXPENSES		
Personnel Operating Costs.....	6,109,711	5,698,017
Operating Supplies and Services.....	5,889,469	4,785,074
Maintenance and Repairs (Note H).....	2,694,737	2,619,838
Administrative and General (Note A8).....	1,430,227	1,346,058
Depreciation and Amortization.....	2,767,931	2,736,406
Total Operating Expenses.....	<u>18,892,075</u>	<u>17,185,393</u>
Operating Income	6,258,323	4,908,841
Nonoperating Revenues (Expenses)		
Investment Income.....	339,672	451,859
Gain (Loss) on the Disposal of Capital Assets.....	(75,322)	112,721
Interest Expense.....	(2,604,965)	(2,815,158)
Total Nonoperating Revenues (Expenses).....	<u>(2,340,615)</u>	<u>(2,250,578)</u>
Income Before Recognition of Deferrals.....	3,917,708	2,658,263
Costs to be Recovered (Revenue to be Recognized) in Future Years (Note A16).....	(1,773,636)	195,596
Net Income.....	2,144,072	2,853,859
Depreciation Taken on Contributions (Note F).....	553,401	553,401
Net Increase In Retained Earnings.....	2,697,473	3,407,260
Retained Earnings at August 31, 2001 and 2000.....	31,006,659	27,599,399
Retained Earnings at August 31, 2002 and 2001.....	<u>\$33,704,132</u>	<u>\$31,006,659</u>

The accompanying notes are an integral part of this statement.

GUADALUPE-BLANCO RIVER AUTHORITY
COMBINED STATEMENTS OF CASH FLOWS -
PROPRIETARY ENTERPRISE FUND

FISCAL YEARS ENDED AUGUST 31, 2002 AND 2001

	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers.....	\$22,993,287	\$22,254,336
Cash Received from Interfund Administrative Charges.....	1,541,945	1,085,666
Cash Received from Administration of Industrial Revenue Bonds.....	--	35,000
Cash Received from Customer Operating Advances.....	64,830	--
Cash Paid for Personnel Operating Costs.....	(6,109,711)	(5,698,017)
Cash Paid for Other Operating and Maintenance Costs.....	(7,807,039)	(6,652,057)
Cash Paid for Interfund Administrative Charges.....	(1,430,227)	(1,346,058)
Cash Paid for Operational Project Development Costs.....	(2,001,074)	(14,513)
Net Cash Flows From Operating Activities.....	7,252,011	9,664,357
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interfund Operating Loans Received.....	887,500	1,060,000
Interfund Operating Loans Made.....	(887,500)	(1,060,000)
Principal Payments Made on Interfund Operating Loans.....	(623,067)	(3,815,310)
Principal Payments Received on Interfund Operating Loans.....	623,067	3,815,310
Net Cash Flows From Noncapital Financing Activities.....	--	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Long-term Loans.....	1,750,000	--
Proceeds from Issuance of Revenue Bonds.....	9,621,789	3,146,442
Proceeds from Customer & Developer Capital Advances.....	11,496	11,496
Proceeds from Sale of Fixed Assets.....	16,686	167,289
Purchase of Fixed Assets.....	(2,938,930)	(2,263,697)
Long-term Loan to Customer.....	(223,394)	(2,263,697)
Cash Paid for Construction in Progress.....	(55,611)	(1,034,560)
Interest Paid.....	(2,148,534)	(2,294,911)
Principal Payments on Revenue Bonds.....	(13,035,000)	(4,895,000)
Principal Payments on Loans.....	(377,653)	(808,136)
Net Cash Flows Used by Capital and Related Financing Activities.....	(7,379,151)	(10,234,774)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Net Investment Decrease.....	1,220,220	722,986
Investment Income Received.....	341,687	383,221
Cash Paid for Net Investment Increase.....	(784,553)	(2,954,452)
Net Cash Flows From (Used by) Investing Activities.....	777,354	(1,848,245)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$650,214	(\$2,418,662)
CURRENT CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	\$565,014	\$761,334
At End of Year.....	1,266,757	565,014
Net Increase (Decrease).....	701,743	(196,320)
RESTRICTED CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	522,358	481,003
At End of Year.....	470,829	522,358
Net Increase (Decrease).....	(51,529)	41,355
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$650,214	(\$154,965)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$6,258,323	\$4,908,841
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:		
Depreciation and Amortization.....	2,767,931	2,736,406
Non-Cash Pollution and Industrial Financing Income.....	(307,850)	(307,850)
Net Change in Assets and Liabilities from Operating Activities:		
Operating Accounts Receivable.....	(143,378)	1,476,244
Other Current Assets.....	(4,843)	54,981
Deferred Costs and Expenses.....	(119,770)	(111,720)
Work in Progress.....	61,716	--
Project Development Costs.....	(1,984,331)	103,793
Operating Accounts Payable.....	688,250	813,044
Operating Advances.....	35,963	(9,382)
Total Adjustments.....	993,688	4,755,516
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	\$7,252,011	\$9,664,357

NON-CASH TRANSACTIONS SCHEDULE

- During each fiscal year 2002 and 2001, \$307,850 of interest expense on the \$4,700,000 of Floating Rate Monthly Demand Water Supply Refunding Revenue Bonds (Footnote B) was paid by SOHIO Chemical Company directly to the Trustee, Chemical Bank.
- During fiscal year 2002 and 2001, an adjustment of (\$35,489) and \$98,388, respectively, was made to increase (decrease) investments to fair value.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2002 AND 2001

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 as prescribed by the Governmental Accounting Standards Board (GASB). GBRA applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. GBRA consists of eleven non-homogeneous enterprises operating as separate funds or divisions.
3. **Fund Reporting.** GBRA's accounting system consists solely of eleven (11) enterprise funds of which there are no further divisible segments. These enterprise funds 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. **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.
5. **Unbilled Revenue.** Revenue relating to unbilled rural water and waste water treatment services has not been recognized since the amounts are immaterial.
6. **Fixed 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. 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

7. **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 fixed or intangible assets. If a project is determined not to be viable, the costs are expensed.
8. **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.
9. **Contributed Capital.** Contributed capital is comprised of contributions of fixed assets and donations restricted to the acquisition of fixed assets. Depreciation relating to fixed assets contributed or acquired with donations, is deducted from the applicable contributed account rather than included in retained earnings.
10. **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, 2002 and 2001 amounted to \$293,766 and \$283,557, respectively.
11. **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.
12. **Restricted Assets.** Contractually restricted cash, investments, interest receivable and accounts receivable balances are reported in a separate restricted assets section of the balance sheet. Such amounts are physically segregated from other enterprise fund assets pursuant to provisions of the applicable bond indentures.
13. **Reserved Retained Earnings.** GBRA recognizes retained earnings reserved for future construction costs or debt service payments in divisions or funds in which restricted assets exceed the related liabilities.
14. **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 \$0 of interest expense and \$55,443 of interest income as construction in progress in 2002. GBRA recorded \$0 of interest expense and \$104,931 of interest income as construction in progress in 2001.
15. **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, 2002, GBRA had no contractual commitments for plant construction.
16. **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.

NOTE B - LONG TERM LIABILITIES

GBRA had the following changes in long-term liabilities for the fiscal years ended August 31, 2002 and 2001 (Exclusive of Interfund Loans Payable).

Series	Date of Issue	Final Maturity	Effective Interest Rate	Original Amount	Outstanding 8/31/2000	Retired During FY 2001	Outstanding 8/31/2001	Retired During FY 2002	Outstanding 8/31/2002
OBLIGATIONS PAYABLE DIRECTLY BY GBRA									
WATER RESOURCE DIVISION									
U. S. Government Loan	01/01/1977	2026	2.5%	\$8,979,862	\$5,853,659	\$162,549	\$5,691,110	\$166,612	\$5,524,498
First Lockhart National Bank Loan	12/31/2001	2007	3.5%	1,750,000	--	--	--	161,696	1,588,304
Total Obligations Payable Directly by GBRA				\$10,729,862	\$5,853,659	\$162,549	\$5,691,110	\$328,308	\$7,112,802
CONTRACT REVENUE BONDS									
WATER RESOURCE DIVISION									
Hays Energy Ltd. Loan	09/23/1999	2024	8.0%	\$3,200,000	\$3,171,710	\$45,587	\$3,126,123	\$49,345	\$3,076,778
Regional Raw Wtr Delivery System Bonds, San Marcos 1998	10/31/1999	2024	4.50-6.0%	9,735,000	9,530,000	220,000	9,310,000	230,000	9,080,000
PORT LAVACA WATER TREATMENT PLANT DIVISION									
Water Supply Revenue Bonds 1991	01/24/1991	2016	7.35%	3,915,000	3,615,000	3,615,000	--	--	--
Water Supply Revenue Refunding Bonds 2000	12/15/2000	2016	4.50-5.375%	3,265,000	--	--	3,265,000	140,000	3,125,000 (2)
VICTORIA REGIONAL WASTE DISPOSAL DIVISION									
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	--	2,610,000 (3)
Regional Waste Disposal Refunding Revenue Bonds 1993	11/15/1993	2004	2.75-4.60%	2,780,000	2,050,000	350,000	1,700,000	370,000	1,330,000 (4)
Regional Waste Disposal Revenue Bonds 1996	07/18/1996	2010	2.9-4.75%	3,750,000	3,105,000	230,000	2,875,000	240,000	2,635,000
CANYON HYDROELECTRIC DIVISION									
Hydroelectric Project Revenue Refunding Bonds 1991	12/01/1991	2016	3.5-6.30%	16,000,000	12,575,000	475,000	12,100,000	12,050,000	50,000 (5)
Hydroelectric Project Revenue Refunding Bonds 2002	04/15/2002	2014	3.5-4.75%	9,705,000	--	--	--	--	9,705,000 (5)
LOCKHART WASTEWATER RECLAMATION DIVISION									
Contract Revenue Bonds 1996	04/02/1996	2017	2.85%-4.55%	5,480,000	5,465,000	5,000	5,460,000	5,000	5,455,000
Total Contract Revenue Bonds				\$63,350,000	\$42,121,710	\$4,940,587	\$40,446,123	\$13,084,345	\$37,066,778
POLLUTION CONTROL BONDS									
WATER RESOURCE DIVISION									
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	\$--	\$4,700,000 (1)
Total Pollution Control Bonds				\$4,700,000	\$4,700,000	\$--	\$4,700,000	\$--	\$4,700,000
Total Revenue Bonds and Long-Term Loans Payable					\$53,829,028		\$50,837,233		\$48,879,580
Less Deferred Defeasance on Advance Refunding							(1,231,944)		(1,138,940)
Less Revenue Bond Discounts							(1,056,475)		(799,523) (3)(4)(5)
Net Revenue Bonds and Long-Term Loans Payable							48,548,814		46,941,117
Less Current Portion							(1,695,958)		(2,120,997)
							46,852,856		44,820,120
Long-term loans payable to the General Division are as follows:									
Rural Utilities Division							189,241		139,240
Water Supply Division							8,456,743		9,008,743
Port Lavaca Water Treatment Plant Division							325,570		--
Calhoun County Rural Water Supply Division							16,000		--
Coletto Creek Division							107,598		248,598
Canyon Hydroelectric Division							--		30,500
Lockhart Wastewater Reclamation Division							123,359		55,863
Total Long-term loans payable to the General Division							9,218,511		9,482,944
TOTAL LONG-TERM LIABILITIES							\$56,071,367		\$54,303,064

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2002 AND 2001

NOTE B - LONG TERM LIABILITIES

1. Included in long-term debt is \$4,700,000 of Floating Rate Monthly Demand Water Supply Refunding Revenue Bonds. These bonds mature on May 1, 2013 and are guaranteed by Standard Oil Company of Ohio.

