

Building for the Future--Our Commitment to Communities



Guadalupe-Blanco River Authority of Texas
Comprehensive Annual Financial Report
Fiscal Year Ended August 31, 2005



The 2005 Comprehensive Annual Financial Report is published for the clients, customers, employees and friends of GBRA

Edited by Judy Gardner

Graphic design by Connie Rothe

Financial information compiled by GBRA Accounting Department

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Guadalupe-Blanco River Authority of Texas

Established by the Texas Legislature

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

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.

Planning for the Basin and Texas

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

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.



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A Steady Stream of Support to Our Communities

The rivers that run through GBRA's 10-county district play a vital role in supporting and sustaining the natural environment and quality of life for residents of the Guadalupe River Basin. Archeological excavations near the San Marcos River have uncovered evidence that as long as 12,000 years ago, early man understood that his survival was linked to these life-giving waters.

The Guadalupe, Blanco and San Marcos Rivers, and the springs, streams and tributaries that nourish them, provide drinking water for communities, water for industrial and agricultural use and fresh water for the bay and estuary system at the Gulf Coast. They also provide memory-building opportunities for a wide variety of water recreation.

As the protector of the Guadalupe River system, it is the charge of GBRA to ensure that these resources are managed wisely so future generations will have an abundant supply of clean water.

Last year's Annual Report featured our 'commitment to service.' This year, we highlight GBRA's 'commitment to communities.' GBRA embraces the fact that the 10-county district we are privileged to serve is only as strong and vital as the overall health of each community within it.

Every year since our inception in 1933, GBRA has worked closely with local officials, individuals and organizations, chambers of commerce, schools, hospitals, libraries and others to identify and meet their needs. Throughout this 2005 Annual Report, you will find profiles of each county's unique heritage and how GBRA is providing a steady stream of support to ensure the communities in the Guadalupe River Basin remain strong and vital.



A handwritten signature in black ink, appearing to read 'John P. Schneider, Jr.' with a stylized flourish at the end.

John P. Schneider, Jr.
Board Chair

A handwritten signature in black ink, appearing to read 'W. E. West, Jr.' with a stylized flourish at the end.

W. E. West, Jr.
General Manager

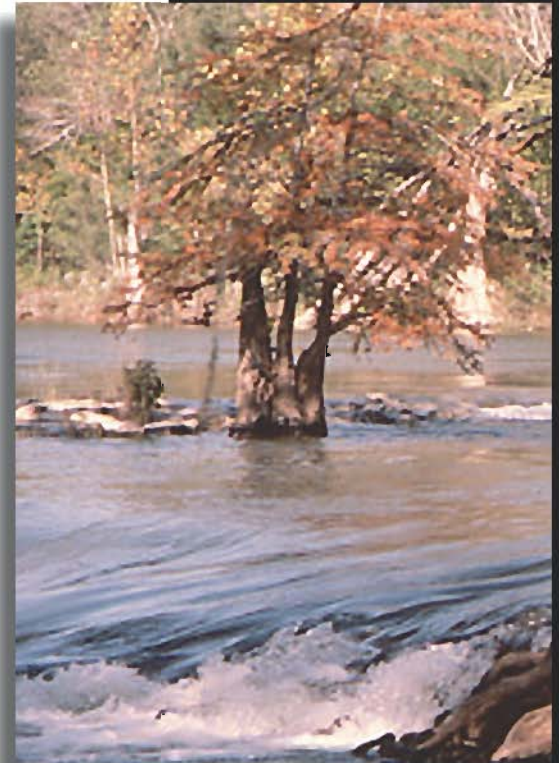
Vision and Mission

Vision

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

Mission

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



Fiscal Year 2005 Highlights

BOARD AND ADMINISTRATION:

Elected new officers of the GBRA Board of Directors for the 2005 calendar year: chair John P. Schneider, Jr. of Lockhart (Caldwell County), vice-chair Stephen F. Wilson, DVM of Port Lavaca (Calhoun County), and secretary/treasurer Myrna P. McLeroy of Gonzales (Gonzales County).

Negotiated and executed a Letter Agreement with the Guadalupe Valley Electric Cooperative, Inc. confirming an increase in the energy charge by GBRA to GVEC of 0.8¢ per kWh, effective February 25, 2005.

Finalized a Memorandum of Understanding among the Guadalupe-Blanco River Trust, GBRA and the Upper Guadalupe River Authority authorizing UGRA's participation in the Trust.

Entered into a contract with Gaeke Construction Company of Giddings, Texas for the GBRA Administration Building Expansion and Remodeling Project.

Updated GBRA's Water Conservation Plan for Wholesale Water with specific and quantifiable per capita water use targets, and identified a basin-wide average per capita rate of 153 gallons per capita/day.

Developed a Drought Contingency Plan as required by House Bill 2663 from the 78th Legislature, in which GBRA proposed reductions in use of total contracted water from storage during water shortage Stages 1 through 4.

Updated the GBRA Strategic Plan.

Approved the Fiscal Year 2006 Work Plan and Budget.

General Manager W. E. West, Jr. was elected Vice-President (and President-elect) of the National Water Resources Association.

Completed Fiscal Year 2005 with no lost time accidents for any GBRA employees.

REGIONAL RESOURCE AND WATER PLANNING:

GBRA continued to participate in the South Central Texas Regional Water Planning Group (Region L) and development of the updated 2006 Regional Water Plan.

IH-35 Regional Water Supply Project. GBRA continues working with communities and utilities along IH-35 to develop a treated water delivery system from the San Marcos Water Treatment Plant (SMWTP) to northern Hays County. Contracts have been executed with the City of Kyle, the City of Buda, 2428 Partners, and Goforth Water Supply Corporation. The delivery



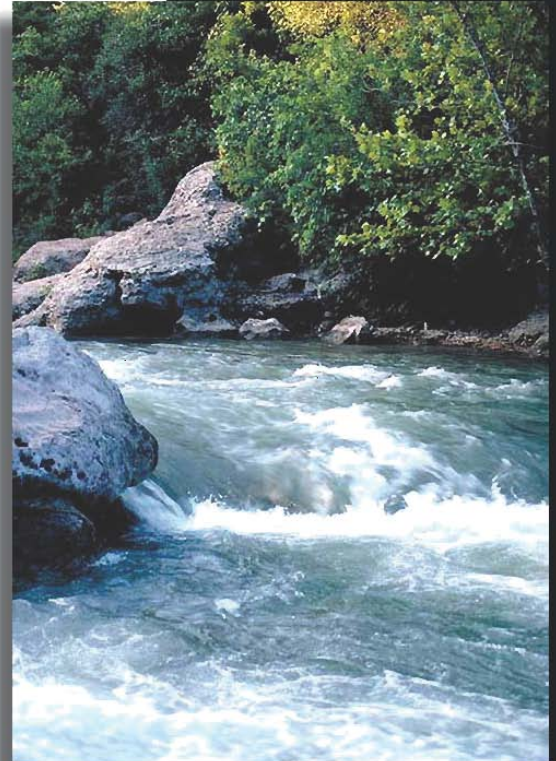
Highlights, *continued*

system consists of a pump station at the San Marcos Water Treatment Plant and approximately 22 miles of 12-inch to 30-inch diameter pipe. Estimated cost of the project is approximately \$22-million. Major accomplishments this year included completing construction of the pump station and Phases 1 and 2 of the pipeline, 70% of the third phase of the pipeline, and 50% of the SCADA radio control system; authorized the issuance and sale of GBRA revenue bonds Series 2004A and taxable Series 2004B for the project; acquired the majority of rights-of-way; amended the Contract for Raw Water Service and the Water Supply Agreement and Supplemental Agreement between GBRA and the City of Kyle, and executed a Contract for Raw Water Service and Water Supply Agreement with 2428 Partners. The project is scheduled to go on line early in 2006.

Lower Guadalupe Water Supply Project (LGWSP). During FY 2005, work continued on this project with the San Antonio River Authority (SARA) and the San Antonio Water System (SAWS). During the year the project sponsors accepted the Conceptual Delivery Study and continued work on environmental studies. In response to a decision by SAWS to withdraw from the LGWSP, the GBRA Board adopted a statement that instructed staff to develop options for reconfiguring the project to meet the long-term needs of GBRA's 10-county statutory district in conjunction with the Region L Water Plan, and committed to continue the environmental studies being conducted by Texas A&M University on the endangered Whooping Crane and by the University of Texas-Austin on the San Antonio Bay Beneficial Inflows.

Luling-Lockhart Project. This \$6 million cooperative project is complete and began operation in April 2005. It uses excess capacity at the Luling Water Treatment Plant to deliver treated water to the City of Lockhart in quantities up to 1.5 mgd. Blending Lockhart's current well water supply with treated surface water reduces the mineral content and enhances water quality. Approximately 15 miles of 14-inch to 16-inch diameter pipe connects the Luling WTP and the City of Lockhart. In FY2005, GBRA completed construction of the project and negotiated option agreements for two privately held water rights. When purchased, these water rights will ensure additional water for the City of Lockhart's use once the existing GBRA water rights are fully utilized to serve the City of Luling.

Pre-Disaster Hazard Mitigation Grant. GBRA received final approval from the Federal Emergency Management Agency (FEMA) of the Hazard Mitigation Action Plan for the Guadalupe River Basin funded by a \$200,000 Pre-Disaster Mitigation (PDM) Grant from FEMA. The



Highlights, *continued*



Plan covers 26 counties and cities in the GBRA statutory district. The Board of Directors also authorized the addition of a new Action Item to the Plan to evaluate alternatives and implement modifications to the spill gates at the GBRA TP-4 Dam in Seguin, and approved the amended Hazard Mitigation Plan for transmittal to FEMA.

Western Canyon Treated Water Supply Project. The WCTWSP will use stored water from Canyon Reservoir to provide a firm supply of treated surface water to communities in portions of Comal and Kendall counties that currently rely on wells in the groundwater supplies of the Edwards and Trinity Aquifers.

GBRA executed in-district water supply agreements for treated water service from the project with the cities of Boerne, Bulverde and Fair Oaks Ranch, as well as the Tapatio Springs Resort/Kendall County Utility Company, Cordillera Ranch and Johnson Ranch developments. Temporary out of District contracts have been signed with the San Antonio Water System (SAWS) and the San Antonio River Authority (SARA) to supply a portion of the project's water that is not initially required in-district. Project components include a water intake structure, booster pump stations, a raw water pump station, a 10 million gallon per day (mgd) micro-filtration water treatment plant, and approximately 45 miles of treated water pipeline.

During FY2005, GBRA initiated construction on all of the project components; approved Participation Criteria for increased or new water commitments to customers from this project; and authorized the engagement of PBS&J Engineering Consultants to prepare detailed designs for the Phase I distribution system improvements for the City of Bulverde Certificate of Convenience and Necessity. This \$82-million project is 90% complete and scheduled to be online in early 2006.

The final legal challenge to the project was removed when U.S. District Judge W. Royal Furgeson, Jr. issued a Final Order of Judgment in September 2004 in favor of the Guadalupe-Blanco River Authority (GBRA) and the U.S. Army Corps of Engineers (Corps), and ruled against the Friends of Canyon Lake (FOCL).

OTHER SIGNIFICANT ACCOMPLISHMENTS:

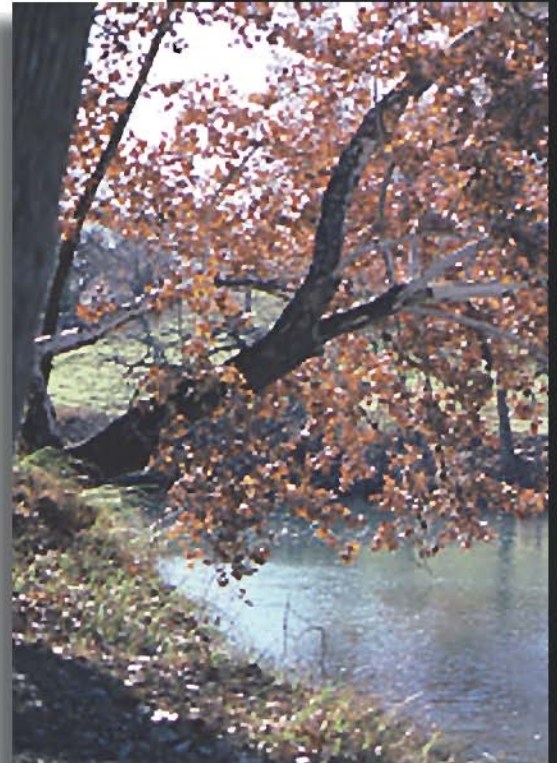
GBRA and Hays County completed a Texas Water Development Board grant project to conduct a Regional Wastewater Feasibility Study for Eastern Hays County, to include benefits and opportunities for regionalization of wastewater treatment facilities.

Highlights, *continued*

Negotiated leases with Canyon Lake Water Supply Corporation and Bexar Metropolitan Water District for a temporary treated water supply for customers in the City of Bulverde CCN, until completion of the WGTWSP in late 2005.

Worked with citizens appointed to serve on a Capital Improvements Advisory Committee for the City of Bulverde Water Distribution Project, and on a Village of Wimberley Wastewater Collection and Treatment System Project Capital Improvements Advisory Committee, held public hearings regarding the establishment of impact fees for these projects, and adopted impact fees.

Executed a third Amendment to the Water Purchase Contract among GBRA, Canyon Regional Water Authority, the City of Cibolo, the City of Marion, East Central Water Supply Corporation, Green Valley Special Utility District, Springs Hill Water Supply Corporation and Bexar Metropolitan Water district to increase the annual quantity of water for Cibolo from 600 to 800 acre-feet per year.



Board of Directors



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

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



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

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



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

Mrs. McLeroy was raised in Houston, and moved to Gonzales in 1984. She operates a farm that has been in her family since 1885. She is owner of the McLeroy Land Group in Gonzales, which conducts mineral title searches and negotiates oil and gas leases for various companies. She 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, chair of the Gonzales County Republican Party since 1990, member of the American Association of Professional Landmen since 1978, and a member of the Gonzales County Chamber of Commerce and Agriculture, and Memorial Heights Baptist Church.



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

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



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

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



Margaret M. Grier, Director
Publisher, Writer
Kendall County
Appointed: 2004, Gov. Rick Perry

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



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

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



Kathleen A. Devine, Director
Attorney at Law
Comal County
Appointed: 1999, Gov. George W. Bush

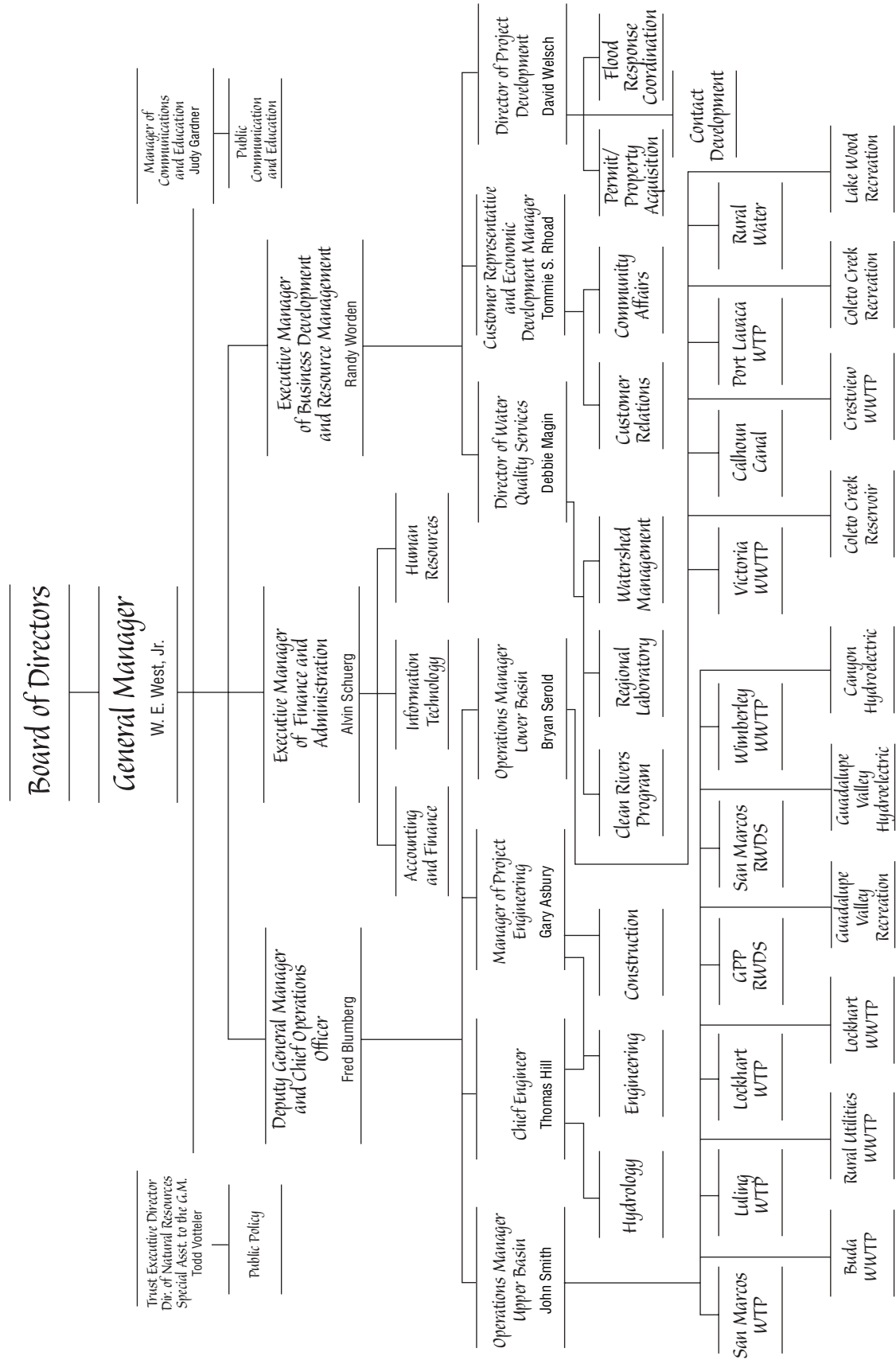
Ms. Devine received a B.A. from the University of Texas and her Juris Doctor degree from the University of Texas School of Law. She is Senior Vice President, Labor and Employment Counsel for USAA in San Antonio, and is Board Certified in Labor and Employment Law by the Texas Board of Legal Specialization. Ms. Devine is a member of the American Bar Association, the San Antonio Bar Association, and the Labor and Employment Section of the Texas Bar Association. She is a past director of the Texas Employment Law Council, the New Braunfels Museum of Art, and the Greater New Braunfels Chamber of Commerce. Ms. Devine is a parishioner at Saints Peter & Paul Catholic Church in New Braunfels, where she has lived since 1984.



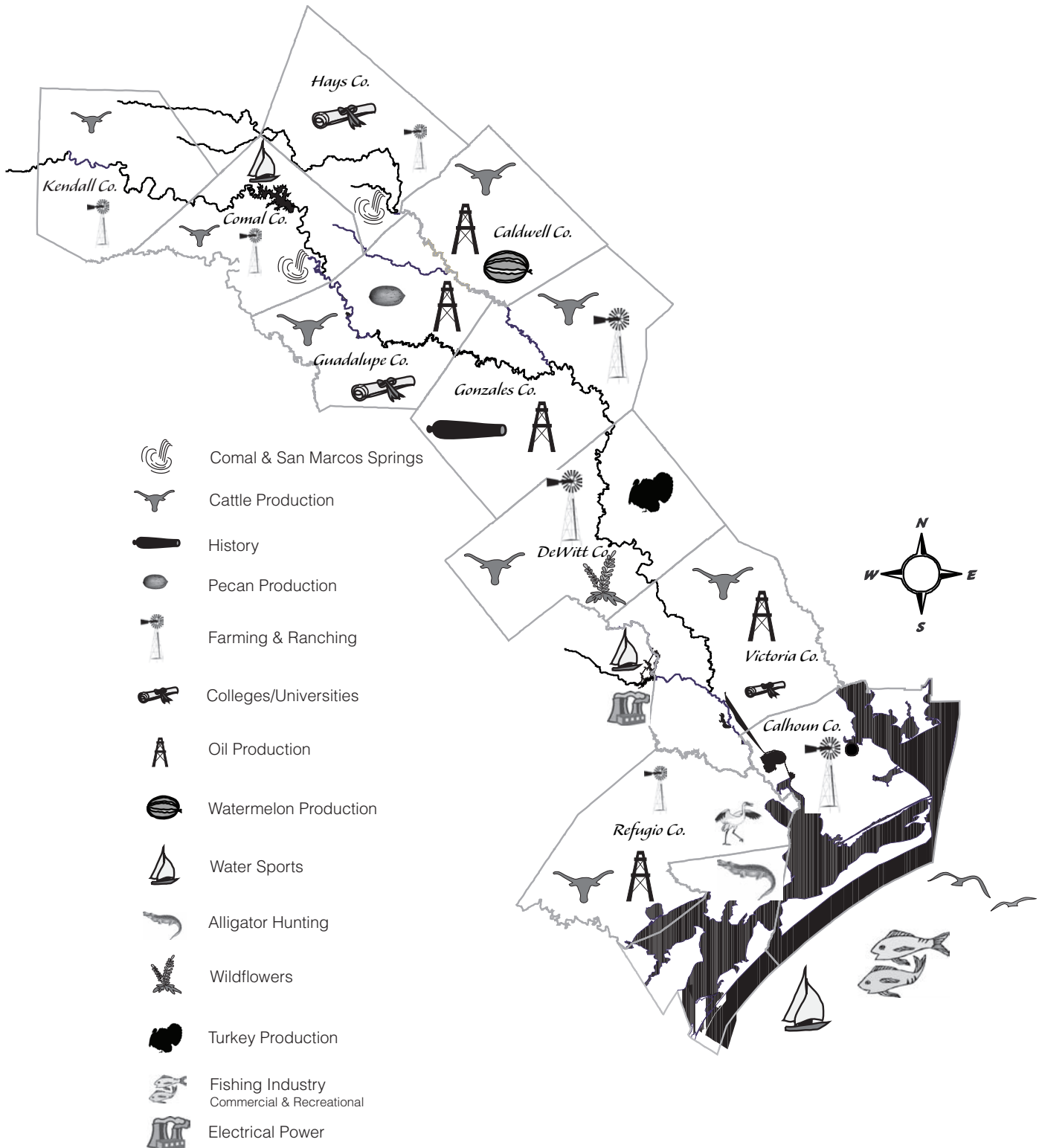
Frederick "Fritz" Schlather, Director
Real Estate
Guadalupe County
Appointed: 1997, Gov. George W. Bush

Mr. Schlather received a bachelor's degree from Southwest Texas State University and is retired from real estate brokerage and development. His previous accomplishments include serving as president and chairman of the board of Cibolo State Bank, president of Garden Ridge State Bank, mayor of the City of Cibolo, president of the Schertz-Cibolo Chamber of Commerce, director of the Guadalupe County MH-MR Clinic, Garden Ridge Bracken Lions Club, and trustee and chairman of the board of the Gonzales Warm Springs Rehabilitation Hospital.

Guadalupe-Blanco River Authority Operational Chart



The Guadalupe River Basin





Kendall County

The Guadalupe River begins its journey to the Gulf Coast and San Antonio Bay from Kerr County, where springs create the North and South Forks of the river. But it is Kendall County springs that are the source of two of the Guadalupe's major tributaries -- the Blanco River, which begins in the northeast corner of the county and Cibolo Creek, which originates in the southwest.

These rivers nourish Kendall County's 663 square miles, which change from rolling to hilly terrain in the Edwards Plateau region. German settlers began arriving to this part of the Texas Hill Country, approximately 30 miles northwest of San Antonio, in the 1840s. Today, many events are linked to this German heritage. A variety of natural attractions like the Guadalupe River State Park, the Cibolo Nature Center, (renowned for its Dinosaur Track path, hiking trails, estuary, and birding) and the Cave Without A Name, bring visitors to the area and provide the county with a thriving tourist trade.

