

Guadalupe-Blanco River Authority of Texas

HOT TIMES in TEXAS



The 2007 Comprehensive Annual Financial Report is published for the clients, customers, employees and friends of GBRA. Copies of this publication have been distributed in compliance with the State Depository Law and are available for public use throughout Texas at state depository libraries.

For additional information about GBRA, contact the Manager of Communications and Education at (830) 379-5822, (800) 413-5822, or visit our website at <http://www.gbra.org>



Comprehensive Annual Financial Report
Fiscal Year Ended August 31, 2007

Guadalupe-Blanco River Authority
933 E. Court Street • Seguin, Texas 78155
830 • 379 • 5822

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
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FAX: (830) 379-9718
Website: <http://www.gbra.org>

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Buda, TX 78610
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FAX: (512) 295-1207
email: dball@gbra.org

Coleto Creek Division
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Fannin, TX 77960
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Gonzales, TX 78629
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Lockhart Wastewater Reclamation
Division
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Lockhart, TX 78644
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FAX: (512) 398-2036
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Lockhart Water Treatment Division
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Lockhart, TX 78644
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Luling Water Treatment Plant
350 Memorial Drive
Luling, TX 78648
TEL: (830) 875-2132
FAX: (830) 875-3670
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Port Lavaca Water Treatment Plant
Calhoun County Rural Water Supply
Division
Calhoun Canal System
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email: gbrapl@gbra.org

San Marcos Water Treatment Plant
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FAX: (512) 353-3127
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Victoria Regional Wastewater Reclamation
Division
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Victoria, TX 77902
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FAX: (361) 578-9039
email: gbravic@gbra.org

Western Canyon Regional Treated Water Plant
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New Braunfels, Texas 78132
TEL: (830) 885-2639
FAX: (830) 885-2564
email: jturner@gbra.org

W W W . G B R A . O R G

**GUADALUPE-BLANCO RIVER AUTHORITY OF TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT**

For the Fiscal Year Ended August 31, 2007

Financial Information Compiled by GBRA Accounting Department.
Introductory Section and Operating Division summaries
compiled by LaMarriol Smith, Manager of Communications and Education.
Report designed by Connie Rothe

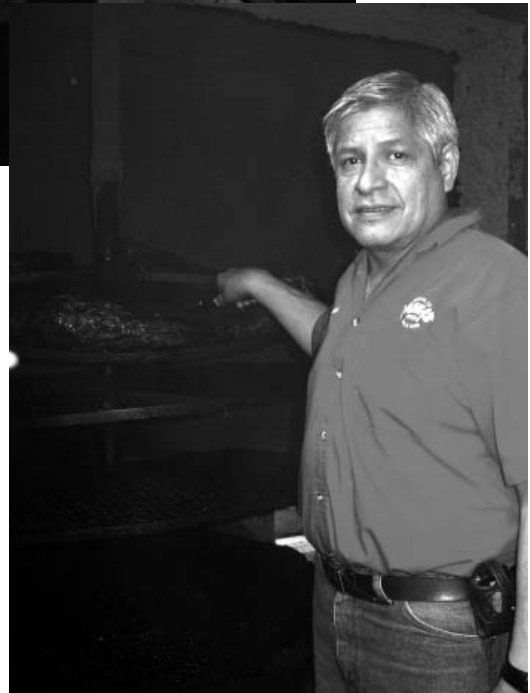


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Fiscal Year Ended August 31, 2007
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HOT TIMES IN TEXAS

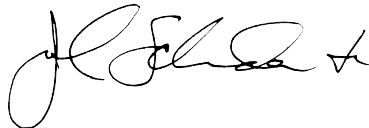
The Oct. 7, 1984, edition of the *New York Times* quoted George Bush's 1980 campaign, "Two-Gun Georgie Bush," set to the tune of "Yellow Rose of Texas," and sung . . .

*He'll tell you he's a Texan /
Though he's got those Eastern ways, /
Eatin' lots of barbecue /
With a sauce that's called béarnaise*

In Texas, of course, no one would dare put béarnaise on barbeque. Most Texans know that when the barbecue is good enough, no sauce is required at all.

Travis County and Austin, Texas, may be home to the state's capitol, but the Guadalupe River Basin and the Guadalupe-Blanco River Authority's 10-county statutory district officially lays claim as the state's barbecue capitol. Hence, the GBRA's *2007 Consolidated Annual Financial Report* is dedicated to the unique barbecue business proprietors and consumers in its district. Whether well-known or little-known, these barbecue joints at first glance appear to be connected only by the roads that flow seamlessly from one county to another. But the barbecue connoisseurs recognize that many qualities, from historic buildings to oak and mesquite fire pits to the hot, spicy chili peppers that garnish the sides to the quirky regulars who frequent these locations, are what make Texas barbecue truly original.

In the spirit of full disclosure and responsible governance, the Guadalupe-Blanco River Authority is proud to share this *2007 Annual Report* with you – clients, customers, employees and friends.