Issued in 1983 the proceeds of these bonds were used to refund and completely retire an earlier, short-term construction bond issue and to provide additional construction funds. The project financed consists of water supply facilities that carry cooling water to the British Petroleum Chemical (BP Chemical) plant located in Calhoun County, Texas.

Although GBRA owns the water supply facilities and the bond issue bears the GBRA's name, GBRA does not pledge its credit nor is it liable for any principal, premium, interest, or costs associated with the demand feature of the issue except to the extent of revenue collected on this project. Instead, British Petroleum Chemical Company and Standard Oil Company pledge their credit and bear sole responsibility for all debt service payments.

The demand and variable interest rate provisions of this issue were voided on November 2, 1992 pursuant to Section 4.06 of the bond indenture when British Petroleum Chemical Company elected to fix the interest rate. As of this date the bondholders no longer have the right to require purchase of bonds by the remarketing agent or the trustee, as escrow agent. Twenty days after the election of the fixed interest rate, the letter of credit was surrendered by the escrow agent to the bank and canceled. Due to the Guarantee Agreement with Standard Oil Company which guarantees the full payment of all principal and interest on the bonds, there is no financing agreement or debt service requirements for GBRA. Because the Guarantee Agreement preserves the long-term nature of the obligation it is recorded as a long term liability.

2. GBRA issued in fiscal year 2001, Water Supply Revenue Refunding Bonds (City of Port Lavaca Water Treatment Plant Project) in the amount of \$3,265,000. These bonds were issued to retire the Series 1991, Port Lavaca Water Treatment Plant Project Revenue Bonds. The refunding of the Series 1991 Bonds produced a net present value benefit (economic gain) approximating \$499,565 and a net cash flow savings of \$1,233,448 due to a reduction in the net effective interest rates on the bonds from 7.35% to 5.01%.

3. 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, 2002 and 2001 discount balance was \$828,203 and \$949,833 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.

4. GBRA issued in Fiscal Year 1994 Regional Waste Disposal Refunding Revenue Bonds. The original discount on these bonds was in the amount of \$9,453. GBRA is amortizing the discount over the life of the bonds using the effective interest method. The August 31, 2002 and 2001 discount balance was \$1,759 and \$2,639 respectively.

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 and subsequently call a 1970 bond issue and partially defease a 1989 bond issue which was subsequently called on October 1, 1999.

5. 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 is scheduled to mature 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, 2002 was \$32,786. 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 resulting in a net cash flow savings of \$2,972,819.

6. 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; therefore, coverage data is not applicable.

The revenue bonds and loans outstanding at August 31, 2002 mature serially through 2026:

LONG-TERM LOANS

Year Ending August 31	Total	Interest	Principal	Balance of Principal Outstanding
				\$10,189,580
2003	989,610	433,613	555,997	9,633,583
2004	989,609	413,248	576,361	9,057,222
2005	989,610	391,785	597,825	8,459,397
2006	989,609	369,481	620,128	7,839,269
2007	798,077	347,023	451,054	7,388,215
2008	606,541	333,704	272,837	7,115,378
2009	606,542	322,265	284,277	6,831,101
2010	606,541	310,157	296,384	6,534,717
2011	606,541	297,331	309,210	6,225,507
2012	606,541	283,735	322,806	5,902,701
2013	606,542	269,313	337,229	5,565,472
2014	606,541	254,002	352,539	5,212,933
2015	606,542	237,738	368,804	4,844,129
2016	606,541	220,448	386,093	4,458,036
2017	606,541	202,056	404,485	4,053,551
2018	606,542	182,481	424,061	3,629,490
2019	606,542	161,629	444,913	3,184,577
2020	606,542	139,405	467,137	2,717,440
2021	606,542	115,705	490,837	2,226,603
2022	606,541	90,414	516,127	1,710,476
2023	606,542	63,411	543,131	1,167,345
2024	606,544	34,562	571,982	595,363
2025	308,890	14,884	294,006	301,357
2026	308,890	7,533	301,357	--
	<u>\$15,685,503</u>	<u>\$5,495,923</u>	<u>\$10,189,580</u>	

REVENUE BONDS

Total	Interest	Principal	Balance of Principal Outstanding
			\$38,690,000
3,300,140	1,735,140	1,565,000	37,125,000
3,520,368	1,610,368	1,910,000	35,215,000
3,340,095	1,530,095	1,810,000	33,405,000
3,348,794	1,458,794	1,890,000	31,515,000
3,676,324	1,386,324	2,290,000	29,225,000
3,681,826	1,306,826	2,375,000	26,850,000
3,688,817	1,223,817	2,465,000	24,385,000
3,753,329	1,133,329	2,620,000	21,765,000
3,775,235	1,035,235	2,740,000	19,025,000
2,988,378	938,378	2,050,000	16,975,000
7,545,042	690,042	6,855,000	10,120,000
2,680,041	435,041	2,245,000	7,875,000
1,612,705	327,705	1,285,000	6,590,000
1,624,281	274,281	1,350,000	5,240,000
1,321,079	226,079	1,095,000	4,145,000
650,698	190,698	460,000	3,685,000
653,963	168,963	485,000	3,200,000
650,940	145,940	505,000	2,695,000
651,618	121,618	530,000	2,165,000
650,981	95,981	555,000	1,610,000
654,638	69,638	585,000	1,025,000
652,750	42,750	610,000	415,000
429,513	14,513	415,000	--
<u>\$54,851,555</u>	<u>\$16,161,555</u>	<u>\$38,690,000</u>	

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2002 AND 2001

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 of the 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 7718 Wood Hollow Drive, Suite 200, Austin, Texas 78731-1601.

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 is usually in the range of 3 to 30 years. The employer contributions were 7.6% of total participant payroll for 2001 and is expected to be 7.7% for the 2002 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, 2001 and ending August 31, 2002, the Annual Pension Cost for GBRA of \$380,646 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.

THREE-YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
August 31, 2000	\$340,870	100%	\$ --
August 31, 2001	\$350,082	100%	\$ --
August 31, 2002	\$380,646	100%	\$ --

The required contribution for the fiscal year ending August 31, 2002 was based on the results of the actuarial valuation as of January 1, 2001 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, 2000	January 1, 2001	January 1, 2002
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:	3 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	January 1, 2000	January 1, 2001*	January 1, 2002
Actuarial Value of Assets	\$5,390,609	\$6,040,155	\$6,613,194
Actuarial Accrued Liability (AAL)	\$5,890,652	\$8,688,221	\$9,550,335
Unfunded AAL (UAAL)	\$ 500,043	\$2,648,066	\$2,937,141
Funded Ratio	92%	70%	69%
Covered Payroll	\$4,361,071	\$5,014,674	\$5,513,092
UAAL as a Percentage of Covered Payroll	11%	53%	53%

* Actuarial assumption changes and plan changes were reflected as of January 1, 2001.

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. 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.

CASH AND DEPOSITS

At August 31, 2002, GBRA held \$1,737,586 of restricted and unrestricted cash and cash equivalents. Included in this amount was \$1,700 of cash on hand and the remainder was on deposit at various banks in demand accounts and certificates of deposit with terms less than three months. Also on deposit at banks was \$598,093 held as certificates of deposit with terms exceeding three months. These latter time deposits are recognized in the combined financial statements as investments.

Deposits as of August 31, 2002 are categorized below as an indicator of credit risk. Category 1 includes deposits that are insured by the FDIC or collateralized with securities held by GBRA or its agent and listing GBRA as owner. Category 2 includes deposits that are collateralized with securities held by the pledging financial institutions' trust departments or its agent but listing GBRA as owner. Category 3 includes deposits that are either collateralized with securities not listing GBRA as owner or uncollateralized completely.

	Category			Bank Balance	Carrying Amount
	1	2	3		
Cash and Cash Equivalents	\$1,966,305	--	--	\$1,966,305	\$1,737,586
Time Deposits Exceeding Three Month Term	598,093	--	--	598,093	598,093
TOTAL DEPOSITS	\$2,564,398	--	--	\$2,564,398	\$2,335,679

INVESTMENTS

GBRA customarily invests its funds in certificates of deposit, direct and indirect 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.

GBRA investments less the bank time deposits listed above are categorized below as an indicator of credit and market risk. Category 1 includes investments that are insured by the Securities Investor Protection Corporation or held by GBRA or its agent and listing GBRA as owner. Category 2 includes uninsured investments held by the counterparty's agent but listing GBRA as owner. Category 3 includes uninsured investments held by the counterparty in their own name.

	Category			Fair Value
	1	2	3	
U. S. Treasury	\$4,069,566	--	--	\$4,069,566
Federal National Mortgage Association	714,091	--	--	714,091
Federal Home Loan Mortgage Corporation	480,601	--	--	480,601
Federal Farm Credit	209,700	--	--	209,700
Total Categorized Investments	\$5,473,958	--	--	\$5,473,958
 Money Market Investment Fund-				
Texas State Treasury – TexPool				1,978,005
Texas CLASS				1,047,464
TOTAL INVESTMENTS				\$8,499,427

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 Chase Bank of Texas National Association, Inc., under an agreement with the Comptroller, acting on behalf of the Trust Company. The Comptroller maintains oversight of the services provided to TexPool by Chase Bank and First Southwest Asset Management, Inc. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases.