The county seat is Boerne, where the second-oldest courthouse in Texas -- built in 1870 -- is still in use. It is one of many attractions along the tastefully restored Hauptstrasse (Main Street) that features antiques and art galleries, restaurants, coffee shops, turn-of-the-century European architecture, and picturesque gardens and greenbelts. The city hosts a number of popular events including the Boerne Berges Fest, the Cactus Pear Music Festival, the 100-year-old Kendall County Fair, the Key to the Hills Antique Show and the annual Oma's Christmas Craft Fair.

Other historic and picturesque communities in Kendall County include Comfort, Bergheim, Kendallalia, Sisterdale, Welfare and Waring.



Contributing to our Counties

GBRA has been actively involved in assisting the City of Boerne, the Greater Boerne Chamber of Commerce, the Comfort Chamber of Commerce and Kendall County in establishing a partnership in a county-wide Economic Development Corporation. Such a coalition will be able to more effectively manage development in this rapidly growing county, while protecting the quality of life enjoyed by the citizens of Kendall County. GBRA has also provided assistance to the Kendall County Fair Association and the Cibolo Nature Center.





Comal County

As the Guadalupe River flows into Comal County, it creates one of its most unique features -- Canyon Dam and Reservoir. This cooperative project between GBRA and the U.S. Army Corps of Engineers provides flood control benefits and a vital stored water supply from the Guadalupe River for cities, industries and agriculture.

Prince Carl of Solms-Braunfels settled Comal County during the German immigration in 1845. Its 555 square miles are located in South Central Texas on the divide between the Blackland Prairies and the Balcones Escarpment. New Braunfels, the county seat, is proud of its rich German heritage. Wurstfest, a 10-day celebration of sausage, is held each November and Weihnachtsmarkt is a true Christmas shopping extravaganza. Historic Downtown New Braunfels and the Gruene Historic District offer antiques and the works of Texas artists, artisans and craftsmen as well as unique and distinctive restaurants, hotels and bed & breakfast inns.

Comal County's main industry is tourism. Hundreds of thousands of visitors flock to this popular summer water recreation destination every year. Generations of Texans have enjoyed water sports at Canyon Reservoir, the Guadalupe River, the Texas Ski Ranch, Schlitterbahn Waterpark Resort and Lake Dunlap. Comal Springs in New Braunfels is one of the two largest springs west of the Mississippi. It not only creates the 2.5-mile Comal River (featured in Ripley's Believe It or Not as the shortest river in the world), but the 8-million gallons of water flowing through the spring every hour can contribute up to 70% of the flow of the Guadalupe River during a drought.

In addition to beautiful Texas Hill Country vistas, Comal County's other major attractions include Natural Bridge Caverns, the Natural Bridge Wildlife Ranch, Gruene Hall (the oldest dance hall in Texas), and a wide choice of museums including the German heritage collection at the Sophienburg Museum and the Museum of Texas Handmade Furniture.

One of the fastest growing counties in Texas, Comal County is home to approximately 90,000 people, many of whom live in the cities of Bulverde and Garden Ridge and in several unincorporated communities including Hancock, Sattler, Smithson Valley and Startzville.



Contributing to our Counties

After the Flood of July 2002, GBRA worked closely with the U.S. Army Corps of Engineers and a broad-based Citizens' Advisory Committee on a Master Development Plan to protect the unique and beautiful Canyon Gorge. The Plan will focus on preservation and protection of the site; trail development, educational outreach and scientific research. GBRA also is involved with community Chambers of Commerce, and has provided a variety of assistance to the Bulverde/Spring Branch Library, the Jumbo Evans Sports Park, St. Jude's Ranch for Children, Habitat for Safe Seniors, the Sophienburg Museum, the Comal County Sheriff's Posse, the Comal County Public School Foundation, the Honey Creek Preservation Project, reuse projects with local industries, and the River Heritage/Parks Project.



Comal County Operations

Canyon Dam and Reservoir

Completed in 1964 as a cooperative flood control and water supply project between the U.S. Army Corps of Engineers and GBRA, this structure provides flood control for communities downstream and a reliable stored water supply source for cities, industries, agricultural producers and other customers.

This year, the GBRA Water Resources Division made an annual principal payment of \$179,423 and an interest payment of \$129,467 for debt service on Canyon Reservoir.

Canyon Hydroelectric System

Canyon Hydroelectric Plant

The plant was built in 1989 to generate hydroelectricity using the natural flows of the Guadalupe River that are passed through two, 3-megawatt generators at release rates between 90 and 600 cfs. The plant's average annual generation capacity is 25-million kWh and is sold to New Braunfels Utilities for the benefit of its customers.

This year, the plant generated 24,371,501.30 kWh. The major work project involved assisting the U.S. Army Corps of Engineers with the inspection of the take-out structure.

Rural Utilities Division

Rural areas that would normally use septic tanks now receive cost-effective and environmentally sound treatment alternatives from the small wastewater treatment plants operated by this GBRA division. Financing is provided by private developers, EPA grants, and a community block grant from the Department of Housing and Urban Development.

Canyon Park Estates Wastewater Reclamation System

Serves condominiums and vacation units located at Canyon Lake.

FY2005 Total Flows: 20.78 Million Gallons

A major sewer line replacement project was contracted and begun; RUD personnel assisted with replacing wiring to the clarifier and held an open house for customers. A public meeting was held on the plant's renewal permit.

Northcliffe Wastewater Reclamation System

Serves the Northcliffe residential community near New Braunfels and recycles treated effluent to irrigate an adjacent golf course.

FY2005 Total Flows: 59.08 Million Gallons

RUD personnel participated in a public meeting on the plant permit renewal, continue to develop options for operating the effluent discharge pond, and worked with City of Schertz employees to install flow meters in the collection system to monitor flows during rainfall events.

Hays County

The Blanco River flows into Hays County and joins the San Marcos River about four miles downstream from its headwaters at the San Marcos Springs. One of the two largest spring outlets west of the Mississippi River (the other being Comal Springs), it is home to several rare animal and plant species including the Texas blind salamander, the fountain darter and San Marcos gambusia, and Texas wild rice, which only exists in a small area near the springs.

Hays County was organized from the southwestern portion of Travis County in 1848 and named for Captain John Coffee “Jack” Hays, a legendary Texas Ranger. The early settlers were a mix of original Texans and colonists from Georgia and Arkansas. The County is located between the Edwards Plateau and the southern Black Prairie region. The Balcones Escarpment divides its 693.5 square miles into hilly, tree-covered ranch country in the northwest and grassy, agricultural plains in the southeast quarter.

The City of San Marcos is the county seat and home to Texas State University-San Marcos. Among the area’s many popular tourist attractions are the San Marcos River and Springs at Aquarena Center, Wonder World Cave, canoeing, birding, the largest factory outlet shopping centers in Texas, the Commemorative Air Force collection of vintage planes at the San Marcos Airport, the Millie Seaton Collection of Dolls and Toys, the Calaboose Museum of African-American History, and the Southwestern Writers’ Collection.

Local events include a year-round Farmers’ Market, the annual Heritage Home Tours weekend, a Texas State Mariachi Festival, the Texas Natural and Western Swing Festival, the Texas Water Safari, the Juneteenth Celebration, the Hill Country Cook-Off at San Marcos, the Veterans’ Day Celebration and the Sights and Sounds of Christmas.

Approximately 115,000 people call Hays County their home, and many live in the communities of Wimberley, Kyle, Buda, Dripping Springs and Hays.

Contributing to our Counties

GBRA is the major supporter of the world famous Texas Water Safari, a grueling 263 mile non-stop paddling race that begins in Hays County and ends at San Antonio Bay near the Gulf of Mexico. Race weekend sees the population in river communities swell with racers and supporters, creating a significant economic impact in each county through the lower Guadalupe Basin. GBRA is also involved in the River Center at Aquarena Springs, works with local Chambers of Commerce and Economic Development Corporations, is providing assistance to the Village of Wimberley and the Blue Hole Project, and local organizations such as the Hays County Youth Livestock Association. GBRA completed the Eastern Hays County Regional Wastewater Study, partnering with Hays County and several of the cities in the area.



Hays County Operations

San Marcos Water Treatment Plant

This \$7.2 million regional facility is owned by the City of San Marcos and has been operated under contract by GBRA since the plant began operation in 2000. The plant's 6 mgd treatment capacity can be expanded to 24 mgd to meet future growth requirements. A pump station at Lake Dunlap and 24 miles of pipeline are owned and operated by GBRA, and deliver stored water from Canyon Reservoir to the plant for treatment and distribution.

This year, the plant treated a total of 1,686 million gallons of water and delivered it to the City of San Marcos. The plant was uprated to 9 million gallons per day (mgd) after installation of a new chlorine dioxide generator, new high service pump, two variable frequency drives and upgrade of the chemical feed system. The clarifier was drained, cleaned and inspected and the mixer drive motor was replaced. Construction was started on the I-35 pump station and pipeline project which, when completed, will serve the cities of Kyle and Buda and Goforth Water Supply. The sludge lagoon was cleaned, and the City installed a new SCADA system for better control and monitoring of the distribution system.

Buda Wastewater Treatment Plant

GBRA has operated this 600,000 gpd plant under contract with the City of Buda since October 2001. This year, the plant treated a total of 120.3 million gallons of wastewater, and began construction on the plant upgrade that will provide 0.95 mgd treatment capacity. Projects included installing a redundant, SCADA monitored, alarm system to alert operators of potential plant problems and contracting with a diving service to clean effluent holding basin.

Wimberley Wastewater Treatment Plant

This plant has been operated by GBRA since February 2004 and treated a total of 2.974 million gallons of wastewater in FY2005. This year, projects at the Deer Creek lift station included installation of hand rails, an emergency generator, a transformer and electrical outlet to power alum chemical feed pump, phase monitoring, and a chemical feed system at the force main to reduce BOD levels at the plant. Employees also replaced the plant electrical control panel, installed an autodialer, and met with the Wimberley Village Council and Water Wastewater Advisory Committee to discuss budget, rates, and impact fees.



Caldwell County

As the San Marcos River continues its journey to the Guadalupe, it flows through the center of Caldwell County and eventually forms the southwest border between Caldwell and Guadalupe counties. A major tributary, Plum Creek, joins the San Marcos stream-flow at the county's southernmost tip.

Mexican land grants between 1831 and 1835 brought early settlers to this 546 square mile area in the blackland prairie region. The Texas Independence Trail runs through Caldwell County, including references to the "Runaway Scrape" after the fall of the Alamo. Originally a part of Gonzales County, settlers cited the lack of decent roads and distance from the county seat to create a separate county in 1848. It was named for Captain Matthew Caldwell, a skilled scout and leader of a company of rangers who fought in the Battle of Plum Creek and later against Mexico. The German, English and Hispanic population has a rich history of ranching, farming and oil production along the Luling-Darst Creek fault zone, with more recent economic growth in the areas of clothing manufacturing, wood products, and engineering and scientific instruments.

The two major cities in Caldwell County are Lockhart and Luling. Lockhart is the county seat and the Texas State Legislature proclaimed it "The Barbecue Capital of Texas." In addition to the 257-acre Lockhart State Park, it is home to the oldest public library and Protestant Church in Texas, the Dr. Eugene Clark Library, and the beautiful 1894 Caldwell County Courthouse -- a National Register property and one of the finest existing works of English architect Alfred Giles. The Caldwell County/Jail Museum features exhibits of home furnishings, the tools of early settlers and information about Chisholm Trail ranchers. Among the many community events are The Chisholm Trail Round-Up and Rodeo, The Taste of Lockhart Cultures, and "A Dickens Christmas in Lockhart."

Luling is best known for its Watermelon Thump festival each June, but is also home to the 1,122 acre Luling Foundation Farm, a working experimental agricultural farm that plays an important role in the success of area farming and ranching. Other points of interest are The Francis - Ainsworth House, an 1894 home with vintage furniture and photographs of early Luling History, the Central Texas Oil Patch Museum and a whimsical display of pump jack public art. Palmetto State Park, located on 178 acres south of Luling, has rare botanical gardens and near-tropical plants, including a wide variety found nowhere else in the southwest. Zedler's Mill, a historic gristmill and sawmill built in 1874, also functioned as a cotton gin and furnished power to the city in the late 1800s. It is currently being restored as part of a riverside community center and river trail facility. Luling hosts a variety of community events including The Roughneck B-B-Q and Chili Cookoff, the Zedler Mill Classic Canoe Race, the Catfish Cook-Off at Zedler Mill, the Arts and Crafts Show, and the holiday Tour of Homes.

Other communities in Caldwell County include Martindale, Uhland and Niederwald. They, along with portions of the City of San Marcos, also have the distinction of being partially located in Caldwell County!



Contributing to our Counties

GBRA is partnering with the City of Luling and the National Park Service to restore historic Zedler Mill and to develop the surrounding property into the 'crown jewel' of Luling's park system. GBRA is also collaborating with the City of Luling, the Texas Parks and Wildlife Department and the Texas Department of Transportation to develop a paddling trail and new riverside park on the San Marcos River. GBRA helped sponsor the Zedler Mill Classic Texas Canoe Race, works closely with community Chambers of Commerce, and has provided assistance to the Chisholm Trail Round-Up, the Luling Watermelon Thump, the Luling Area Oil Museum, the Luling Economic Development Corporation, and the Main Street Program.

GBRA has assisted the Lockhart Economic Development Corporation with corporate recruitment from China. Several trips occurred involving exchanges from Lockhart to China and China to Lockhart. GBRA also supported the community through event sponsorship, chamber participation and addressing water and wastewater issues.



Caldwell County Operations

Luling Water Treatment Plant Division

Luling Water Treatment Plant

This plant, owned and operated by GBRA, has a maximum treatment capacity of 2.5 mgd. It is permitted by the Texas Commission on Environmental Quality (TCEQ) to divert up to 2,800 acre-feet of water annually from the San Marcos River for municipal purposes. Since 1978, the plant has supplied the City of Luling with treated drinking water.

This year the Luling WTP delivered 281.201 million gallons of potable water to the City of Luling. The Luling WTP had no lost time accidents. The Lockhart pump station construction and pipeline was completed and the Luling Water Treatment Plant started delivering potable water to the City of Lockhart on March 16, 2005. A total of 189,450 million gallons was delivered to the City of Lockhart through August 31, 2005. In May, the Luling Water Treatment Plant began 24-hour operations to accommodate the increased water demand and began monitoring operations of the Lockhart Water Treatment Plant via a SCADA system. Employees also completed a Vulnerability Assessment and Emergency Response Plan, cleaned decant ponds and applied sludge to a disposal site adjacent to plant, and completed work on the emergency generator in order to respond to emergency power outages at GBRA facilities.

Lockhart Division

Lockhart Water Treatment Plant

GBRA operates this 4mgd plant under contract for the City of Lockhart.

This year the Lockhart WTP produced 557.88 million gallons of potable water for the City of Lockhart.

Major work projects included coordination for the Luling-Lockhart Treated Water Supply pipeline, installation of a mixer at the pump station storage tank, erection of a storage building for the plant, the complete sandblasting and painting of the 2-million gallon storage tank, and significant clearing of brush growth.

Lockhart Wastewater Treatment Plants

In 1994, GBRA began contract operation of the 1.1 mgd Larremore Street plant, and assumed operation of the new 1.5 mgd FM 20 wastewater treatment plant in 1999.

The plants treated a total of 609.45 million gallons of wastewater in FY 2005.

Major projects were construction of an automatic security gate and installation of a stand-alone card reader at the FM 20 Plant, and installation of chlorine gas detectors at the Larremore Plant.

Guadalupe County

As it leaves Comal County, the Guadalupe River flows into Guadalupe County, which covers 713 square miles of flat to rolling terrain in south central Texas. Cibolo Creek turns west to form the border between Guadalupe and Bexar counties, and the San Marcos River moves east and separates Guadalupe and Caldwell counties.

On its journey to the coast, the Guadalupe River creates four lakes behind low-head dams that are part of GBRA's Guadalupe Valley Hydroelectric System. Lakes Dunlap, McQueeney, Placid and Nolte generate environmentally-friendly 'green power' electricity at their powerhouses, are surrounded by waterfront homes and subdivisions, and provide a variety of water recreation opportunities.

Seguin, the county seat, is one of the oldest cities in the state with buildings that date from the Republic of Texas. Visitors can explore an exceptional public park designed by Robert H.H. Hugman -- the landscape architect responsible for the River Walk in San Antonio. At the south end of the park is a statue of Juan Seguin, the city's namesake. A short stroll leads to the Conservation Society Complex that includes Los Nogales, an 1849 sun-baked adobe restored pioneer home; the oldest surviving Protestant church building in the State; a century-old wheeled jailhouse used to haul prisoners to work details; and a Victorian gingerbread confection built in 1910 by local cabinet maker Louis Dietz for his adopted daughter, Alice, who came from New York City on an orphan train. To the west of downtown Seguin is the Sebastopol State Historic Site, one of the country's best preserved examples of 19th-century experimentation with concrete construction.

Texas Lutheran University offers a full calendar of musical performances from jazz and classical to the traditional Christmas Vespers, and art exhibits at the Annetta Kraushaar Gallery. The Teatro de Artes de Juan Seguin promotes Mexican-American culture through programs like the Ballet Folklorico De La Rosa and Juan Seguin Memorial Week in late October. Music lovers can delight in the Mid-Texas Symphony, currently celebrating its 28th season, which performs half its yearly concerts in Seguin and half in New Braunfels.

Other attractions include pre-World War II planes in the Vintage Aviation Museum, one of the largest collections of nutcrackers in the world at Pape's Pecan House, and "True Women" tours to local author Janice Woods Windle's family homes and points of interest described in her books set in Seguin and the surrounding area.

Guadalupe County is home to approximately 99,620 residents and includes the communities of Staples, Zorn, Geronimo, Kingsbury, McQueeney, Marion, Cibolo and Schertz.



Contributing to our Counties

Because GBRA's headquarters are based in Seguin, many of our employees are actively involved in all aspects of civic and community life. GBRA is a committed supporter of the Guadalupe Valley Hospital Foundation, and has worked with KWED Community Flood outreach, Chambers of Commerce, Buck Fever, the Seguin Economic Development Foundation, the Seguin Main Street Program, the Silver Center, the Guadalupe County Fair Association and the Guadalupe County Youth Livestock Show which add to the quality of life in and around Seguin.



Guadalupe County Operations

General Office-Seguin

Administrative, technical and specialized support services are headquartered at this location, which includes general offices, a river annex building with additional offices and a multi-purpose board/meeting room, and a warehouse facility for the Canyon Hydroelectric, Guadalupe Valley Hydroelectric and Rural Utilities divisions.

Business Development and Resource Management creates partnerships to support community and economic development; encourages stewardship of water resources and environmental protection; and builds relationships with community leaders to promote awareness of GBRA services, expand existing business activities and develop new opportunities.

This year, staff updated GBRA's Water Conservation Plan for Wholesale Water, including ways to assist communities with water conservation planning, provide water education programs, promote best management practices for water conservation, and enforce water conservation rules, goals, guidelines and requirements with all GBRA contract customers.

Communications and Education develops and implements communications strategies to ensure that GBRA's mission, projects, services and initiatives are explained clearly and consistently. The goal is to foster a productive, mutually beneficial relationship between GBRA and the residents, businesses and schools in the Guadalupe River Basin, provide useful information through publications, news releases, and educational programs, and encourage public involvement in the river authority's decision-making process.

This year, communication staff completed the development of a Media and Crisis Communication Manual; received final approval of the Hazard Mitigation Action Plan for the Guadalupe River Basin; worked with the Texas Parks & Wildlife Department on their water video "Texas-The State of Water, Finding a Balance;" organized a workshop for Comal County recreation businesses in cooperation with the U.S. Army Corps of Engineers, the New Braunfels Chamber of Commerce and the Water Oriented Recreation District; participated in the Lower Guadalupe Water Supply Project (LGWSP) public communication efforts including Citizens' Forum and Technical Forum meetings; assisted with the Canyon Gorge development project; coordinated the preparation of year 2004 drinking water Consumer Confidence Reports for the cities of Luling, Lockhart, Port Lavaca, the Port O'Connor MUD and the GBRA Calhoun County Rural Water Supply System; enhanced the GBRA database program; and helped write and produce GBRA's 2004 Consolidated Annual Financial Report.

Education highlights include the annual Archeology Fair for elementary students at the Seguin Outdoor Learning Center funded by a grant from the Texas Historical Commission; free distribution of GBRA's 4th grade "Journey Through the Guadalupe River Basin" to over 100,000 students since its introduction in 1989, and the middle school "River of Life" program introduced in 2003; teacher inservice and training programs; new GBRA website education materials; helped develop the Witte Museum's World of Water exhibit; received an AWWA "Watermark" award citing GBRA's "River of Life" as one of the outstanding middle school water curriculums in Texas; and worked with Texas State University on the Aquarena Center-Texas Rivers Institute.

Guadalupe County, *continued*

Engineering staff conduct hydrology and flow monitoring studies; assist with water and wastewater plant design services and process evaluation; monitor basin rainfall conditions including surface run-off for streams, rivers, lakes, and groundwater in the Guadalupe River Basin; coordinate with the National Weather Service River Forecast Center in Fort Worth; and provide assistance to emergency management coordinators and local officials during severe weather events.

Early FY2005 activities involved responding to five flood events, including the November 2004 flood that produced the highest monthly rainfall since 1856. Engineering staff completed the extension of the Springs Hill wastewater collection system to the Quails Gate Subdivision, and worked on the Legend Pond wastewater collection system and expansion of the Dunlap Wastewater Treatment Plant. They also continued participation in the Cibolo Creek Watershed Study; met with U.S. Senator John Cornyn's staff to request federal funding for ongoing watershed studies; continued work on the rainfall telemetry system that transmits data to the NWS River Forecast Center in Ft. Worth to help provide more accurate flood forecasts in the Guadalupe River Basin; approved a Joint Funding Agreement with the United States Geological Survey (USGS) for gauging and water quality testing sites in the Guadalupe River basin; provided a tour of the Salt Water Barrier and the Guadalupe River Delta to U.S. Army Corps of Engineers staff, and participated in a presentation to the Victoria County Commissioners' Court to explain Lower Guadalupe River hydrology, the facilities and operation of the GBRA Diversion System, and the Lower Guadalupe Delta Study that will develop a detailed hydrologic model that can be used to identify potential projects to help reduce flood damage and promote ecosystem restoration.

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

GBRA was awarded its 31st consecutive Certificate of Achievement for Excellence in Financial Reporting for the FY 2004 Consolidated Annual/Financial Report (CAFR) and its 8th consecutive Distinguished Budget Presentation Award from the Government Finance Officer's Association for the FY 2004 budget. The firm of Holtman, Wagner and company, LLP conducted the FY 2004 audit and was re-engaged to conduct the FY 2005 audit. First Southwest Asset Management performed the biennial investment portfolio review.

The Human Resources Department worked on maximizing support to supervisors and employees; succession planning; encouraging increased use of the benefits program and employee assistance program, wellness and Health Fair programs; and completed amendments to the GBRA Defined Benefit Pension Plan to comply with new federal requirements.

Guadalupe-Blanco River Trust helps farmers, ranchers and other property owners preserve their land for the use and enjoyment of future generations. Through the Trust, landowners can create a conservation easement on their property to permanently protect it without giving up ownership of their land, while also helping to protect the water resources of the Guadalupe River Basin.

Guadalupe County, *continued*

This year, The Upper Guadalupe River Authority (UGRA) Board of Directors approved a partnership with the Guadalupe-Blanco River Trust to further stewardship of the Upper Guadalupe watershed as well as conservation of the entire river. This will make the Trust a unique conservation organization within the State of Texas. John P. Schneider, Jr. and Catherine R. McHaney were appointed to serve one-year terms on the Trust Board.