John P. Schneider, Jr.
Chairman, Board of Directors



William E. "Bill" West, Jr.
General Manager

GUADALUPE-BLANCO RIVER AUTHORITY OF TEXAS

ESTABLISHED BY THE TEXAS LEGISLATURE

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

SOUND MANAGAEMENT AND ADMINISTRATION

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

PLANNING FOR THE BASIN AND TEXAS

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

SELF-SUPPORTING OPERATIONS

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

VISION AND MISSION

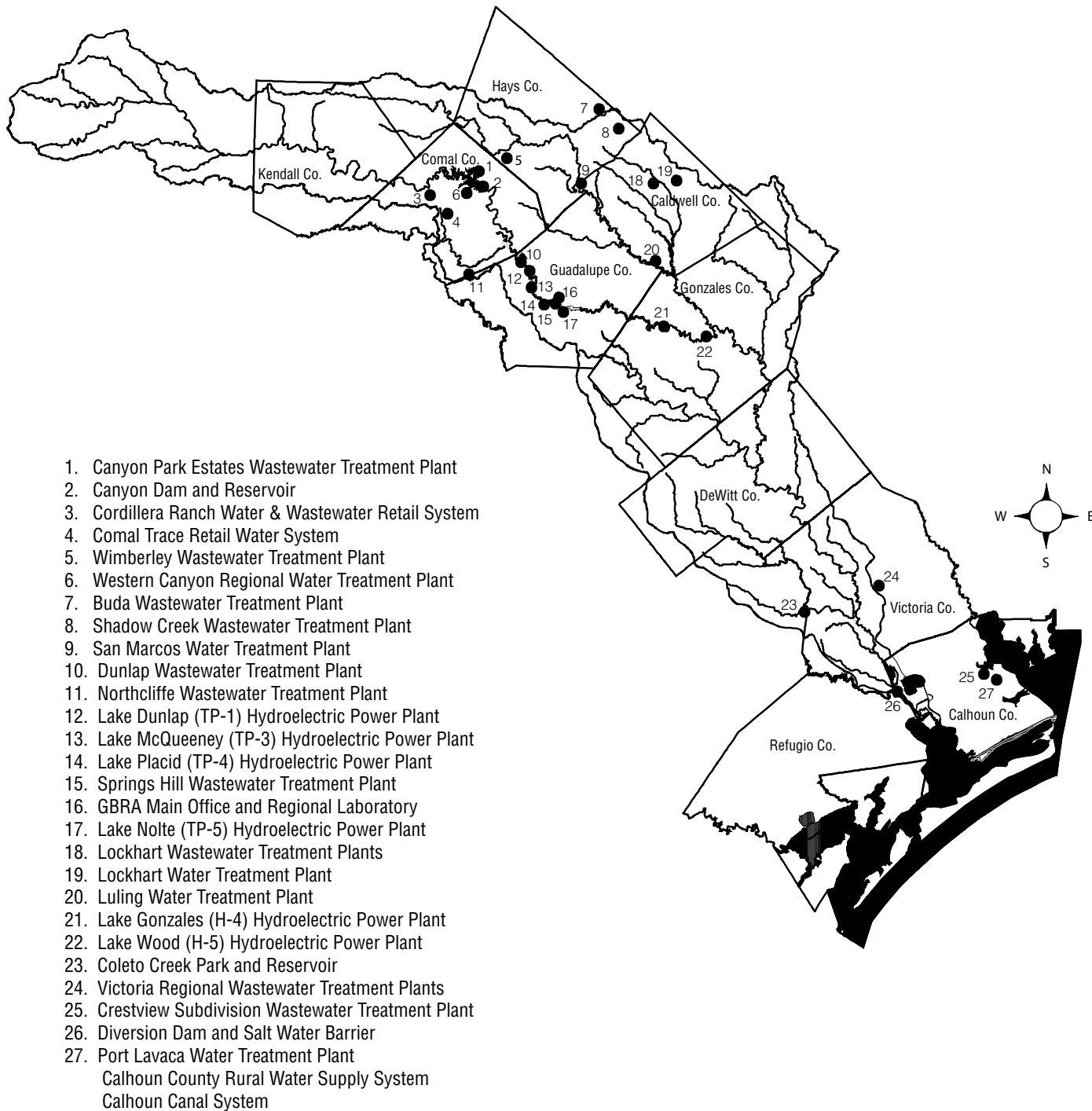
VISION

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

MISSION

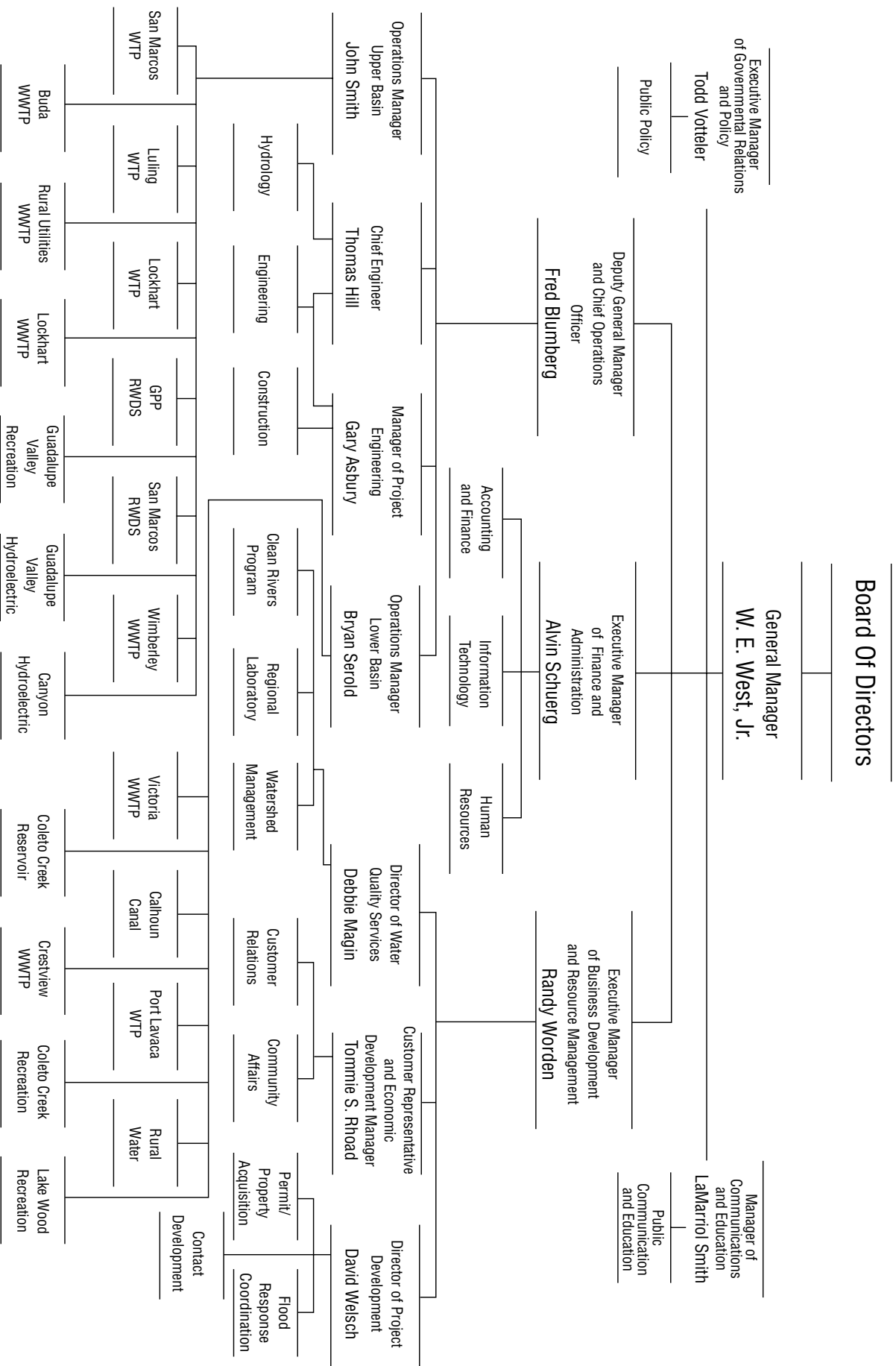
The mission of GBRA is to protect, conserve, reclaim and steward the resources of the district, and provide leadership in regional cooperation, in order to enhance quality of life for those we serve.

BASIN MAP



GUADALUPE-BLANCO RIVER AUTHORITY

OPERATIONAL CHART



GBRA Year in Review

(September 1, 2006 – August 31, 2007)

September 2006

- The KIDFISH Foundation stocked 500 pounds of channel catfish in the GBRA's Lake Wood Recreation Area for children to catch during its event in September. KIDFISH is a non-profit outreach program designed to give children age 16 and under the chance to experience the sport of fishing and the outdoors. Local sponsors helping to bring the free KIDFISH event to the Gonzales community were GBRA and Guadalupe Valley Electric Cooperative (GVEC). Free boat rides, hot dogs, and many prizes will be provided by American Rodsmiths, Anchor Marine in San Antonio, and the Skeeter Boat factory demo team.
- Citing continued extreme drought conditions, the GBRA supported a request by the Texas Commission on Environmental Quality (TCEQ) that encouraging landowners who were allowed reasonable use of water from rivers and streams adjoining their property for domestic and livestock use, to voluntarily suspend lawn and landscape watering.

October 2006

- The GBRA's Luling Water Treatment Plant was awarded a "Certificate for Outstanding Performance" from the TCEQ for the five-year period from 2001-2005. The plant received a letter from Buck Henderson, manager of the Public Water Section of TCEQ, indicating "the purpose of the award is to recognize those water systems showing initiative to exceed minimum acceptable TCEQ standards; focus public attention on importance of water system enhancement activities; serve as an example to other water systems; and recognize those water systems that have voluntarily taken the extra steps to protect their public drinking water."
- Also in October, GBRA constructed a temporary delivery station at its Amman Road Pump Station to provide relief to residents in Kendall County and western Comal County whose domestic water supplies were affected by the drought. The Amman Road Pump Station delivers water to customers from the GBRA Western Canyon Water Treatment Plant at Canyon Lake.

November 2006

- The GBRA board of directors voted to support the Guadalupe Basin Coalition's resolution calling for Edwards Aquifer management legislation that would allow increased pumping if the state used the Recovery Implementation Program (RIP) process. The concession would have cleared the way for the EAA to fulfill the approximately 549,000 acre-feet per year permitted obligations and possibly avoid litigation that had cost millions in the past. The Coalition's resolution requested the state to use the process to achieve a consensus agreement among all stakeholders to insure that the Comal and San Marcos spring flows are protected. The GBRA board voted to approve the resolution with the qualification that: "GBRA supports Resolution No. 2006-1 of the Guadalupe Basin Coalition, provided the proposed critical period withdrawal reductions are adjusted so that adequate continuous springflows from both the Comal and San Marcos Springs will be protected at all times, including throughout a repeat of the drought of record."

December 2006

- The GBRA and the Gulf of Mexico Foundation sponsored a field trip for Travis Middle School and Calhoun High School Science and Spanish Club to the 3,440-acre Myrtle Foester-Whitmire Division, a land management unit of the U.S. Fish and Wildlife Service Aransas National Wildlife Refuge Complex in December. The event was intended to emulate the Christmas Bird Count that takes place annually at the Aransas National Refuge.

January 2007

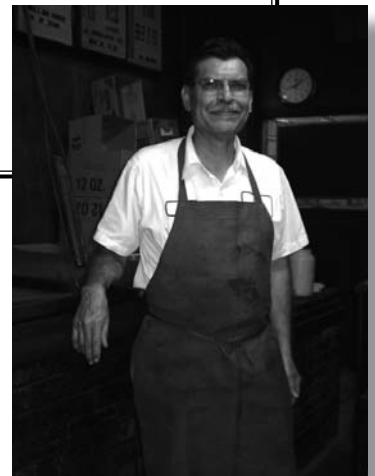
- GBRA's General Manager Bill West began a two-year term as president of the National Water Resources Association. NWRA is a non-profit federation of state associations, individuals, and agencies whose mission is to advocate federal policies, legislation and regulations promoting protection, management, development and beneficial use of water resources that represent the interests of its members.
- GBRA's Wilfred Korth of Coletto Creek Park and Reservoir received the Barbara Sheppard Award from the Texas Coastal Bend Regional Tourism Council. The award is one of two presented annually to individuals who demonstrate the most outstanding contributions to promoting tourism in the Coastal Bend.

Caldwell County - Joe Capello, manager of City Market in Luling.

The Ellises founded City Market back in 1957. Manager Joe Capello says, "We are known for our sausage, but the ribs bring in customers." He's talking about pork ribs, which he added to the menu. Good ribs are hard to find, he says, but they are good here because the pit men know how to cook them and because of their special sauce. "People who have been in the barbecue business a long time say they don't use sauce, and that's right," he says. But the cooks at City Market have made an exception for the ribs, and they add the sauce only after the ribs are cooked. You still get a choice.

Other notable barbecue stops in Caldwell County include:

- Luling Bar-B-Q
- Black's
- Chisholm Trail
- Kreuz Market



Victoria County - Ricky Mumphord of Mumphord's Place in Victoria.

The Mumphord family did most of its cooking at family reunions before opening Mumphord's Place in 2000. After hundreds of those and celebrating Juneteenth with tasty barbecue dinners for hordes of people, the time arrived to open a place where people besides family could eat, says Ricky Mumphord. "I thought we should make a living at it." So he brought his reunion and party experience to the eatery, along with years of working for a commercial bakery.



The Texas Coastal Bend Regional Tourism Council is a 60-plus member organization made up of Chambers of Commerce, organizations and businesses in that region.

- Also on Jan. 23, the final party of a four-entity Memorandum of Understanding (MOU) was approved at a Boerne City Council Meeting, completing a cooperative agreement process among the GBRA, Kendall County Commissioners Court, the City of Boerne and Cow Creek Groundwater Conservation District (CCGCD). This cooperative effort was intended to insure that the rules and regulations regarding future growth and development in the area would remain in place by each entity.

February 2007

- In February, the Guadalupe-Blanco River Trust landed more than \$600,000 in federal and private grants. Grants totaling \$213,000 from the National Fish and Wildlife Foundation and ConocoPhillips will support the Wetland Habitat Restoration at the Myrtle Foester-Whitmire Unit of the Aransas National Wildlife Refuge. Another U.S. Fish and Wildlife Service grant of \$398,637, leveraged by GBRA partner funding, was used to help conserve key breeding, stop-over and wintering habitat for migratory birds in the Guadalupe River Delta.

March 2007

- The annual Guadalupe River Basin Steering Committee meeting for the Clean Rivers Program was held Mar. 22, 2007, at the GBRA River Annex. Each year, GBRA and the Upper Guadalupe River Authority convene the meeting to provide direction for the general Clean Rivers Program activities in the Guadalupe River Basin, as well as development of the work plan, monitoring plan, and review of major reports.
- Also in March, the GBRA and the Guadalupe Basin Coalition announced support for Senate Bill 1341, legislation by Senator Glenn Hegar that provided for implementation of a stakeholder process to determine the future management of the Edwards Aquifer. The stakeholder process, referred to as the Edwards Aquifer Recovery Implementation Program, could achieve a consensus agreement among all stakeholders to ensure that the Comal and San Marcos springs flows are protected during

droughts, while encouraging conservation and the development of new supplies of water to meet the increasing demands of the region's rapidly growing population. This bill ultimately was rolled into Senator Kip Averitt's Senate Bill 3, an omnibus water bill that passed in the final hours of the 80th Legislative Session.

- GBRA's annual "Our Day to Shine" brought nearly 60 GBRA employees, family members and friends to Port Lavaca's old Harrison Elementary School to help remodel the facility. The remodeling was part of converting the building to be used as a branch of The Victoria College.

April 2007

- About 70 Texas Commission on Environmental Quality (TCEQ) inspectors convened at the San Marcos Water Treatment Plant on April 3, 2007, for environmental training. The plant, owned by the City of San Marcos and operated by the GBRA, provided a unique opportunity for training both new and seasoned inspectors.

May 2007

- The GBRA Scholarship Program, which is part of the GBRA Employee Volunteer Program, awarded seven \$2,000 academic scholarships to students from GBRA's 10-county district. Scholarships were presented to: Michael Duncan McCallum, Ashley Williams, Nazish Tufail Malik, Jacob Hanzel, Lance M. Pacheco, Derek J. Pavlicek, and June Angela Prout.
- Significant rainfall in the Central Texas area during the spring prompted the U.S. Army Corps of Engineers

Hays County - Jaime Gonzales of the Salt Lick in Driftwood.