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 an Securities and Exchange Commission registered investment advisor and provides investment management services specifically for the public sector.

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

GUADALUPE-BLANCO RIVER AUTHORITY
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NOTE E - 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. The Pollution Control and Industrial Development Bonds outstanding at August 31, 2002 total \$104,390,000 and are as follows:

Series	Date of Issue	Maturity	Interest Rate	Original Amount	Outstanding 8/31/02	Outstanding 8/31/01
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	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
Tax-Exempt Adjustable Mode Industrial Development Revenue Refunding Bonds (The BOC Group Inc. Project)						
1993	11/8/93	2002	2.05%	20,000,000	--	20,000,000
Industrial Development Revenue Bonds (AMF Biological and Diagnostic Products Co. Project)						
1981	12/1/81	2001	13.75%	1,000,000	--	1,000,000
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 F - CHANGES IN CONTRIBUTED CAPITAL

Listed below are the fiscal years 2002 and 2001 changes to contributed capital.

	Fiscal Year	
	2002	2001
Beginning of Year	\$10,452,465	\$10,994,370
Capital Contributed by Customers and Corporations	11,496	11,496
Depreciation Transfers to Contributed Capital	(553,401)	(553,401)
End of Year	<u>\$9,910,560</u>	<u>\$10,452,465</u>

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 \$656,137 for the group and \$40,000 per covered individual are insured through Combined Insurance Company of America. The plan is administered by Benesight.

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Settled claims have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE H - FLOOD RECOVERY PROCESS

Beginning on July 4, 2002, communities and businesses throughout the Guadalupe River Basin experienced flooding conditions, which exceeded the 100-year flood plain in some areas. Since the creation of the Canyon Dam and Reservoir in 1964, this is the first time the reservoir reached its maximum capacity of 943.0 ft. (MSL) causing water to flow over the emergency spillway. The flow crested at 7.4 ft. (950.32 ft. MSL) above the emergency spillway on July 6, 2002.

GBRA suffered damage to several structural and operating facilities as a result of the flood. The most affected was the Canyon Hydroelectric Plant which was inundated with over 10 ft. of water in the plant. The repair of GBRA facilities is expected to cost approximately \$2,500,000. GBRA employees have worked diligently over the past few months restoring facilities, maintaining operations, and working with the Federal Emergency Management Administration (FEMA), Natural Resource Conservation Service (NRCS) and the current flood insurance provider.

The flood insurance coverage is expected to reimburse the majority of the costs, approximately \$2,000,000, associated with the Canyon Hydroelectric Plant. All other structural and operating facility costs, uninsurable through the flood insurance policy, are being submitted to FEMA, who provides funding to state and local governments for the cost of debris removal from structures as well as repairs, up to the maximum 75% of eligible costs. The financial statements reflect a receivable of \$130,659 at August 31, 2002 from FEMA and insurance.

The removal process of hazardous flood debris from the Guadalupe River for public safety is reimbursable by NRCS at 100% for in-kind services and 75% of debris removal costs. The financial statements reflect a receivable of \$7,424 at August 31, 2002 from NRCS.

NOTE I - SUBSEQUENT EVENTS

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 will be used for the expansion and construction of the GBRA headquarters, board 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 stored water as they are acquired and developed in the "Water Supply System" of GBRA's Water Resources Division.

Under the agreement of these bonds, GBRA is obligated to provide certain updated financial information and operating data annually. The required information is identified below.

DEBT SERVICE REQUIREMENTS

The amortization schedule associated with these bonds are included in the Supplemental Statements and Schedules section of this report.

FUND BALANCES AND COVERAGE

Interest and Sinking Fund Balances as of August 31, 2002	\$	-	(1)
Reserve Fund Balance as of August 31, 2002	\$	-	(1)
Pledged Revenues for the Fiscal Year Ended August 31, 2002	\$	4,112,175	(2)
Net Revenues for the Fiscal Year Ended August 31, 2002	\$	1,103,069	(3)
Average Annual Debt Service Requirements (2003-2027)	\$	295,625	
Coverage Factor based on Pledged Revenues		13.91	x
Coverage Factor based on Net Revenues		3.73	x

(1) GBRA has no balances in these accounts because the bonds are the first bonds being issued by GBRA.

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

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

RAW WATER SALES COMPONENT OF WATER RESOURCES DIVISION - HISTORICAL OPERATING STATEMENT

	Fiscal Year Ended August 31				
	2002	2001	2000	1999	1998
Revenue					
Water Sales (1)	\$ 4,112,175	\$ 4,142,438	\$ 3,245,912	\$ 3,308,538	\$ 2,146,066
Reservation Fees (2)	504,750	809,625	--	--	--
Recreation and Land Use	82,209	90,100	103,316	--	--
Pollution & Industrial Financing	--	--	--	135,000	--
Rental Income	19,860	20,570	17,442	--	--
Miscellaneous	105,896	39,672	86,045	758,377	--
Total Operating Revenue	\$ 4,824,890	\$ 5,102,405	\$ 3,452,715	\$ 4,201,915	\$ 2,146,066
Expense					
Operating Expenses	\$ 3,073,064	\$ 2,417,752	\$ 2,085,261	\$ 1,728,528	\$ 1,127,818
Maintenance and Repairs	334,652	231,316	244,535	576,202	181,221
Administrative and General	314,105	303,186	216,369	122,144	112,095
Total Operating Expense	\$ 3,721,821	\$ 2,952,254	\$ 2,546,165	\$ 2,426,874	\$ 1,421,134
Net Revenue	\$ 1,103,069	\$ 2,150,151	\$ 906,550	\$ 1,775,041	\$ 724,932

(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.

GUADALUPE-BLANCO RIVER AUTHORITY
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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 stored raw water contracted with each type of customer is shown below in "Customer Base by Type".

CUSTOMER BASE BY TYPE

	As of January 20, 1997		As of May 17, 2000		As of May 31, 2002	
	<u>Acre-Feet</u>	<u>% of Total</u>	<u>Acre-Feet</u>	<u>% of Total</u>	<u>Acre-Feet</u>	<u>% of Total</u>
Municipal	21,225	60.54%	37,666	63.79%	42,868	66.42%
Domestic	13	0.04%	24	0.04%	25	0.04%
Industrial	13,270	37.85%	20,671	35.01%	20,739	32.13%
Irrigation	554	1.58%	685	1.16%	906	1.40%
Total contracted acre-feet	<u>35,062</u>	<u>100.00%</u>	<u>59,046</u>	<u>100.00%</u>	<u>64,538</u>	<u>100.00%</u>

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 over 89% of the total acre-feet currently under contract. For this reason, major stored water customers have been identified as those with contracts for the sale or commitment of raw water in the amount of 1,000 or more acre-feet per year. Major stored water customers for the fiscal year ended August 31, 2002 are shown below in "Major Stored Water Customers".

MAJOR STORED WATER CUSTOMERS (1,000 ACRE-FEET PER YEAR OR MORE)

				Contract Information		
Customer	Type	Total AF/YR	Revenue	Contract Date	Expiration Date	Renewal Option
Municipal						
Canyon Regional Water Authority	Regional Water Authority	7,550	\$ 412,603	10/31/1998	12/31/2039	(1)
New Braunfels Utilities	City	6,720	463,680	01/26/1989	01/25/2009	20 Yrs
City of Seguin	City	3,000	207,000	07/11/1995	12/31/2037	(1)
Canyon Lake WSC	Water Supply Corporation	2,000	138,000	10/01/1994	12/31/2044	(1)
Canyon Lake WSC II	Water Supply Corporation	2,000	69,000			(1)
SHWSC I	Water Supply Corporation	1,000	69,000	06/26/1967	12/31/2050	(1)
SHWSC II	Water Supply Corporation	1,000	46,000	06/01/2000	12/31/2050	(1)
San Marcos WTP Proj.						
City of San Marcos	City	5,000	345,000	10/01/1989	07/01/2047	(1)
CRWA --Hays Proj.	Regional Water Authority	1,254	74,336	06/16/1999	12/31/2039	(1)
GBRA Western Canyon						
SAWS	City	2,000	151,142	03/17/2000	12/31/2037	40 Yrs (2x20 Yrs)
Bexar Met	Water District	2,000	151,142	07/20/1998	12/31/2037	40 Yrs (2x20 Yrs)
Boerne	City	1,861	85,606	02/22/2000	12/31/2037	40 Yrs (2x20 Yrs)
Fair Oaks Ranch	City	1,400	64,400	02/10/2000	12/31/2037	40 Yrs (2x20 Yrs)
Cordillera Ranch	City	1,000	34,500	10/11/2001	12/31/2037	40 Yrs (2x20 Yrs)
Total Major Municipal Customers		38,905	\$ 2,311,410			
Industrial						
Guadalupe Power Partners	Electric Generation	6,840	\$ 471,960	03/17/1999	12/31/2021	30 Yrs (6x5 Yrs)
UCC&P/Dow Chemical	Chemical Company	5,000	345,000	01/01/1992	12/31/2011	(1)
Central Power & Light	Electric Generation	4,000	310,500	09/01/1975	09/01/2025	(1)
Hays Energy Limited Partners	Electric Generation	2,464	170,016	06/25/1999	12/31/2025	(1)
BP Chemical	Chemical Company	1,100	75,900	02/11/1980	02/21/2005	40 Yrs (15 Yrs = (5x5 Yrs))
Total Major Industrial Customers		19,404	\$ 1,373,376			
Total Major Customers		58,309	\$ 3,684,786			
Total Stored Water Sales		64,592	\$ 4,112,175			
Major Customers as a Percentage of Total		90.27%	89.61%			

(1) Contract does not provide for specific renewal options

STORED 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

(1) Excludes out-of-district charges.

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 E – Pollution Control and Industrial Development Bonds" in the "Notes to Combined Financial Statements" section of this report.