In March 2005, a formal five-year agreement was signed by the Trust, GBRA and the U.S. Fish and Wildlife Service (USFWS) to provide up to 3,000 acre-feet of firm water supply each year to the Aransas National Wildlife Refuge-Myrtle Foester Whitmire Division near Indianola. The water will be delivered through GBRA's Calhoun County Canal System to enhance the habitat of migratory waterfowl at this 3,440-acre refuge. The Trust, GBRA and the Refuge also received a \$45,000 grant from the U.S. Fish & Wildlife Service (USFWS) for the Whitmire Unit supplemental water project.

Other significant accomplishments for the Trust in FY 2005 include conducting a tour of the Whooping Crane habitat at the Aransas National Wildlife Refuge; sponsoring a Land Trust Seminar in Kerrville; and obtaining a Conservation Easement for the 100-acre Johnson Ranch in Hays County to protect the property which has caves and natural drainage that contribute to the Blanco River. The Johnson Ranch is the third easement created with the Trust and puts a total of 300 acres in the Guadalupe River watershed in a protected environment.

Project Development coordinates project planning including contracts for services, permits, rights of way and special projects, and contact with interested parties for water and wastewater projects. Staff also works with homeowner and lake associations to enhance current lake management and flood response programs, and communicate these procedures to new residents and governmental entities.

Project Engineering provides management oversight for the design, review and inspection services for GBRA facilities construction and installation. These departments worked on several major projects this year:

Western Canyon Water Treated Water Supply Project

Consulted with engineers to finalize project design and worked on rights of way acquisition; prepared bid documents; awarded contracts for the water treatment and membrane filtration plant, the raw water intake at Comal Park, two remote pump stations, the raw water and treated water pipelines, and a SCADA-control facilities. Construction is 90% complete. Delivery of treated water is scheduled for January 2006.

IH-35 Water Supply Project

Staff completed title research, survey, appraisal and acquisition for rights of way; approved the preliminary engineering report; established the pipeline route; bid the pump station, pipelines and SCADA-control facilities; and secured funding. The project is 75% complete. Delivery of treated water is scheduled for early 2006.

Guadalupe County, *continued*

Luling-Lockhart Treated Water Project

Construction specifications were completed; the preliminary engineering report were approved by GBRA and the cities of Luling and Lockhart; right-of-way and property acquisition were substantially completed; funding was secured; bids documents were developed; and contracts for the pump station, pipeline, and SCADA-control were awarded. The project is complete and was placed on line in April, 2005.

GBRA Building Expansion Project

Construction of the new Accounting and Operations wing began in spring 2005 and is scheduled to be occupied in January 2006. Renovation of the existing General Office structure will begin in February 2006 and should be completed by Spring 2007.

Volunteer Program

This program encourages GBRA employees, who receive no pay for their volunteer service, to donate their time, energy, talents and skills to help non-profit or government organizations engaged in civic, health, education, social services and other charitable pursuits. Their commitment helps improve the quality of life in the communities GBRA serves throughout its ten-county district.

This year, GBRA volunteers completed their annual full-day project, "Our Day to Shine," at the Cuero Senior Citizen's Center, which serves over 400 people in the community. They also supported the Coats for Kids Program; the Blue Santa programs in Seguin, Victoria and Pt. Lavaca; awarded a total of \$14,000 in scholarships to seven graduating seniors from the communities of Prairie Lea, Victoria, Marion, Yorktown, Buda, Cuero and Refugio; participated in the American Cancer Society "Relay for Life" events in Seguin and Victoria, and several Adopt-a-Highway projects. The Volunteer of the Year award was given to Jerry Sharp, GBRA chief operator at the San Marcos Water Treatment Plant, for his extensive volunteer work including donating his band to perform benefits for the Shriner's Children's Hospital and other charitable events.

Water Resources Division

Regional Laboratory

The Laboratory is staffed by five technicians holding bachelor of science degrees, and a lab director with 13 years experience and a Laboratory Analyst Level C certificate. They conduct environmental monitoring within the river basin; provide technical assistance and support services for water and wastewater plants operated by GBRA; and offer chemical and bacteriological analysis of potable water, wastewater and environmental samples for cities, water districts, industries, consulting firms and private individuals in the Guadalupe River and surrounding basins.

In addition to ongoing participation in the Texas Clean Rivers Program for the Lavaca-Guadalupe Coastal Basin and the Guadalupe River Basin, the GBRA laboratory is responsible for the GBRA

Guadalupe County, *continued*

Water Quality Program. This year, staff entered into a grant agreement with the Texas Commission on Environmental Quality (TCEQ) for GBRA's participation in the 2006-2007 Guadalupe River and Lavaca-Guadalupe Coastal Basin Clean Rivers Program; held the annual Guadalupe River Basin Steering Committee meeting for the Clean Rivers Program on March 30, 2005 with members and representatives from state agencies reviewing the 2005 draft Basin Highlights Report, the 2005-06 monitoring schedules and the projects and monitoring programs conducted under the current Guadalupe River Basin CRP; conducted Total Maximum Daily Load (TMDL) studies in the GBRA Basin on Peach Creek, Sandies Creek, Elm Creek, the Guadalupe River above Canyon Reservoir and Camp Meeting Creek; sponsored and trained Texas Watch water quality monitors; conducted presentations for school, civic and other organizations; served as science fair judges and provided technical support for student projects.

Guadalupe Valley Hydroelectric Division

This division operates six dams and hydroelectric plants along the Guadalupe River. The total system generated 86,911,400 kWh, and also delivered 966,788,000 gallons of industrial water to the Guadalupe Power Partners' 1,000 megawatt (MW) natural gas-fired power plant outside Marion.

Lake Dunlap(TP-1) Dam and Hydroelectric Plant

Lake Dunlap has 410 surface acres, a storage capacity of 5,900 acre-feet, and is located near New Braunfels. The Dunlap powerhouse contains two 1.8 MW generating units for a total plant capacity of 3.6 MW. Major work this year included the inspection and preventive maintenance on spill gates #1 and #2, and the construction of an emergency spillway on the Dunlap canal.

Lake McQueeney (TP-3) Dam and Hydroelectric Plant

Lake McQueeney has 400 surface acres, a storage capacity of 5,050 acre-feet, and is located approximately two miles west of Seguin. The McQueeney powerhouse contains two 1.4 MW generating units for a total plant capacity of 2.8 MW. This year, employees constructed a six-foot chain link security fence around the plant and enclosed the operating spill pier.

Lake Placid (TP-4) Dam and Hydroelectric Plant

Lake Placid has 248 surface acres, a storage capacity of 2,624 acre-feet, and is downstream of Lake McQueeney. The TP-4 powerhouse contains one 2.4 MW generating unit. This year, employees worked with Holloman Corporation of Converse, Texas to complete repairs to the Lake Placid (TP-4) spill gates that were damaged during the November 2004 flood.

Guadalupe County, *continued*

Lake Nolte (TP-5 or Meadow Lake) Dam and Hydroelectric Plant

Meadow Lake is located south of Seguin, with a surface area of 153 acres and a storage capacity of 1,550 acre-feet. The Nolte powerhouse contains two 1.24 MW generating units for a total plant capacity of 2.48 MW. This year, employees performed the inspection and preventive maintenance on spill gates #1, #2 and #3. Also, pressure sensors and data loggers were installed under the spill gates and downstream of the spillway.

Nolte Island Park

When feasible, GBRA improves its property adjacent to dams and powerhouses for public use and recreation. Park facilities include a covered pavilion, restrooms, outdoor barbecue facilities, children's playground, areas for horseshoes and volleyball. Since 2001, the Park has become the official site for the Texas Electric Cooperative's annual Lineman's Rodeo each July.

Gonzales County

Gonzales County has the distinction of being the place where the Guadalupe and San Marcos Rivers unite. From this 'confluence,' the Guadalupe River flows south through Texas Claypan Prairie, the Southern Blackland Prairie and the Northern Rio Grande Plain. Two GBRA hydroelectric dams and powerhouses are also located here, creating 4-H Lake, Lake Wood (H-5) and the Lake Wood Recreation Area.

Gonzales County is one of the original colonies of the Republic of Texas and is famous for its "Come and Take It" response to Mexico. When DeWitt's Colony sent delegates to the conventions of 1832 and 1833 and to the Consultation of 1835, the Mexican government considered this treason and demanded the return of a cannon provided earlier for the Colony's protection. When the colonists resisted the attempts of Mexican troops to confiscate the cannon, the first shot of the Texas Revolution was fired and Gonzales became known as the "Lexington of Texas."

Thirty-two men from Gonzales County also responded to Travis' call for help at the Alamo. After the fall of the Alamo, Sam Houston ordered a retreat and the burning of Gonzales — known as the Runaway Scrape — in order to weaken Santa Ana's army and buy time for the Texans to prepare for battle.

Today, the City of Gonzales is the county seat and home of an extensive collection of 19th-century buildings at the Gonzales Pioneer Village, including an 1830's log cabin, 1840's log home, 1856 Cypress-sided home, 1892 two-story Greek Revival house and museum, an 1870's church and a memorial to the 'Immortal 32' who went to the Alamo. Tours, demonstrations and battle re-enactments are provided throughout the year. Other Gonzales County communities include Nixon (partly in Wilson County), Smiley and Waelder.

Gonzales County is the site of the original Warm Springs Foundation for Crippled Children, which opened for polio treatment in 1939 and became the state's first specialty hospital for physical medicine and rehabilitation. Today, there are four hospitals offering inpatient and outpatient services in Luling, San Antonio, Corpus Christi and Victoria. Another unique feature is the 264 acre Palmetto State Park which occupies parts of Caldwell and Gonzales Counties. The Park features sulfur and iron springs along the San Marcos River and a wide variety of birds, rare trees and other plant life, quaking bogs, and other unusual phenomena.

Annual celebrations include the annual Wild Hog Cook-off in Nixon, the "Settlers Set To" at Smiley, the Guacamole Fest at Waelder, and the "Come and Take It" festival at Gonzales.

Contributing to our Counties

GBRA has been instrumental in locating funding to support the Belmont Volunteer Fire Department, the Gonzales Learning Center, helps to sponsor numerous civic events, and works with organizations such as the Chambers of Commerce, the Come and Take It Association, the Gonzales Historic Homes Association, Independence Park, and the Gonzales Foster Children's Christmas to enhance the quality of life for our neighbors in Gonzales County. GBRA is participating with several state and local government and private organizations to develop the site of the "First Shot" for Texas' independence.



Gonzales County, *continued*

Guadalupe Valley Hydroelectric Division

H-4 (Lake Gonzales) Dam and Hydroelectric Power Plant

Lake Gonzales is located near Belmont, approximately 14 miles west of the City of Gonzales, and has a pond area of 495 acres and a storage capacity of 4,620 acre-feet. The hydroelectric plant contains one 2.4 MW generating unit. This year's major project involved repair to the area below the emergency spillway.

H-5 (Lake Wood) Dam and Hydroelectric Power Plant

Lake Wood is located approximately 5 miles west of Gonzales off Highway 90-A, on FM 2091 South, and has a pond area of 488 acres and a storage capacity of 4,000 acre-feet. The hydroelectric plant contains one 2.4 MW generating unit. Work at the plant focused on routine preventive inspections and tests.

Water Resources Division

Lake Wood Recreation Area

This 488-acre freshwater lake just outside Gonzales offers fishing, water recreation, 35 acres of park and picnic facilities, RV and tent campsites, boat docks and a fully-stocked store. GBRA Park Rangers and resident park hosts provide management and 24-hour supervision.

This year, Lake Wood hosted the annual KIDFISH event in September 2004 with 235 children participating, sponsored the annual Come-And-Take It Canoe Race with 36 team entries, expanded the bait room and added on to the park restroom, rehabilitated facilities and grounds after two flood events, and conducted the annual Park Easter Egg Hunt.



DeWitt County

DeWitt County is located on the Gulf Coast Plain in southeastern Texas. The Guadalupe River and its tributaries, which include the various branches of Coleta Creek as well as Sandies, Salt, Smith, McCoy, Irish, Cuero and Clear creeks, flow across DeWitt County from north to south. Small areas in the northern part of the county are drained by the Lavaca River, and in the southern part by the San Antonio River.

DeWitt County was designated by the 76th Texas Legislature in 1999 as the Wildflower Capitol of Texas. Because DeWitt County sits at the confluence of soil and climatic conditions of the hill country, the central and coastal plains, and the south Texas desert region, over 1,000 flowers native to all these areas have been catalogued in the county.

Cuero is the largest city and the county seat. It is named after Cuero Creek, which the Spanish called Arroyo del Cuero, or Creek of the Rawhide, and refers to the Indian practice of killing wild cattle that got stuck in the mud of the creek bed.

Cuero pioneered the turkey-raising industry in south central Texas and became one of the largest poultry markets in the Southwest, shipping processed birds nationwide by 1906. In 1912, Cuero initiated a "Turkey Trot" parade that has evolved into the annual Cuero Turkeyfest held each year in October and includes a friendly rivalry for the title of "Turkey Capitol of the World." Each year a turkey from Worthington, Minnesota named "Paycheck" races against "Ruby Begonia," the turkey representing Cuero, in the second heat of the Great Gobbler Gallop. (The first heat takes place in Worthington). The winner is awarded the "Traveling Turkey Trophy of Tumultuous Triumph" which resides in their hometown until the next year's race.

From Thanksgiving to New Year's, Cuero plays host to Christmas in the Park - a lighted display self-guided driving tour in the City Municipal Park from 6-10 PM each evening. Christmas in the Park began in 2000 with the lighting of the Gazebo and has grown to over 45 displays of Victorian, Western and traditional scenes. Over 20,000 vehicles visit this event each year.

Other cities in DeWitt County include Yoakum, Yorktown, and Nordheim and the communities of Arneckeville, Clinton, Concrete, Edgar, Garfield, Gruenau, Hochheim, Lindenau, Meyersville, Nopal, Pearl City, Petersville, Stratton, Terryville, Thomaston, Upper Meyersville, Valley View, Verhelle, and Westhoff.



Contributing to our Counties

GBRA has been actively involved in securing grant funds for the renovation of the Chisholm Trail Heritage Museum and to replace the roof on the Cuero Senior Citizens Center, which was the focus of GBRA's 2005 Our Day to Shine Volunteer Project. GBRA has also played an important role in the development of Pebble Ridge, a residential and commercial development, the DeWitt Technology Center, and various projects with local Chambers of Commerce, the DeWitt County Historical Association, and the DeWitt and Cuero Development Corporation.





Victoria County

Victoria County is located in southeastern Texas on the Coastal Plain. The northeastern half of the county drains into Lavaca Bay, principally through Garcitas, Arenosa, and Placedo creeks, while the southwestern area is drained by the Guadalupe and San Antonio rivers and Coleto Creek.

Fort St. Louis was established in 1685 on the banks of Garcitas Creek in Victoria County and was the first European settlement in Texas. Alonso De León discovered and named the Guadalupe River on April 14, 1689, at the approximate site of the present City of Victoria while on a mission from the Spanish government to find and destroy La Salle's settlement.

Victoria County is one of the original twenty-three counties established by the First Congress of the Republic of Texas. It has been a leader in the development of the Texas cattle industry since the Spanish and Mexican eras because the abundant natural grasslands and subtropical climate allow grazing year-round and minimize the need for winter shelter.

Victoria is the county's largest city, the second oldest incorporated city in Texas, and the county seat. Because it is located 120 miles from Houston, 102 miles from San Antonio, 110 miles from Austin, and 75 miles from Corpus Christi, it is known as the "crossroads of South Texas."

Local area attractions include the McNamara Historical Museum with its Texana historical collection; the Museum of the Coastal Bend located on the Victoria College campus which houses 7 of the 8 cannon found buried at La Salle's Fort St. Louis colony; the Nave Museum which houses Royston Nave's paintings in the Greco-Roman hall built by his widow; and the Texas Zoo, which features native Texas species in a natural environment with no cages. It officially became "the National Zoo of Texas" in June 1984 by resolution of the Texas House and Senate.

Once known as the "City of Roses," Victoria features more than 1000 rose bushes in the Rose Garden of Riverside Park -- a 562 acre woodland located along four and a half miles of the Guadalupe River. The Victoria "Advocate" is the state's second oldest existing newspaper. Annual events include the Bach Festival in June, the Czech Heritage Festival in September and the new Jazz It Up celebration in April.

Other communities in Victoria County include Mission Valley, Nursery, Raisin, Telferner, Inez, Guadalupe, Dacosta, Bloomington, McFaddin and Placedo.



Contributing to our Counties

GBRA is actively involved in the renovation and restoration of Riverside Stadium, a historic wooden baseball stadium in Riverside Park that serves all of the city's Little League teams, high school baseball teams and adult leagues. Upon completion of the renovation, the stadium will be used for regional tournaments, which will bring the added benefit of additional economic impact for the community. GBRA also contributes to the Victoria Regional Science Fair Awards, works with area Chambers of Commerce and the Victoria Economic Development Corporation, and has provided assistance to the Compost Project, Macaronifest, the Victoria County Sheriff's Department and the Victoria Police Department.



Victoria County Operations

Coleto Creek Division

Coleto Creek Reservoir is located on US Highway 59 South midway between Victoria and Goliad. The system consists of the main dam and spillway, two baffle dikes, the discharge flume, pump station and pipeline, and the monitoring system. The 3,100-acre reservoir was built to provide cooling water for condensers and other facility requirements at the Coleto Creek Power LP's coal-fired generating plant near Fannin, and to help dissipate waste heat from the production of electricity.

Above-average rainfall during the first half of FY2005 kept employees busy handling flood releases from Coleto Creek Reservoir, including the second-largest flood release on record on November 21, 2004 which resulted in a peak discharge of 55,720 cfs. Employees also installed a new SCADA system at the Main Spillway to permit remote control of the flood gates from the Coleto Creek Headquarters Control Room, installed additional cathodic protection on the flood gates at the Main Spillway, and completed the bi-annual safety inspection of the Coleto Creek Dam and Main Spillway with assistance from URS Engineers.

Coleto Creek Recreation is a 190-acre GBRA park and designated site on the La Bahia Loop of the Great Texas Coastal Birding Trail. Its abundance of aquatic vegetation attracts a large number of ducks and other birds during the fall and winter each year. The Park includes a 200-foot lighted pier, RV and tent campsites, camping cabins, a four-lane boat ramp, picnic and swimming areas, nature trail, playground, volleyball courts and a group pavilion. For reservations and information call (361) 575-6366 or visit www.gbra.org.

This year, the Park held its 25th Anniversary Celebration on April 23, with 1500 people attending the special events; conducted the Seventh Annual Bowhunt with 83 hunters selected by special drawing to participate; conducted Annual Youth Hunts with 11 participants; held the 12th Annual Coleto Creek Kids' Fishing Tourney for approximately 100 children; hosted an active "Winter Texan" group of 25 couples; hosted more than 50 Bass Tournaments; helped the TPWD Inland Fisheries Division stock 30,000 Northern Largemouth Bass into Coleto Reservoir; and implemented an on-line Campsite Reservation Request Program.

Community outreach highlights include the annual BSA Webelos Weekend for 200 scouts; cooperative tourism promotions with the Victoria Convention and Visitors' Bureau and the Goliad County Chamber of Commerce; serving as host site for monthly TPWD Boater Education courses and Texas Master Naturalists training sessions; and providing outdoor education programs for Victoria ISD and other organizations.

Victoria County, *continued*

Victoria Regional Wastewater Reclamation Division

This division operates two plants under contract for the City of Victoria and uses an EPA-approved pre-treatment program. The Regional WWT Plant is permitted to process an average of 9.6 mgd, and the Willow Street WWT Plant 2.5 mgd.

Movement monitoring devices were installed at fourteen different locations on the aeration basins. Readings will be analyzed by HDR Engineering to develop repair options for cracks that have developed in the concrete walls as a result of movement and settling of the soil during periods of drought and wet weather events. Eight piezometers were also installed around the emergency holding basin to measure and monitor the associated movement of its floor, caused by high ground water levels. HDR Engineering will develop specifications to repair the structure.

Existing carbon steel pump bases were replaced with galvanized steel to reduce corrosion; mechanical seals were installed on the raw sewage and sludge recirculation pumps at the Willow Street treatment facility; employees helped judge the Texas Midcoast Regional Science Fair and hosted tours for area schools. The Victoria Division was selected by Infrastructure Systems Inc. to perform an operational assessment of the TxDOT waste treatment facility at the Victoria County Highway 59 rest stop; provided lab services for area waste treatment facilities; and worked with the City of Victoria to develop a plan for a compost site that would process sewage waste sludge and generate a more beneficial and useful product.



Calhoun County

The Guadalupe River forms the border between Refugio County and Calhoun County, which is located on the Gulf Coastal Prairie. The county's watershed area is drained by the Guadalupe River, Chocolate Bayou and several creeks and is also the site of Green Lake – a large, natural body of water.

Calhoun County is rich in history, welcoming visitors to its shores since 1519 when Spanish explorer Alonzo Alvarez de Peneda cruised through its seven bays. Old Indianola was one of the largest shipping ports in the nation and many German immigrants landed here. Halfmoon Reef Lighthouse was built on Matagorda Bay in 1598 and was used by Blockade runners during the Civil War.

Port O'Connor, originally called Alligator Head, is a fishing settlement laid out in the late 19th century. During its heyday from 1909 to 1919, excursion trains ran on weekends bringing an estimated 10,000 tourists to the area every summer. Point Comfort, originally called "Cox's Point," was the location where repairs were made to Spanish ships with oak and cedar from the Garcitas Creek area.

Calhoun County is considered to be an outstanding birding location and holds the record for the most bird species spotted not only in Texas, but nationally. The 3,420-acre Myrtle Foester-Whitmire Division of the Aransas National Wildlife Refuge attracts reddish egrets, roseate spoonbills and osprey. Birders have also seen nine species of herons, egrets, sandhill cranes, curlews and a variety of shorebirds, gulls, terns, rails and gallinules. Endangered peregrine falcons, wood storks and brown pelicans also frequent the area.

The County also offers access to some of the best natural passes--or entries--to the Gulf on the Texas Gulf Coast, including Pass Cavallo, Cedar Bayou and the Matagorda Ship Channel Jetties (Big Jetties). This access to the largest and deepest bay system on the Texas Gulf Coast attracts many sports fishermen to Matagorda Bay, Espiritu Santo Bay, San Antonio Bay, Lavaca Bay and Caranchua Bay.

Popular area attractions include the Lighthouse Beach in Port Lavaca, the Formosa Wetlands Walkway, (an elevated walk stretching over the coastal wetlands and tidal exchange basin for some 3,202 feet into Lavaca Bay) and the Alcoa Bird Tower with its elevated gazebo that provides access in a quiet and beautiful place for spotting the coastal wildlife and many birds that visit the area. Annual special events in the county include the Sea Fest in May, Texas Water Safari in June, Crab-fest in September, Fishing Derby and Youth Rodeo in August, Christmas Parade in December, and Calhoun County Fair in October at Port Lavaca.

In addition to Port Lavaca, other communities in the county include Port O'Connor, Seadrift, Point Comfort, Olivia, Kamey, Magnolia Beach, and Indianola.



Contributing to our Counties

GBRA is a strong supporter of local Chamber of Commerce events and annual festivals such as Crabfest, has helped with the Heritage/Parks Project, the Calhoun County Fair Association, the Port Lavaca Economic Development Corporation, and works with the Guadalupe-Blanco River Trust on the Myrtle Foester-Whitmire Unit of the Aransas National Wildlife refuge wetlands project.



Calhoun County Operations

Port Lavaca Water Treatment Plant Division

Port Lavaca Water Treatment Plant

The Port Lavaca Water Treatment Plant purchases surface water from the GBRA Water Supply Division, which diverts the water from the Guadalupe River by permit from the State of Texas. The Treatment Plant has a nameplate capacity of 6-million gallons per day (mgd) and uses traditional treatment technology to process the surface water into highly finished drinking water of excellent quality that meets or exceeds all state and federal drinking water standards. Its wholesale customers include the City of Port Lavaca, the Port O'Connor Municipal Utility District, and the GBRA Calhoun County Rural Water System. The total number of connections served in all three systems is approximately 7,000.