Anyone who dismisses the idea of making a list to organize his thoughts, or his options, should consider this: The legendary Salt Lick barbecue restaurant in Driftwood happened because of a list. The list probably didn't say: "Open The Salt Lick in 1969," but something like "Build a barbecue pit and sell barbecue." Anyway, that's what happened. Owner Scott Roberts says his late father, Thurman Roberts, and his mother, Hisako, made the list in an attempt to stay on the land in Driftwood. Thurman and his wife, Hisako, created a list of 54 things they could do as a family. Barbecue proved to be the item that knocked everything else off the list.

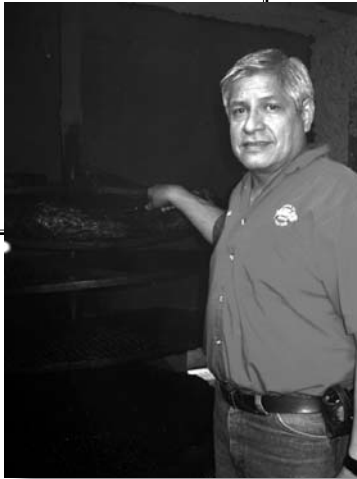


Guadalupe County - Edward Davila of Davila's B-B-Q in Seguin.

Raul Davila, who learned sausage making as a butcher in Luling before branching out to Lockhart, then to Seguin, designed the vertical barbecue pit that the business still uses. This creation carried over to the second and third Davila diners that Edward and family opened. Understanding what his grandfather did all those years ago is a point of pride for Adrian Davila. "In Luling and Seguin, you didn't have a whole lot of minority-owned businesses. That stuck out to me, that he was able to open a business."

Other notable barbecue stops in Guadalupe County include:

- Goerke's Country Tavern, 1901 Weil Road, Marion
- Harmon's, 100 S. Main St., Cibolo
- Johnny's, 6036 S State Highway 123, Seguin



(ACE) to increase the flow rate out of Canyon Reservoir to 5,000 cubic feet per second (cfs) beginning May 30, 2007 for nearly 14 days. At the time, Canyon Reservoir elevation was in flood pool stage at an elevation of 917.32 feet above mean sea level (msl) and the inflow at the Spring Branch gauge entering Canyon Reservoir was 3,100 cfs. Rains continued and flash flooding occurred periodically throughout the Guadalupe River Watershed into the summer.

- The Print Media Competition cited the GBRA's 2006 Annual Report design for "Award of Excellence" and the Graphic Design, USA, cited the publication for its "2007 American Inhouse Design Awards."

June 2007

- GBRA's Coletto Creek Park and the Texas Parks and Wildlife Department sponsored the 14th Annual Coletto Creek Kids Fishing Tournament on June 2 at Coletto Creek Park in Fannin as part of a celebration for National Fishing & Boating Week. The event was open to all youth ages 2-16.
- Lake Placid (TP-4) was lowered approximately 12 to 18 inches below the normal elevation for GBRA hydroelectric crews to perform routine maintenance to the dam.
- In June, the 80th Legislative Session closed with the passage of several important pieces of legislation, including Senate Bill 3, an omnibus water bill.
- The GBRA Ambassador Team swept first-place awards at local parades, including the Yoakum Tom Tom Festival Grand Parade, the Lockhart Chisholm Trail Roundup Grand Parade, and the Luling Watermelon Thump Parade.

July 2007

- In July, about 60 percent of all GBRA employees underwent National Incident Management System (NIMS) training. This training, a directive of the U.S. Department of Homeland Security in cooperation with federal, state, and local governments, is

intended to provide a consistent approach to the effective management of situations involving natural disasters, man-made disasters, or terrorism.

August 2007

- GBRA's deputy general manager and chief operations officer retired after over 33 years with the organization. Fred M. Blumberg's retirement from GBRA became effective in August. A seasoned professional in the water resources field, Blumberg then joined Malcolm Pirnie, an environmental engineering and science consulting firm as its state water resources leader.

Comal County - Granzin of Granzin's Barbecue in New Braunfels.

A flying toolbox provided clarity on a location for Granzin's. "It was kind of dangerous, actually," Granzin says of the busy corner where he used to be located. "There were wrecks all the time. You never knew what would fly into the building." For example, that toolbox that flew off a motorist's truck one day into the restaurant. So in September 2006, he moved the barbecue business from the 400-square-foot building at 956 West San Antonio to a 6,300-square-foot building just down the street. Now diners can opt to eat indoors or out, sitting down, and can even buy breakfast there.

Other notable barbecue stops in Comal County include:

- River City Smoked Meat, New Braunfels
- McBee's Barbeque, New Braunfels
- New Braunfels Smokehouse



Accountability - Results in Detail

GFOA Certificate of Achievement

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Guadalupe-Blanco
River Authority
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
August 31, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Enos

Executive Director



GUADALUPE-BLANCO RIVER AUTHORITY

October 5, 2007

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, 2007, is hereby submitted. Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with GBRA. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds (divisions) of GBRA. All disclosures necessary to enable the reader to gain an understanding of GBRA's financial activities have been included.

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

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

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

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

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

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

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

The *Calhoun County Rural Water Supply Division* operates and maintains a treated water distribution system to supply approximately 1,265 homes and businesses located throughout most of the unincorporated areas of Calhoun County.

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

The *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 Texas Comptroller of Public Accounts, the Texas economy is closely tracking national economic trends. In that respect and unlike recent years of high sustained growth, the Comptroller states that "as the U.S. economic growth slows, Texas manufacturing and statewide manufacturing can be expected to follow suit, albeit with a lag of one to two quarters because of some residual strength in the local energy and construction sectors." The Federal Reserve Bank of Dallas (Fed) similarly states that "the pace of economic activity in the Eleventh District decelerated further from mid-October to mid-November. Manufacturing activity continued to weaken, and demand for business services was softer. Retail sales were weaker than expected however, energy activity picked up and agricultural conditions remained generally positive." Obviously the level of economic uncertainty is quite high in Texas and throughout the United States with record worldwide oil prices, a low U.S. Dollar value, and a credit squeeze precipitated by the "sub-prime" mortgage crisis. The eventual outcome of these and other economic factors cannot be fully predicted however, as Dr. M. Ray Perryman an economist and founder of the Perryman Group states, "even though difficulties confront us, Texas remains on solid footing." Dr. Perryman bases his optimism on several factors including Texas being the nation's export leader since 2002, availability of land in Texas at a low cost, and the fact that Texas is the nation's number one oil and gas producer.

The Local Economy. GBRA's service area is geographically part of south central Texas. It stretches from the Hill Country through the IH-35 Corridor and onto the Gulf Coast. This geographic diversity in turn provides economic diversity with a unique combination of agriculture, oil and gas, defense, high tech, higher education centers, tourism, and heavy industry. This diversity allows the local economy to be among the State's growth leaders and outpace the national economy. The State Comptroller divides the GBRA service area into three principal areas for reporting purposes. These include the Alamo Region being the counties surrounding the City of San Antonio, the Capital Region being the counties surrounding the City of Austin, and the Coastal Bend Region being the counties surrounding the Cities of Corpus Christi and Victoria. GBRA's 10 county district includes three counties in the Alamo Region, two in the Capital Region, with the remaining five counties in the Coastal Bend Region. While each of these regions should suffer from the same economic forces slowing the national and state economy, it is GBRA's estimation that its service area should weather the economic slowdown better than most other areas of the nation. This estimation is primarily based on Dr. Perryman's reasoning with abundant land still available between the San Antonio and Austin urban areas, considerable petroleum production and exploration in 5 out of the 10 counties in GBRA's service area, and the already well diversified economic base that exists throughout south central Texas. A basic assumption of all of these projections is State's ability to provide ever increasing amounts of water. With GBRA's district located between two rapidly growing major metropolitan areas, the need for future water supplies is no where more apparent and as a result GBRA's Board of Directors and staff are working diligently to plan for future water supplies in order to better assure the district's future economic vitality.

MAJOR INITIATIVES

For the Year. GBRA's major initiative for Fiscal Year 2007 was the provision of adequate water resources for the Guadalupe River Basin along with the planning necessary for additional, future supplies of water. This initiative was evident in GBRA's work with the Texas Legislature as legislation related to the instream surface water flows, fresh water flows for bays and estuaries, and the future desired conditions for Texas groundwater aquifers was debated. The Legislature also considered the proper

monitoring, regulation, and pumping from the Edwards Aquifer which the Guadalupe River is so dependent upon for water emanating from the aquifer's Comal and San Marcos springs. As a result of GBRA's cooperation and coordination with the Legislature, a recovery implementation plan is being developed for the Edwards Aquifer with input from numerous federal, state and local stakeholder groups. While GBRA worked to protect the existing Guadalupe River Basin water supplies during 2007, it was also planning the development of future supplies. Throughout Fiscal Year 2007, GBRA's staff and consultants were actively exploring future water supply projects. These potential future supply projects included both groundwater and surface water sources, water supplies from within and from beyond the river basin, and supplies from existing surface water permits as well as new permits. During FY 2008, GBRA will continue these efforts ultimately leading to preliminary engineering analyses and economic feasibility determinations.

Another major initiative for Fiscal Year 2007 was the completion of an expansion of the Seguin headquarters office. Beginning in FY 2002, GBRA's staff worked with an architectural firm to design the office expansion with actual construction starting in FY 2003. Phase one of the project, a new warehouse, was completed during 2003 while phase two, a new river annex building providing additional meeting room and office space, was completed in 2004. In FY 2007, GBRA completed the third phase which was an expansion and remodeling of the original Seguin headquarters building. Together these expansions provide much needed office, meeting and storage space and better position GBRA to meet the needs of GBRA's existing and future operations for its customers.

A second construction project that required considerable time and effort during FY 2007 was the expansion of the San Marcos Water Treatment Plant. While the City of San Marcos was responsible for the day-to-day management of the project, because of GBRA's unique role as operator of the plant and ultimately as a joint owner of the plant, the GBRA staff was actively involved in the project's design, inspection, and testing. Following the project's completion in December 2007, the plant will have a treatment capacity of 21 MGD with approximately 9 MGD dedicated to the City of San Marcos and 12 MGD dedicated to GBRA. Pursuant to a water supply agreement with the City of San Marcos, GBRA will use its 12 MGD share of plant to provide treated surface water to regional customers which currently include the Cities of Kyle and Buda, the GoForth Water Supply Corporation, and the Sunfield Municipal Utility District.