CASH, CASH EQUIVALENTS AND INVESTMENTS OF GBRA

The following percentages of GBRA's investable funds were invested in the following categories of investments:

Description	Purchase Price	% of Portfolio
Government Securities	\$ 4,792,834	44.23%
Certificates of Deposit	598,093	5.52%
Cash and Cash Equivalents	1,737,586	16.04%
Bank Trust Funds	681,124	6.29%
Public Funds Investment Pool	3,025,469	27.92%
Total	<u>\$ 10,835,106</u>	<u>100.00%</u>

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2002 AND 2001

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. The significant financial data as of August 31, 2002 for GBRA's eleven (11) enterprise funds is as follows:

	General	Guadalupe Valley Hydroelectric	Rural Utilities	Water Resource	Port Lavaca Water Plant	Calhoun County Rural Water
Operating Revenue	\$1,557,469	\$2,303,578	\$760,564	\$8,744,802	\$1,494,099	\$529,658
Depreciation and Amortization Expense	135,801	156,675	383,015	622,658	209,262	70,789
Operating Income (Loss)	226,700	140,109	(211,546)	2,156,411	447,311	(104,215)
Net Income (Loss)	455,774	142,684	(183,116)	1,179,767	323,571	(87,975)
Net Increase (Decrease) in Retained Earnings	455,774	142,684	157,535	1,239,289	324,752	(80,680)
Current Capital:						
Contributions	--	--	7,130,273	1,084,702	16,185	41,646
Transfers	--	--	--	275,317	29,091	--
Property, Plant and Equipment:						
Balance	2,174,267	10,953,860	10,061,153	34,834,867	5,419,855	1,937,811
Additions	172,390	1,020,586	8,688	2,000,658	25,257	115,088
Deletions	7,267	14,084	--	6,759	182	14,983
Net Working Capital	4,105,029	172,702	93,409	(877,832)	89,448	454,062
Total Assets	17,868,151	7,122,638	8,651,597	40,838,132	4,504,263	1,607,992
Total Liabilities	1,727,506	503,097	240,525	35,135,295	3,333,497	105,692
Revenue Bonds Payable	--	--	--	13,778,716	3,125,000	--
Loans Payable	--	--	--	10,189,580	--	--
Interfund Balances:						
Accounts Receivable	1,707,115	190,000	51,085	477,579	97,884	72,025
Accounts Payable	1,315,170	238,862	32,920	854,314	95,191	68,461
Notes Receivable	9,482,944	--	--	--	--	--
Notes Payable	--	--	139,240	9,008,743	--	--
Total Equity (Deficit)	16,140,645	6,619,541	8,411,072	5,702,837	1,170,766	1,502,300

	Victoria Waste Disposal	Coletto Creek Reservoir	Luling Water Plant	Canyon Hydroelectric	Lockhart Division	Total
Operating Revenue	\$3,276,121	\$1,024,036	\$382,619	\$3,515,525	\$1,561,927	\$25,150,398
Depreciation and Amortization Expense	507,886	78,772	63,787	332,511	206,775	2,767,931
Operating Income (Loss)	686,591	(83,260)	(55,022)	2,857,641	197,603	6,258,323
Net Income (Loss)	191,554	(85,277)	(45,303)	102,265	150,128	2,144,072
Net Increase (Decrease) in Retained Earnings	317,981	(83,603)	(37,538)	111,151	150,128	2,697,473
Current Capital:						
Contributions	896,684	21,616	97,103	249,925	68,018	9,606,152
Transfers	--	--	--	--	--	304,408
Property, Plant and Equipment:						
Balance	15,157,096	1,748,199	1,781,717	12,441,016	5,700,813	102,210,654
Additions	142,369	95,154	8,763	99,193	150,057	3,838,203
Deletions	5,747	32,129	4,144	107,756	1,896	194,947
Net Working Capital	155,040	(47,407)	159,194	310,121	(108,048)	4,505,718
Total Assets	8,599,813	792,013	709,636	9,677,000	6,167,416	106,538,651
Total Liabilities	6,261,608	424,861	119,811	9,202,917	5,869,150	62,923,959
Revenue Bonds Payable	5,738,711	--	--	8,654,110	5,455,000	36,751,537
Loans Payable	--	--	--	--	--	10,189,580
Interfund Balances:						
Accounts Receivable	223,136	93,456	35,000	28,000	55,000	3,030,280
Accounts Payable	87,955	61,285	45,009	54,334	176,779	3,030,280
Notes Receivable	--	--	--	--	--	9,482,944
Notes Payable	--	248,598	--	30,500	55,863	9,482,944
Total Equity	2,338,205	367,152	589,825	474,083	298,266	43,614,692

Supplemental Statements and Schedules

GUADALUPE-BLANCO RIVER AUTHORITY
COMBINING BALANCE SHEET -- PROPRIETARY ENTERPRISE FUNDS

AUGUST 31, 2002

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents.....	\$ 648,502	\$ 231,061	\$ 67,320	\$ 86,372
Investments.....	3,434,522	552	--	508,246
Interest Receivable.....	32,372	--	--	--
Accounts Receivable-Operating.....	4,001	222,300	50,765	487,650
Interfund.....	1,707,115	190,000	51,085	477,579
Other Current Assets.....	6,023	31,886	6,530	109,127
Total Current Assets.....	<u>5,832,535</u>	<u>675,799</u>	<u>175,700</u>	<u>1,668,974</u>
RESTRICTED ASSETS				
Cash and Cash Equivalents.....	156,565	--	76,721	26,227
Investments.....	986,618	--	908,667	1,369,486
Interest Receivable.....	3,493	--	13,925	25,274
Accounts Receivable.....	--	--	--	102,617
Total Restricted Assets.....	<u>1,146,676</u>	<u>--</u>	<u>999,313</u>	<u>1,523,604</u>
FIXED ASSETS				
Land, Water and Storage Rights.....	511,854	2,196,916	84,199	14,842,312
Dams, Plants and Equipment.....	1,662,413	8,756,944	9,976,954	19,992,555
Construction In Progress.....	--	125,810	3,784	218,740
Less Accumulated Depreciation.....	(872,271)	(4,632,831)	(2,588,353)	(5,753,594)
Total Fixed Assets.....	<u>1,301,996</u>	<u>6,446,839</u>	<u>7,476,584</u>	<u>29,300,013</u>
OTHER ASSETS				
Contract Development Costs (Net of Amortization).....	--	--	--	2,716
Debt Issuance Costs (Net of Amortization).....	--	--	--	221,264
Permits and Licenses (Net of Amortization).....	--	--	--	--
Project Development Costs.....	--	--	--	4,887,591
Interfund Loans Receivable.....	9,482,944	--	--	--
Long-term Loans Receivable.....	104,000	--	--	--
Deferred Costs and Expenses.....	--	--	--	3,233,970
Total Other Assets.....	<u>9,586,944</u>	<u>--</u>	<u>--</u>	<u>8,345,541</u>
Total Assets.....	<u>\$ 17,868,151</u>	<u>\$ 7,122,638</u>	<u>\$ 8,651,597</u>	<u>\$ 40,838,132</u>
LIABILITIES AND EQUITY				
CURRENT LIABILITIES (Payable from Current Assets)				
Current Portion of Long-Term Loans Payable.....	\$ --	\$ --	\$ --	\$ 555,997
Interest Payable.....	--	--	--	101,416
Accounts Payable-Operating.....	412,336	264,235	49,371	1,035,079
Interfund.....	1,315,170	238,862	32,920	854,314
Total.....	<u>1,727,506</u>	<u>503,097</u>	<u>82,291</u>	<u>2,546,806</u>
CURRENT LIABILITIES (Payable from Restricted Assets)				
Current Portion of Revenue Bonds.....	--	--	--	230,000
Interest Payable.....	--	--	--	102,617
Total.....	<u>--</u>	<u>--</u>	<u>--</u>	<u>332,617</u>
LONG-TERM LIABILITIES				
Revenue Bonds Payable.....	--	--	--	13,778,716
Long-Term Loans Payable.....	--	--	--	10,189,580
Interfund Loans Payable.....	--	--	139,240	9,008,743
	--	--	139,240	32,977,039
Less Current Portion.....	--	--	--	(785,997)
Total Long-Term Liabilities.....	<u>--</u>	<u>--</u>	<u>139,240</u>	<u>32,191,042</u>
OTHER LIABILITIES				
Advances for Operations.....	--	--	18,994	64,830
Total Other Liabilities.....	<u>--</u>	<u>--</u>	<u>18,994</u>	<u>64,830</u>
Total Liabilities.....	<u>1,727,506</u>	<u>503,097</u>	<u>240,525</u>	<u>35,135,295</u>
EQUITY				
Capital Contributed--By Grants, Customers and Corporations.....	--	--	7,130,273	1,084,702
By Other Divisions.....	--	--	--	275,317
Retained Earnings-Reserved for debt service & construction.....	1,146,676	--	999,313	1,190,987
Unreserved.....	14,993,969	6,619,541	281,486	3,151,831
Total Equity.....	<u>16,140,645</u>	<u>6,619,541</u>	<u>8,411,072</u>	<u>5,702,837</u>
Total Liabilities and Equity.....	<u>\$ 17,868,151</u>	<u>\$ 7,122,638</u>	<u>\$ 8,651,597</u>	<u>\$ 40,838,132</u>

See accompanying independent auditors' report.