This year, the plant treated and delivered 460,968,000 gallons of water to the City of Port Lavaca, 90,375,000 gallons to the Port O'Connor District and 81,465,000 gallons to the Calhoun Rural Water System. Major projects included improvements to the main conference room and office and the addition of hurricane shutters. Supervisory controls were installed to monitor the new Village Road water tower in Port Lavaca, a process change was initiated to improve the disinfectant residual during the summer season and several water quality seminars were held for school children. When Hurricane Rita struck the upper Texas coast, employees responded with total preparation for storm conditions at the plant.

Calhoun County Rural Water Supply System

The System purchases treated drinking water from GBRA's Port Lavaca Water Treatment Plant and distributes it to customers of the Calhoun County Rural Water Supply Corporation in the communities of Six-Mile, Alamo Beach, Indianola, Magnolia Beach (the AIM area), Highway 35 and other rural areas through approximately 64 miles of pipeline and pumping facilities.

In fiscal year 2005, the System distributed 76,710,000 gallons of drinking water to approximately 1,200 customers. Lester Contracting relocated 7,500 feet of potable water pipeline on the south side of U.S. Highway 87 as part of a major road widening project by the Texas Department of Transportation. A major crossing project was also completed on Lower Sweetwater Road which required a permit from the U.S. Army Corps of Engineers, and Consumer Confidence Reports were mailed to customers. Director Maxwell Matthew retired from the Rural Water Supply Corporation's Board of Directors after many years of service.

The Rural Water System also owns and operates the Crestview Subdivision Wastewater Treatment Plant. This system began operating in 1998 with grant funding from the Golden Crescent Council of Governments and a joint agreement between the Calhoun County Commissioners Court and GBRA, in order to improve public health and the environmental quality of Chocolate Bayou -- the receiving stream. The plant currently serves 44 customers in the subdivision and processed an average daily flow of 6,913 gallons of treated wastewater in FY2005.

Calhoun County, *continued*

Water Resources Division

Calhoun County Canal System

The Canal Division furnishes raw water from the Guadalupe River for agricultural, industrial, and municipal customers, and includes a pump station located downstream of Goff Bayou that is owned and operated for GBRA by Union Carbide of the DOW Company. The Canal Division owns and operates a separate pump station that furnishes raw water to Seadrift Coke LP, Innovene Chemicals at Green Lake, and Union Carbide. The GBRA Port Lavaca Water Treatment Plant is a customer for the source water for its municipal supply operations. Approximately 75 miles of earthen canals and 8 miles of underground piping are used to furnish water to the industrial customers, rice farm operators, ranchers, and aquaculture ventures including catfish, crawfish, and waterfowl impoundments.

The Diversion System is also operated by the Canal Division staff and includes the Lower Guadalupe Diversion Dam and Salt Water Barrier (Fabridam), two saltwater barriers on Hog and Goff Bayous, and three 78-inch diameter inverted siphons that convey the surface water from the Guadalupe River across the Victoria Barge Canal. Water diverted from the river is acquired by GBRA through old and senior water rights granted by the state of Texas. The Union Carbide Company also shares in these rights.

The Fabridam is located at river mile 10 near Tivoli and was constructed in 1965 under a permit authorized by the State of Texas. The structure consists of two 50-foot long rubber bags that can be inflated with river water. Their purpose is to prevent saltwater intrusion into the fresh water supply during times of drought and to provide for more efficient diversion of water during very dry weather. Most of the normal river flow will continue over and across the bags to nourish the San Antonio Bay system and to honor any downstream water rights. GBRA will only divert the water immediately upstream of the fabridam in the amounts required for its customers and allowed by its state of Texas permit.

This protection against salt water intrusion is a cornerstone of the GBRA operations for the general public and the many businesses of Calhoun County that depend on a fresh water supply. The maximum elevation allowed by the inflated bags is 4.0 msl, far below the bank-full elevation of about 8.0 msl. This design allows only 600 acre-feet of water to be accumulated for usage during those very dry periods. During normal or flood flows, the bags are completely deflated and lie flat on the bottom of the river about 10 feet below the river's water surface. This permits maximum flow through the 100 foot opening of the structure and no discernible increase in the river's elevation will be recorded upstream of the structure.

This year, the new workboat "Miss Guadalupe II" and the original "Miss Guadalupe I" removed several major logjams resulting from five flood events during the year on both the Guadalupe and San Antonio Rivers. Construction was begun on a new boat slip, the Fabridam's inflatable bags were inspected by Taylor Dive Service of Seadrift, and a prop-wash apparatus was used to clean debris and silt out of the bays. The U. S. Army Corps of Engineers inspected and approved waterworks in the river and delta system, and two tours of the delta area were conducted for officials of the USACE, TCEQ and USF&W.

Calhoun County, continued

Other highlights include the construction of a new bulkhead to repair erosion at the Shillings Check -- a major distribution point in the Canal system, and the contracting of irrigation water for 2,430 acres of rice. A joint project was designed between the U. S. Fish & Wildlife Department and GBRA to improve water delivery to waterfowl ponds on the Myrtle Foester-Whitmire Unit. The 36-inch raw water pipeline was excavated and a leak repaired, and the office building used by all the Port Lavaca GBRA divisions received extensive repairs to provide a more efficient working space, and improve the ventilation and heating systems.

Refugio County

Refugio County covers 771 square miles of the lower Gulf Coastal Prairies region. Its watershed is drained by the Aransas River, which forms its southern border, and by the converging Guadalupe and San Antonio rivers that form its northern boundary. Mission River, Copano Creek, and Willow Creek also flow through the area and the county's coastline borders Hynes Bay and San Antonio Bay.

Many of the ranches of Refugio County originated as Spanish land grants, settled by Irish colonists. Oil and gas brought boom days to the county in the 1920s and 1930s and oil production continues to be a top industry. Refugio County was one of the thirteen original counties of the Republic of Texas.

The Town of Refugio is the county seat and largest urban center. It reminds many of the elegant Old South, with mansions built from the 1870s through the turn of the century, in styles from primitive Greek Revival to elaborate Victorian.

Other beautiful buildings in Refugio include Our Lady of Refuge Church, restored in 1976 to its turn-of-the-century beauty. A huge chandelier hangs over the sanctuary and art glass windows from Munich, Germany add color and flavor from the church's past. Among the restored statues are four metal examples that date back to the 19th century. The church sits on the grounds of the historic Mission Nuestra Senora del Refugio, the last of the Spanish missions in Texas founded in 1793 by Franciscans.

Birding is a popular tourist attraction with rare Green Kingfishers residing in Refugio's Lions Club Park and many local ranches on the Great Texas Birding Trail. More than 400 species of birds have been sighted in the area.

In July, the Town of Refugio celebrates an "Old-Fashioned Fourth" and hosts the State Frog-Jumping Contest. The second weekend in March is the annual Refugio County Fair and Rodeo, and good old-fashioned country music can be heard every first and fourth Thursday of the month at the Refugio Country Opry and the Refugio County Jamboree.

Other communities in the county include Woodsboro, Austwell, Tivoli, Bayside, Vidauri and Bonnie View.



Contributing to our Counties

GBRA contributed large commercial generators to the cities of Tivoli and Austwell, to maintain the delivery of treated drinking water in case of power outages from hurricanes and other natural disasters. GBRA was also a major contributor to the Wetlands Connections Center in Refugio, and works with Chambers of Commerce and the Community Development Foundation.



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Guadalupe-Blanco
River Authority, Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2004

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Nancy L. Ziehl

President

Jeffrey R. Enen

Executive Director



GUADALUPE-BLANCO RIVER AUTHORITY

October 7, 2005

The Honorable John P. Schneider, Jr., Chairman
and Members of the Board of Directors

Dear Chairman Schneider and Directors,

The Comprehensive Annual Financial Report (CAFR) of the Guadalupe-Blanco River Authority (GBRA) for the fiscal year ended August 31, 2005, is hereby submitted. Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with GBRA. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds (divisions) of GBRA. All disclosures necessary to enable the reader to gain an understanding of GBRA's financial activities have been included.

This CAFR is presented in four sections: introductory, financial, statistical and the independent auditors' report in accordance with government auditing standards. The introductory section includes this transmittal letter and the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting as well as descriptions of GBRA's operations, Board of Directors, and management. The financial section includes the independent auditors' report, management discussion and analysis, combined financial statements, notes to the combined financial statements and more detailed combining and individual schedules. The notes to the combined financial statements are an essential part of this comprehensive annual financial report and should be read for an enhanced understanding of the statements and information presented within. The statistical section includes selected financial and operating information, generally presented on a ten-(10) year basis. The report includes all funds of GBRA. The independent auditors' report in accordance with government auditing standards section includes the report on compliance and on internal controls over financial reporting. A single audit report is not included since GBRA did not expend sufficient governmental grant funds to require a single audit.

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

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

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

The *Rural Utilities Division* operates and maintains six wastewater treatment plants in Comal, Hays and Guadalupe counties. These small plants serve housing subdivisions in areas where septic tanks do not provide proper or safe wastewater disposal and the extension of municipal services is not cost effective. The most recent wastewater treatment plant operation to be added to the Rural Utilities Division is the Village of Wimberley Plant. GBRA began operating the plant in January 2004 and is currently working with the Village to design a new or enlarged plant and an expansion of wastewater collection system.

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 new treated water delivery systems in Comal County for the City of Bulverde and the Cordillera development.

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

The *Calhoun County Rural Water Supply Division* operates and maintains a treated water distribution system to supply 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 *Coleta Creek Division* operates and maintains the Coleta 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 Coleta Creek Power, LP. This division also operates and maintains recreation facilities that provide grounds for camping and picnicking as well as public access to the lake for fishing, swimming, and boating.

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

The *Canyon Hydroelectric Division* operates the electric generating plant located at Canyon Dam in Comal County. All power generated by the plant is sold to New Braunfels Utilities for the benefit of the City of New Braunfels. The plant, completed in 1989 with a capacity of 6 megawatts, provides a beneficial use of waters passed through the dam without interfering with the reservoir's primary purposes of flood control and water supply.

GBRA added the *Lockhart Division* to its list of operations on October 1, 1994. After signing a contract with the City of Lockhart during 1994, GBRA assumed the operation of the City's 1.1 million-

gallon per day (MGD) wastewater treatment plant and began construction of a new 1.5 MGD plant that became fully operational in February 1999. On October 1, 2000, the Lockhart Division was expanded further when GBRA assumed operation of the City's water well system and water treatment plant.

ECONOMIC CONDITION AND OUTLOOK

The Texas Economy. According to the latest "Economic Outlook", published by the Texas Comptroller of Public Accounts, the Texas economy is closely tracking national economic growth and the "Texas economy is expected to continue improving throughout 2006-07". The Comptroller further stated that "the best economic news will be the creation of nearly 400,000 new jobs between fiscal 2005 and 2007" and additionally, "the statewide job count should continue to increase at a 2.0 percent annual rate from fiscal 2005 through 2007". The Comptroller projects that the creation of new jobs will be supported throughout 2006-07 by a Texas gross state product that increases 3.2% per year and a state population gain of 1.85% per year. In the past, the Comptroller has stated that the reasons for positive economic growth, jobs creation and population gains is the State's Sunbelt location, low business costs and a continued migration into the state. Dr. M. Ray Perryman an economist and founder of the Perryman Group, gave similar projections in his June 17, 2005 weekly financial forecast column stating "While there may be some bumps in the US and Texas economies over the next several years, I am very optimistic about the long-term prospects for continued positive expansion". Dr. Perryman supports his optimism about Texas with projected annual increases of 3.55% in real gross product, 1.69% population gain, and 1.60% employment increase.

The Local Economy. GBRA's service area is geographically part of south central Texas. It stretches from the Hill Country through the IH-35 Corridor and onto the Gulf Coast. This geographic diversity in turn provides economic diversity with a unique combination of agriculture, oil and gas, defense, high tech, higher education centers, and heavy industry. This diversity allows the local economy to be among the State's growth leaders and outpace the national economy. The State Comptroller divides the GBRA service area into three principal areas for reporting purposes. These include the Alamo Region being the counties surrounding the City of San Antonio, the Capital Region being the counties surrounding the City of Austin, and the Coastal Bend Region being the counties surrounding the Cities of Corpus Christi and Victoria. GBRA's district includes three counties in the Alamo Region, two in the Capital Region, with the remaining five counties in the Coastal Bend Region. The Comptroller continues to project strong economic growth for both the Alamo and Capital Regions however somewhat less growth in Coastal Bend Region during the next two years. Dr. Perryman agrees with the Comptroller's projections and places particular emphasis in his comments on the Capital Region and the Austin-San Marcos metropolitan statistical area (MSA) contained therein. Dr. Perryman projects in his December 10, 2004 "Metro Area Outlook" that the Austin-San Marcos MSA will be the fastest growing metropolitan area in the state with annual job gains of 2.18% and an economic expansion of 4.48% per year. A basic assumption of both the Comptroller's and Dr. Perryman's projections is State's ability to provide the infrastructure necessary for a vibrant and vital economy including the ability to provide ever increasing amounts of water. With GBRA's district located between two rapidly growing major metropolitan areas, the need for future water supplies is no where more apparent. GBRA's Board of Directors and staff are working diligently to complete current water treatment and delivery projects as well as plan for future water supplies in order to better assure the district's future economic vitality.

MAJOR INITIATIVES

For the Year. GBRA's major initiative for Fiscal Year 2005 was the successful engineering, financing, and construction of several water treatment and delivery projects as well as one wastewater treatment project. The largest construction project is the Western Canyon Project costing approximately \$79,450,000. The Western Canyon Project broke ground in April 2004 and is scheduled to begin delivering potable water in the early part of calendar year 2006. At completion, the project will include a new 10 MGD water treatment plant, 40 miles of transmission pipeline, and intake facilities to withdraw raw water from Canyon Reservoir. These facilities will deliver approximately 11,200 acre-feet of water per year to the cities of Boerne, Fair Oaks Ranch, and Bulverde. Water will also be provided to the San Antonio Water System, San Antonio River Authority, and several developments in unincorporated areas

of Comal and Kendall counties. Currently, almost all of the project's rights-of-way have been acquired and the three construction components, the water treatment plant, raw water intake structure, and treated water pipeline, are all nearing completion. Even before these project components are complete and indicative of the area's explosive population growth, GBRA is discussing with other potential customers the need to expand the project within the first few years of the project's operating life.

A second major water supply project is GBRA's Interstate 35 Project. Similar to the Western Canyon Project, the IH-35 project will use raw water stored in Canyon Reservoir, treat the water at the existing City of San Marcos water treatment plant, and deliver that water through a new 20 mile long transmission pipeline to northern Hays County terminating just south of Travis County and the City of Austin. Participants in this new project will include the Cities of Buda and Kyle, GoForth Water Supply Corporation, and a major new development east of the City of Buda that is being built by 2428 Partners L.P. Similar to the Western Canyon Project again, the IH-35 Project was necessitated by the extremely rapid growth of northern Hays County and the limited supply of water available from the Edwards Aquifer to meet that growth. During Fiscal Year 2005, GBRA completed the project engineering and project design as well as financed the project with approximately \$20,965,000 of revenue bonds. Currently, most of the necessary rights-of-way have been acquired and the construction of the transmission pipeline is nearing completion. Upon completion, the project will deliver an average of nine (9) million gallons per day of high quality potable water into one of the fastest growing areas in the State of Texas.

A third water supply delivery project that was under construction during FY 2004 and the first half of FY 2005 was a treated water pipeline from the City of Luling water treatment plant to the City of Lockhart. This pipeline was implemented to provide the City of Lockhart a supplemental water source in order to improve water quality within the City as well as provide an additional water supply to meet the demands of this rapidly growing area which lies just south of the City of Austin. The project was possible because sufficient unused City of Luling treatment plant capacity and San Marcos River water rights were available to meet the needs of both cities. Revenue bonds to finance this project were issued in the amount of \$6,370,000 during May 2004. The proceeds of these bonds financed rights-of-way acquisition and pipeline construction over the 15 mile distance from Luling to Lockhart. The project was completed and began operation during April 2005 delivering up to 1.5 million gallons of treated water per day.

Another construction project that continued in fiscal year 2005 was the expansion of the Seguin headquarters office. Beginning in FY 2002, GBRA staff worked with an architectural firm to design the office expansion with actual construction starting in FY 2003. Phase one of the project, a new warehouse, was completed during 2003 while phases two and three were scheduled to be completed in FY 2004 and FY 2006 respectively. During FY 2004, a new river annex building was completed to provide additional meeting room and office space. Finally in FY 2006, GBRA expects to complete the headquarters project with the expansion and remodeling of the existing headquarters building. Together these expansions will provide much needed office, meeting and storage space and better position GBRA to meet the needs of GBRA's existing operations as well as projects being developed to meet the Texas Water Plan.

Separate from the construction of new projects, GBRA's operating divisions also implemented major initiatives through expansion projects as well as a significant repair project. During this past fiscal year, the Guadalupe River basin experienced another major flood causing severe damage to the spillgates located at GBRA's TP-4 dam. This latest flood occurred just before Thanksgiving in November 2004 and was the fourth major flood in six years. Following the flood, GBRA personnel worked diligently throughout the remainder of FY 2005 to repair the structural damage to the TP-4 spillgates caused by the flood. The repairs were finally completed during November 2005 at an approximate cost of \$703,000. Since these spillgates have been damaged in three of the last four floods, GBRA has engaged an engineering firm that specializes in hydroelectric structures to suggest structural modifications that may mitigate future flood damage to the TP-4 site. GBRA's existing operations also undertook several

construction and expansion projects during FY 2005. The largest of these projects is an expansion of GBRA's Dunlap Wastewater Treatment Plant. GBRA has worked with a number of developers in the Dunlap Plant's service area, which lies just south of IH-35 and the City of New Braunfels, to design an expansion of the plant from a capacity of 160,000 gallons per day to 950,000 gallons per day. Financing for the project was completed in September, 2005 with a \$4,400,000 long-term loan from Wells Fargo Bank while construction on the project, which started in August 2005, is expected to be completed in August 2006. Another significant construction project within GBRA's operating divisions was the relocation of a treated water distribution pipeline within the Rural Water Division. That division, which is located in Calhoun County adjacent to the Texas Gulf Coast, provides drinking water to rural residents of that county. This project was necessitated by the widening of State Highway 87 by the Texas Department of Transportation (TXDOT). GBRA completed the pipeline relocation during FY 2005 at an approximate cost of \$132,000, the total of which should be reimbursed by TXDOT.

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 and helps to underwrite the administrative costs of the South Central Texas Regional Water Planning Group which was charged with developing a water plan for this area of Texas. While the new water plan has been completed and approved by the Texas Water Development Board, the regional planning groups continue to review the plan, update projected future water demands, and the water supply projects that are anticipated to meet those demands. The plan includes several major water supply projects within the Guadalupe River Basin that will require GBRA's future participation.

One of the most significant of these projects is the Lower Guadalupe Water Supply Project. This project as originally planned would divert water from very near the mouth of the Guadalupe River where it enters the Gulf of Mexico. The water would then be treated and delivered throughout the Guadalupe River Basin in order to meet the burgeoning water demands of the Basin. Some of the water would also be delivered to the San Antonio area to help that city reduce its dependence on the Edwards Aquifer. GBRA had agreed with the San Antonio River Authority (SARA) and the San Antonio Water System (SAWS) to jointly initiate the planning studies and permitting necessary for the project. During FY 2005, subsequent to SAWS withdrawing from the project, GBRA and SARA tentatively agreed to continue the economic, social, and environmental studies necessary for the project. Over the next several years, the two organizations will conjunctively study the various aspects of the project. While much of GBRA's future water supply planning focus was on the Lower Guadalupe Project during FY 2005, GBRA also began to look at other possible water supply alternatives. It is incumbent on both GBRA and the SB1 regional planning group to continue studying and ultimately implement various water supply projects in order to meet the water demands of the rapidly growing Guadalupe River Basin.

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

FINANCIAL INFORMATION

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

benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

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

Pension Plan Operations. The operations of the Retirement Plan for Employees of GBRA was favorable as the actuarial value of the plan assets increased from \$7,205,740 as of January 1, 2004 to \$7,677,107 as of January 1, 2005 or 6.54%. GBRA's annual contribution of \$514,051 during fiscal year 2005 contributed to the increase in plan assets held by the plan. Nevertheless, plan assets as a percentage of the actuarial accrued liability decreased from 63% to 60% during the year principally due to the recognition of deferred market value losses from prior years.

Debt Administration. At August 31, 2005, GBRA had 11 bond issues outstanding. A schedule of these issues is included in Footnote B to the financial statements in this report. GBRA does not have the power of taxation nor does it derive any of its revenues from taxes; therefore, it issues no general obligation bonds. Outstanding revenue bonds as of August 31, 2005 were \$139,535,000 while outstanding long-term loans were \$8,874,038. No state law nor GBRA's enabling act requires debt service coverage greater than 1:1, thus a schedule of the revenue bond coverage is not included in the statistical section of this report. Debt service coverage is however required by GBRA to be greater than 1:1 if the size and complexity of the project financed necessitates it. Debt service coverage is discussed further in Footnote I. Each revenue bond issue is insured or credit rated based on the financial strength of GBRA's service contracts. GBRA issued two new bond issues during fiscal year 2005. Both of these issues, which totaled \$20,965,000, relate to the construction of the IH-35 Treated Water Delivery System pipeline discussed above.

Cash Management. Cash not required for current operations, debt service payments or construction expenditures is invested in securities authorized by GBRA's investment policy that is approved annually by the Board of Directors. For the year, the average yield on investments approximated 2.31%. This yield compares to an average 90 Day treasury yield of 2.52%. During most years, GBRA is able to equal or exceed the one-year treasury yield. However this past year as short-term interest rates rose rapidly and GBRA maintained considerable investments in more liquid investments due to the cash flow requirements of several construction projects, GBRA was not able to exceed the one-year treasury yield. Interest earnings on investments were \$310,337 for Fiscal Year 2005.

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, 2005 were classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. The market value of all GBRA investments was 99.99% of their par value

as of August 31, 2005. 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, 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 Holtman, Wagner & Company, LLP was selected by the Board for the 2005 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, 2004. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

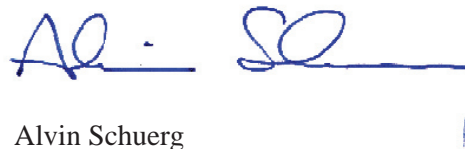
In order to be awarded a Certificate, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. GBRA has received a Certificate for the last 31 consecutive fiscal years (1973-2004). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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

Sincerely,



W. E. West, Jr.
General Manager



Alvin Schuerg
Executive Mgr of Finance and Administration

Financial Section

Independent Auditors' Report

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

Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Guadalupe-Blanco River Authority

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated October 7, 2005, on our consideration of Guadalupe-Blanco River Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 62 through 66 is not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Holtman Wagner & Company LLP

Holtman, Wagner & Company, L.L.P.
New Braunfels, Texas
October 7, 2005

Management Discussion and Analysis

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

The MD&A, as Required Supplemental Information, introduces the basic financial statements and provides an analytical overview of GBRA's financial activities. GBRA's fiscal year ending August 31, 2005 is the third year in which the provisions of the Government Accounting Standards Board Statement Number 34 (GASB 34) have been implemented; therefore, the MD&A that follows presents a comparison of each year under the GASB 34 standard.

Overview of the Basic Financial Statements

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

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

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

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

Condensed Financial Information

The financial statements are designed to provide readers with a broad overview of GBRA's financial position. The Balance Sheet presents information on all of GBRA's assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of GBRA is improving or deteriorating. In Fiscal Year 2005, assets exceeded liabilities by \$47,742,659 which is an increase of \$530,349 from last year. During the year, Current Restricted Assets declined by \$24,641,319 while Long-Term Capital Assets increased by \$53,760,200 both amounts of which relate to GBRA's construction of ongoing water supply projects and the expenditure of bond funds received in prior years. Also during the year, GBRA issued new revenue bonds of \$20,965,000 for the construction of a pipeline along Interstate Highway 35 to transmit water from the San Marcos Water Treatment Plant to several customers in northern Hays County. The ongoing water supply projects as well as the new IH35 pipeline were the principal factors that resulted in the change in Investments in Capital Assets Net of Related Debt of \$11,331,727.