Other projects that are currently underway or are currently being planned include an expansion of the San Marcos Raw Water Delivery System; construction of treated water distribution systems in and around the City of Bulverde; the construction of a new ground storage tank at the Port Lavaca Water Treatment Plant; and an expansion of GBRA's Canyon Park Estates Wastewater Treatment Plant. The Raw Water Delivery System project which was undergoing engineering and design throughout FY 2007 was financed with approximately \$14,900,000 of revenue bonds on September 15, 2007. This expansion of the Raw Water Delivery System during FY 2008 will increase the total delivery capacity to 25MGD. The Bulverde project will include various water distribution systems near the City which will provide water from the Western Canyon Project to new customers. The construction of the new 1,000,000 gallon, concrete ground storage tank at the Port Lavaca Water Treatment Plant will replace the plant's original tank that was constructed in 1968. The new tank, which is estimated to cost approximately \$1,300,000, will replace the original steel tank which has surpassed its expected useful life. Finally, the Canyon Park Plant expansion will increase the treatment capacity of the Plant from 100,000 gallons per day (GPD) up to 180,000 GPD in order to meet the needs of expected customer growth in the Canyon Reservoir area.

From an operational perspective, with the absence of any flooding on the Guadalupe River unlike several of the recent past years, Fiscal Year 2007 was reasonably routine. Operations personnel completed a number of predictive and preventative maintenance projects as well as initiated engineering of structural modifications to mitigate future flood damage to the TP-4 hydroelectric spillgates which have been damaged during the last three Guadalupe River floods. To help fund these spillgate modifications, GBRA requested and was granted funding from FEMA in the amount of \$787,500.

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

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

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

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

FINANCIAL INFORMATION

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

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

in order to have a thorough understanding of GBRA, its activities, financial position and results of operations.

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

Pension Plan Operations. The operations of the Retirement Plan for Employees of GBRA was favorable as the actuarial value of the plan assets increased from \$8,298,010 as of January 1, 2006 to \$9,238,097 as of January 1, 2007 or 11.33%. GBRA's annual contribution of \$653,527 during fiscal year 2007 contributed to the increase in plan assets held by the plan. Further, plan assets as a percentage of the actuarial accrued liability increased from 61% to 63% during the year principally due to the annual contribution amount and market returns improving over prior year results.

Debt Administration. At August 31, 2007, 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, 2007 were \$131,865,000 while outstanding long-term loans were \$14,446,631. No state law nor GBRA's enabling act requires debt service coverage greater than 1:1, thus a schedule of the revenue bond coverage is not included in the statistical section of this report. Debt service coverage is however required by GBRA to be greater than 1:1 if the size and complexity of the project financed necessitates it. Debt service coverage is discussed further in Footnote I. Each revenue bond issue is insured or credit rated based on the financial strength of GBRA's service contracts. GBRA did not issue any new bond issues during fiscal year 2007 however one new long-term bank loans was procured and two long-term lease purchase of water rights were also procured. The bank loan, in the amount of \$120,000, was to finance the purchase of equipment for GBRA's Regional Laboratory located at the Seguin headquarters.

Cash Management. Cash not required for current operations, debt service payments or construction expenditures is invested in securities authorized by GBRA's investment policy that is reviewed and approved annually by the Board of Directors. For the year, the average yield on investments approximated 4.49%. This yield compares to an average 90 Day treasury yield of 4.80%. 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 during the middle part of the year before settling back down to rates prevalent at the beginning of the year, GBRA was not able to exceed the one-year treasury yield. Interest earnings on investments were \$855,793 for Fiscal Year 2007.

GBRA's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized with United States government, agency, or instrumentality securities. All collateral on deposits is held by GBRA, its agent, or the Federal Reserve Bank in GBRA's name. All investments held by GBRA at August 31, 2006 were classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. The market value of all GBRA investments was 100.08% of their book value and 100.04% of their par value as of August 31, 2007. A complete disclosure of GBRA's investments is found in Footnote D in the notes to the financial statements.

Risk Management. GBRA has implemented an intensive loss control program to minimize risk exposures. Employees are well trained in safety practices and maintain a constant vigil to correct safety hazards. A safety committee coordinates the overall program under the direction of the Deputy General Manager while monthly safety meetings are held by each of the divisions. During the fiscal year, the

safety manual continued to be updated; employee health fairs were held in Seguin and Victoria; and GBRA's safety glasses and boots program continued. Part of the success of GBRA's excellent safety record can be attributed to the support it gets from the Texas Water Conservation Association Risk Management Fund. A schedule of insurance coverage is included in the statistical section of this report.

OTHER INFORMATION

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

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to GBRA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2006. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

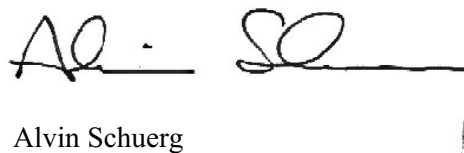
In order to be awarded a Certificate, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. GBRA has received a Certificate for the last 33 consecutive fiscal years (1973-2006). We believe our current report continues to conform to the Certificate of Achievement program requirements.

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, TX 78130
830-625-1182
Fax 830-625-1498

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Guadalupe-Blanco River Authority

We have audited the accompanying financial statements of Guadalupe-Blanco River Authority as of and for the years ended August 31, 2007 and 2006 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, 2007 and 2006, and the respective changes in financial position and cash flows thereof for the years 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 5, 2007 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, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 23 through 27 is not a required part of the basic financial statements but is 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 the Guadalupe-Blanco River Authority's basic financial statements. The supplementary schedules on pages 45 to 61 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section 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

New Braunfels, Texas
October 5, 2007

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, 2007 is the fifth year in which the provisions of the Government Accounting Standards Board Statement Number 34 (GASB 34) have been implemented; therefore, the MD&A that follows presents a comparison of each of the last two years under the GASB 34 standard.

Overview of the Basic Financial Statements

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

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

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

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

Condensed Financial Information

The financial statements are designed to provide readers with a broad overview of GBRA's financial position. The Balance Sheet presents information on all of GBRA's assets and liabilities, with the difference between the two reported as Net Assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of GBRA is improving or deteriorating. In Fiscal Year 2007, assets exceeded liabilities by \$53,425,568 which is an increase of \$4,168,110 from last year which in turn indicates a continued improvement in GBRA's financial position. Also during FY 2007, Current Restricted Assets declined by \$7,199,361 while Long-Term Capital Assets increased by \$6,811,313 both amounts of which relate to GBRA's construction of two water supply projects and the expenditure of bond funds received in prior years. Other significant account changes include the \$3,741,513 increase in Unrestricted Net Assets and the related \$2,145,316 decrease in Investments in Capital Assets Net of Related Debt. These changes are principally the result of a reduction in construction account payables due to several construction projects nearing completion. Also related to the completion of these construction projects is an increase in Net Assets Restricted for Debt Service in the amount of \$2,502,359. With the completion of these projects, GBRA began billing the projects' customers for debt service on the bonded indebtedness associated with the projects. The following table presents a Condensed Balance Sheet for August 31, 2007 and 2006:

GUADALUPE-BLANCO RIVER AUTHORITY		
CONDENSED BALANCE SHEET		
AUGUST 31, 2007 AND 2006		
ASSETS	2007	2006
Current Assets		
Unrestricted Assets	\$ 9,068,103	\$ 7,319,554
Restricted Assets	10,450,877	17,650,238
Long-Term Assets		
Restricted Assets	2,514,214	2,015,774
Capital Assets	180,893,117	174,081,804
Other Assets	10,738,775	10,279,532
Total Assets	\$ 213,665,086	\$ 211,346,902
LIABILITIES AND NET ASSETS		
Current Liabilities		
Payable from Current Assets	\$ 3,529,501	\$ 3,281,444
Payable from Restricted Assets	7,007,492	7,438,235
Long-Term Liabilities		
Bonds and Loans Payable	141,944,806	146,275,246
Advances for Operations	488,203	564,705
Deferred Income	7,269,516	4,529,814
Total Liabilities	160,239,518	162,089,444
NET ASSETS		
Investments in Capital Assets Net of Related Debt	36,361,304	38,506,620
Restricted for Construction	1,098,804	1,081,749
Restricted for Debt Service	4,087,722	1,585,363
Restricted for Insurance	1,034,689	982,190
Unrestricted	10,843,049	7,101,536
Total Net Assets	53,425,568	49,257,458
Total Liabilities and Net Assets	\$ 213,665,086	\$ 211,346,902

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, and insurance reservations. With the exception of the reservation for debt service payments described above, 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, 2007 and 2006:

GUADALUPE-BLANCO RIVER AUTHORITY		
COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS		
FISCAL YEARS ENDED AUGUST 31, 2007 AND 2006		
	2007	2006
REVENUE		
Program Revenues:		
General Operating	\$ 2,327,605	\$ 2,156,739
Recreation and Land Use	1,520,442	1,495,781
Hydroelectric Generation	3,849,466	3,628,891
Water Treatment & Distribution	26,328,967	21,370,494
Waste Water Treatment	6,842,145	6,218,125
Interfund Eliminations	(2,326,112)	(2,130,695)
Total Revenues	38,542,513	32,739,335
EXPENSES		
Program Expenses:		
General Operating	1,759,617	2,209,584
Recreation and Land Use	1,512,871	1,392,441
Hydroelectric Generation	3,493,675	3,319,589
Water Treatment & Distribution	19,008,842	14,423,680
Waste Water Treatment	5,417,078	5,292,402
Interfund Eliminations	(2,326,112)	(2,130,695)
Total Expenses	28,865,971	24,507,001
NON OPERATING REVENUES (EXPENSES)		
Investment Income	855,793	555,481
Gain (Loss) on Disposal of Capital Assets	--	7,716
Interest Expense	(4,199,747)	(5,687,458)
Total Non Operating Revenues (Expenses)	(3,343,954)	(5,124,261)
Income Before Recognition of Capital Contributions and Deferrals	6,332,588	3,108,073
Capital Contributions	9,879	11,496
Net Income Before Recognition of Deferrals	6,342,467	3,119,569
Revenue to be Recognized in Future Years	(2,174,357)	(1,604,770)
Change in Net Assets	4,168,110	1,514,799
Net Assets at August 31, 2005 and 2006	49,257,458	47,742,659
Net Assets at August 31, 2007 and 2006	\$ 53,425,568	\$ 49,257,458

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 2007 increase in Net Assets of \$4,168,110 is indicative of strong financial performance and a stable financial position. The components of Net Assets and the means in which it is calculated is apparent in the above Combined Statement of Revenues, Expenses and Changes in Net Assets.