Port Lavaca Water Treatment Plant Division	Calhoun County Rural Water Supply Division	Victoria Regional Wastewater Reclamation Division	Coleto Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Total
\$ 20,562	\$ 31,955	\$ 69,835	\$ 29,035	\$ 38,987	\$ 10,204	\$ 32,924	\$ 1,266,757
10,901	399,799	156,190	--	163,480	51,595	20,373	4,745,658
133	6,219	--	--	4,266	631	1,800	45,421
101,424	38,625	56,091	773	35	324,566	84,132	1,370,362
97,884	72,025	223,136	93,456	35,000	28,000	55,000	3,030,280
13,147	11,131	16,994	5,592	2,432	1,467	5,851	210,180
244,051	559,754	522,246	128,856	244,200	416,463	200,080	10,668,658
5,044	--	5,913	--	--	200,359	--	470,829
154,390	--	776,953	--	27,157	103,951	24,640	4,351,862
828	--	888	--	332	2,297	--	47,037
--	--	--	--	--	--	--	102,617
160,262	--	783,754	--	27,489	306,607	24,640	4,972,345
41,424	51,396	1,003,391	--	14,075	12,187	123,881	18,881,635
5,378,431	1,886,415	14,153,705	1,748,199	1,767,642	12,428,829	5,576,932	83,329,019
12,060	117,269	--	10,364	--	--	26,775	514,802
(2,364,430)	(1,006,842)	(8,462,020)	(1,095,406)	(1,343,770)	(4,035,083)	(577,608)	(32,732,208)
3,067,485	1,048,238	6,695,076	663,157	437,947	8,405,933	5,149,980	69,993,248
--	--	--	--	--	66,783	19,561	89,060
153,902	--	188,077	--	--	461,086	100,398	1,124,727
--	--	--	--	--	840,561	--	840,561
--	--	--	--	--	--	--	4,887,591
--	--	--	--	--	--	--	9,482,944
--	--	--	--	--	--	119,394	223,394
878,563	--	410,660	--	--	(820,433)	553,363	4,256,123
1,032,465	--	598,737	--	--	547,997	792,716	20,904,400
\$ 4,504,263	\$ 1,607,992	\$ 8,599,813	\$ 792,013	\$ 709,636	\$ 9,677,000	\$ 6,167,416	\$ 106,538,651
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 555,997
--	--	--	--	--	--	--	101,416
59,412	37,231	279,251	114,978	39,997	52,008	131,349	2,475,247
95,191	68,461	87,955	61,285	45,009	54,334	176,779	3,030,280
154,603	105,692	367,206	176,263	85,006	106,342	308,128	6,162,940
150,000	--	630,000	--	--	550,000	5,000	1,565,000
25,644	--	73,018	--	--	119,828	19,747	340,854
175,644	--	703,018	--	--	669,828	24,747	1,905,854
3,125,000	--	5,738,711	--	--	8,654,110	5,455,000	36,751,537
--	--	--	--	--	--	--	10,189,580
--	--	--	248,598	--	30,500	55,863	9,482,944
3,125,000	--	5,738,711	248,598	--	8,684,610	5,510,863	56,424,061
(150,000)	--	(630,000)	--	--	(550,000)	(5,000)	(2,120,997)
2,975,000	--	5,108,711	248,598	--	8,134,610	5,505,863	54,303,064
28,250	--	82,673	--	34,805	292,137	30,412	552,101
28,250	--	82,673	--	34,805	292,137	30,412	552,101
3,333,497	105,692	6,261,608	424,861	119,811	9,202,917	5,869,150	62,923,959
16,185	41,646	896,684	21,616	97,103	249,925	68,018	9,606,152
29,091	--	--	--	--	--	--	304,408
--	--	80,736	--	27,489	--	--	3,445,201
1,125,490	1,460,654	1,360,785	345,536	465,233	224,158	230,248	30,258,931
1,170,766	1,502,300	2,338,205	367,152	589,825	474,083	298,266	43,614,692
\$ 4,504,263	\$ 1,607,992	\$ 8,599,813	\$ 792,013	\$ 709,636	\$ 9,677,000	\$ 6,167,416	\$ 106,538,651

GUADALUPE-BLANCO RIVER AUTHORITY
COMBINING STATEMENT OF REVENUE, EXPENSES AND
CHANGES IN RETAINED EARNINGS - PROPRIETARY ENTERPRISE FUNDS

FISCAL YEAR ENDED AUGUST 31, 2002

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division
REVENUE				
Power Sales.....	\$ --	\$2,143,810	\$ --	\$ --
Water Sales and Lake Operations.....	--	--	--	7,517,099
Recreation and Land Use.....	--	--	--	82,209
Waste Water Treatment Services.....	--	--	690,865	278,956
Laboratory Services.....	--	--	--	283,869
Rental.....	--	2,585	--	32,275
Administrative and General.....	1,543,741	--	--	--
Pollution and Industrial Financing.....	--	--	--	307,850
Miscellaneous.....	13,728	157,183	69,699	242,544
Total Operating Revenue.....	<u>1,557,469</u>	<u>2,303,578</u>	<u>760,564</u>	<u>8,744,802</u>
EXPENSES				
Personnel Operating Costs.....	404,002	995,400	236,492	2,136,556
Operating Supplies and Services.....	684,785	229,735	167,347	2,671,406
Maintenance and Repairs.....	106,181	502,630	127,827	639,361
Administrative and General.....	--	279,029	57,429	518,410
Depreciation and Amortization	135,801	156,675	383,015	622,658
Total Operating Expenses	<u>1,330,769</u>	<u>2,163,469</u>	<u>972,110</u>	<u>6,588,391</u>
Operating Income (Loss).....	226,700	140,109	(211,546)	2,156,411
Nonoperating Revenues (Expenses)				
Investment Income.....	229,074	1,618	28,430	16,767
Gain (Loss) on the Disposal of Capital Assets.....	--	957	--	(104)
Interest Expense	--	--	--	(1,169,920)
Total Nonoperating Revenues (Expenses).....	<u>229,074</u>	<u>2,575</u>	<u>28,430</u>	<u>(1,153,257)</u>
Income (Loss) Before Recognition of Deferrals.....	455,774	142,684	(183,116)	1,003,154
Costs to be Recovered (Revenue to be Recognized) in Future Years.....	--	--	--	176,613
Net Income (Loss).....	<u>455,774</u>	<u>142,684</u>	<u>(183,116)</u>	<u>1,179,767</u>
Depreciation Taken on Contributions.....	--	--	340,651	59,522
Net Increase (Decrease) In Retained Earnings.....	455,774	142,684	157,535	1,239,289
Retained Earnings at September 1, 2001	<u>15,684,871</u>	<u>6,476,857</u>	<u>1,123,264</u>	<u>3,103,529</u>
Retained Earnings at August 31, 2002.....	<u>\$16,140,645</u>	<u>\$6,619,541</u>	<u>\$1,280,799</u>	<u>\$4,342,818</u>

See accompanying independent auditors' report.

Port Lavaca Water Treatment Plant Division	Calhoun County Rural Water Supply Division	Victoria Regional Wastewater Reclamation Division	Coleta Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Total
\$ --	\$ --	\$ --	\$ --	\$ --	\$3,420,818	\$ --	\$5,564,628
1,412,204	455,283	--	572,195	379,840	--	780,347	11,116,968
--	--	--	331,562	--	--	--	413,771
--	30,780	2,980,748	--	2,779	--	691,616	4,675,744
--	--	9,774	--	--	--	--	293,643
--	--	--	110,789	--	--	--	145,649
--	--	--	--	--	--	--	1,543,741
--	--	--	--	--	--	--	307,850
81,895	43,595	285,599	9,490	--	94,707	89,964	1,088,404
1,494,099	529,658	3,276,121	1,024,036	382,619	3,515,525	1,561,927	25,150,398
337,604	217,407	720,797	452,860	162,448	82,858	363,287	6,109,711
318,006	240,727	687,517	205,320	104,980	141,338	438,308	5,889,469
94,366	51,219	478,573	288,207	64,265	72,762	269,346	2,694,737
87,550	53,731	194,757	82,137	42,161	28,415	86,608	1,430,227
209,262	70,789	507,886	78,772	63,787	332,511	206,775	2,767,931
1,046,788	633,873	2,589,530	1,107,296	437,641	657,884	1,364,324	18,892,075
447,311	(104,215)	686,591	(83,260)	(55,022)	2,857,641	197,603	6,258,323
8,254	16,989	12,666	411	9,519	12,927	3,017	339,672
--	(749)	(1,816)	(3,760)	200	(70,050)	--	(75,322)
(156,370)	--	(310,750)	--	--	(730,888)	(237,037)	(2,604,965)
(148,116)	16,240	(299,900)	(3,349)	9,719	(788,011)	(234,020)	(2,340,615)
299,195	(87,975)	386,691	(86,609)	(45,303)	2,069,630	(36,417)	3,917,708
24,376	--	(195,137)	1,332	--	(1,967,365)	186,545	(1,773,636)
323,571	(87,975)	191,554	(85,277)	(45,303)	102,265	150,128	2,144,072
1,181	7,295	126,427	1,674	7,765	8,886	--	553,401
324,752	(80,680)	317,981	(83,603)	(37,538)	111,151	150,128	2,697,473
800,738	1,541,334	1,123,540	429,139	530,260	113,007	80,120	31,006,659
\$1,125,490	\$1,460,654	\$1,441,521	\$345,536	\$492,722	\$224,158	\$230,248	\$33,704,132

GUADALUPE-BLANCO RIVER AUTHORITY

COMBINING STATEMENT OF CASH FLOWS - PROPRIETARY ENTERPRISE FUNDS

FISCAL YEAR ENDED AUGUST 31, 2002

	General	Guadalupe	Rural	Water
	Division	Valley	Utilities	Resource
	Division	Division	Division	Division
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers.....	\$13,728	\$2,226,321	\$821,550	\$8,366,018
Cash Received from Interfund Administrative Charges.....	1,541,945	--	--	--
Cash Received from Customer Operating Advances.....	--	--	--	64,830
Cash Paid for Personnel Operating Costs.....	(404,002)	(995,400)	(236,492)	(2,136,556)
Cash Paid for Other Operating and Maintenance Costs.....	(683,241)	(546,597)	(360,885)	(2,754,750)
Cash Paid for Interfund Administrative Charges.....	--	(279,029)	(57,429)	(518,410)
Cash Paid for Operational Project Development Costs.....	--	--	--	(2,001,074)
Net Cash Flows From (Used by) Operating Activities.....	468,430	405,295	166,744	1,020,058
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund Operating Loans Received.....	--	--	--	552,000
Interfund Operating Loans Made	(887,500)	--	--	--
Principal Payments Made on Interfund Operating Loans.....	--	--	(50,001)	--
Principal Payments Received on Interfund Operating Loans.....	623,067	--	--	--
Net Cash Flows From (Used by) Noncapital Financing Activities.....	(264,433)	--	(50,001)	552,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Long-term Loans.....	--	--	--	1,750,000
Proceeds from Issuance of Revenue Bonds.....	--	--	--	--
Proceeds from Customer & Developer Capital Advances.....	--	--	--	--
Proceeds from Sale of Fixed Assets.....	1,799	2,296	--	--
Purchase of Fixed Assets.....	(172,390)	(181,129)	(19,862)	(1,998,652)
Long-term Loan to Customer.....	(104,000)	--	--	--
Cash Paid for Construction in Progress.....	--	--	--	(28,836)
Interest Paid.....	--	--	--	(855,506)
Principal Payments on Revenue Bonds.....	--	--	--	(230,000)
Principal Payments on Loans.....	--	--	--	(377,653)
Net Cash Flows Used by Capital and Related Financing Activities.....	(274,591)	(178,833)	(19,862)	(1,740,647)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received from Net Investment Decrease.....	596,952	--	65,000	53,532
Investment Income Received.....	230,287	1,618	16,505	15,982
Cash Paid for Net Investment Increase.....	(386,942)	(11)	(228,098)	(98,253)
Net Cash Flows From (Used by) Investing Activities.....	440,297	1,607	(146,593)	(28,739)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$369,703	\$228,069	(\$49,712)	(\$197,328)
CURRENT CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	\$79,601	\$2,992	\$61,692	\$305,518
At End of Year.....	648,502	231,061	67,320	86,372
Net Increase (Decrease).....	568,901	228,069	5,628	(219,146)
RESTRICTED CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	355,763	--	132,061	4,409
At End of Year.....	156,565	--	76,721	26,227
Net Increase (Decrease).....	(199,198)	--	(55,340)	21,818
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$369,703	\$228,069	(\$49,712)	(\$197,328)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS				
FROM OPERATING ACTIVITIES:				
Operating Income (Loss).....	\$226,700	\$140,109	(\$211,546)	\$2,156,411
Adjustments to Reconcile Operating Income to Net Cash Flows				
From Operating Activities:				
Depreciation and Amortization.....	135,801	156,675	383,015	622,658
Non-Cash Pollution and Industrial Financing Income.....	--	--	--	(307,850)
Net Change in Assets and Liabilities from Operating Activities:				
Operating Accounts Receivable.....	30,663	(76,882)	40,036	(38,982)
Other Current Assets.....	1,454	(3,741)	(2,594)	7,386
Deferred Costs and Expenses.....	--	--	--	--
Work in Progress.....	--	--	61,716	--
Project Development Costs.....	2,314	14,429	--	(2,001,074)
Operating Accounts Payable.....	71,498	174,705	(63,032)	516,679
Operating Advances.....	--	--	(40,851)	64,830
Total Adjustments.....	241,730	265,186	378,290	(1,136,353)
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	\$468,430	\$405,295	\$166,744	\$1,020,058