The following table presents a Condensed Balance Sheet for August 31, 2005 and 2004:

GUADALUPE-BLANCO RIVER AUTHORITY		
CONDENSED BALANCE SHEET		
AUGUST 31, 2005 AND 2004		
ASSETS	2005	2004
Current Assets		
Unrestricted Assets	\$ 6,339,400	\$ 6,444,107
Restricted Assets	38,992,973	62,877,363
Long-Term Assets		
Restricted Assets	11,302,010	15,589,010
Capital Assets	144,823,559	91,063,359
Other Assets	10,445,452	12,925,614
Total Assets	\$ 211,903,394	\$ 188,899,453
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable from Current Assets	\$ 3,441,802	\$ 3,508,459
Payable from Restricted Assets	12,445,952	4,724,318
Long-Term Liabilities		
Bonds and Loans Payable	144,880,316	132,716,027
Advances for Operations	503,712	738,339
Deferred Income	2,888,953	--
Total Liabilities	\$ 164,160,735	\$ 141,687,143
NET ASSETS		
Investments in Capital Assets Net of Related Debt	\$ 41,278,632	\$ 29,946,905
Reserved for Construction	1,414,557	1,339,380
Reserved for Debt Service	1,136,075	1,104,758
Reserved for Insurance	1,162,191	1,323,144
Unrestricted	2,751,204	13,498,123
Total Net Assets	47,742,659	47,212,310
Total Liabilities and Net Assets	\$ 211,903,394	\$ 188,899,453

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

The following table presents a Condensed Statement of Revenues, Expenses and Changes in Net Assets for August 31, 2005 and 2004:

GUADALUPE-BLANCO RIVER AUTHORITY		
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS		
FISCAL YEARS ENDED AUGUST 31, 2005 AND 2004		
	2005	2004
REVENUE		
Program Revenues:		
General Operating	\$ 2,017,339	\$ 1,903,600
Recreation and Land Use	1,164,908	1,131,879
Hydroelectric Generation	4,316,581	4,786,268
Water Treatment & Distribution	16,210,146	13,385,939
Waste Water Treatment	5,678,384	5,424,095
Interfund Eliminations	(2,014,919)	(1,886,065)
Investment Income	310,337	180,130
Total Revenues	<u>27,682,776</u>	<u>24,925,846</u>
EXPENSES		
Program Expenses:		
General Operating	1,796,866	1,733,509
Recreation and Land Use	1,264,220	1,239,362
Hydroelectric Generation	4,416,581	4,347,466
Water Treatment & Distribution	15,680,438	13,414,051
Waste Water Treatment	5,294,969	5,287,530
Interfund Eliminations	(2,014,919)	(1,886,065)
Total Expenses	<u>26,438,155</u>	<u>24,135,853</u>
Income Before Recognition of Capital Contributions and Deferrals	1,244,621	789,993
Capital Contributions	309,411	11,496
Net Income Before Recognition of Deferrals	<u>1,554,032</u>	<u>801,489</u>
Revenue to be Recognized in Future Years	(790,362)	(293,665)
Net Losses Related to Special Items	(233,321)	--
Change in Net Assets	<u>530,349</u>	<u>507,824</u>
Net Assets at August 31, 2004 and 2003	<u>47,212,310</u>	<u>46,704,486</u>
Net Assets at August 31, 2005 and 2004	<u>\$ 47,742,659</u>	<u>\$ 47,212,310</u>

As stated above, changes to GBRA's Net Assets is one measure of whether GBRA's financial position is improving or not. The Fiscal Year 2005 increase in Net Assets of \$530,349 is indicative of strong financial performance and a stable financial position. The components of Net Assets and the means in which it is calculated is apparent in the above Combined Statement of Revenues, Expenses and Changes in Net Assets.

Contributing to the increase in Net Assets were stable revenue and expense bases both of which increased by approximately 10%. Noteworthy is the Net Losses Related to Special Items in the amount of \$233,321. This represents nonrecurring items that include a gain on an early retirement of a bond issue in the amount of \$295,053 and a loss in the amount of \$528,374 related to the write-off of development costs on a water supply project when one project participant elected to terminate their participation in the project.

Capital Asset and Long-Term Debt Activity

As of August 31, 2005, GBRA's total investment in Capital Assets was \$144,823,559. These Capital Assets are shown in the Long-Term Asset section of GBRA's Balance Sheet are comprised of a number of different type of assets. Included in this asset type are water rights, dams, canals, water treatment plants, wastewater treatment plants, park facilities, hydroelectric plants, pipelines, and electric transmission facilities. The amount of Capital Assets recognized by GBRA grew by 9.2% or \$12,164,289 during FY 2005. The principal reason for this asset growth as stated above was the continuation of the three ongoing construction projects namely (1) the approximate \$80,000,000 Western Canyon Water Supply project to supply water to Comal, Kendall, and Bexar Counties scheduled for completion in early calendar year 2006, (2) the \$6,370,000 City of Luling to City of Lockhart Treated Water Delivery Project which became operational during the early months of calendar year 2005, and (3) the General Office Expansion construction project which will provide much needed additional warehouse, meeting room and office space and which should be also be completed in calendar year 2006.

GBRA's long-term debt is comprised of outstanding revenue bond issues, bank loans, a loan from the United States related to the construction of Canyon Reservoir, and a loan from an electric generating company related to the construction of a water supply pipeline to that company. The total revenue bonds outstanding at August 31, 2005 were \$139,535,000 which is 11.4% more than the outstanding revenue bond total at the end of the previous year. The reason for this increase in bonded indebtedness was the issuance of \$20,965,000 in Combination Contract Revenue, Subordinate Water Resources Division Revenue, and Surplus Water Project Revenue Bonds, Series 2004A and 2004B. The proceeds from this bond issue are being used to fund the construction of a treated water pipeline from the City of San Marcos to northern Hays County. Customers of this new treated water pipeline as of the end of FY 2005 include the Cities of Kyle and Buda as well as the GoForth Water Supply Corporation. While the amount of outstanding revenue bonds increased, the amount of long-term loans outstanding decreased by \$635,886 due to annual principal payments on the outstanding loans.

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

Infrastructure

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

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

much of it being less than 10 years old, this equipment is subject to the ongoing preventive maintenance program.

Other Potentially Significant Matters

The GBRA Board of Directors established on October 1, 2005 a rate of \$92 per acre-foot per year for firm raw water. Presently, GBRA contracts with about 100 customers throughout the GBRA district to commit approximately 66,500 acre-feet of firm, raw water. Presently, the source of this water is water stored in Canyon Reservoir although in the future, other sources of supply will also be used to supply customers. During Fiscal Year 2002, three customers challenged GBRA's firm water rate by petitioning the Texas Commission on Environmental Quality (TCEQ) to review and possibly set a new rate. While one of the three customers has since rescinded their rate challenge, the petition of the remaining two customers was still ongoing as of the end of Fiscal Year 2005 and while GBRA believes it will be resolved favorably, the final resolution is not expected for another 12-24 months.

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

AUGUST 31, 2005 AND 2004

ASSETS	2005	2004
CURRENT ASSETS		
Unrestricted Assets		
Cash and Cash Equivalents (Note D).....	\$2,025,546	\$1,235,826
Investments-Unrestricted (Note D).....	2,320,595	3,052,491
Interest Receivable.....	62,354	33,760
Accounts Receivable-Operating (Note A5).....	1,513,109	1,774,550
Other Current Assets.....	417,796	347,480
Total Unrestricted Assets.....	<u>6,339,400</u>	<u>6,444,107</u>
Restricted Assets		
Cash and Cash Equivalents (Note D).....	2,052,755	864,574
Investments-Restricted (Note D).....	36,832,914	61,654,140
Interest Receivable.....	107,304	256,032
Accounts Receivable (Notes A5).....	--	102,617
Total Restricted Assets.....	<u>38,992,973</u>	<u>62,877,363</u>
Total Current Assets.....	<u>45,332,373</u>	<u>69,321,470</u>
LONG-TERM ASSETS (Note A6)		
Restricted Assets		
Investments-Restricted (Note D).....	11,302,010	15,589,010
Total Restricted Assets.....	<u>11,302,010</u>	<u>15,589,010</u>
Capital Assets		
Land, Water and Storage Rights.....	22,047,908	20,959,447
Dams, Plants and Equipment.....	93,752,311	89,030,513
Construction In Progress.....	69,155,212	18,672,954
Less Accumulated Depreciation.....	(40,131,872)	(37,599,555)
Total Capital Assets.....	<u>144,823,559</u>	<u>91,063,359</u>
Other Assets		
Investments-Unrestricted (Note D).....	2,075,117	2,731,797
Long-term Loans Receivable	351,842	104,000
Contract Development Costs (Net of Amortization).....	69,032	75,707
Debt Issuance Costs (Net of Amortization).....	3,158,143	2,625,460
Permits and Licenses (Net of Amortization).....	755,015	783,530
Project Development Costs.....	2,091,064	2,501,102
Deferred Costs and Expenses (Note A12 and Note A17).....	1,945,239	4,104,018
Total Other Assets.....	<u>10,445,452</u>	<u>12,925,614</u>
Total Long-Term Assets.....	<u>166,571,021</u>	<u>119,577,983</u>
Total Assets.....	<u>\$211,903,394</u>	<u>\$188,899,453</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payable from Unrestricted Assets		
Current Portion of Long-Term Loans Payable (Note B).....	\$660,072	\$635,886
Interest Payable.....	87,711	91,681
Accounts Payable-Operating.....	2,694,019	2,780,892
Total Current Unrestricted Liabilities.....	<u>3,441,802</u>	<u>3,508,459</u>
Payable from Restricted Assets		
Current Portion of Revenue Bonds (Note B).....	3,600,000	1,925,000
Interest Payable.....	1,564,043	1,576,963
Accounts Payable-Construction.....	7,281,909	1,222,355
Total Current Restricted Liabilities.....	<u>12,445,952</u>	<u>4,724,318</u>
Total Current Liabilities.....	<u>15,887,754</u>	<u>8,232,777</u>
LONG-TERM LIABILITIES (Note B)		
Revenue Bonds Payable.....	140,266,351	125,766,989
Long-Term Loans Payable.....	8,874,037	9,509,924
	149,140,388	135,276,913
Less Current Portion.....	(4,260,072)	(2,560,886)
Total Bonds and Loans Payable.....	<u>144,880,316</u>	<u>132,716,027</u>
Advances for Operations.....	503,712	738,339
Deferred Income.....	2,888,953	--
Total Long-Term Liabilities.....	<u>148,272,981</u>	<u>133,454,366</u>
Total Liabilities.....	<u>164,160,735</u>	<u>141,687,143</u>
NET ASSETS		
Investments in Capital Assets Net of Related Debt	41,278,632	29,946,905
Reserved for Construction (Note A6).....	1,414,557	1,339,380
Reserved for Debt Service (Note A6).....	1,136,075	1,104,758
Reserved for Insurance (Note G).....	1,162,191	1,323,144
Unrestricted.....	2,751,204	13,498,123
Total Net Assets.....	<u>47,742,659</u>	<u>47,212,310</u>
Total Liabilities and Net Assets.....	<u>\$211,903,394</u>	<u>\$188,899,453</u>

The accompanying notes are an integral part of this statement.

GUADALUPE-BLANCO RIVER AUTHORITY
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEARS ENDED AUGUST 31, 2005 AND 2004

	2005	2004
REVENUE		
Power Sales.....	\$3,872,868	\$3,497,610
Water Sales and Lake Operations.....	15,663,761	12,612,934
Recreation and Land Use.....	480,654	461,196
Waste Water Treatment Services.....	5,002,254	4,994,556
Laboratory Services.....	435,819	337,564
Rental.....	260,334	278,655
Pollution and Industrial Financing (Note F).....	205,233	324,725
Miscellaneous	1,471,039	2,239,210
Total Operating Revenue.....	<u>27,391,962</u>	<u>24,746,450</u>
EXPENSES		
Personnel Operating Costs.....	7,229,312	6,800,123
Operating Supplies and Services.....	8,879,415	9,034,504
Maintenance and Repairs	3,298,910	3,068,368
Depreciation and Amortization.....	3,015,376	2,819,832
Total Operating Expenses.....	<u>22,423,013</u>	<u>21,722,827</u>
Operating Income	4,968,949	3,023,623
NONOPERATING REVENUES (EXPENSES)		
Investment Income.....	310,337	180,130
Loss on the Disposal of Capital Assets.....	(19,523)	(734)
Interest Expense.....	(4,015,142)	(2,413,026)
Capital Contributions.....	309,411	11,496
Costs to be Recovered (Revenue to be Recognized) in Future Years (Note A17).....	(790,362)	(293,665)
Total Nonoperating Revenues (Expenses).....	<u>(4,205,279)</u>	<u>(2,515,799)</u>
Income Before Special Items	763,670	507,824
SPECIAL ITEMS		
Gain on Deferrals Resulting From Early Pay-off of Bonded Debt.....	295,053	--
Loss From Write Off of Certain Diversion and Water Supply Project Development Costs.....	(528,374)	--
Change in Net Assets.....	<u>530,349</u>	<u>507,824</u>
Net Assets at August 31, 2004 and 2003.....	<u>47,212,310</u>	<u>46,704,486</u>
Net Assets at August 31, 2005 and 2004.....	<u>\$47,742,659</u>	<u>\$47,212,310</u>

The accompanying notes are an integral part of this statement.

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

FISCAL YEARS ENDED AUGUST 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers.....	\$27,550,787	\$25,091,341
Cash Received from Interfund Administrative Charges.....	2,014,919	2,123,888
Cash Received from Administration of Industrial Revenue Bonds.....	--	16,875
Cash Received from Customer Operating Advances.....	--	7,539
Cash Paid for Personnel Operating Costs.....	(7,436,432)	(6,958,210)
Cash Paid for Other Operating and Maintenance Costs.....	(12,335,514)	(10,592,535)
Cash Paid for Interfund Administrative Charges.....	(1,807,799)	(1,727,978)
Net Cash Flows From Operating Activities.....	7,985,961	7,960,920
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Net Cash Flows From Noncapital Financing Activities.....	--	--
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Issuance of Revenue Bonds.....	20,271,368	6,149,968
Proceeds from Customer & Developer Capital Advances.....	74,784	189,053
Proceeds from Sale of Capital Assets.....	95,000	19,973
Purchase of Capital Assets.....	(4,765,996)	(3,524,647)
Cash Paid for Construction in Progress.....	(46,310,720)	(13,377,666)
Interest Paid.....	(3,738,885)	(2,065,067)
Principal Payments on Revenue Bonds.....	(1,925,000)	(1,965,000)
Principal Payments on Loans.....	(635,887)	(123,659)
Net Cash Flows From (Used by) Capital and Related Financing Activities.....	(36,935,336)	(14,697,045)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Net Investment Decrease.....	33,670,793	11,513,264
Investment Income Received.....	430,477	625,724
Cash Paid for Net Investment Increase.....	(3,173,994)	(5,811,338)
Net Cash Flows From (Used by) Investing Activities.....	30,927,276	6,327,650
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	\$1,977,901	(\$408,475)
CURRENT CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	\$1,235,826	\$1,061,375
At End of Year.....	2,025,546	1,235,826
Net Increase (Decrease).....	789,720	174,451
RESTRICTED CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	864,574	1,447,500
At End of Year.....	2,052,755	864,574
Net Increase (Decrease).....	1,188,181	(582,926)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	\$1,977,901	(\$408,475)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$4,968,949	\$3,023,623
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:		
Depreciation and Amortization.....	3,015,376	2,819,832
Non-Cash Pollution and Industrial Financing Income.....	(205,233)	(307,850)
Net Change in Assets and Liabilities from Operating Activities		
Operating Accounts Receivable.....	(61,756)	1,046,619
Other Current Assets.....	(70,316)	1,007
Deferred Costs and Expenses.....	--	(137,656)
Project Development Costs.....	--	(75,509)
Operating Accounts Payable.....	338,941	1,492,031
Operating Advances.....	--	98,823
Total Adjustments.....	3,017,012	4,937,297
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	\$7,985,961	\$7,960,920

NON-CASH TRANSACTIONS SCHEDULE

1. During fiscal year 2005 \$205,233 (in 2004, \$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
2. During fiscal year 2005 and 2004, an adjustment of \$64,901 and \$185,215 respectively, was made to increase (decrease) investments to fair value

The accompanying notes are an integral part of this statement.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2005 AND 2004

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.

- 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.
- Principles of Accounting.** The accompanying combined financial statements have been prepared on the full accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Under GASB Statement No. 20 *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting* all proprietary funds will continue to follow Financial Accounting Standards Board (FASB) standards issued on or before November 20, 1989. However, from that date forward, proprietary funds have the option of not applying future FASB pronouncements. GBRA has chosen to apply future FASB pronouncements unless they conflict with GASB guidance.
- Fund Reporting.** GBRA's accounting system consists solely of eleven (11) enterprise funds. 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.
- 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.
- 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.
- Restricted Assets.** Contractually restricted cash, investments, interest receivable and accounts receivable balances are reported as separate line items in the asset section of the balance sheet. Such amounts are physically segregated from other enterprise fund assets pursuant to provisions of the applicable bond indentures.
- Capital Assets.** Land is not depreciated since it is considered to have an indefinite useful life. Land rights, storage rights and water rights were primarily acquired prior to November 1, 1970. Since these assets have no evident limited life, no amortization is recognized. Property, plant and equipment are recorded at their historical cost except for contributed assets which are recorded at their fair market value at the time donated. GBRA Board Policy, 411-Capital Assets, provides guidelines for safeguarding and disposing of GBRA's capital assets. This policy identifies capital assets as all equipment and machinery with a useful life exceeding one year and with an original cost exceeding \$1,000. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives as follows:

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

- Other Assets.** Included within other assets are contract development costs, debt issuance costs, permits and licenses and project development costs. With the exception of project development costs, these assets are amortized on a straight-line basis over the life of the related contract, bond issue, or license. Project development costs represent the capitalization of expenditures during the initial stage of a new project. These costs are accumulated until the viability of the new project is determined. If a project is determined to be viable, the costs are either transferred to capital or intangible assets. If a project is determined not to be viable, the costs are expensed.
- Unbilled Revenue.** Revenue relating to unbilled rural water and waste water treatment services has not been recognized since the amounts are immaterial.
- Administrative and General Charges.** The operating divisions of GBRA pay administrative and general charges to the General Division for the administrative oversight the General Division provides. These interdivision charges and revenues have been eliminated in the combined statements.
- 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, 2005 and 2004 amounted to \$367,606 and \$351,707, respectively.
- 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, 2005, GBRA had \$16,551,275 contractual commitments for construction of the Office Expansion project, Western Canyon Construction project, the IH-35 Pipeline project, the Luling-Lockhart Pipeline project and the Dunlap Wastewater Treatment Plant.
- Operating and Nonoperating Activities.** Proprietary funds, like GBRA, distinguish operating revenues and expenses from nonoperating revenues and expenses. Operating activities result from providing services in connection with GBRA's principal ongoing operations. GBRA's primary operating revenues include charges for water sales and lake operations, power sales, wastewater treatment services, and other services. Operating expenses include the costs of sales and services, general and administrative expenses, and depreciation expense. Nonoperating revenues and expenses are all other activities not meeting the above definitions.
- Management's Use of Estimates.** The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, as well as, reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, allowance for doubtful accounts, realization of project development costs, and other accounts. Actual results may differ from these estimates.
- Reserved Net Assets.** GBRA recognizes net assets reserved for future construction costs, debt service payments, and insurance in divisions or funds in which assets exceed the related liabilities.
- 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 \$3,175,723 of interest expense and \$1,513,734 of interest income as construction in progress in 2005. GBRA recorded \$3,942,331 of interest expense and \$886,652 of interest income as construction in progress in 2004. The current construction projects, in which net interest costs were recognized, are the Western Canyon Construction project, the IH-35 Pipeline project, San Marcos Pipeline project and the Luling-Lockhart Pipeline project.
- 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 199

GUADALUPE-BLANCO RIVER AUTHORITY

NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED

AUGUST 31, 2005 AND 2004

NOTE B - LONG TERM LIABILITIES

GBRA currently has \$148,409,038 of debt outstanding from long-term loans and revenue bonds. This is exclusive of defeasance, discounts and premiums associated with these bonds.

The loans and revenue bonds outstanding at August 31, 2005 mature serially through 2037 as follows:

LONG-TERM LOANS

REVENUE BONDS

Year Ending August 31	Total	Interest	Principal	Balance of Principal Outstanding	Total	Interest	Principal	Balance of Principal Outstanding
				\$8,874,038				\$139,535,000
2006	1,048,735	388,663	660,072	8,213,966	9,457,097	6,142,097	3,315,000	136,220,000
2007	857,203	364,229	492,974	7,720,992	10,433,785	6,378,785	4,055,000	132,165,000
2008	665,666	348,836	316,830	7,404,162	10,786,762	6,221,762	4,565,000	127,600,000
2009	665,668	335,221	330,447	7,073,715	10,798,901	6,068,901	4,730,000	122,870,000
2010	665,666	320,829	344,837	6,728,878	10,858,975	5,888,975	4,970,000	117,900,000
2011	665,667	305,607	360,060	6,368,818	10,888,864	5,698,864	5,190,000	112,710,000
2012	665,667	289,495	376,172	5,992,646	10,105,475	5,505,475	4,600,000	108,110,000
2013	665,667	272,433	393,234	5,599,412	10,116,371	5,291,371	4,825,000	103,285,000
2014	641,031	254,552	386,479	5,212,933	10,108,000	5,083,000	5,025,000	98,260,000
2015	606,542	237,738	368,804	4,844,129	9,038,076	4,863,076	4,175,000	94,085,000
2016	606,541	220,448	386,093	4,458,036	9,056,488	4,666,488	4,390,000	89,695,000
2017	606,541	202,056	404,485	4,053,551	8,746,593	4,466,593	4,280,000	85,415,000
2018	606,542	182,481	424,061	3,629,490	8,081,663	4,271,663	3,810,000	81,605,000
2019	606,542	161,629	444,913	3,184,577	8,090,654	4,080,654	4,010,000	77,595,000
2020	606,542	139,405	467,137	2,717,440	8,082,899	3,877,899	4,205,000	73,390,000
2021	606,542	115,705	490,837	2,226,603	8,089,391	3,664,391	4,425,000	68,965,000
2022	606,541	90,414	516,127	1,710,476	8,081,484	3,436,484	4,645,000	64,320,000
2023	606,542	63,411	543,131	1,167,345	8,089,986	3,204,986	4,885,000	59,435,000
2024	606,544	34,562	571,982	595,363	8,087,055	2,962,055	5,125,000	54,310,000
2025	308,890	14,884	294,006	301,357	8,101,846	2,706,846	5,395,000	48,915,000
2026	308,890	7,533	301,357	--	7,435,030	2,455,030	4,980,000	43,935,000
2027					7,436,110	2,206,110	5,230,000	38,705,000
2028					7,134,710	1,944,710	5,190,000	33,515,000
2029					7,129,652	1,684,652	5,445,000	28,070,000
2030					7,131,590	1,411,590	5,720,000	22,350,000
2031					6,689,420	1,134,420	5,555,000	16,795,000
2032					6,689,630	854,630	5,835,000	10,960,000
2033					6,690,720	560,720	6,130,000	4,830,000
2034					1,371,940	251,940	1,120,000	3,710,000
2035					1,368,540	193,540	1,175,000	2,535,000
2036					1,367,270	132,270	1,235,000	1,300,000
2037					1,367,840	67,840	1,300,000	
	<u>\$13,224,169</u>	<u>\$4,350,131</u>	<u>\$8,874,038</u>		<u>\$246,912,817</u>	<u>\$107,377,817</u>	<u>\$139,535,000</u>	

GUADALUPE BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2005 AND 2004

NOTE B – LONG-TERM LIABILITIES (CONTINUED)

GBRA had the following changes in long-term liabilities for the fiscal years ended August 31, 2005 and 2004 (Exclusive of Interfund Loans Payable).