Contributing to the increase in Net Assets were revenue increases of \$5,803,178 compared to expense increases of \$4,358,970. Noteworthy in these amounts is the revenue increase for GBRA resulting from increased firm water sales in the Water Resource Division. These firm water sales increased from approximately 73,100 acre-feet per year (AF/Y) to 75,600 AF/Y. Also in the Water Resource Division significant revenue increases resulted from billings to customers for the first full year of operation of the Western Canyon Water Treatment Plant Project following its start up in fiscal year 2006. This new revenue and new billings represent the cost of treated water from the plant and include the recovery of both operating and debt service costs of the Project.

Capital Asset and Long-Term Debt Activity

As of August 31, 2007, GBRA's total investment in capital assets was \$180,893,117 net of depreciation. These capital assets which are shown in the long-term asset section of GBRA's Balance Sheet are comprised of a number of different type of assets. Included in this asset type are water rights, dams, canals, water treatment plants, wastewater treatment plants, park facilities, hydroelectric plants, pipelines, and electric transmission facilities. The amount of capital assets recognized by GBRA grew by 4% or \$6,811,313 during FY 2007. The principal reason for this asset growth was the completion of several construction projects namely (1) the \$20,965,000 IH35 Treated Water Supply Project constructed to supply water to multiple customers along Interstate 35 in northern Hays County south of the City of Austin and (2) the General Office Expansion construction project which is providing much needed additional warehouse, meeting room and office space to better assist GBRA meets its customers needs.

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, 2007 were \$131,865,000 which is 3% less than the outstanding revenue bond total at the end of the previous year. The reason for this decrease in bonded indebtedness was the absence of any new bond issues during FY 2007 coupled with the annual principal retirements made on each of GBRA's existing bond issues. While the amount of outstanding revenue bonds decreased, the amount of outstanding long-term loans increased by a net amount \$180,056 during the year the annual loan principal payments were made. The reasons for this increase include the procurement of a \$120,000 long-term bank loan to purchase equipment for GBRA's Regional Laboratory and the recognition as debt of two long-term leases for the purchase of water rights in the amount of \$928,202.

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 \$2,000 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 and 1930'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, 2007 a rate of \$100 per acre-foot per year for committed, firm raw water. Presently, GBRA contracts with about 100 customers throughout the GBRA district to commit approximately 75,600 acre-feet of firm, raw water. Currently the source of this water is water stored in Canyon Reservoir although in the future, other sources of supply will also be used to supply customers. Despite the fact that GBRA's rate approximates the average rate for similar firm raw water supplies in Texas, during Fiscal Year 2002 three customers challenged GBRA's firm water rate by petitioning the Texas Commission on Environmental Quality (TCEQ) to review and possibly set a new rate. While two of the original three customers has since rescinded their rate challenge, the petition of the remaining one customer was still ongoing as of the end of Fiscal Year 2007 and while GBRA believes it will be resolved favorably, the final resolution is not expected for another 12-36 months.

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

AUGUST 31, 2007 AND 2006

ASSETS	2007	2006
CURRENT ASSETS		
Unrestricted Assets		
Cash and Cash Equivalents (Note A18 and Note D).....	\$2,995,138	\$2,251,731
Investments-Unrestricted (Note A18 and Note D).....	3,670,009	2,128,923
Interest Receivable.....	78,156	52,861
Accounts Receivable-Operating (Note A5).....	1,943,637	2,484,360
Other Current Assets.....	381,163	401,679
Total Unrestricted Assets.....	9,068,103	7,319,554
Restricted Assets		
Cash and Cash Equivalents (Note A18 and Note D).....	8,780,082	9,183,292
Investments-Restricted (Note A18 and Note D).....	1,598,693	8,387,779
Interest Receivable.....	72,102	79,167
Total Restricted Assets.....	10,450,877	17,650,238
Total Current Assets.....	19,518,980	24,969,792
LONG-TERM ASSETS (Note A6)		
Restricted Assets		
Investments-Restricted (Note D).....	2,514,214	2,015,774
Total Restricted Assets.....	2,514,214	2,015,774
Capital Assets		
Land, Water and Storage Rights.....	28,766,790	22,047,908
Dams, Plants and Equipment.....	195,887,336	94,649,012
Construction In Progress.....	1,948,124	100,250,038
Less Accumulated Depreciation.....	(45,709,133)	(42,865,154)
Total Capital Assets.....	180,893,117	174,081,804
Other Assets		
Investments-Unrestricted (Note D).....	2,608,833	2,116,785
Long-Term Loans Receivable	288,973	295,519
Contract Development Costs (Net of Amortization).....	55,678	62,354
Debt Issuance Costs (Net of Amortization).....	2,791,492	2,939,726
Permits and Licenses (Net of Amortization).....	697,984	726,499
Project Development Costs.....	2,423,360	2,651,947
Deferred Costs and Expenses (Note A12, Note A17 and Note I).....	1,872,455	1,486,702
Total Other Assets.....	10,738,775	10,279,532
Total Long-Term Assets.....	194,146,106	186,377,110
Total Assets.....	\$213,665,086	\$211,346,902
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payable from Unrestricted Assets		
Current Portion of Long-Term Loans Payable (Note B).....	\$563,204	\$677,612
Interest Payable.....	77,114	81,367
Accounts Payable-Operating.....	2,889,183	2,522,465
Total Current Unrestricted Liabilities.....	3,529,501	3,281,444
Payable from Restricted Assets		
Current Portion of Revenue Bonds (Note B).....	4,575,000	4,070,000
Current Portion of Long-Term Loans Payable.....	125,550	118,332
Interest Payable.....	1,620,360	1,662,481
Accounts Payable-Construction.....	686,582	1,587,422
Total Current Restricted Liabilities.....	7,007,492	7,438,235
Total Current Liabilities.....	10,536,993	10,719,679
LONG-TERM LIABILITIES (Note B)		
Revenue Bonds Payable.....	132,761,929	136,874,615
Long-Term Loans Payable.....	14,446,631	14,266,575
	147,208,560	151,141,190
Less Current Portion.....	(5,263,754)	(4,865,944)
Total Bonds and Loans Payable.....	141,944,806	146,275,246
Advances for Operations.....	488,203	564,705
Deferred Income.....	7,269,516	4,529,814
Total Long-Term Liabilities.....	149,702,525	151,369,765
Total Liabilities.....	160,239,518	162,089,444
NET ASSETS		
Investments in Capital Assets Net of Related Debt	36,361,304	38,506,620
Restricted for Construction (Note A15).....	1,098,804	1,081,749
Restricted for Debt Service (Note A15).....	4,087,722	1,585,363
Restricted for Insurance (Note G).....	1,034,689	982,190
Unrestricted	10,843,049	7,101,536
Total Net Assets (Note I).....	53,425,568	49,257,458
Total Liabilities and Net Assets.....	\$213,665,086	\$211,346,902

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, 2007 AND 2006

	2007	2006
REVENUE		
Power Sales.....	\$3,764,212	\$3,427,563
Water Sales and Lake Operations.....	24,850,270	20,122,065
Recreation and Land Use.....	534,433	511,757
Waste Water Treatment Services.....	6,248,195	5,581,511
Laboratory Services.....	594,524	538,302
Rental.....	382,364	269,495
Pollution and Industrial Financing (Note F).....	--	222,657
Miscellaneous	2,168,515	2,065,985
Total Operating Revenue.....	<u>38,542,513</u>	<u>32,739,335</u>
EXPENSES		
Personnel Operating Costs.....	8,997,620	7,830,077
Operating Supplies and Services.....	12,770,894	10,084,494
Maintenance and Repairs	4,036,894	3,454,708
Depreciation and Amortization.....	3,060,563	3,137,722
Total Operating Expenses.....	<u>28,865,971</u>	<u>24,507,001</u>
Operating Income	9,676,542	8,232,334
NONOPERATING REVENUES (EXPENSES)		
Investment Income.....	855,793	555,481
Gain on the Disposal of Capital Assets.....	--	7,716
Interest Expense (Note I).....	(4,199,747)	(5,401,953)
Total Nonoperating Revenues (Expenses).....	<u>(3,343,954)</u>	<u>(4,838,756)</u>
Income Before Recognition of Capital Contributions and Deferrals.....	6,332,588	3,393,578
Capital Contributions.....	9,879	11,496
Income Before Recognition of Deferrals.....	<u>6,342,467</u>	<u>3,405,074</u>
Revenue to be Recognized in Future Years (Note A17).....	(2,174,357)	(1,604,770)
Change in Net Assets.....	4,168,110	1,800,304
Net Assets at August 31, 2006 and 2005.(Note I).....	<u>49,257,458</u>	<u>47,457,154</u>
Net Assets at August 31, 2007 and 2006.....	<u>\$53,425,568</u>	<u>\$49,257,458</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, 2007 AND 2006

	2007	2006
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers.....	\$39,041,106	\$31,579,788
Cash Received from Interfund Administrative Charges.....	2,326,112	2,130,695
Cash Received from Administration of Industrial Revenue Bonds.....	--	222,657
Cash Paid for Personnel Operating Costs.....	(9,118,447)	(8,067,193)
Cash Paid for Other Operating and Maintenance Costs.....	(16,402,495)	(13,701,677)
Cash Paid for Interfund Administrative Charges.....	(2,205,285)	(1,893,579)
Net Cash Flows From Operating Activities.....	13,640,991	10,270,691
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Advances from Customers, Developers, and Other Governmental Units.....	719,003	193,087
Proceeds from Loans for Capital Assets and Plant Expansion.....	1,054,748	6,121,246
Proceeds from Sale of Capital Assets.....	--	41,975
Purchase of Capital Assets.....	(10,822,893)	(1,054,894)
Cash Paid for Construction in Progress.....	(323,441)	(37,491,527)
Interest Paid.....	(4,085,146)	(4,919,797)
Principal Payments on Revenue Bonds.....	(4,070,000)	(3,600,000)
Principal Payments on Loans.....	(868,146)	(728,708)
Net Cash Flows From (Used by) Capital and Related Financing Activities.....	(18,395,875)	(41,438,618)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Investments	6,976,979	12,816,910
Investment Income Received.....	837,569	593,111
Cash Paid for Investments	(2,719,467)	(3,226,300)
Net Cash Flows From (Used by) Investing Activities.....	5,095,081	10,183,721
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	\$340,197	(\$20,984,206)
CURRENT CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	\$2,251,731	\$4,240,594
At End of Year.....	2,995,138	2,251,731
Net Increase (Decrease).....	743,407	(1,988,863)
RESTRICTED CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	9,183,292	28,178,635
At End of Year.....	8,780,082	9,183,292
Net Increase (Decrease).....	(403,210)	(18,995,343)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	\$340,197	(\$20,984,206)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
FROM OPERATING ACTIVITIES:		
Operating Income	\$9,676,542	\$8,232,334
Adjustments to Reconcile Operating Income to Net Cash Flow:		
From Operating Activities		
Depreciation and Amortization.....	3,060,563	3,137,722
Non-Cash Pollution and Industrial Financing Income.....	--	--
Net Change in Assets and Liabilities from Operating Activities		
Operating Accounts Receivable.....	238,432	(2,344,788)
Other Current Assets.....	24,198	14,622
Operating Accounts Payable.....	641,256	1,230,801
Total Adjustments.....	3,964,449	2,038,357
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	\$13,640,991	\$10,270,691