NON-CASH TRANSACTIONS SCHEDULE

1. During each fiscal year 2002 and 2001, \$307,850 of interest expense on the \$4,700,00 of Floating Rate Monthly Demand Water Supply Refunding Revenue Bonds (Footnote B) was paid by SOHIO Chemical Company directly to the Trustee, Chemical Bank.
2. During fiscal year 2002 and 2001, an adjustment of (\$35,489) and \$98,338, respectively, was made to increase (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	Coleta Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Total
\$1,492,498	\$544,287	\$3,158,128	\$1,025,578	\$382,619	\$3,349,543	\$1,613,017	\$22,993,287
--	--	--	--	--	--	--	1,541,945
--	--	--	--	--	--	--	64,830
(337,604)	(217,407)	(720,797)	(452,860)	(162,448)	(82,858)	(363,287)	(6,109,711)
(447,324)	(313,679)	(1,197,057)	(568,251)	(160,132)	(174,869)	(600,254)	(7,807,039)
(87,550)	(53,731)	(194,757)	(82,137)	(42,161)	(28,415)	(86,608)	(1,430,227)
--	--	--	--	--	--	--	(2,001,074)
620,020	(40,530)	1,045,517	(77,670)	17,878	3,063,401	562,868	7,252,011
--	50,000	--	141,000	--	144,500	--	887,500
--	--	--	--	--	--	--	(887,500)
(325,570)	(66,000)	--	--	--	(114,000)	(67,496)	(623,067)
--	--	--	--	--	--	--	623,067
(325,570)	(16,000)	--	141,000	--	30,500	(67,496)	--
--	--	--	--	--	--	--	1,750,000
--	--	--	--	--	9,621,789	--	9,621,789
--	--	--	--	--	--	11,496	11,496
--	631	--	1,731	200	8,133	1,896	16,686
(37,318)	(69,653)	(142,368)	(59,545)	(8,764)	(99,192)	(150,057)	(2,938,930)
--	--	--	--	--	--	(119,394)	(223,394)
--	--	--	--	--	--	(26,775)	(55,611)
(157,624)	--	(187,448)	--	--	(710,905)	(237,051)	(2,148,534)
(140,000)	--	(610,000)	--	--	(12,050,000)	(5,000)	(13,035,000)
--	--	--	--	--	--	--	(377,653)
(334,942)	(69,022)	(939,816)	(57,814)	(8,564)	(3,230,175)	(524,885)	(7,379,151)
7,673	114,767	17,068	--	8,499	306,737	49,992	1,220,220
6,075	28,325	15,172	411	7,347	16,828	3,137	341,687
--	--	(70,309)	--	--	--	(940)	(784,553)
13,748	143,092	(38,069)	411	15,846	323,565	52,189	777,354
(\$26,744)	\$17,540	\$67,632	\$5,927	\$25,160	\$187,291	\$22,676	\$650,214
\$28,688	\$14,415	\$2,315	\$23,108	\$13,827	\$22,610	\$10,248	\$565,014
20,562	31,955	69,835	29,035	38,987	10,204	32,924	1,266,757
(8,126)	17,540	67,520	5,927	25,160	(12,406)	22,676	701,743
23,662	--	5,801	--	--	662	--	522,358
5,044	--	5,913	--	--	200,359	--	470,829
(18,618)	--	112	--	--	199,697	--	(51,529)
(\$26,744)	\$17,540	\$67,632	\$5,927	\$25,160	\$187,291	\$22,676	\$650,214
\$447,311	(\$104,215)	\$686,591	(\$83,260)	(\$55,022)	\$2,857,641	\$197,603	\$6,258,323
209,262	70,789	507,886	78,772	63,787	332,511	206,775	2,767,931
--	--	--	--	--	--	--	(307,850)
7,612	11,604	2,301	(6,165)	1,327	(165,982)	51,090	(143,378)
(8,005)	(3,434)	(4,788)	167	(368)	4,214	4,866	(4,843)
--	--	(119,770)	--	--	--	--	(119,770)
--	--	--	--	--	--	--	61,716
--	--	--	--	--	--	--	(1,984,331)
(36,160)	(15,274)	(26,703)	(67,184)	8,154	23,033	102,534	688,250
--	--	--	--	--	11,984	--	35,963
172,709	63,685	358,926	5,590	72,900	205,760	365,265	993,688
\$620,020	(\$40,530)	\$1,045,517	(\$77,670)	\$17,878	\$3,063,401	\$562,868	\$7,252,011

AMORTIZATION SCHEDULE FOR U.S. GOVERNMENT LOAN
AUGUST 31, 2002

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2003	\$170,778	\$138,112	\$308,890
2004	175,047	133,843	308,890
2005	179,423	129,467	308,890
2006	183,909	124,981	308,890
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	301,357	7,533	308,890
	<u>\$5,524,497</u>	<u>\$1,888,863</u>	<u>\$7,413,360</u>

**SAN MARCOS RAW WATER DELIVERY SYSTEM
AMORTIZATION SCHEDULE FOR
HAYS ENERGY LIMITED PARTNERSHIP LOAN
AUGUST 31, 2002**

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2003	\$53,441	\$244,211	\$297,652
2004	57,876	239,775	297,651
2005	62,680	234,972	297,652
2006	67,882	229,769	297,651
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>\$3,076,778</u>	<u>\$3,471,558</u>	<u>\$6,548,336</u>

**WATER RESOURCE WATER RIGHT AMORTIZATION SCHEDULE
FOR FIRST LOCKHART NATIONAL BANK LOAN
AUGUST 31, 2002**

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2003	\$331,778	\$51,290	\$383,068
2004	343,438	39,630	383,068
2005	355,722	27,346	383,068
2006	368,337	14,731	383,068
2007	189,030	2,505	191,535
	<u>\$1,588,305</u>	<u>\$135,502</u>	<u>\$1,723,807</u>

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

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2003	\$110,000	\$175,954	\$285,954
2004	95,000	187,000	282,000
2005	100,000	182,725	282,725
2006	105,000	178,225	283,225
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>\$4,390,000</u>	<u>\$3,000,621</u>	<u>\$7,390,621</u>

These bonds were not delivered until September 27, 2002; therefore, are not represented in the FY 2002 financial statements.

**FLOATING RATE MONTHLY DEMAND WATER SUPPLY
REFUNDING REVENUE BONDS, SERIES 1983
(SOHIO CHEMICAL COMPANY PROJECT)
AMORTIZATION SCHEDULE
AUGUST 31, 2002**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2003	--	\$307,850	\$307,850
2004	--	307,850	307,850
2005	--	307,850	307,850
2006	--	307,850	307,850
2007	--	307,850	307,850
2008	--	307,850	307,850
2009	--	307,850	307,850
2010	--	307,850	307,850
2011	--	307,850	307,850
2012	--	307,850	307,850
2013	4,700,000	153,925	4,853,925
	<u>\$4,700,000</u>	<u>\$3,232,425</u>	<u>\$7,932,425</u>

REGIONAL RAW WATER DELIVERY SYSTEM CONTRACT REVENUE BONDS
SERIES 1998
(CITY OF SAN MARCOS, TEXAS PORTION)
AMORTIZATION SCHEDULE
AUGUST 31, 2002

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2003	\$230,000 *	\$428,183 *	\$658,183
2004	245,000	413,933	658,933
2005	255,000	398,933	653,933
2006	270,000	383,183	653,183
2007	285,000	368,100	653,100
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>\$9,310,000</u>	<u>\$5,722,851</u>	<u>\$15,032,851</u>

* The principal and related interest were due on September 1, 2002 but were paid prior to fiscal year ending August 31, 2002.

**WATER SUPPLY REVENUE BONDS
(CITY OF PORT LAVACA, TEXAS) SERIES 2000
AMORTIZATION SCHEDULE
AUGUST 31, 2002**

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2003	\$150,000	\$141,633	\$291,633
2004	155,000	132,899	287,899
2005	170,000	123,493	293,493
2006	180,000	113,549	293,549
2007	190,000	103,943	293,943
2008	200,000	94,551	294,551
2009	215,000	84,370	299,370
2010	230,000	73,500	303,500
2011	240,000	62,045	302,045
2012	250,000	49,810	299,810
2013	265,000	36,850	301,850
2014	275,000	22,875	297,875
2015	295,000	7,750	302,750
2016	310,000	--	310,000
	<u>\$3,125,000</u>	<u>\$1,047,268</u>	<u>\$4,172,268</u>

**REGIONAL WASTE DISPOSAL REVENUE BONDS AND
REFUNDING AND IMPROVEMENT REVENUE BONDS
(CITY OF VICTORIA, TEXAS) SERIES 1989, 1993 AND 1996
AMORTIZATION SCHEDULE
AUGUST 31, 2002**

YEAR	1989 SERIES		1993 SERIES		1996 SERIES		TOTAL
ENDING							
AUGUST 31	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	REQUIREMENTS
2003	--	--	\$385,000	\$51,410	\$245,000	\$110,524	\$791,934
2004	--	--	530,000	31,015	255,000	100,522	916,537
2005	--	--	415,000	9,545	270,000	89,755	784,300
2006	435,000	--	--	--	280,000	78,203	793,203
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>\$2,610,000</u>	<u>\$--</u>	<u>\$1,330,000</u>	<u>\$91,970</u>	<u>\$2,635,000</u>	<u>\$568,953</u>	<u>\$7,235,923</u>

The 1989 series bonds maturing during fiscal years 2006 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.