Series	Date of Issue	Final Maturity	Effective Interest Rate	Original Amount	Outstanding 8/31/2003	Retired During FY 2004	Outstanding 8/31/2004	Retired During FY 2005	Outstanding 8/31/2005	Amounts Due Within One Year
OBLIGATIONS PAYABLE DIRECTLY BY GBRA										
WATER RESOURCE DIVISION										
U. S. Government Loan	01/01/1977	2026	2.5%	\$8,979,862	\$5,353,720	\$175,047	\$5,178,673	179,423	\$4,999,250	183,909
First Lockhart National Bank Loan	12/31/2001	2007	3.5%	1,750,000	1,256,526	343,438	913,088	355,722	557,366	368,337
GE Capital Public Finance Loan	03/19/2004	2014	4.8%	467,276	--	14,574	452,702	38,061	414,641	39,944
General Improvement Revenue Bonds	2002 09/15/2002	2027	3.35-4.75%	4,390,000	4,280,000	95,000	4,185,000	100,000	4,085,000	105,000
Total Obligations Payable Directly by GBRA				\$15,587,138	\$10,890,246	\$628,059	\$10,729,463	\$673,206	\$10,056,257	\$697,190

CONTRACT REVENUE BONDS AND LOANS

WATER RESOURCE DIVISION										
Hays Energy Ltd. Loan	09/23/1999	2024	8.0%	\$3,200,000	\$3,023,337	\$57,876	\$2,965,461	62,680	\$2,902,781	67,882
Regional Raw Wtr Delivery System Bonds, San Marcos	1998 09/15/1998	2024	4.50-6.0%	9,735,000	8,835,000	255,000	8,580,000	270,000	8,310,000	285,000
Western Canyon Regional Water Supply Project Revenue Bonds	2003 04/01/2003	2033	3.0-5.25%	79,450,000	79,450,000	--	79,450,000	--	79,450,000	1,440,000
Combination Contract Revenue Bonds	2004 12/07/2004	2037	3.0-4.13%	15,660,000	--	--	--	15,660,000	15,660,000	--
Combination Contract Revenue Bonds	2004 12/07/2004	2037	5.5-5.8%	5,305,000	--	--	--	5,305,000	5,305,000	--
PORT LAVACA WATER TREATMENT PLANT DIVISION										
Water Supply Revenue Refunding Bonds	2000 12/15/2000	2016	4.50-5.375%	3,265,000	2,975,000	155,000	2,820,000	170,000	2,650,000	180,000
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	435,000 (2)
Regional Waste Disposal Refunding Revenue Bonds	1993 11/15/1993	2004	2.75-4.60%	2,780,000	945,000	530,000	415,000	415,000	--	--
Regional Waste Disposal Revenue Bonds	1996 07/18/1996	2010	2.9-4.75%	3,750,000	2,390,000	255,000	2,135,000	270,000	1,865,000	280,000
LULING WATER TREATMENT PLANT DIVISION										
Treated Water Delivery System Contract Revenue Bonds (City of Lockhart)	2004 05/01/2004	2030	3.0-5.0%	6,370,000	--	--	6,370,000	--	6,370,000	150,000
CANYON HYDROELECTRIC DIVISION										
Hydroelectric Project Revenue Refunding Bonds	2002 04/15/2002	2014	3.5-4.75%	9,705,000	9,155,000	670,000	8,485,000	695,000	7,790,000	720,000 (3)
LOCKHART WASTEWATER RECLAMATION DIVISION										
Regional Wastewater Treatment System Contract Revenue Bonds	1996 04/02/1996	2017	2.85%-4.55%	5,480,000	5,450,000	5,000	5,445,000	5,000	5,440,000	5,000
Total Contract Revenue Bonds and Loans				\$150,220,000	\$114,833,337	\$1,927,876	\$119,275,461	\$22,852,680	\$138,352,781	\$3,562,882

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	\$0	\$ -- (1)
Total Pollution Control Bonds				\$ 4,700,000	\$ 4,700,000	\$ --	\$ 4,700,000	\$ 4,700,000	\$0	\$ --
Total Bonds and Loans Payable Prior to Defeasance and Accretion of Interest					<u>\$130,423,583</u>		<u>\$134,704,924</u>		<u>\$148,409,038</u>	<u>\$4,260,072</u>

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2005 AND 2004

NOTE B – LONG-TERM LIABILITIES (CONTINUED)

	<u>8/31/2004</u>	<u>8/31/2005</u>	
Total Bonds and Loans Payable Prior to Defeasance			
and Accretion of Interest	\$134,704,924	\$148,409,038	
Less Deferred Defeasance on Advance Refunding	(971,722)	(2,523,119)	
Plus Revenue Bond Discounts and Accretion of Interest	<u>1,543,711</u>	<u>3,254,469</u>	(2)(3)
Net Revenue Bonds and Long-Term Loans Payable	135,276,913	149,140,388	
Less Current Portion	<u>(2,560,886)</u>	<u>(4,260,072)</u>	
TOTAL BONDS AND LOANS PAYABLE	<u><u>132,716,027</u></u>	<u><u>144,880,316</u></u>	

INTERDIVISION LOANS ELIMINATED FROM COMBINED BALANCE SHEET

Long-term loans payable to the General Division are as follows:

	<u>8/31/2004</u>	<u>8/31/2005</u>
GuadalupeValley Hydroelectric Division	739,000	531,000
Rural Utilities Division	--	140,000
Water Supply Division	7,324,037	7,778,631
Coletto Creek Division	262,598	305,598
Canyon Hydroelectric Division	128,500	--
Lockhart Wastewater Reclamation Division	<u>32,871</u>	<u>21,375</u>
Total Long-term loans payable to the General Division	<u><u>8,487,006</u></u>	<u><u>8,776,604</u></u>

1. A bond issue totaling \$4,700,000 was guaranteed by Standard Oil Company of Ohio (SOHIO), and was paid-off by SOHIO during 2005. Although GBRA owns the water supply facilities and the bond issue bore the GBRA's name, GBRA did not pledge its credit nor was it liable for any principal, premium, interest, or costs associated this issue except to the extent of revenue collected on this project. Instead, British Petroleum Chemical Company and Standard Oil Company pledge their credit and bore sole responsibility for all debt service payments
2. GBRA issued in Fiscal Year 1990 Regional Waste Disposal Refunding and Improvement Revenue Bonds. These bonds included both current interest bonds and capital appreciation or deep-discount bonds. The original combined discount on these bonds was in the amount of \$1,879,910. GBRA is amortizing the discount over the life of the bonds using the effective interest method. The August 31, 2005 and 2004 discount balance was \$414,568 and \$562,147 respectively.
Part of the proceeds from these bonds were used to purchase U.S. Government securities which were placed in a separate irrevocable trust fund in order to defease a 1982 bond issue which was subsequently called on October 1, 1992.
3. GBRA issued in Fiscal Year 2002, Hydroelectric Project (City of New Braunfels, Texas) Revenue Refunding Bonds, Series 2002. These bonds were issued to retire the Series 1991 bonds, except for \$50,000 in principal and associated interest, which matured on December 1, 2002. The Series 2002 bonds were sold at a premium of \$33,774 which is being amortized over the life of the bond. The premium balance at August 31, 2005 and 2004 was \$25,676 and \$28,046 respectively. In addition to the refunding, New Braunfels Utilities contributed \$2,000,000 toward the reduction of the debt and reduced the term of the debt by two years. The refunding produced a net present value benefit (economic gain) of \$1,195,411. The combination of the refunding of the old bonds and the \$2,000,000 advance payment resulted in a net cash flow savings of \$2,972,819.
4. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service retirement, construction, contingencies, etc. These accounts are reported as restricted assets in the accompanying combined financial statements. The bond indentures contain flow of funds requirements which generally provide the order in which funds are to be applied. These requirements have been met. None of the bond indentures of GBRA contain bond coverage requirement provisions, except the General Improvement Revenue Bonds; therefore, coverage data is not applicable for those issues. The General Improvement Revenue Bonds required provisions are disclosed in footnote "Continuing Disclosure Requirements".

NOTE C - DEFINED BENEFIT PENSION PLAN

1. PLAN DESCRIPTION

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

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

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

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2005 AND 2004

NOTE C – LONG-TERM LIABILITIES (CONTINUED)

2. FUNDING POLICY

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

Employees are not required to contribute to the plan. GBRA makes contributions which are actuarially determined to pay the plan's total cost. GBRA contributes an amount annually (usually in December) for each plan year (ending December 31) that equals the sum of the normal cost using the entry age actuarial cost method plus an amount that will amortize the unfunded actuarial liability over an open period that varies from year to year but that in recent years has been 30 years. The employer contributions were 8.65% of total participant payroll for 2004 and are expected to be 8.97% for the 2005 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, 2004 and ending August 31, 2005, the Annual Pension Cost for GBRA of \$514,051 was equal to the employer's required and actual contribution. There is no existing net pension obligation since GBRA has historically contributed the required annual contribution.

Fiscal Year Ending	SIX-YEAR TREND INFORMATION		
	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
August 31, 2000	\$340,870	100%	\$ --
August 31, 2001	\$350,082	100%	\$ --
August 31, 2002	\$386,646	100%	\$ --
August 31, 2003	\$423,589	100%	\$ --
August 31, 2004	\$538,629	100%	\$ --
August 31, 2005	\$514,051	100%	\$ --

The required contribution for the fiscal year ending August 31, 2005 was based on the results of the actuarial valuation as of January 1, 2003 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, 2003	January 1, 2004	January 1, 2005
Actuarial Cost Method:	Entry age	Entry age	Entry age
Amortization Method:	Level % of payroll, open	Level % of payroll, open	Level % of payroll, open
Amortization Period:	30 years	30 years	30 years
Asset Valuation Method:	5-yr adjusted market value	5-yr adjusted market value	5-yr adjusted market value
Annual Actuarial Assumptions:			
Investment return*	8.25%	8.25%	8.25%
Projected salary increases*	4.0% plus merit	4.0% plus merit	4.0% plus merit
Inflation	4.0%	4.0%	4.0%
Cost-of-living increases	0.0%	0.0%	0.0%

* includes inflation at the stated rate

4. REQUIRED SUPPLEMENTARY INFORMATION - SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	1-Jan-00	1-Jan-01	1-Jan-02	1-Jan-03	1-Jan-04	1-Jan-05
Actuarial Value of Assets	\$5,390,609	\$6,040,155	\$6,613,194	\$6,366,054	\$7,205,740	\$7,677,107
Actuarial Accrued Liability (AAL)	\$5,890,652	\$8,688,221	\$9,550,335	\$10,754,778	\$11,372,521	\$12,690,710
Unfunded AAL (UAAL)	\$500,043	\$2,648,066	\$2,937,141	\$4,388,724	\$4,166,781	\$5,013,603
Funded Ratio	92%	70%	69%	59%	63%	60%
Covered Payroll	\$4,361,071	\$5,014,674	\$5,513,092	\$6,109,780	\$5,941,599	\$6,972,148
UAAL as a Percentage of Covered Payroll	11%	53%	53%	72%	70%	72%

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.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2005 AND 2004

NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

1. CASH AND DEPOSITS

At August 31, 2005, GBRA held \$745,474 in restricted and unrestricted cash. Included in this amount was \$1,700 of cash on hand and the remainder was on deposit at various banks in demand accounts.

Deposits as of August 31, 2005 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. At August 31, 2005 and 2004 bank deposits were entirely insured or collateralized with securities held by GBRA's agent in GBRA's name.

2. INVESTMENTS

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

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

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

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			Weighted Average	
	1	2	3	Fair Value	Maturity in Months
Federal Home Loan Bank	\$ 4,130,444	\$ --	-- \$	4,130,444	27.66
Federal Home Loan Mortgage Corp.	14,671,810	--		14,671,810	3.00
Federal National Mortgage Assn.	3,450,964			3,450,964	1.35
U. S. Treasury	814,248			814,248	15.45
Total Categorized Investments	\$ 23,067,466	\$ --	--	23,067,466	
Certificates of Deposit				1,135,325	4.72
Money Market Funds				2,769,985	0.00
TexClass				548,724	1.00
TexPool				28,341,963	1.00
Total Investments				\$ 55,863,463	3.75

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

Investments are rated as follows:

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

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

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2005 AND 2004

NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

The investment pools seek to maintain a net asset value of \$1.00 and are designed to be used for investment of funds which may be needed at any time. Concentration of Credit Risk: GBRA's investment policy provides for diversification to reduce overall portfolio risk. The operating funds portfolio should consist of no more than 75% government or mortgage backed securities, 50% certificates of deposits, or 50% other types of eligible instruments. The investment portfolio concentrations are as follows:

Description	Fair Value	% of Portfolio
Mortgage Backed Securities	\$ 22,253,218	39.31%
Government Securities	814,248	1.44%
Certificates of Deposit	1,135,325	2.01%
Money Market Funds	2,769,985	4.89%
Public Funds Investment Pool	28,890,687	51.03%
Cash	745,474	1.32%
Total	<u>\$ 56,608,937</u>	<u>100.00%</u>

NOTE E - CAPITAL ASSETS

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

Classification	ASSETS			
	Balance August 31, 2004	Additions	Removals	Balance August 31, 2005
Land, Water & Storage Rights	\$ 20,959,447	\$ 1,088,461	\$ --	\$ 22,047,908
Construction in Progress	18,672,954	64,451,556	13,969,298	69,155,212
Total Assets Not Being Depreciated	<u>39,632,401</u>	<u>65,540,017</u>	<u>13,969,298</u>	<u>91,203,120</u>
Dams, Plants and Equipment	89,030,513	6,535,676	1,813,878	93,752,311
Less Accumulated Depreciation	(37,599,555)	(2,895,369)	(363,052)	\$ (40,131,872)
	<u>51,430,958</u>	<u>3,640,307</u>	<u>1,450,826</u>	<u>53,620,439</u>
Total Capital Assets	<u>\$ 91,063,359</u>	<u>\$ 69,180,324</u>	<u>\$ 15,420,124</u>	<u>\$ 144,823,559</u>

NOTE F - POLLUTION CONTROL AND INDUSTRIAL DEVELOPMENT BONDS

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

For each of the remaining pollution control and industrial development bonds listed below, GBRA acted as an issuing conduit so that the user of the bond proceeds benefited from reduced debt service requirements. In each case, the user of the bond proceeds pledge their credit, bear sole responsibility for all debt service, make all payments directly to the trustee, and completely indemnify GBRA for any costs incurred. Due to the character of these bonds, GBRA considers them debts of the third party users rather than debts of GBRA. Therefore, these bonds and the related receivables have been excluded from the combined financial statements in order to avoid misrepresenting the nature of the bonds and distorting GBRA's financial statements. This exclusion is in conformity with the Texas State Auditor's Report dated October 6, 1986 for Water Districts and River Authorities reporting third party conduit financings. The Pollution Control and Industrial Development Bonds outstanding at August 31, 2005 total \$104,390,000 and are as follows:

Series	Date of Issue	Maturity	Interest Rate	Original Amount	Outstanding 8/31/04	Outstanding 8/31/05
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
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

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2005 AND 2004

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 \$830,789 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 a contingency risk exists that may exceed reasonable cost projections. Annual costs have not exceeded the plan year budget over the past three fiscal years. As a result, GBRA has accumulated in a restricted health insurance investment fund a total of \$395,903. These funds will be available in any future year that health costs exceed that plan year budget.

NOTE H - CONTINUING DISCLOSURE REQUIREMENTS

GENERAL IMPROVEMENT REVENUE BONDS

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

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

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

COMBINATION CONTRACT REVENUE BONDS

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

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

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

1. DEBT SERVICE REQUIREMENTS

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

2. FUND BALANCES AND COVERAGE

GENERAL IMPROVEMENT REVENUE BONDS

Interest and Sinking Fund Balances as of August 31, 2005	\$	23,600
Reserve Fund Balance as of August 31, 2005	\$	--(1)
Pledged Revenues for the Fiscal Year Ended August 31, 2005	\$	5,691,556(2)
Net Revenues for the Fiscal Year Ended August 31, 2005	\$	856,076(3)
Average Annual Debt Service Requirements (2003-2027)	\$	295,625
Coverage Factor based on Pledged Revenues		19.25
Coverage Factor based on Net Revenues		2.90

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

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

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

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

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2005 AND 2004

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

	Fiscal Year Ended August 31				
	2005	2004	2003	2002	2001
Revenue					
Raw Water Sales (1)	\$ 5,691,556	\$ 5,387,503	\$ 5,395,420	\$ 4,112,175	\$ 4,142,438
Reservation Fees (2)	609,750	504,750	504,750	504,750	809,625
Recreation and Land Use	78,990	81,441	81,920	82,209	90,100
Rental Income	158,937	158,077	145,439	19,860	20,570
Miscellaneous	31,298	185,560	37,519	105,896	39,672
Total Operating Revenue	<u>\$ 6,570,531</u>	<u>\$ 6,317,331</u>	<u>\$ 6,165,048</u>	<u>\$ 4,824,890</u>	<u>\$ 5,102,405</u>
Expense					
Operating Expenses (3)	\$ 4,879,440	\$ 4,197,678	\$ 3,377,812	\$ 3,073,064	\$ 2,417,752
Maintenance and Repairs	430,913	228,875	321,898	334,652	231,316
Administrative and General	404,101	378,547	340,081	314,105	303,186
Total Operating Expense	<u>\$ 5,714,454</u>	<u>\$ 4,805,100</u>	<u>\$ 4,039,791</u>	<u>\$ 3,721,821</u>	<u>\$ 2,952,254</u>
Net Revenue	\$ 856,076	\$ 1,512,231	\$ 2,125,257	\$ 1,103,069	\$ 2,150,151
Less Debt Service for Senior Lien Bonds (4)	\$ 282,725	\$ 282,000	\$ 285,954	\$ --	\$ --
Subordinate Revenues Available	<u>\$ 573,351</u>	<u>\$ 1,230,231</u>	<u>\$ 1,839,303</u>	<u>\$ 1,103,069</u>	<u>\$ 2,150,151</u>

- (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.
(3) Includes \$528,374 of FY 2005 costs recognized as Special Items in the Combining Schedule of Revenues, Expenses and Change in Net Assets.
(4) Senior Lien Bonds include the outstanding General Improvement Bonds, Series 2002.

4. CUSTOMER BASE BY TYPE

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

	As of August 31, 2005		As of August 31, 2004		As of August 31, 2003	
	<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	49,856	74.96%	46,248	73.40%	44,823	72.78%
Domestic	25	0.04%	24	0.04%	25	0.04%
Industrial	15,831	23.80%	15,830	25.12%	15,833	25.71%
Irrigation	799	1.20%	903	1.43%	909	1.48%
Total contracted acre-feet	<u>66,511</u>	<u>100.00%</u>	<u>63,005</u>	<u>100.00%</u>	<u>61,590</u>	<u>100.00%</u>

	As of August 31, 2002		As of May 31, 2000	
	<u>Acre-Feet</u>	<u>% of Total</u>	<u>Acre-Feet</u>	<u>% of Total</u>
Municipal	42,868	66.42%	37,666	63.79%
Domestic	25	0.04%	24	0.04%
Industrial	20,739	32.13%	20,671	35.01%
Irrigation	906	1.40%	685	1.16%
Total contracted acre-feet	<u>64,538</u>	<u>100.00%</u>	<u>59,046</u>	<u>100.00%</u>

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2005 AND 2004

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

Municipal and Industrial customers account for the majority of the total acre-feet under contract between GBRA and purchasers, and purchasers with contracts for 1,000 acre-feet or more per year account for 88% of the total acre-feet currently under contract. For this reason, major firm water customers have been identified as those with contracts for the sale of firm raw water in the amount of 1,000 or more acre-feet per year. Major firm water customers for the fiscal year ended August 31, 2005 are shown below:

Customer	Type	Total AF/YR	Revenue	Contract Information		
				Contract Date	Expiration Date	Renewal Option
Municipal						
Canyon Regional Water Authority City of Marion (100 A/F) City of Cibolo (800 A/F) Green Valley SUD (1,800 A/F) Springs Hill WSC (1,925 A/F) East Central WSC (1,400 A/F) Bexar Metropolitan WD (4,000 A/F)	Regional Water Authority	10,025	\$ 1,023,326	10/13/1998	12/31/2039	(1)
New Braunfels Utilities	City	6,720	589,120	01/26/1989	01/25/2009	20 Yrs
City of Seguin	City	2,000	182,333	07/11/1995	12/31/2007	20 Yrs
Canyon Lake WSC	Water Supply Corporation	2,000	175,333	10/01/1994	12/31/2044	(1)
Canyon Lake WSC II	Water Supply Corporation	2,000	175,333	08/27/2001	12/31/2050	(1)
SHWSC I	Water Supply Corporation	1,000	87,667	06/26/1967	12/31/2050	(1)
SHWSC II	Water Supply Corporation	1,000	87,667	06/01/2000	12/31/2050	(1)
San Marcos RWDS Project						
City of San Marcos	City	5,000	438,333	10/01/1989	07/01/2047	(1)
City of Kyle	City	2,957	121,097	05/20/2005	12/31/2038	
City of Buda	City	1,120	98,187	04/09/2002	12/31/1942	(1)
CRWA --Hays Project	Regional Water Authority	2,038	178,665	06/16/1999	12/31/2039	(1)
GBRA Western Canyon						
SAWS	City	4,000	464,001	03/17/2000	12/31/2037	40 Yrs (2x20 Yrs)
Boerne	City	1,861	81,574	02/22/2000	12/31/2037	40 Yrs (2x20 Yrs)
Fair Oaks Ranch	City	1,400	61,367	02/10/2000	12/31/2037	40 Yrs (2x20 Yrs)
Total Major Municipal Customers		43,121	\$ 3,764,003			
Industrial						
Guadalupe Power Partners	Electric Generation	6,840	\$ 590,794	03/17/1999	12/31/2021	30 Yrs (6x5 Yrs)
Coletto Creek WLE	Electric Generation	4,000	394,500	09/01/1975	09/01/2025	(1)
Hays Energy Limited Partners	Electric Generation	2,464	216,011	06/25/1999	12/31/2025	(1)
BP Chemical	Chemical Company	1,100	96,433	02/11/1980	02/21/2005	40 Yrs (15 Yrs = (5x5 Yrs))
Total Major Industrial Customers		14,404	\$ 1,297,738			
Other						
Cordillera Ranch	Housing Development	1,000	47,333	10/11/2001	12/31/2037	40 Yrs (2x20 Yrs)
Total Major Other Customers		1,000	\$ 47,333			
Total Major Customers		58,525	\$ 5,061,741			
Total Firm Water Sales		66,511	\$ 5,691,556			
Major Customers as a Percentage of Total		87.99%	88.93%			

(1) Contract does not provide for specific renewal options

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2005 AND 2004

6. FIRM WATER SALES RATE HISTORY

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

(1) Excludes out-of-district charges.

7. OTHER OBLIGATIONS

Obligations Payable Directly by GBRA

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

Contract Revenue Bonds

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

Pollution Control and Industrial Development Bonds

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

8. CASH, CASH EQUIVALENTS AND INVESTMENTS OF GBRA

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

NOTE I – SPECIAL ITEMS

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

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

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

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

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2005 AND 2004

NOTE J - SEGMENT INFORMATION, INCLUDING INTERFUND RECEIVABLES/PAYABLES

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

All operating revenues result from charges for services.