NON-CASH TRANSACTIONS SCHEDULE

1. During fiscal year 2007 and 2006, an adjustment of \$49,007 and (\$251,679.25) respectively, was made to adjust 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, 2007 AND 2006

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 is one enterprise fund consisting of eleven divisions.. These divisions account for the acquisition, construction, operation and maintenance of GBRA's facilities and services which are entirely or predominately self-supporting through charges to customers.
- 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. It is GBRA's policy to first apply restricted resources when an expense is incurred for which both unrestricted and restricted assets are available.
- 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, 2007 and 2006 amounted to \$418,414 and \$397,307, 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, 2007, GBRA had \$686,582 contractual commitments for construction of the Office Expansion project, Western Canyon Construction project, and the IH-35 Pipeline project.
- 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.
- Restricted Net Assets.** GBRA recognizes net assets restricted for future construction costs, debt service payments, and insurance in divisions or funds in which assets exceed the related liabilities in accordance with bond issue and debt covenants and other externally imposed restrictions.
- 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 \$3,114,254 of interest expense and \$205,589 of interest income as construction in progress in 2007. GBRA recorded \$2,281,790 of interest expense and \$863,901 of interest income as construction in progress in 2006. 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.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2007 AND 2006

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. **Deferred Expenses.** Certain utility expenses that do not require funds currently are deferred to such periods as they are intended to be recovered in rates charged to customers. Likewise, certain utility revenue is deferred to such periods in which the costs related to that revenue is recognized. Deferred expenses and revenue will be recognized in future years by setting rates sufficient to provide funds for the related debt service requirements. GBRA adopted the provisions of Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation" in 1992.
18. **Reclassifications.** Certain amounts in the prior year's financial statements have been reclassified to conform to the current year presentation.

NOTE B - LONG TERM LIABILITIES

GBRA currently has \$146,311,631 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, 2007 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
				\$14,446,631				\$131,865,000
2008	1,396,165	707,411	688,754	13,757,877	10,783,874	6,208,874	4,575,000	127,290,000
2009	1,388,023	675,321	712,702	13,045,175	10,800,489	6,055,489	4,745,000	122,545,000
2010	1,348,955	642,325	706,630	12,338,545	10,859,840	5,874,840	4,985,000	117,560,000
2011	1,313,276	609,481	703,795	11,634,750	10,888,921	5,683,921	5,205,000	112,355,000
2012	1,296,491	576,006	720,485	10,914,265	10,104,703	5,489,703	4,615,000	107,740,000
2013	1,289,508	541,120	748,388	10,165,877	10,114,568	5,274,568	4,840,000	102,900,000
2014	1,254,626	504,754	749,872	9,416,005	10,110,225	5,065,225	5,045,000	97,855,000
2015	1,216,360	468,755	747,605	8,668,400	9,034,514	4,844,514	4,190,000	93,665,000
2016	3,902,802	345,410	3,557,392	5,111,008	9,057,138	4,647,138	4,410,000	89,255,000
2017	667,341	231,440	435,901	4,675,107	8,746,113	4,446,113	4,300,000	84,955,000
2018	667,342	210,451	456,891	4,218,216	8,084,927	4,249,927	3,835,000	81,120,000
2019	667,342	188,121	479,221	3,738,995	8,087,631	4,057,631	4,030,000	77,090,000
2020	667,342	164,354	502,988	3,236,007	8,083,577	3,853,577	4,230,000	72,860,000
2021	667,342	139,041	528,301	2,707,706	8,088,754	3,638,754	4,450,000	68,410,000
2022	667,341	112,063	555,278	2,152,428	8,085,141	3,410,141	4,675,000	63,735,000
2023	667,342	83,299	584,043	1,568,385	8,088,098	3,178,098	4,910,000	58,825,000
2024	667,344	52,608	614,736	953,649	8,093,818	2,933,818	5,160,000	53,665,000
2025	369,690	31,006	338,684	614,965	7,442,333	2,692,333	4,750,000	48,915,000
2026	369,690	21,645	348,045	266,920	7,435,030	2,455,030	4,980,000	43,935,000
2027	60,800	12,011	48,789	218,131	7,436,110	2,206,110	5,230,000	38,705,000
2028	60,800	9,815	50,985	167,146	7,134,710	1,944,710	5,190,000	33,515,000
2029	60,800	7,521	53,279	113,867	7,129,652	1,684,652	5,445,000	28,070,000
2030	60,800	5,124	55,676	58,191	7,131,590	1,411,590	5,720,000	22,350,000
2031	60,800	2,609	58,191	--	6,689,420	1,134,420	5,555,000	16,795,000
2032					6,689,630	854,630	5,835,000	10,960,000
2033					6,690,720	560,720	6,130,000	4,830,000
2034					1,371,940	251,940	1,120,000	3,710,000
2035					1,368,540	193,540	1,175,000	2,535,000
2036					1,367,270	132,270	1,235,000	1,300,000
2037					1,367,840	67,840	1,300,000	--
	<u>\$ 20,788,323</u>	<u>\$ 6,341,692</u>	<u>\$ 14,446,631</u>		<u>\$ 226,367,112</u>	<u>\$ 94,502,112</u>	<u>\$ 131,865,000</u>	

GUADALUPE BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2007 AND 2006

NOTE B – LONG-TERM LIABILITIES (CONTINUED)

GBRA had the following changes in long-term liabilities for the fiscal years ended August 31, 2007 and 2006 (exclusive of interfund loans payable).

Series	Date of Issue	Final Maturity	Effective Interest Rate	Original Amount	Outstanding 8/31/2005	Retired During FY 2006	Outstanding 8/31/2006	Retired During FY 2007	Outstanding 8/31/2007	Amounts Due Within One Year
OBLIGATIONS PAYABLE DIRECTLY BY GBRA										
RURAL UTILITIES DIVISION										
Wells Fargo Loan, Dunlap Construction										
	09/15/2005	2015	6.1%	\$4,400,000	\$ -	\$ -	\$4,400,000	\$118,332	\$4,281,668	\$125,550
WATER RESOURCE DIVISION										
U. S. Government Loan										
	01/01/1977	2026	2.5%	8,979,862	4,999,250	183,909	4,815,341	188,507	4,626,834	193,219
First Lockhart National Bank Loan										
	12/31/2001	2007	3.5%	1,750,000	557,366	368,337	189,029	189,029	--	--
GE Capital Public Finance Loan										
	03/19/2004	2014	4.8%	467,276	414,641	43,186	371,455	41,920	329,535	43,993
Old National Bancorp Loan, Lab Equipment										
	12/21/2005	2010	4.38%	65,000	--	10,122	54,878	12,275	42,603	12,823
JPMorgan Chase Loan, Office Expansion										
	05/09/2006	2016	4.18%	1,600,000	--	53,333	1,546,667	160,000	1,386,667	160,000
Frost National Bank Loan, Equipment										
	06/26/2006	2011	4.95%	43,696	--	1,938	41,756	7,991	33,767	8,401
American Bank Loan, Lab Equipment										
	12/29/2006	2010		120,000	--	--	--	25,334	94,666	39,420
A. Ussery-Water Rights										
	09/26/2006	2031	4.50%	343,496	--	--	--	17,348	326,148	7,823
Luling Foundation-Water Rights										
	09/26/2006	2031	4.50%	584,706	--	--	--	29,529	555,177	13,318
General Improvement Revenue Bonds										
	2002 09/15/2002	2027	3.35-4.75%	4,390,000	4,085,000	105,000	3,980,000	110,000	3,870,000	115,000
COLETO CREEK DIVISION										
Frost National Bank Loan, Equipment										
	06/26/2006	2011	4.95%	13,609	--	1,059	12,550	4,366	8,184	4,589
Total Obligations Payable Directly by GBRA				\$22,757,645	\$10,056,257	\$766,884	\$15,411,676	\$904,631	\$15,555,249	\$724,136

CONTRACT REVENUE BONDS AND LOANS

WATER RESOURCE DIVISION

Hays Energy Ltd. Loan										
	09/23/1999	2024	8.0%	\$3,200,000	\$2,902,781	\$67,882	\$2,834,899	\$73,517	\$2,761,382	\$79,618
Regional Raw Wtr Delivery System Bonds, San Marcos										
	1998 09/15/1998	2024	4.50-6.0%	9,735,000	8,310,000	285,000	8,025,000	300,000	7,725,000	310,000
Western Canyon Regional Water Supply Project Revenue Bonds										
	2003 04/01/2003	2033	3.0-5.25%	79,450,000	79,450,000	1,440,000	78,010,000	1,505,000	76,505,000	1,575,000
Combination Contract Revenue Bonds										
	2004A 12/07/2004	2037	3.0-4.13%	15,660,000	15,660,000	--	15,660,000	--	15,660,000	275,000
Combination Contract Revenue Bonds										
	2004B 12/07/2004	2037	5.5-5.8%	5,305,000	5,305,000	--	5,305,000	--	5,305,000	70,000

PORT LAVACA WATER TREATMENT PLANT DIVISION

Water Supply Revenue Refunding Bonds										
	2000 12/15/2000	2016	4.50-5.375%	3,265,000	2,650,000	180,000	2,470,000	190,000	2,280,000	200,000

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	435,000	2,175,000	435,000	1,740,000	435,000 (1)
Regional Waste Disposal Revenue Bonds										
	1996 07/18/1996	2010	2.9-4.75%	3,750,000	1,865,000	280,000	1,585,000	290,000	1,295,000	305,000

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	150,000	6,220,000	150,000	6,070,000	155,000

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
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NOTE B – LONG-TERM LIABILITIES (CONTINUED)

Series	Date of Issue	Final Maturity	Effective Interest Rate	Original Amount	Outstanding 8/31/2005	Retired During FY 2006	Outstanding 8/31/2006	Retired During FY 2007	Outstanding 8/31/2007	Amounts Due Within One Year
CANYON HYDROELECTRIC DIVISION										
Hydroelectric Project Revenue Refunding Bonds										
2002	04/15/2002	2014	3.5-4.75%	9,705,000	7,790,000	720,000	7,070,000	750,000	6,320,000	780,000 (2)
LOCKHART WASTEWATER RECLAMATION DIVISION										
Regional Wastewater Treatment System Contract Revenue Bonds										
1996	04/02/1996	2017	2.85%-4.55%	5,480,000	5,440,000	5,000	5,435,000	340,000	5,095,000	355,000
Total Contract Revenue Bonds and Loans				<u>\$147,440,000</u>	<u>\$138,352,781</u>	<u>\$3,562,882</u>	<u>\$134,789,899</u>	<u>\$4,033,517</u>	<u>\$130,756,382</u>	<u>\$4,539,618</u>