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

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2003	\$550,000	\$458,659	\$1,008,659
2004	670,000	387,443	1,057,443
2005	695,000	363,993	1,058,993
2006	720,000	339,668	1,059,668
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>\$9,705,000</u>	<u>\$3,067,376</u>	<u>\$12,772,376</u>

The Series 1991 Bonds were refunded except for the principal of and interest on the \$50,000 in principal amount scheduled to mature on December 1, 2002.

CONTRACT REVENUE BONDS, SERIES 1996
(CITY OF LOCKHART PROJECT)
AMORTIZATION SCHEDULE
AUGUST 31, 2002

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2003	\$5,000	\$236,881	\$241,881
2004	5,000	236,706	241,706
2005	5,000	236,526	241,526
2006	5,000	236,341	241,341
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>\$5,455,000</u>	<u>\$2,430,712</u>	<u>\$7,885,712</u>

Statistical Section

GUADALUPE-BLANCO RIVER AUTHORITY
SCHEDULE OF INSURANCE IN FORCE

AUGUST 31, 2002

Name of Company	Policy Number	Policy Period	Details of Coverage	Liability Limits
TWCA Risk Management Fund	Contract 024	7/1/02 to 7/1/03	Workmans Compensation	Statutory
TWCA Risk Management Fund	Contract 024	7/1/02 to 7/1/03	Commercial General Liability	\$1,000,000
TWCA Risk Management Fund	Contract 024	7/1/02 to 7/1/03	Business Automobile Liability	\$1,000,000
TWCA Risk Management Fund	Contract 024	7/1/02 to 7/1/03	Automobile Physical Damage	\$1,051,006
TWCA Risk Management Fund	Contract 024	7/1/02 to 7/1/03	Errors and Omissions Liability	\$1,000,000
TWCA Risk Management Fund	Contract 024	8/31/02 to 7/1/03	Commercial Property, Inland Marine, & Flood and Earth Movement	\$31,559,906
Colonial American Casualty Company	CCP135585005	6/1/02 to 6/1/03	Employee Dishonesty Coverage	\$100,000
Hartford Life Insurance Company	ETB-101146	3/17/02 to 3/17/03	Group Travel Accident Policy	\$1,250,000
Hartford Casualty Insurance Company	65SUN340327	3/9/02 to 3/9/03	Faithful Performance Bonds	\$90,000

NOTE: All current and past insurance premiums relating to the above listed policies have been paid.

SCHEDULE OF REVENUE**LAST TEN FISCAL YEARS**

LAST TEN FISCAL YEARS					Port Lavaca	Calhoun	Victoria					
Guadalupe					Water	County	Regional	Luling				
Valley					Treatment	Rural Water	Wastewater	Coleta	Treatment	Hydro		
General	Hydro	Utilities	Resource	Plant	Supply	Reclamation	Creek	Plant	Plant	Lockhart		
Year	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Total
1993	\$ 1,778,893	\$ 2,340,368	\$ 512,960	\$ 2,684,826	\$ 1,003,800	\$ 610,714	\$ 2,069,028	\$ 984,760	\$ 441,495	\$ 1,481,508	\$ --	13,908,352
1994	1,070,408	1,950,703	539,860	2,652,378	1,016,948	674,579	2,131,518	988,056	451,961	1,481,847	--	12,958,258
1995	1,047,539	2,073,977	575,027	4,295,631	1,033,439	699,559	2,138,445	1,025,002	469,465	1,478,745	308,404	15,145,233
1996	1,201,600	1,567,455	611,568	4,061,778	1,082,484	814,878	2,158,481	1,275,036	368,226	1,489,618	469,568	15,100,692
1997	1,269,607	1,988,417	625,126	3,263,022	1,097,924	758,500	2,513,197	1,049,630	345,106	1,459,746	622,153	14,992,428
1998	1,376,435	2,376,300	949,947	3,727,704	1,173,523	813,990	2,656,578	919,249	359,812	1,465,209	679,812	16,498,559
1999	1,353,743	2,738,125	914,087	5,567,104	1,120,689	800,263	4,944,190	1,011,135	335,344	1,407,819	690,286	20,882,785
2000	1,458,014	1,984,571	1,021,682	6,659,578	1,171,726	1,486,264	3,742,496	1,034,418	374,318	1,442,073	757,107	21,132,247
2001	1,696,819	2,260,884	825,266	8,699,366	1,168,174	655,717	3,092,305	1,052,803	410,982	1,472,567	1,323,931	22,658,814
2002	1,786,543	2,306,153	788,994	8,761,465	1,502,353	545,898	3,286,971	1,020,687	392,338	3,458,402	1,564,944	25,414,748

Note: Table includes operating and non-operating revenues.

Source: Comprehensive Annual Financial Reports of the Guadalupe-Blanco River Authority.

SCHEDULE OF EXPENSES**LAST TEN FISCAL YEARS**

LAST TEN FISCAL YEARS							Port Lavaca	Calhoun	Victoria				
	Guadalupe				Water	County	Regional		Water	Canyon			
	Valley	Rural	Water	Treatment	Rural Water	Wastewater	Coleta	Treatment	Hydro				
	General	Hydro	Utilities	Resource	Plant	Supply	Reclamation	Creek	Plant	Plant	Lockhart		
Year	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Total	
1993	\$ 1,211,396	\$ 2,297,267	\$ 668,267	\$ 3,672,063	\$ 934,345	\$ 636,549	\$ 2,033,838	\$ 1,010,373	\$ 377,444	\$ 1,469,759	\$ --	\$ 14,311,301	
1994	1,293,685	2,029,708	679,756	2,419,579	937,895	651,959	2,082,084	1,001,651	383,428	1,464,678	--	12,944,423	
1995	1,119,171	1,913,589	583,204	2,418,335	929,993	626,361	2,098,182	1,000,588	384,461	1,465,742	294,323	12,833,949	
1996	1,152,805	1,701,975	655,657	2,860,671	993,953	615,525	2,140,877	1,108,703	388,856	1,475,339	445,422	13,539,783	
1997	1,218,921	1,771,045	658,226	2,668,039	999,143	639,933	2,480,965	1,064,858	382,882	1,451,130	621,547	13,956,689	
1998	1,074,999	1,685,366	696,284	2,958,861	1,074,668	687,666	2,545,032	958,750	393,154	1,465,581	654,503	14,194,864	
1999	1,231,453	1,980,938	875,455	3,903,922	1,098,525	676,350	5,255,882	1,020,217	375,314	1,408,162	674,348	18,500,566	
2000	1,359,264	2,162,494	597,797	5,436,482	1,172,893	752,456	3,393,639	1,080,886	399,361	1,442,346	739,163	18,536,781	
2001	1,084,890	1,968,597	632,473	6,534,870	1,200,560	624,267	2,849,578	1,105,174	434,561	1,474,749	1,341,835	19,251,554	
2002	1,330,769	2,163,469	631,459	7,522,176	1,177,601	626,578	2,968,990	1,104,290	429,876	3,347,251	1,414,816	22,717,275	

Note: Table includes depreciation, amortization and interest expenses net of deferred costs and depreciation on contributions.

Source: Comprehensive Annual Financial Reports of the Guadalupe-Blanco River Authority.

SCHEDULE OF ADDITIONS TO PLANTS AND EQUIPMENT**LAST TEN FISCAL YEARS**

LAST TEN FISCAL YEARS							Port Lavaca	Calhoun	Victoria				
	Guadalupe				Water	County	Regional		Water	Canyon			
	General	Hydro	Utilities	Resource	Treatment	Rural Water	Wastewater	Coleta	Treatment	Hydro			
	Division	Division	Division	Division	Plant	Supply	Reclamation	Creek	Plant	Plant	Lockhart		
Year	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Total	
1993	\$ 34,745	\$ 324,410	\$ 90,815	\$ 16,194	\$ 3,684,050	\$ 60,605	\$ 2,307,650	\$ 50,392	\$ 2,536	\$ 399	\$ --	\$ 6,571,796	
1994	38,313	121,663	31,045	75,456	66,125	118,304	46,576	9,761	468	5,581	--	513,292	
1995	82,310	284,540	352,189	116,116	45,397	39,790	44,263	76,965	4,340	--	14,486	1,060,396	
1996	82,237	16,507	596,284	238,074	18,140	51,537	52,196	37,857	19,223	--	27,859	1,139,914	
1997	114,322	3,360	6,810	51,021	51,261	88,651	20,598	14,309	10,092	--	125,631	486,055	
1998	161,831	45,397	161,627	51,324	42,556	23,948	75,332	8,723	9,816	--	24,548	605,102	
1999	244,758	836,197	72,833	1,021,619	97,229	158,133	3,024,557	34,598	7,000	--	4,563,051	10,059,975	
2000	121,374	235,631	6,508,494	12,024,435	34,420	85,282	356,723	24,831	50,459	--	15,900	19,457,549	
2001	275,473	44,438	24,434	591,611	49,484	89,244	146,814	104,780	18,399	135,890	783,130	2,263,697	
2002	172,390	1,020,586	8,688	2,000,658	25,257	115,088	142,369	95,154	8,763	99,193	150,057	3,838,203	

Source: Comprehensive Annual Financial Reports of the Guadalupe-Blanco River Authority.