Segment information at August 31, 2005 is as follows:

	Water Sales	Calhoun Canal	Port Lavaca Water Plant	Victoria Waste Disposal	Luling Water Plant	Canyon Hydroelectric	Lockhart WWTP	Total
REVENUES, EXPENSES AND CHANGES IN NET ASSETS								
Operating Revenue	\$ 10,366,720	\$ 1,267,208	\$ 1,272,105	\$ 3,361,882	\$ 773,124	\$ 1,299,012	\$ 921,878	\$ 19,261,929
Operating Expenses	(5,879,045)	(1,237,776)	(946,063)	(2,335,725)	(486,404)	(219,386)	(651,333)	(11,755,732)
Depreciation and Amortization Exp	(820,480)	(197,148)	(181,554)	(387,268)	(125,736)	(361,342)	(199,237)	(2,272,765)
Operating Income	3,667,195	(167,716)	144,488	638,889	160,984	718,284	71,308	5,233,432
Nonoperating Revenue (Expenses)	(2,489,899)	(205,135)	(126,238)	(220,348)	(168,820)	(426,553)	(233,516)	(3,870,509)
Capital Contributions	--	--	--	--	--	--	11,496	11,496
Costs to be Recovered (Deferred Rev)	(605,100)	134,400	(35,107)	(179,179)	(23,436)	(268,485)	186,545	(790,362)
Change in Net Assets	572,196	(238,451)	(16,857)	239,362	(31,272)	23,246	35,833	584,057
Beginning Net Assets	13,929,356	1,112,736	1,149,165	2,424,857	367,526	626,950	150,337	19,760,927
Residual Equity Transfer	--	--	--	--	--	--	--	--
Ending Net Assets	\$ 14,501,552	\$ 874,285	\$ 1,132,308	\$ 2,664,219	\$ 336,254	\$ 650,196	\$ 186,170	\$ 20,344,984
BALANCE SHEET ACTIVITIES								
Total Assets	\$ 152,444,027	\$ 3,058,632	\$ 4,083,608	\$ 7,218,497	\$ 7,055,083	\$ 9,621,247	\$ 5,942,818	\$ 189,423,912
Total Liabilities	(137,942,475)	(2,184,347)	(2,951,300)	(4,554,278)	(6,718,829)	(8,971,051)	(5,756,648)	(169,078,928)
Total Net Assets	\$ 14,501,552	\$ 874,285	\$ 1,132,308	\$ 2,664,219	\$ 336,254	\$ 650,196	\$ 186,170	\$ 20,344,984
Revenue Bonds Payable	\$ 114,837,009	\$ --	\$ 2,650,000	\$ 4,060,431	\$ 6,353,980	\$ 6,924,931	\$ 5,440,000	\$ 140,266,351
Loans Payable	8,874,037	--	--	--	--	--	--	8,874,037
Interfund Balances:								
Accounts Receivable	458,869	121,487	135,320	243,215	35,000	38,000	55,000	1,086,891
Accounts Payable	590,806	128,302	159,580	123,358	46,806	8,330	12,295	1,069,477
Notes Payable	4,741,832	1,999,139	--	--	--	--	21,375	6,762,346
CASH FLOW ACTIVITIES								
Cash Flows								
Operating Activities	\$ 9,574,223	\$ (268,433)	\$ 397,290	\$ 1,035,623	\$ 421,429	\$ 1,421,825	\$ 461,651	\$ 13,043,608
Noncapital Financing Activities	--	(205,233)	--	--	--	(128,500)	--	(333,733)
Capital & Related Financing Activities	(34,554,072)	406,876	(325,176)	(1,025,429)	(4,172,380)	(1,091,374)	(285,052)	(41,046,607)
Investing Activities	25,085,380	97,317	(7,701)	828,355	3,758,568	7,323	(99,988)	29,669,254
	\$ 105,531	\$ 30,527	\$ 64,413	\$ 838,549	\$ 7,617	\$ 209,274	\$ 76,611	\$ 1,332,522
Current Cash and Cash Equivalents								
At Beginning of Year	\$ 106,859	\$ 2,351	\$ 17,619	\$ 27,141	\$ 49,302	\$ 7,335	\$ (63,642)	\$ 146,965
At End of Year	252,118	32,878	84,096	169,240	31,272	203,587	12,969	786,160
Net Increase (Decrease)	\$ 145,259	\$ 30,527	\$ 66,477	\$ 142,099	\$ (18,030)	\$ 196,252	\$ 76,611	\$ 639,195
Restricted Cash and Cash Equivalents								
At Beginning of Year	\$ 251,884	\$ --	\$ 5,028	\$ 65,174	\$ --	\$ 253,683	\$ --	\$ 575,769
At End of Year	212,156	--	2,964	761,624	25,647	266,705	--	1,269,096
Net Increase (Decrease)	(39,728)	--	(2,064)	696,450	25,647	13,022	--	693,327
	\$ 105,531	\$ 30,527	\$ 64,413	\$ 838,549	\$ 7,617	\$ 209,274	\$ 76,611	\$ 1,332,522



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Other Supplemental Information

GUADALUPE-BLANCO RIVER AUTHORITY
COMBINING BALANCE SHEET

AUGUST 31, 2005

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division	Port Lavaca Water Treatment Plant Division	Calhoun County Rural Water Supply Division
ASSETS						
CURRENT ASSETS						
Unrestricted Assets						
Cash and Cash Equivalents.....	\$ 989,643	\$ 12,723	\$ 51,080	\$ 117,506	\$ 84,096	\$ 64,892
Investments-Unrestricted.....	2,106,965	--	--	--	--	146,590
Interest Receivable.....	56,644	11	--	21	144	2,640
Accounts Receivable-Operating.....	1,651	300,097	145,826	626,875	98,996	69,606
Accounts Receivable-Interfund.....	2,131,282	190,000	91,000	715,989	135,320	69,500
Other Current Assets.....	16,835	51,588	14,018	237,624	16,011	20,003
Total Current Assets.....	5,303,020	554,419	301,924	1,698,015	334,567	373,231
Restricted Assets						
Cash and Cash Equivalents.....	280,923	--	277,465	437,427	2,964	--
Investments.....	479,667	--	712,128	34,631,503	148,581	--
Interest Receivable.....	3,457	--	13,833	79,926	988	--
Total Restricted Assets.....	764,047	--	1,003,426	35,148,856	152,533	--
Total Current Assets.....	6,067,067	554,419	1,305,350	36,846,871	487,100	373,231
LONG-TERM ASSETS						
Restricted Assets						
Investments.....	1,132,553	--	97,240	10,040,939	31,278	--
Total Restricted Assets.....	1,132,553	--	97,240	10,040,939	31,278	--
Capital Assets						
Land, Water and Storage Rights.....	511,854	2,196,916	84,199	17,134,368	41,424	51,396
Dams, Plants and Equipment.....	1,875,812	9,865,840	2,965,287	30,072,544	5,370,358	2,163,079
Construction In Progress.....	--	313,967	342,963	68,142,708	4,555	183,831
Less Accumulated Depreciation.....	(1,215,373)	(5,197,092)	(2,074,998)	(8,957,393)	(2,829,547)	(1,233,154)
Total Capital Assets.....	1,172,293	7,179,631	1,317,451	106,392,227	2,586,790	1,165,152
Other Assets						
Investments-Unrestricted.....	2,075,117	--	--	--	--	--
Long-term Loans Receivable.....	104,000	--	247,842	--	--	--
Contract Development Costs (Net of Amortization).....	--	--	--	1,626	--	--
Debt Issuance Costs (Net of Amortization).....	--	--	--	2,264,479	146,198	--
Permits and Licenses (Net of Amortization).....	--	--	--	--	--	--
Project Development Costs.....	--	163	437,013	1,650,178	--	--
Interfund Loans Receivable.....	8,776,604	--	--	--	--	--
Deferred Costs and Expenses.....	--	--	--	--	832,242	--
Total Other Assets.....	10,955,721	163	684,855	3,916,283	978,440	--
Total Long-Term Assets.....	13,260,567	7,179,794	2,099,546	120,349,449	3,596,508	1,165,152
Total Assets.....	\$ 19,327,634	\$ 7,734,213	\$ 3,404,896	\$ 157,196,320	\$ 4,083,608	\$ 1,538,383
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Payable from Unrestricted Assets						
Current Portion of Long-Term Loans Payable.....	\$ --	\$ --	\$ --	\$ 660,072	\$ --	\$ --
Interest Payable.....	--	--	--	87,711	--	--
Accounts Payable-Operating.....	519,379	397,099	155,737	377,225	92,082	47,928
Accounts Payable-Interfund.....	1,627,313	423,134	209,769	971,085	159,580	100,052
Total Current Unrestricted Liabilities.....	2,146,692	820,233	365,506	2,096,093	251,662	147,980
Payable from Restricted Assets						
Current Portion of Debt.....	--	--	--	1,830,000	180,000	--
Interest Payable.....	--	--	--	1,378,390	21,388	--
Accounts Payable-Construction.....	--	--	--	7,281,909	--	--
Total Current Restricted Liabilities.....	--	--	--	10,490,299	201,388	--
Total Current Liabilities.....	2,146,692	820,233	365,506	12,586,392	453,050	147,980
LONG-TERM LIABILITIES						
Revenue Bonds Payable.....	--	--	--	114,837,009	2,650,000	--
Long-Term Loans Payable.....	--	--	--	8,874,038	--	--
Interfund Loans Payable.....	--	531,000	140,000	7,778,631	--	--
	--	531,000	140,000	131,489,678	2,650,000	--
Less Current Portion.....	--	--	--	(2,490,072)	(180,000)	--
Total Bonds and Loans Liabilities.....	--	531,000	140,000	128,999,606	2,470,000	--
Advances for Operations.....	--	--	13,975	64,830	28,250	--
Deferred Income.....	--	--	--	1,335,111	--	--
Total Long-Term Liabilities.....	--	531,000	153,975	130,399,547	2,498,250	--
Total Liabilities.....	2,146,692	1,351,233	519,481	142,985,939	2,951,300	147,980
NET ASSETS						
Investments in Capital Assets Net of Related Debt.....	1,172,292	6,648,633	1,177,451	19,844,175	(63,211)	1,165,152
Reserved for Construction.....	--	--	1,100,666	--	31,278	--
Reserved for Insurance.....	1,165,648	--	--	--	--	--
Unrestricted.....	14,843,002	(265,653)	607,298	(5,633,794)	1,164,241	225,251
Total Net Assets.....	17,180,942	6,382,980	2,885,415	14,210,381	1,132,308	1,390,403
Total Liabilities and Net Assets.....	\$ 19,327,634	\$ 7,734,213	\$ 3,404,896	\$ 157,196,320	\$ 4,083,608	\$ 1,538,383

See accompanying independent auditors' report.

Victoria Regional Wastewater Reclamation Division	Coleta Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	2005 Eliminations	2005 Total
\$ 169,240	\$ 17,741	\$ 31,272	\$ 203,587	\$ 283,766	\$ --	\$ 2,025,546
51,404	--	--	--	\$ 15,636	--	2,320,595
2,294	2	191	33	374	--	62,354
17,084	2,351	62,998	168,610	19,015	--	1,513,109
243,215	91,814	35,000	38,000	55,000	(3,796,120)	0
25,887	8,595	4,130	8,896	14,209	--	417,796
509,124	120,503	133,591	419,126	388,000	(3,796,120)	6,339,400
761,624	--	25,647	266,705	--	--	2,052,755
60,000	--	667,491	109,655	23,889	--	36,832,914
3,142	--	1,575	4,166	217	--	107,304
824,766	--	694,713	380,526	24,106	--	38,992,973
1,333,890	120,503	828,304	799,652	412,106	(3,796,120)	45,332,373
--	--	--	--	--	--	11,302,010
--	--	--	--	--	--	11,302,010
1,003,391	--	875,292	12,187	136,881	--	22,047,908
14,304,275	1,788,821	6,710,571	12,428,328	6,207,396	--	93,752,311
23,386	--	25,194	117,895	713	--	69,155,212
(9,555,485)	(1,316,758)	(1,592,273)	(4,897,411)	(1,262,388)	--	(40,131,872)
5,775,567	472,063	6,018,784	7,660,999	5,082,602	--	144,823,559
--	--	--	--	--	--	2,075,117
--	--	--	--	--	--	351,842
--	--	--	51,757	15,649	--	69,032
105,330	--	207,995	353,824	80,317	--	3,158,143
--	--	--	755,015	--	--	755,015
3,710	--	--	--	--	--	2,091,064
--	--	--	--	--	(8,776,604)	0
--	--	--	--	1,112,997	--	1,945,239
109,040	--	207,995	1,160,596	1,208,963	(8,776,604)	10,445,452
5,884,607	472,063	6,226,779	8,821,595	6,291,565	(8,776,604)	166,571,021
\$ 7,218,497	\$ 592,566	\$ 7,055,083	\$ 9,621,247	\$ 6,703,671	(12,572,724)	\$ 211,903,394
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	660,072
--	--	--	--	--	--	87,711
228,236	85,320	235,220	198,217	357,576	--	2,694,019
123,358	107,391	46,806	8,330	19,302	(3,796,120)	0
351,594	192,711	282,026	206,547	376,878	(3,796,120)	3,441,802
715,000	--	150,000	720,000	5,000	--	3,600,000
35,064	--	24,582	84,917	19,702	--	1,564,043
--	--	--	--	--	--	7,281,909
750,064	--	174,582	804,917	24,702	--	12,445,952
1,101,658	192,711	456,608	1,011,464	401,580	(3,796,120)	15,887,754
4,060,431	--	6,353,980	6,924,931	5,440,000	--	140,266,351
--	--	--	--	--	--	8,874,038
--	305,598	--	--	21,375	(8,776,604)	0
4,060,431	305,598	6,353,980	6,924,931	5,461,375	(8,776,604)	149,140,389
(715,000)	--	(150,000)	(720,000)	(5,000)	--	(4,260,072)
3,345,431	305,598	6,203,980	6,204,931	5,456,375	(8,776,604)	144,880,317
82,673	--	34,805	248,767	30,412	--	503,712
24,516	--	23,436	1,505,889	--	--	2,888,952
3,452,620	305,598	6,262,221	7,959,587	5,486,787	(8,776,604)	148,272,981
4,554,278	498,309	6,718,829	8,971,051	5,888,367	(12,572,724)	164,160,735
1,715,134	166,465	427,325	736,068	(378,773)	8,776,604	41,387,315
126,990	--	--	109,655	--	--	1,368,589
--	--	--	--	--	--	1,165,648
822,095	(72,208)	(91,071)	(195,527)	1,194,077	(8,776,604)	3,821,107
2,664,219	94,257	336,254	650,196	815,304	--	47,742,659
\$ 7,218,497	\$ 592,566	\$ 7,055,083	\$ 9,621,247	\$ 6,703,671	\$ (12,572,724)	\$ 211,903,394

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

FISCAL YEAR ENDED AUGUST 31, 2005

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division	Port Lavaca Water Treatment Plant Division
REVENUE					
Power Sales.....	\$ --	\$ 2,596,197	\$ --	\$ --	\$ --
Water Sales and Lake Operations.....	--	--	--	11,813,873	1,272,105
Recreation and Land Use.....	--	--	--	78,990	--
Waste Water Treatment Services.....	--	--	932,972	326,351	--
Laboratory Services.....	--	--	--	415,041	--
Rental.....	--	2,633	--	165,321	--
Administrative and General.....	2,014,919	--	--	--	--
Pollution and Industrial Financing.....	--	--	--	205,233	--
Miscellaneous.....	2,420	418,739	69,507	332,843	--
Total Operating Revenue.....	2,017,339	3,017,569	1,002,479	13,337,652	1,272,105
EXPENSES					
Personnel Operating Costs.....	659,737	1,163,860	294,331	2,690,607	380,792
Operating Supplies and Services.....	825,131	925,937	213,361	4,586,942	335,013
Maintenance and Repairs.....	152,257	714,976	168,017	916,688	129,651
Administrative and General.....	--	364,120	81,320	685,425	100,607
Depreciation and Amortization	159,741	230,442	117,822	1,045,770	181,554
Total Operating Expenses	1,796,866	3,399,335	874,851	9,925,432	1,127,617
Operating Income (Loss).....	220,473	(381,766)	127,628	3,412,220	144,488
NONOPERATING REVENUES (EXPENSES)					
Investment Income.....	142,231	254	20,418	107,378	5,138
Gain (Loss) on the Disposal of Capital Assets.....	--	--	(19,523)	--	--
Interest Expense	--	--	--	(2,804,411)	(131,376)
Capital Contributions.....	--	--	144,000	153,915	--
Costs to be Recovered (Revenue to be Recognized) in Future Years.....	--	--	--	(470,700)	(35,107)
Total Nonoperating Revenue (Expenses)	142,231	254	144,895	(3,013,818)	(161,345)
Income (Loss) Before Special Items.....	362,704	(381,512)	272,523	398,402	(16,857)
SPECIAL ITEMS					
Gain on Deferrals Resulting From Early Pay-off of Bonded Debt.....	--	--	--	295,053	--
Loss From Writeoff of Certain Water Supply Project Development Costs	--	--	--	(528,374)	--
Change in Net Assets.....	362,704	(381,512)	272,523	165,081	(16,857)
Net Assets at September 1, 2004.....	16,818,238	6,764,492	2,612,892	14,045,300	1,149,165
Net Assets at August 31, 2005.....	\$ 17,180,942	\$ 6,382,980	\$ 2,885,415	\$ 14,210,381	\$ 1,132,308

See accompanying independent auditors' report.

Calhoun County Rural Water Supply Division	Victoria Regional Wastewater Reclamation Division	Coletto Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Eliminations	Total
\$ --	\$ --	\$ --	\$ --	\$ 1,276,671	\$ --	\$ --	\$ 3,872,868
605,658	--	657,162	770,724	--	544,239	--	15,663,761
--	--	401,664	--	--	--	--	480,654
34,020	3,002,070	--	2,400	--	704,441	--	5,002,254
--	20,778	--	--	--	--	--	435,819
--	--	92,380	--	--	--	--	260,334
--	--	--	--	--	--	(2,014,919)	--
--	--	--	--	--	--	--	205,233
55,015	339,034	13,702	--	22,341	217,438	--	1,471,039
694,693	3,361,882	1,164,908	773,124	1,299,012	1,466,118	(2,014,919)	27,391,962
244,070	857,091	533,205	217,215	81,564	313,960	(207,120)	7,229,312
278,694	735,072	218,966	140,607	65,014	554,678	--	8,879,415
29,582	500,496	331,543	68,591	47,879	239,230	--	3,298,910
62,269	243,066	98,367	59,991	24,929	87,705	(1,807,799)	--
76,470	387,268	82,140	125,736	361,342	247,091	--	3,015,376
691,085	2,722,993	1,264,221	612,140	580,728	1,442,664	(2,014,919)	22,423,013
3,608	638,889	(99,313)	160,984	718,284	23,454	--	4,968,949
4,333	13,907	467	3,251	9,965	2,995	--	310,337
--	--	--	--	--	--	--	(19,523)
--	(234,255)	--	(172,071)	(436,518)	(236,511)	--	(4,015,142)
--	--	--	--	--	11,496	--	309,411
--	(179,179)	--	(23,436)	(268,485)	186,545	--	(790,362)
4,333	(399,527)	467	(192,256)	(695,038)	(35,475)	--	(4,205,279)
7,941	239,362	(98,846)	(31,272)	23,246	(12,021)	--	763,670
--	--	--	--	--	--	--	295,053
--	--	--	--	--	--	--	(528,374)
7,941	239,362	(98,846)	(31,272)	23,246	(12,021)	--	530,349
1,382,462	2,424,857	193,103	367,526	626,950	827,325	--	47,212,310
\$ 1,390,403	\$ 2,664,219	\$ 94,257	\$ 336,254	\$ 650,196	\$ 815,304	\$ --	\$ 47,742,659

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

FISCAL YEAR ENDED AUGUST 31, 2005

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers.....	\$ 3,726	\$ 3,235,260	\$ 908,315	\$ 13,174,848
Cash Received from Interfund Administrative Charges.....	2,014,919	--	--	--
Cash Received from Administration of Industrial Revenue Bonds.....	--	--	--	--
Cash Received from Customer Operating Advances.....	--	--	--	--
Cash Paid for Personnel Operating Costs.....	(659,737)	(1,163,860)	(294,331)	(2,690,607)
Cash Paid for Other Operating and Maintenance Costs.....	(1,352,827)	(1,338,516)	(187,134)	(6,397,981)
Cash Paid for Interfund Administrative Charges.....	--	(364,120)	(81,320)	(685,425)
Net Cash Flows From (Used by) Operating Activities.....	6,081	368,764	345,530	3,400,835
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund Operating Loans Received.....	--	--	140,000	642,784
Interfund Operating Loans Made	(825,784)	--	--	--
Principal Payments Made on Interfund Operating Loans.....	--	(208,000)	--	(188,190)
Principal Payments Received on Interfund Operating Loans.....	536,186	--	--	--
Net Cash Flows From (Used by) Noncapital Financing Activities.....	(289,598)	(208,000)	140,000	454,594
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Issuance of Revenue Bonds.....	--	--	--	20,271,368
Proceeds from Customer & Developer Capital Advances.....	--	--	(33,557)	123,222
Proceeds from Sale of Capital Assets.....	--	--	95,000	--
Purchase of Capital Assets.....	(86,849)	(99,351)	(28,790)	(334,940)
Cash Paid for Construction in Progress.....	--	(54,406)	(223,774)	(45,467,737)
Cash Paid for Project Development.....	--	(163)	(361,504)	--
Interest Paid.....	--	--	--	(2,620,408)
Principal Payments on Revenue Bonds.....	--	--	--	(370,000)
Principal Payments on Loans.....	--	--	--	(635,887)
Net Cash Flows Used by Capital and Related Financing Activities.....	(86,849)	(153,920)	(552,625)	(29,034,382)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received from Net Investment Decrease.....	1,057,582	562	711,560	26,417,375
Investment Income Received.....	117,462	254	13,484	263,072
Cash Paid for Net Investment Increase.....	(498,360)	--	(512,068)	(1,375,365)
Net Cash Flows From (Used by) Investing Activities.....	676,684	816	212,976	25,305,082
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$ 306,318	\$ 7,660	\$ 145,881	\$ 126,129
CURRENT CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	\$ 754,964	\$ 5,063	\$ 117,973	\$ 162,090
At End of Year.....	989,643	12,723	51,080	117,506
Net Increase (Decrease).....	234,679	7,660	(66,893)	(44,584)
RESTRICTED CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	209,284	--	64,691	266,714
At End of Year.....	280,923	--	277,465	437,427
Net Increase (Decrease).....	71,639	--	212,774	170,713
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$ 306,318	\$ 7,660	\$ 145,881	\$ 126,129
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss).....	\$ 220,473	\$ (381,766)	\$ 127,628	\$ 3,412,220
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:				
Depreciation and Amortization.....	159,741	230,442	117,822	1,045,770
Non-cash Pollution and Industrial Income	--	--	--	(205,233)
Net Change in Assets and Liabilities from Operating Activities				
Operating Accounts Receivable.....	(364,812)	217,691	(94,164)	(3,465)
Other Current Assets.....	(1,109)	(2,032)	(3,526)	(59,626)
Deferred Costs and Expenses.....	--	--	--	--
Project Development Costs.....	--	--	--	--
Operating Accounts Payable.....	(8,212)	304,429	197,770	(788,831)
Operating Advances.....	--	--	--	--
Total Adjustments.....	(214,392)	750,530	217,902	(11,385)
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	\$ 6,081	\$ 368,764	\$ 345,530	\$ 3,400,835

NON-CASH TRANSACTIONS SCHEDULE

- During fiscal year 2005 \$205,233 (in 2004, \$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 2005 and 2004, an adjustment of \$64,901 and \$185,215, respectively, was made to decrease investments to fair value.

See accompanying independent auditors' report.