Total Bonds and Loans Payable Prior to Defeasance and Accretion of Interest

<u>\$148,409,038</u>	<u>\$150,201,575</u>	<u>\$146,311,631</u>	<u>\$5,263,754</u>
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	<u>8/31/2006</u>	<u>8/31/2007</u>	
Total Bonds and Loans Payable Prior to Defeasance and Accretion of Interest	\$150,201,575	\$146,311,631	
Less Deferred Defeasance on Advance Refunding	(2,393,461)	(2,517,548)	
Plus Revenue Bond Discounts and Accretion of Interest	<u>3,333,076</u>	<u>3,414,477</u>	(1)(2)
Net Revenue Bonds and Long-Term Loans Payable	<u>151,141,190</u>	<u>147,208,559</u>	
Less Current Portion	<u>(4,865,944)</u>	<u>(5,263,754)</u>	
TOTAL BONDS AND LOANS PAYABLE	<u><u>146,275,246</u></u>	<u><u>141,944,806</u></u>	

INTERDIVISION LOANS ELIMINATED FROM COMBINED BALANCE SHEET

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

	<u>8/31/2006</u>	<u>8/31/2007</u>
GuadalupeValley Hydroelectric Division	912,000	1,239,500
Rural Utilities Division	--	122,000
Water Supply Division	8,794,184	8,281,600
Port Lavaca Water Treatment Plant Division	185,000	--
Coleto Creek Division	144,207	180,207
Lockhart Wastewater Reclamation Division	<u>9,879</u>	<u>--</u>
Total Long-term loans payable to the General Division	<u><u>10,045,270</u></u>	<u><u>9,823,307</u></u>

- 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, 2007 and 2006 discount balance was \$177,113 and \$284,911 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.
- 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, 2007 and 2006 was \$20,936 and \$23,306 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.
- The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service retirement, construction, contingencies, etc. These accounts are reported as restricted assets in the accompanying combined financial statements. The bond indentures contain flow of funds requirements which generally provide the order in which funds are to be applied. These requirements have been met. None of the bond indentures of GBRA contain bond coverage requirement provisions, except the General Improvement Revenue Bonds and the Series 2004 Combination Contract Revenue Bonds. Therefore coverage data is not applicable for those issues. The General Improvement Revenue Bonds required provisions are disclosed in footnote "Continuing Disclosure Requirements".

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2007 AND 2006

NOTE C - DEFINED BENEFIT PENSION PLAN

1. PLAN DESCRIPTION

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

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

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

2. FUNDING POLICY

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

Employees are not required to contribute to the plan. GBRA makes contributions which are actuarially determined to pay the plan's total cost. GBRA contributes an amount annually (usually in December) for each plan year (ending December 31) that equals the sum of the normal cost using the entry age actuarial cost method plus an amount that will amortize the unfunded actuarial liability over an open period that varies from year to year but that in recent years has been 30 years. The employer contributions were 9.06% of total participant payroll for 2006 and are expected to be 9.02% for the 2007 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, 2006 and ending August 31, 2007, the Annual Pension Cost for GBRA of \$662,796 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, 2002	\$386,646	100%	\$ --
August 31, 2003	\$423,589	100%	\$ --
August 31, 2004	\$538,629	100%	\$ --
August 31, 2005	\$514,051	100%	\$ --
August 31, 2006	\$625,333	100%	\$ --
August 31, 2007	\$662,796	100%	\$ --

The required contribution for the fiscal year ending August 31, 2007 was based on the results of the actuarial valuation as of January 1, 2006 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, 2005	January 1, 2006	January 1, 2007
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	Jan 2002	Jan 2003	Jan 2004	Jan 2005	Jan 2006	Jan 2007
Actuarial Value of Assets	\$6,613,194	\$6,366,054	\$7,205,740	\$7,677,107	\$8,298,010	\$9,238,097
Actuarial Accrued Liability (AAL)	\$9,550,335	\$10,754,778	\$11,372,521	\$12,690,710	\$13,572,098	\$14,779,785
Unfunded AAL (UAAL)	\$2,937,141	\$4,388,724	\$4,166,781	\$5,013,603	\$5,274,088	\$5,541,688
Funded Ratio	69%	59%	63%	60%	61%	63%
Covered Payroll	\$5,513,092	\$6,109,780	\$5,941,599	\$6,972,148	\$7,319,088	\$7,840,665
UAAL as a Percentage of Covered Payroll	72%	70%	72%	72%	72%	71%

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

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

1. CASH AND DEPOSITS

At August 31, 2007, GBRA held \$1,099,591 in restricted and unrestricted cash. Included in this amount was \$1,700 of cash on hand and the remainder was on deposit at various banks in demand accounts.

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

2. INVESTMENTS

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

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

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

	Fair Value	Weighted Average Maturity in Months
Federal Farm Credit Bank	\$ 776,465	15.73
Federal Home Loan Bank	3,321,606	16.10
Federal Home Loan Mortgage Corp.	702,879	11.41
Federal National Mortgage Assn.	1,250,083	18.55
U. S. Treasury	1,637,554	12.23
Subtotal	7,688,587	
Certificates of Deposit	2,874,850	12.38
Money Market Funds	3,665,680	1.00
Texas Class	377,891	1.00
TexPool	6,460,370	1.00
Total Investments	\$ 21,067,378	7.74

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

Investments are rated as follows:

	Moody's	S&P
Federal Farm Credit Bank	Aaa	AAA
Federal Home Loan Bank	Aaa	AAA
Federal Home Loan Mortgage Corp.	Aaa	AAA
Federal National Mortgage Assn.	Aaa	AAA
Texas Class	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
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NOTE D - CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

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

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

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

Description	Fair Value	% of Portfolio
Mortgage Backed Securities	\$ 6,051,033	27.30%
Government Securities	1,637,554	7.39%
Certificates of Deposit	2,874,850	12.97%
Money Market Funds	3,665,680	16.53%
Public Funds Investment Pool	6,838,261	30.85%
Cash	1,099,591	4.96%
Total	<u>\$ 22,166,969</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, 2006	Additions	Removals	Balance August 31, 2007
Land, Water & Storage Rights	\$ 22,047,908	\$ 6,718,882	\$ --	\$ 28,766,790
Construction in Progress	100,250,038	6,809,275	105,111,189	1,948,124
Total Assets Not Being Depreciated	<u>\$ 122,297,946</u>	<u>\$ 13,528,157</u>	<u>\$ 105,111,189</u>	<u>\$ 30,714,914</u>
Structures & Improvements	\$ 79,272,181	\$ 99,724,124	\$ --	\$ 178,996,305
Specialized Equipment	6,855,115	110,451	--	6,965,566
Office Buildings & Communications	2,260,173	--	--	2,260,173
Shops & Storerooms	89,909	--	--	89,909
Auto & Heavy Equipment	3,067,175	238,477	28,128	3,277,524
Office Furniture & Equipment	1,083,699	102,270	--	1,185,969
Miscellaneous Equipment	2,020,760	1,099,896	8,766	3,111,890
Total Dams, Plants and Equipment	<u>\$ 94,649,012</u>	<u>\$101,275,218</u>	<u>\$ 36,894</u>	<u>\$ 195,887,336</u>
Total Capital Assets	<u>\$ 216,946,958</u>	<u>\$114,803,375</u>	<u>\$ 105,148,083</u>	<u>\$ 226,602,250</u>
Classification	DEPRECIATION			
	Balance August 31, 2006	Additions	Removals	Balance August 31, 2007
Structures & Improvements	\$ (32,430,847)	\$ (2,291,138)	\$ --	\$ (34,721,985)
Specialized Equipment	(5,229,355)	(116,473)	--	(5,345,828)
Office Buildings & Communications	(1,383,531)	(48,316)	--	(1,431,847)
Shops & Storerooms	(71,425)	(1,920)	--	(73,345)
Auto & Heavy Equipment	(1,946,540)	(213,191)	(25,046)	(2,134,685)
Office Furniture & Equipment	(784,891)	(82,807)	--	(867,698)
Miscellaneous Equipment	(1,018,565)	(123,297)	(8,117)	(1,133,745)
Total Accumulated Depreciation	<u>\$ (42,865,154)</u>	<u>\$ (2,877,142)</u>	<u>\$ (33,163)</u>	<u>\$ (45,709,133)</u>
NET CAPITAL ASSETS	<u>\$ 174,081,804</u>	<u>\$111,926,233</u>	<u>\$ 105,114,920</u>	<u>\$ 180,893,117</u>

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
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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, 2007 total \$90,890,000 and are as follows:

Series	Date of		Interest Rate	Original Amount	Outstanding 8/31/2006	Outstanding 8/31/2007
	Issue	Maturity				
Pollution Control Revenue Bonds (Central Power and Light Company Project)						
1996	10/1/1995	2015	4.75%	40,890,000	40,890,000	40,890,000
Sewage and Solid Waste Disposal Facility Bonds (E. I. duPont Co. Project)						
1996	4/1/1996	2026	Variable	25,000,000	25,000,000	25,000,000
Sewage and Solid Waste Disposal Facility Bonds (E. I. duPont Co. Project)						
1999	5/1/1999	2029	5.50%	25,000,000	25,000,000	25,000,000

NOTE G - RISK MANAGEMENT

GBRA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, natural disasters, and job-related injuries or illnesses to employees for which GBRA carries commercial insurance or participates in the Texas Water Conservation Association Risk Management Fund (Fund). GBRA's relationship with the Fund parallels that with a commercial insurance company. The Fund has the responsibility to defend any suit seeking damages on account of any liability up to the applicable limits of the agreement. GBRA on the other hand has the responsibility to notify the Fund of all potential claims and to reimburse the Fund for amounts paid within the agreement's deductible. GBRA does not have the responsibility to reimburse the Fund for amounts related to the claims of other Fund participants. During the past three years, no settlements have exceeded insurance coverage. 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 \$1,123,275 for the group and \$50,000 per covered individual are insured through Combined Insurance Company of America. The plan is administered by United Health Care.

Liabilities are reported when a contingency risk exists that may exceed reasonable cost projections. Annual costs did exceed the plan year budget over the past fiscal year. As a result, GBRA's previously accumulated restricted health insurance investment fund declined to a total of \$194,996. These funds will be available in any future year that health costs exceed that plan year budget.