REVENUE BY SOURCES**LAST TEN 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	A & G Income	Interest	Other	Total
1993	\$318,687	\$3,733,811	\$4,667,092	\$399,997	\$2,427,456	\$175,700	\$975,138	\$902,216	\$308,255	\$13,908,352
1994	343,863	3,352,033	4,865,188	442,231	2,509,191	186,056	992,547	177,740	89,409	12,958,258
1995	344,611	3,382,223	5,163,818	479,030	2,827,562	199,131	921,862	281,927	1,545,069	15,145,233
1996	696,830	2,991,973	5,527,405	443,955	2,933,150	191,992	1,076,835	361,023	877,529	15,100,692
1997	343,108	3,342,844	5,492,742	455,476	3,502,900	218,554	1,090,320	327,246	219,238	14,992,428
1998	338,931	3,400,986	5,982,056	482,541	3,691,598	213,717	1,167,357	421,457	799,916	16,498,559
1999	473,689	3,251,819	6,852,807	470,544	3,708,004	238,356	1,219,690	285,802	4,382,074	20,882,785
2000	319,484	2,965,144	8,561,831	531,795	3,995,200	242,393	1,314,898	340,257	2,861,245	21,132,247
2001	342,850	3,546,680	11,150,387	546,084	4,279,142	242,157	1,450,843	451,859	648,812	22,658,814
2002	307,850	5,564,628	11,116,968	559,420	4,675,744	293,643	1,543,741	339,672	1,013,082	25,414,748

Note: Other Revenue includes Miscellaneous Income and Gain (Loss) on Sale of Capital Assets.

Source: Comprehensive Annual Financial Reports of the Guadalupe-Blanco River Authority.

EXPENSES BY FUNCTION**LAST TEN FISCAL YEARS**

Year	Personnel Operating Costs	Operating Supplies and Services	Maintenance and Repairs	Depreciation and Amortization	Interest Expense	A & G Expense	Total
1993	\$ 3,322,584	\$ 4,431,268	\$ 1,743,101	\$ 1,022,758	\$ 2,943,901	\$ 847,689	\$ 14,311,301
1994	3,871,586	3,186,698	1,666,662	1,030,292	2,267,990	921,195	12,944,423
1995	3,811,004	3,092,742	1,792,795	1,049,777	2,208,274	879,357	12,833,949
1996	4,192,602	3,265,426	1,749,369	1,082,239	2,223,885	1,026,262	13,539,783
1997	4,382,347	3,181,721	1,643,605	1,304,971	2,420,440	1,023,605	13,956,689
1998	4,437,629	3,060,501	1,889,602	1,397,232	2,402,552	1,007,348	14,194,864
1999	4,599,864	3,772,662	5,306,739	1,477,227	2,367,259	976,815	18,500,566
2000	5,262,353	5,444,092	2,213,079	1,612,612	2,866,554	1,138,091	18,536,781
2001	5,698,017	4,785,074	2,619,838	1,987,409	2,815,158	1,346,058	19,251,554
2002	6,109,711	5,889,469	2,694,737	3,988,166	2,604,965	1,430,227	22,717,275

Note: Depreciation and amortization is net of costs to be recovered in future years and net of depreciation taken on contributions.

Source: Comprehensive Annual Financial Reports of the Guadalupe-Blanco River Authority.

MISCELLANEOUS STATISTICAL DATA

Authority Created Under	Vernon's Civil Statutes, Article 8280-106
Year Created	1935
Domicile.....	New Braunfels, Texas
Last Revision of Enabling Act.....	1975
Last Revision of Bylaws	1995
Population of District	471,774
Area of District.....	7,300 Sq. Mi.
Average Annual Rainfall of District	33.02 In.
Number of Employees	140

Offices:

Administrative Office	Seguin, Texas
Operations Office.....	Buda, Texas
Operations Office.....	Fannin, Texas
Operations Office.....	Gonzales, Texas
Operations Office.....	Lockhart, Texas
Operations Office.....	Luling, Texas
Operations Office.....	Port Lavaca, Texas
Operations Office.....	San Marcos, Texas
Operations Office.....	Victoria, Texas

Rivers:

Guadalupe	
Total River Miles	431.6
Average Discharge.....	1,240,000 acre feet/year
Blanco	
Total River Miles	89.8
Average Discharge.....	110,100 acre feet/year
San Marcos	
Total River Miles	74.2
Average Discharge.....	259,400 acre feet/year
Comal	
Total River Miles	2.0
Average Discharge.....	219,800 acre feet/year

Dams and Reservoirs:

Canyon	
Conservation Pool	
Capacity	386,210 acre feet
Surface Area	8,240 acres
Elevation.....	909.0 ft. (MSL)
Flood Control Pool	
Capacity	346,000 acre feet
Surface Area	12,890 acres
Elevation.....	943.0 ft. (MSL)
Coleto Creek	
Capacity	35,084 acre feet
Surface Area	3,100 acres
Elevation.....	98.0 ft. (MSL)
Dunlap	
Capacity	5,900 acre feet
Surface Area	410 acres
McQueeney	
Capacity	5,050 acre feet
Surface Area	400 acres
TP-4	
Capacity	2,624 acre feet
Surface Area	248 acres
Nolte	
Capacity	1,550 acre feet
Surface Area	153 acres
H-4	
Capacity	6,500 acre feet
Surface Area	696 acres
H-5	
Capacity	4,000 acre feet
Surface Area	488 acres
Lower Guadalupe Diversion Dam and Salt Water Barrier	
Capacity	600 acre feet
Surface Area	100 acres

Operating Statistics:	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Port Lavaca Water Treatment Plant Division					
Total Water Treated (Gal.)	687,460,000	653,726,000	723,545,000	798,749,000	755,453,000
Calhoun County Rural Water Supply Division					
Total Water Distributed (Gal.)	122,060,000	124,442,000	137,396,000	83,603,000	70,348,000
Victoria Regional Wastewater Reclamation Division					
Total Wastewater Treated (Gal.)	2,533,000,000	2,951,400,000	2,827,000,000	2,687,800,000	2,155,900,000
Guadalupe Valley Hydroelectric Division					
Total Generation (kWh)	62,804,200	55,357,700	29,738,100	74,338,600	77,361,500
Rural Utilities Division					
Total Wastewater Treated (Gal.)	168,630,000	148,256,246	130,715,651	148,990,000	152,410,000
Water Resource Division					
Rice Irrigation (Acres)	3,458	3,040	1,758	1,458	1,475
San Marcos Water Treatment Plant System					
Total Water Treated (Gal.)	--	--	946,459,000	1,498,437,000	1,401,515,000
Luling Water Treatment Plant Division					
Total Water Treated (Gal.)	315,536,000	302,674,000	315,290,000	321,077,000	306,271,000
Coleto Creek Regional Park					
Annual Permits	251	271	229	211	241
Camping Permits	10,571	11,839	12,051	11,255	12,326
Day Use Permits	17,841	18,408	17,055	15,455	15,056
Lake Wood Recreation Area					
Annual Permits	56	41	66	59	45
Camping Permits	2,145	1,372	2,548	2,459	2,105
Day Use Permits	2,535	2,114	3,248	3,127	2,501
Canyon Hydroelectric Division					
Total Generation (kWh)	21,767,770	18,087,200	5,509,240	25,930,989	16,493,895
Buda Wastewater Treatment Plant					
Total Wastewater Treated (Gal.)	--	--	--	--	102,900,000
Lockhart Wastewater Reclamation System					
Total Wastewater Treated (Gal.)	500,658,000	503,700,000	430,700,000	459,200,000	516,100,000
Lockhart Water Treatment System					
Total Water Treated (Gal.)	--	--	--	519,389,102	614,466,054

Source: The Texas Almanac, Bureau of Census and GBRA.

LIST OF PRINCIPAL CUSTOMERS-FISCAL YEAR 2002

Division	Customer
Guadalupe Valley Hydroelectric.....	Guadalupe Valley Electric Cooperative, Inc.
Rural Utilities.....	Guadco Municipal Utility District No. 1 Texas Dept. of Transportation, Guadalupe Co.
Water Resources.....	B. P. Chemical Company Bexar Metropolitan Water District Calhoun County Rural Water Supply System Canyon Lake Water Supply Corporation Canyon Regional Water Authority Central Power and Light Company 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 Crystal Clear Water Supply Corporation DOW Chemicals Gonzales County Water Supply Corporation Guadalupe Power Partners Hays Energy Limited Partnership New Braunfels Utilities San Antonio Water Systems Springs Hill Water Supply Corporation
Port Lavaca Water Treatment Plant.....	City of Port Lavaca Calhoun County Rural Water Supply Corporation Port O'Connor Municipal Utility District
Victoria Regional Wastewater Reclamation.....	City of Victoria
Coleto Creek.....	Central Power and Light Company
Luling Water Treatment Plant.....	City of Luling
Canyon Hydroelectric.....	New Braunfels Utilities
Lockhart Division.....	City of Lockhart

Principal Offices and Business Locations

General Office

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

Lockhart Water Treatment Division

547 Old McMahan Road
Lockhart, TX 78644
TEL: (512) 398-3528
email: gbra-lockhart-wtp@lockhart.net

Buda Wastewater Reclamation Plant

P. O. Box 216
575 County Road 236
Buda, TX 78610
TEL and FAX: (512) 312-0526
email: darel.ball@verizon.net

Luling Water Treatment Plant

350 Memorial Drive
Luling, TX 78648
TEL and FAX: (830) 875-2132
email: gb2@bcsnet.net

Coleta Creek Park and Reservoir

P. O. Box 68
Fannin, TX 77960
OR
365 Coleta Park Road
Victoria, TX 77905
TEL: (361) 575-6366
FAX: (361) 575-2267
email: gbraccp@gbra.org

Port Lavaca Water Treatment Plant

Calhoun County Rural Water Supply
Division
Calhoun Canal System
P. O. Box 146
1064 State Highway 316 OR
Port Lavaca, TX 77979
TEL: (361) 552-9751
FAX: (361) 552-6529
email: gbrapl@gbra.org

Lake Wood Recreation Area

Route 2, Box 158-A, OR
167 FM 2091
Gonzales, TX 78629-9633
TEL & FAX: (830) 672-2779
email: lakewood@gvtc.com

San Marcos Water Treatment Plant

91 Old Bastrop Road
San Marcos, TX 78666
TEL: (512) 353-3888
FAX: (512) 353-3127
email: gbrasm@sanmarcos.net

Lockhart Wastewater Reclamation Division

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

Victoria Regional Wastewater Reclamation Division

P. O. Box 2085
Victoria, TX 77902 OR
923 U. S. Highway 59 South
Victoria, TX 77905
TEL: (361) 578-2878
FAX: (361) 578-9039
email: gbravic@gbra.org



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