Port Lavaca Water Treatment Plant Division	Calhoun County Rural Water Supply Division	Victoria Wastewater Reclamation Division	Coleto Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Eliminations	Total
\$ 1,316,860	\$ 689,475	\$ 3,350,026	\$ 1,163,832	\$ 710,126	\$ 1,508,315	\$ 1,490,004	\$ --	\$ 27,550,787
--	--	--	--	--	--	--	--	2,014,919
--	--	--	--	--	--	--	--	--
(380,792)	(244,070)	(857,091)	(533,205)	(217,215)	(81,564)	(313,960)	--	(7,436,432)
(438,171)	(273,898)	(1,214,246)	(551,025)	(11,491)	20,003	(590,228)	--	(12,335,514)
(100,607)	(62,269)	(243,066)	(98,367)	(59,991)	(24,929)	(87,705)	--	(1,807,799)
397,290	109,238	1,035,623	(18,765)	421,429	1,421,825	498,111	--	7,985,961
--	--	--	43,000	--	--	--	(825,784)	--
--	--	--	--	--	--	--	825,784	--
--	--	--	--	--	(128,500)	(11,496)	536,186	--
--	--	--	--	--	--	--	(536,186)	--
--	--	--	43,000	--	(128,500)	(11,496)	--	--
--	--	--	--	--	--	--	--	20,271,368
--	--	--	--	--	(26,377)	11,496	--	74,784
--	--	--	--	--	--	--	--	95,000
(17,721)	(51,210)	(66,456)	(14,450)	(4,034,199)	--	(32,030)	--	(4,765,996)
(4,555)	(164,767)	(23,386)	--	--	--	(713)	--	(45,939,338)
--	--	(3,710)	--	--	(6,005)	--	--	(371,382)
(132,900)	--	(246,877)	--	(138,181)	(363,992)	(236,527)	--	(3,738,885)
(170,000)	--	(685,000)	--	--	(695,000)	(5,000)	--	(1,925,000)
--	--	--	--	--	--	--	--	(635,887)
(325,176)	(215,977)	(1,025,429)	(14,450)	(4,172,380)	(1,091,374)	(262,774)	--	(36,935,336)
--	161,210	878,191	--	4,271,091	109,720	63,502	--	33,670,793
4,759	3,488	10,164	464	7,478	7,258	2,594	--	430,477
(12,460)	(46,560)	(60,000)	--	(520,001)	(109,655)	(39,525)	--	(3,173,994)
(7,701)	118,138	828,355	464	3,758,568	7,323	26,571	--	30,927,276
\$ 64,413	\$ 11,399	\$ 838,549	\$ 10,249	\$ 7,617	\$ 209,274	\$ 250,412	\$ --	\$ 1,977,901
\$ 17,619	\$ 53,493	\$ 27,141	\$ 7,492	\$ 49,302	\$ 7,335	\$ 33,354	\$ --	\$ 1,235,826
84,096	64,892	169,240	17,741	31,272	203,587	283,766	--	2,025,546
66,477	11,399	142,099	10,249	(18,030)	196,252	250,412	--	789,720
5,028	--	65,174	--	--	253,683	--	--	864,574
2,964	--	761,624	--	25,647	266,705	--	--	2,052,755
(2,064)	--	696,450	--	25,647	13,022	--	--	1,188,181
\$ 64,413	\$ 11,399	\$ 838,549	\$ 10,249	\$ 7,617	\$ 209,274	\$ 250,412	\$ --	\$ 1,977,901
\$ 144,488	\$ 3,608	\$ 638,889	\$ (99,313)	\$ 160,984	\$ 718,284	\$ 23,454	\$ --	\$ 4,968,949
181,554	76,470	387,268	82,140	125,736	361,342	247,091	--	3,015,376
--	--	--	--	--	--	--	--	(205,233)
22,642	4,886	(11,890)	(2,835)	(62,998)	209,303	23,886	--	(61,756)
5	(4,644)	(1,464)	(555)	(860)	1,267	2,228	--	(70,316)
--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--
48,601	28,918	22,820	1,798	198,567	131,629	201,452	--	338,941
--	--	--	--	--	--	--	--	--
252,802	105,630	396,734	80,548	260,445	703,541	474,657	--	3,017,012
397,290	109,238	1,035,623	(18,765)	421,429	1,421,825	498,111	\$ --	\$ 7,985,961

**CANYON DAM AND RESERVOIR SCHEDULE
AMORTIZATION SCHEDULE FOR U.S. GOVERNMENT LOAN
AUGUST 31, 2005**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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	301,358	7,532	308,890
	<u>\$ 4,999,250</u>	<u>\$ 1,487,440</u>	<u>\$ 6,486,690</u>

**SAN MARCOS RAW WATER DELIVERY SYSTEM
AMORTIZATION SCHEDULE FOR
HAYS ENERGY LIMITED PARTNERSHIP LOAN
AUGUST 31, 2005**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 2,902,781</u>	<u>\$ 2,752,600</u>	<u>\$ 5,655,381</u>

**WATER RESOURCE WATER RIGHT AMORTIZATION SCHEDULE
FOR FIRST LOCKHART NATIONAL BANK LOAN
AUGUST 31, 2005**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2006	\$ 368,337	\$ 14,731	\$ 383,068
2007	189,029	2,505	191,534
	<u>\$ 557,366</u>	<u>\$ 17,236</u>	<u>\$ 574,602</u>

GENERAL IMPROVEMENT REVENUE BONDS
SERIES 2002
AMORTIZATION SCHEDULE
AUGUST 31, 2005

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 4,085,000</u>	<u>\$ 2,454,942</u>	<u>\$ 6,539,942</u>

REGIONAL RAW WATER DELIVERY SYSTEM CONTRACT REVENUE BONDS, SERIES 1998
CITY OF SAN MARCOS, TEXAS - AMORTIZATION SCHEDULE
AUGUST 31, 2005

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2006	\$ - *	\$ - *	\$ -
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>\$ 8,310,000</u>	<u>\$ 4,098,619</u>	<u>\$ 12,408,619</u>

* The principal and related interest were due on September 1, 2005 but were paid in fiscal year ending August 31, 2005.

CONTRACT REVENUE BONDS, SERIES 2003
WESTERN CANYON REGIONAL WATER SUPPLY PROJECT - AMORTIZATION SCHEDULE
AUGUST 31, 2005

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2006	\$ 1,440,000	\$ 3,879,100	\$ 5,319,100
2007	1,505,000	3,814,300	5,319,300
2008	1,575,000	3,746,575	5,321,575
2009	1,620,000	3,699,325	5,319,325
2010	1,685,000	3,634,525	5,319,525
2011	1,755,000	3,567,125	5,322,125
2012	1,825,000	3,496,925	5,321,925
2013	1,915,000	3,405,675	5,320,675
2014	1,990,000	3,329,075	5,319,075
2015	2,070,000	3,249,475	5,319,475
2016	2,180,000	3,140,800	5,320,800
2017	2,295,000	3,026,350	5,321,350
2018	2,415,000	2,905,863	5,320,863
2019	2,540,000	2,779,075	5,319,075
2020	2,675,000	2,645,725	5,320,725
2021	2,815,000	2,505,288	5,320,288
2022	2,965,000	2,357,500	5,322,500
2023	3,110,000	2,209,250	5,319,250
2024	3,265,000	2,053,750	5,318,750
2025	3,430,000	1,890,500	5,320,500
2026	3,600,000	1,719,000	5,319,000
2027	3,780,000	1,539,000	5,319,000
2028	3,970,000	1,350,000	5,320,000
2029	4,170,000	1,151,500	5,321,500
2030	4,375,000	943,000	5,318,000
2031	4,595,000	724,250	5,319,250
2032	4,825,000	494,500	5,319,500
2033	5,065,000	253,250	5,318,250
	<u>\$ 79,450,000</u>	<u>\$ 69,510,701</u>	<u>\$ 148,960,701</u>

**WATER SUPPLY REVENUE BONDS
(CITY OF PORT LAVACA, TEXAS) SERIES 2000
AMORTIZATION SCHEDULE
AUGUST 31, 2005**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2006	\$ 180,000	\$ 123,493	\$ 303,493
2007	190,000	113,549	303,549
2008	200,000	103,943	303,943
2009	215,000	94,551	309,551
2010	230,000	84,370	314,370
2011	240,000	73,500	313,500
2012	250,000	62,045	312,045
2013	265,000	49,810	314,810
2014	275,000	36,850	311,850
2015	295,000	22,875	317,875
2016	310,000	7,750	317,750
	<u>\$ 2,650,000</u>	<u>\$ 772,736</u>	<u>\$ 3,422,736</u>

**REGIONAL WASTE DISPOSAL REVENUE BONDS AND
REFUNDING AND IMPROVEMENT REVENUE BONDS
(CITY OF VICTORIA, TEXAS) SERIES 1989, AND 1996
AMORTIZATION SCHEDULE
AUGUST 31, 2005**

YEAR ENDING AUGUST 31	1989 SERIES		1996 SERIES		TOTAL
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	REQUIREMENTS
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>\$ 1,865,000</u>	<u>\$ 268,152</u>	<u>\$ 4,743,152</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.

**CONTRACT REVENUE BONDS
(CITY OF LOCKHART, TEXAS) SERIES 2004
AMORTIZATION SCHEDULE
AUGUST 31, 2005**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2006	\$ 150,000	\$ 292,729	\$ 442,729
2007	150,000	288,229	438,229
2008	155,000	283,654	438,654
2009	160,000	278,729	438,729
2010	165,000	272,829	437,829
2011	175,000	266,029	441,029
2012	180,000	258,929	438,929
2013	190,000	251,434	441,434
2014	200,000	243,039	443,039
2015	205,000	233,926	438,926
2016	215,000	224,584	439,584
2017	225,000	214,791	439,791
2018	235,000	204,324	439,324
2019	250,000	192,669	442,669
2020	260,000	179,756	439,756
2021	275,000	166,047	441,047
2022	285,000	151,875	436,875
2023	300,000	137,250	437,250
2024	315,000	121,875	436,875
2025	335,000	105,625	440,625
2026	350,000	88,500	438,500
2027	370,000	70,500	440,500
2028	390,000	51,500	441,500
2029	405,000	31,625	436,625
2030	430,000	10,750	440,750
	<u>\$ 6,370,000</u>	<u>\$ 4,621,198</u>	<u>\$ 10,991,198</u>

HYDROELECTRIC PROJECT (CITY OF NEW BRAUNFELS, TEXAS)
REVENUE REFUNDING BONDS, SERIES 2002
AMORTIZATION SCHEDULE
AUGUST 31, 2005

YEAR ENDING				TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS	
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>\$ 7,790,000</u>	<u>\$ 1,857,281</u>	<u>\$ 9,647,281</u>	

CONTRACT REVENUE BONDS, SERIES 1996
(CITY OF LOCKHART PROJECT)
AMORTIZATION SCHEDULE
AUGUST 31, 2005

YEAR ENDING				TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS	
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>\$ 5,440,000</u>	<u>\$ 1,720,599</u>	<u>\$ 7,160,599</u>	

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

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2006	\$ -	\$ 720,537	\$ 720,537
2007	-	720,537	720,537
2008	275,000	720,537	995,537
2009	285,000	712,287	997,287
2010	290,000	703,737	993,737
2011	300,000	694,675	994,675
2012	310,000	684,775	994,775
2013	320,000	673,925	993,925
2014	335,000	662,325	997,325
2015	345,000	649,762	994,762
2016	360,000	636,825	996,825
2017	370,000	622,425	992,425
2018	385,000	607,625	992,625
2019	405,000	591,744	996,744
2020	420,000	574,025	994,025
2021	440,000	555,650	995,650
2022	460,000	533,650	993,650
2023	485,000	510,650	995,650
2024	510,000	486,400	996,400
2025	535,000	460,900	995,900
2026	560,000	435,487	995,487
2027	585,000	408,887	993,887
2028	615,000	381,100	996,100
2029	645,000	351,887	996,887
2030	675,000	321,250	996,250
2031	705,000	287,500	992,500
2032	740,000	252,250	992,250
2033	780,000	215,250	995,250
2034	820,000	176,250	996,250
2035	860,000	135,250	995,250
2036	900,000	92,250	992,250
2037	945,000	47,250	992,250
	<u>\$ 15,660,000</u>	<u>\$ 15,627,602</u>	<u>\$ 31,287,602</u>

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

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2006	\$ -	\$ 303,745	\$ 303,745
2007	-	303,745	303,745
2008	70,000	303,745	373,745
2009	75,000	299,895	374,895
2010	80,000	295,770	375,770
2011	85,000	291,370	376,370
2012	90,000	286,695	376,695
2013	95,000	281,745	376,745
2014	100,000	276,520	376,520
2015	105,000	271,020	376,020
2016	110,000	265,245	375,245
2017	115,000	259,195	374,195
2018	125,000	252,870	377,870
2019	130,000	245,995	375,995
2020	135,000	238,845	373,845
2021	145,000	231,420	376,420
2022	150,000	223,010	373,010
2023	160,000	214,310	374,310
2024	170,000	205,030	375,030
2025	180,000	195,170	375,170
2026	190,000	184,730	374,730
2027	200,000	173,710	373,710
2028	215,000	162,110	377,110
2029	225,000	149,640	374,640
2030	240,000	136,590	376,590
2031	255,000	122,670	377,670
2032	270,000	107,880	377,880
2033	285,000	92,220	377,220
2034	300,000	75,690	375,690
2035	315,000	58,290	373,290
2036	335,000	40,020	375,020
2037	355,000	20,590	375,590
	<u>\$ 5,305,000</u>	<u>\$ 6,569,480</u>	<u>\$ 11,874,480</u>

Statistical Section

Calhoun County Rural Water Corporation
Canyon Regional Water Authority
City of Kyle
City of Lockhart
City of Luling
City of Port Lavaca
City of San Marcos
Port O'Connor Municipal Utility District

City of Buda
City of Lockhart
City of Schertz
City of Victoria
Texas Department of Transportation
Village of Wimberley

**WATER TREATMENT
CUSTOMERS**

**WATER SALES
CUSTOMERS**

Innovene Green Lake
Canyon Lake Water Supply Corporation
Canyon Regional Water Authority
City of Boerne
City of Buda
City of Fair Oaks Ranch
City of Kyle
City of Port Lavaca
City of San Marcos
City of Seguin
Cordillera Ranch
Crystal Clear Water Supply Corporation
Guadalupe Power Partners
Hays Energy Limited Partnership
New Braunfels Utilities
San Antonio Water Systems
Springs Hill Water Supply Corporation
Coleto Creek Power, LP



**WASTE WATER
TREATMENT CUSTOMERS**

**POWER SALES & OTHER
SERVICES**

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

Operating Statistics:

	FY 2001	FY 2002	FY 2003	FY 2004	FY 2005
Water Treatment Customers:					
Total Water Distributed (Gal.)					
Calhoun County Rural Water Supply Division	83,603,000	70,348,000	70,501,000	72,392,000	76,710,000
Total Water Treated (Gal.)					
CRWA-Hays/Caldwell Water Treatment Plant System	--	--	331,000,000	225,000,000	89,818,289
Lockhart Water Treatment System	519,389,102	614,466,054	560,814,000	527,260,000	557,882,000
Luling Water Treatment Plant Division	321,077,000	306,271,000	286,951,000	256,335,000	470,651,000
Port Lavaca Water Treatment Plant Division	798,749,000	755,453,000	642,047,000	686,938,000	692,600,000
San Marcos Water Treatment Plant System	1,498,437,000	1,401,515,000	1,656,000,000	1,586,000,000	1,645,448,005
Waste Water Treatment Customers:					
Total Wastewater Treated (Gal.)					
Buda Wastewater Treatment Plant	--	102,900,000	125,300,000	110,470,000	120,300,000
Crestview Subdivision Wastewater Treatment Plant	2,846,072	1,867,506	1,910,945	2,433,849	2,523,245
Lockhart Wastewater Reclamation System	459,200,000	516,100,000	588,700,000	542,930,000	609,430,000
Rural Utilities Division	148,990,000	152,410,000	147,100,000	150,410,000	153,054,000
Victoria Regional Wastewater Reclamation Division	2,687,800,000	2,155,900,000	2,741,000,000	2,788,000,000	2,811,000,000
Village of Wimberley Wastewater Treatment Plant	--	--	--	1,760,000	2,974,000
Water Sales Customers:					
Rice Irrigation (Acres)					
Calhoun Canal System	1,458	1,475	1,897	2,488	2,430
Water Delivered (Gal.)					
Guadalupe Power Partners	599,209,000	821,496,000	846,695,620	898,443,000	966,788,000
San Marcos Pipeline	1,525,000,000	1,445,000,000	1,965,000,000	1,713,000,000	2,151,367,000
Power Sales & Other Services:					
Total Generation (kWh)					
Guadalupe Valley Hydroelectric Division	74,338,600	77,361,500	64,974,600	77,975,500	86,911,400
Canyon Hydroelectric Division	25,930,989	16,493,895	--	14,930,325	24,371,501
Annual Permits					
Lake Wood Recreation Area	59	45	34	35	13
Coleto Creek Regional Park	211	241	246	262	260
Camping Permits					
Lake Wood Recreation Area	2,459	2,105	2,323	2,030	2,264
Coleto Creek Regional Park	11,255	12,326	11,856	12,736	11,800
Camping Cabins					
Coleto Creek Regional Park	--	425	568	573	692
Day Use Permits					
Lake Wood Recreation Area	3,127	2,501	2,671	2,641	2,686
Coleto Creek Regional Park	15,455	15,056	15,052	14,771	16,051

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	150

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)
Coletto 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

Source: The Texas Almanac, Bureau of Census and GBRA

GUADALUPE-BLANCO RIVER AUTHORITY
SCHEDULE OF INSURANCE IN FORCE

AUGUST 31, 2005

Name of Company	Policy Number	Policy Period	Details of Coverage	Liability Limits
TWCA Risk Management Fund	Contract 024	7/01/05 to 7/01/06	Workmans Compensation	Statutory
TWCA Risk Management Fund	Contract 024	7/01/05 to 7/01/06	Commercial General Liability	\$1,000,000
			Excess GL Liability	\$2,000,000
			Legal Defense for Breach of Contract	\$50,000
			Punitive Damages	\$100,000
			Sudden Events Pollution Liability	\$100,000
TWCA Risk Management Fund	Contract 024	7/01/05 to 7/01/06	Business Automobile Liability	\$1,000,000
			Excess AL Liability	\$2,000,000
TWCA Risk Management Fund	Contract 024	7/01/05 to 7/01/06	Automobile Physical Damage	\$1,383,658
TWCA Risk Management Fund	Contract 024	7/01/05 to 7/01/06	Errors and Omissions Liability	\$1,000,000
			Excess E&O Liability	\$4,000,000
TWCA Risk Management Fund	Contract 024	7/01/05 to 7/01/06	Commercial Property including Inland Marine, Mobile Equipment, Rented Property & Equipment	\$44,272,907
Fidelity Deposit Company of Maryland	CCP135585011	6/01/05 to 6/01/06	Employee Dishonesty Coverage	\$100,000
			Excess on Specified Employees	\$150,000
Hartford Life & Accident Insurance Company	ETB-101146	3/17/04 to 3/17/07	Group Travel Accident Policy	\$1,250,000
Hartford Casualty Insurance Company	65BSBCP2866	3/09/05 to 3/09/06	Faithful Performance Bonds	\$90,000
Texas Windstorm Insurance Association	31765902	8/30/05 to 8/30/06	Windstorm & Hail in Wind Counties	\$2,232,861
Delta Lloyds Insurance Company	Various	8/01/05 to 8/01/06	Flood	\$1,000,000
		8/30/05 to 8/30/06		\$130,400
		9/06/05 to 9/06/06		\$8,011,000
American International Specialty Lines Insurance Co	CPL1428123	5/01/05 to 5/01/06	Contractor's Pollution Liability	\$1,000,000
Great American Insurance Group	OMH586-14-88-00	7/01/05 to 7/01/06	Ocean Marine for Ms. Guadalupe II	
			Hull	\$294,236
			P & I	\$1,000,000
			Pollution	\$1,000,000

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		Water	Canyon		
	General	Valley	Rural	Water	Treatment	Rural Water	Wastewater	Coleto	Treatment	Hydro	Lockhart	
Year	Division	Hydro	Utilities	Resource	Plant	Supply	Reclamation	Creek	Plant	Plant	Division	Total
		Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	
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
2003	1,830,569	2,470,700	806,014	10,669,629	1,213,439	596,634	3,145,709	1,121,676	382,214	2,289,365	2,058,819	26,584,768
2004	1,974,382	2,675,127	861,763	10,755,756	1,273,975	608,605	3,348,453	1,132,403	400,830	2,117,187	1,663,430	26,811,911
2005	2,159,570	3,017,823	1,003,374	13,740,083	1,277,243	699,026	3,375,789	1,165,375	776,375	1,308,977	1,469,113	29,992,748

Note: Table includes operating and non-operating revenues and interfund transfers.

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		Luling			
		Guadalupe			Water	County	Regional		Water	Canyon		
	General	Valley	Rural	Water	Treatment	Rural Water	Wastewater	Coleto	Treatment	Hydro		
Year	Division	Hydro	Utilities	Resource	Plant	Supply	Reclamation	Creek	Plant	Plant	Lockhart	Total
		Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	
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
2003	1,393,849	2,418,067	955,560	8,387,020	1,224,668	651,259	3,038,393	1,188,766	491,331	2,245,543	1,500,518	23,494,974
2004	1,733,509	2,582,809	851,026	10,355,272	1,284,347	673,818	3,369,117	1,239,362	514,012	2,008,142	1,692,673	26,304,087
2005	1,796,866	3,399,335	874,851	13,728,917	1,294,100	691,085	3,136,427	1,264,221	807,647	1,285,731	1,492,630	29,771,810

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

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	Valley	Rural	Water	Treatment	Rural Water	Wastewater	Coleto	Treatment	Hydro		
Year	Division	Hydro	Utilities	Resource	Plant	Supply	Reclamation	Creek	Plant	Plant	Lockhart	Total
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
2003	115,774	1,057,456	31,397	2,470,569	37,202	191,897	77,682	37,499	1,256	-	598,990	4,619,722
2004	114,217	26,438	35,959	598,056	29,509	39,592	39,466	13,074	-	-	13,193	909,504
2005	86,849	99,352	28,790	334,940	17,721	51,209	66,455	14,451	5,803,879	-	32,030	6,535,676

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
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	1,024,578	25,426,244
2003	341,600	3,291,811	13,218,362	693,986	4,787,951	303,199	1,701,384	171,472	2,497,603	27,007,368
2004	324,725	3,497,610	12,612,934	739,851	4,994,556	337,564	1,886,065	180,130	2,249,972	26,823,407
2005	205,233	3,872,868	15,663,761	740,988	5,002,254	435,819	2,014,919	310,337	2,055,980	30,302,159

Note: This table includes interfund transfers. Other Revenue includes Miscellaneous Income and Gain (Loss) on Sale of Capital Assets. Contributed Capital is included as Other Revenue beginning in FY 2002, as restated for GASB 34.
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
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
2003	6,508,733	7,676,099	2,807,840	2,882,296	2,521,188	1,521,418	23,917,574
2004	6,958,210	9,034,504	3,068,368	3,113,497	2,413,026	1,727,978	26,315,583
2005	7,436,432	9,407,789	3,298,910	3,805,738	4,015,142	1,807,799	29,771,810

Note: This table includes interfund transfers. 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.



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*Independent Auditor's Report In
Accordance With Government
Auditing Standards*

Report on Compliance and Internal Controls

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

Certified Public Accountants

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

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

To the Board of Directors
Guadalupe-Blanco River Authority

We have audited the financial statements of Guadalupe-Blanco River Authority as of and for the year ended August 31, 2005 and have issued our report thereon dated October 7, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Guadalupe-Blanco River Authority's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted certain matters that we reported to management of GBRA in a separate letter dated October 7, 2005.

Compliance and Other Matters

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

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

Holtman Wagner & Company LLP

Holtman, Wagner & Company, L.L.P.

New Braunfels, Texas

October 7, 2005

Principal Offices and Business Locations

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

Buda Wastewater Reclamation Plant
P. O. Box 216
575 County Road 236
Buda, TX 78610
TEL: (512) 312-0526
FAX: (512) 295-1207
email: dball@gbra.org

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

Lake Wood Recreation Area
Route 2, Box 158-A, OR
167 FM 2091
Gonzales, TX 78629-9633
TEL and FAX: (830) 672-2779
email: lakewood@gvvc.com

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

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

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

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

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

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