		Beginning			Adjust to Market Value	Ending Balance
		Balance	Additions	Deletions		
FY 2006	\$	395,903	\$ 109,692	\$ (312,660)	\$ 3,274	\$ 196,209
FY 2007	\$	196,209	\$ 110,982	\$ (115,813)	\$ 3,618	\$ 194,996

NOTE H - CONTINUING DISCLOSURE REQUIRMENTS

GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2002

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, SERIES 2004A & 2004B

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

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

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

1. DEBT SERVICE REQUIREMENTS

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

2. FUND BALANCES AND COVERAGE

GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2002

Interest and Sinking Fund Balances as of August 31, 2007	\$	23,600	
Reserve Fund Balance as of August 31, 2007	\$	--	(1)
Pledged Revenues for the Fiscal Year Ended August 31, 2007	\$	7,949,392	(2)
Net Revenues for the Fiscal Year Ended August 31, 2007	\$	5,545,259	(3)
Average Annual Debt Service Requirements (2003-2027)	\$	295,625	
Coverage Factor based on Pledged Revenues		26.89	
Coverage Factor based on Net Revenues		18.76	

(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.

3. SOURCES OF PLEDGED REVENUES

COMBINATION CONTRACT REVENUE, SUBORDINATE WATER RESOURCES DIVISION REVENUE,
AND SURPLUS WATER PROJECT REVENUE BONDS, SERIES 2004A AND 2004B

	Fiscal Year Ended August 31		
	2007	2006	2005
Debt Service Component of Gross Contract Revenues			
From City of Buda, Texas	\$ 44,671	\$ 995	\$ --
From City of Kyle, Texas	117,931	2,626	--
From GoForth Water Supply Corporation	41,990	935	--
From Sunfield Municipal Utilities District	178,683	3,979	--
Total Gross Contract Revenues	\$ 383,275	\$ 8,535	\$ --
Subordinate Water Resources Division Revenues	5,261,759	1,926,831	573,352
Surplus West. Canyon Reg. Water Sup. Project Revs.	532,000	532,000	532,000
Total Pledged Revenues Available to Pay Debt Service	\$ 6,177,034	\$ 2,467,366	\$ 1,105,352
Annual Debt Service Requirements	\$ 1,024,283	\$ 1,024,283	\$ 680,010
Coverage Factor	6.03	2.41	1.63

1) Billings to contracted customers for debt service began in May 2007. Prior to that, capitalized interest was used to pay debt service.

However, the 10% debt coverage requirement from contracted customers commenced in August 2006.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2007 AND 2006

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

	Fiscal Year Ended August 31				
	2007	2006	2005	2004	2003
Revenue					
Raw Water Sales (1)	\$ 7,949,392	\$ 6,713,379	\$ 5,691,556	\$ 5,387,503	\$ 5,395,420
Reservation Fees (2)and(3)	117,543	39,181	609,750	504,750	504,750
Water Replacement Fees (4)	343,750	220,000			
Recreation and Land Use	65,316	87,415	78,990	81,441	81,920
Rental Income	254,775	167,772	158,937	158,077	145,439
Miscellaneous	33,993	32,236	31,298	185,560	37,519
Total Operating Revenue	\$ 8,764,769	\$ 7,259,983	\$ 6,570,531	\$ 6,317,331	\$ 6,165,048
Expense					
Operating Expenses (5)	\$ 2,328,668	\$ 3,613,693	\$ 4,879,440	\$ 4,197,678	\$ 3,377,812
Maintenance and Repairs	397,331	1,030,821	430,913	228,875	321,898
Administrative and General	493,511	405,413	404,101	378,547	340,081
Total Operating Expense	\$ 3,219,510	\$ 5,049,927	\$ 5,714,454	\$ 4,805,100	\$ 4,039,791
Net Revenue	\$ 5,545,259	\$ 2,210,056	\$ 856,077	\$ 1,512,231	\$ 2,125,257
Less Debt Service for Senior Lien Bonds (6)	\$ 283,500	\$ 283,225	\$ 282,725	\$ 282,000	\$ 285,954
Subordinate Revenues Available	\$ 5,261,759	\$ 1,926,831	\$ 573,352	\$ 1,230,231	\$ 1,839,303

(1) Pledged Revenues.

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

(3) During FY 2007 and FY 2006, new customers in the Western Canyon project paid reservation to reserve plant capacity for water treatment at the Western Canyon Water Treatment Plant.

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

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

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

5. 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:

	August 31, 2007		August 31, 2006		August 31, 2005		August 31, 2004		August 31, 2003	
	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total
Municipal	56,142	77.10%	53,872	76.40%	49,856	74.96%	46,248	73.40%	44,823	72.78%
Domestic	19	0.03%	22	0.03%	25	0.04%	24	0.04%	25	0.04%
Industrial	15,833	21.74%	15,830	22.45%	15,831	23.80%	15,830	25.12%	15,833	25.71%
Irrigation	825	1.13%	792	1.12%	799	1.20%	903	1.43%	909	1.48%
Contracted	72,819	100.00%	70,516	100.00%	66,511	100.00%	63,005	100.00%	61,590	100.00%

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2007 AND 2006

6. 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 90% 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, 2007 are shown below:

				Contract Information		
Customer	Type	Total AF/YR	Revenue	Contract Date	Expiration Date	Renewal Option
Municipal						
Canyon Regional Water Authority	Regional Water Authority	10,575	\$ 1,249,127	10/31/1998	12/31/2039	(1)
City of Marion (100A/F)						
City of Cibolo (1,350 A/F)						
Green Valley SUD (1,800 A/F)						
Springs Hill WSC (1,925 A/F)						
East Central WSC (1,400 A/F)						
Bexar MWD (4,000 A/F)						
New Braunfels Utilities	City	6,720	642,880	01/26/1989	01/25/2009	20 Yrs
City of Seguin	City	2,000	191,333	07/11/1995	12/31/2037	(1)
Canyon Lake WSC	Water Supply Corporation	2,000	186,222	10/01/1994	12/31/2044	(1)
Canyon Lake WSC II	Water Supply Corporation	2,000	186,222	08/27/2001	12/31/2050	(1)
Canyon Lake WSC III	Water Supply Corporation	2,000	186,222	09/29/2006	12/31/2050	(1)
SHWSC I	Water Supply Corporation	1,000	95,667	06/26/1967	12/31/2050	(1)
SHWSC II	Water Supply Corporation	1,000	95,667	06/01/2000	12/31/2050	(1)
Regional RWDS Project						
City of San Marcos	City	5,000	483,133	10/01/1989	07/01/2047	(1)
City of Kyle	City	2,957	282,886	05/20/2005	12/31/2038	20 YRS
City of Buda	City	1,120	107,147	04/09/2002	12/31/2042	(1)
CRWA --Hays Project	Regional Water Authority	2,038	194,969	06/16/1999	12/31/2039	(1)
GoForth WSC	Water Supply Corporation	1,050	100,450	03/01/2004	12/11/2029	(1)
Sunfield MUD	Municipal Utility District	3,136	300,011	09/08/2005	12/31/2050	
GBRA Western Canyon						
SAWS	City	4,000	1,050,495	03/17/2000	12/31/2037	40 Yrs (2x20 Yrs)
Boerne	City	2,361	203,415	02/22/2000	12/31/2037	40 Yrs (2x20 Yrs)
Fair Oaks Ranch	City	1,600	147,867	02/10/2000	12/31/2037	40 Yrs (2x20 Yrs)
Total Major Municipal Customers		50,557	\$ 5,703,713			
Industrial						
Guadalupe Power Partners	Electric Generation	6,840	\$ 641,940	03/17/1999	12/31/2021	30 Yrs (6x5 Yrs)
Coletto Creek Power LP	Electric Generation	4,000	430,500	09/01/1975	09/01/2025	(1)
Hays Energy Limited Partners	Electric Generation	2,464	235,723	06/25/1999	12/31/2025	(1)
INEOS USA LLC	Chemical Company	1,100	105,233	02/11/1980	02/21/2005	40 Yrs (15 Yrs = (5x5 Yrs))
Total Major Industrial Customers		14,404	\$ 1,413,396			
Other						
Cordillera Ranch	Housing Development	1,000	95,333	10/11/2001	12/31/2037	40 Yrs (2x20 Yrs)
Total Major Other Customers		1,000	\$ 95,333			
Total Major Customers		65,961	\$ 7,212,442			
Total Firm Water Sales		72,820	7,949,392			
Major Customers as a Percentage of Total		90.58%	90.73%			

(1) Contract does not provide for specific renewal options

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2007 AND 2006

7. FIRM WATER SALES RATE HISTORY

Price Per Acre-Foot (1)	Effective Date
\$38.75	10/1/1980
44.76	10/1/1985
53.03	10/1/1990
61.00	10/1/1997
69.00	10/1/2000
80.00	10/1/2002
84.00	11/1/2003
88.00	10/1/2004
92.00	10/1/2005
96.00	10/1/2006
100.00	10/1/2007

(1) Excludes out-of-district charges.

8. 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.

9. 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 – PRIOR PERIOD ADJUSTMENTS

1989 Regional Waste Disposal Refunding Improvement Revenue Bonds Interest Accretion

GBRA corrected its reporting of the accretion of interest for the 1989 capital improvement bonds that began maturing in 2005. The result is a decrease in net assets of \$285,505 for FY2005, and a decrease of net assets for FY2006 of \$311,459 for a combined total decrease in net assets of \$596,964.

Net Assets:

2006 beginning net assets as previously reported	\$ 47,742,659
Accretion of interest on capital appreciation bonds affecting beginning net assets	(285,505)
2006 beginning net assets as restated	<u>47,457,154</u>

2006 change in net assets as previously reported	2,111,763
Accretion of interest on capital appreciation bond	(311,459)
2006 restated change in net assets	<u>1,800,304</u>
2007 restated change in beginning net assets	<u>\$ 49,257,458</u>

Interest Expense

2006 interest expense as previously reported	\$ 5,090,494
Accretion of interest on capital appreciation bond	311,459
2006 restated interest expense	<u>\$ 5,401,953</u>

Deferred Costs and Expenses

2006 deferred costs and expenses as previously reported	\$ 2,083,666
Accretion of interest on capital appreciation bond	(596,964)
2006 restated deferred costs and expenses	<u>\$ 1,486,702</u>

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2007 AND 2006

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, 2007 is as follows:

	Water Sales	Port Lavaca Water Plant	Victoria Waste Disposal	Luling Water Plant	Canyon Hydroelectric	Lockhart WWTP	Total
REVENUES, EXPENSES AND CHANGES IN NET ASSETS							
Operating Revenue	\$ 14,666,776	\$ 1,540,270	\$ 3,625,518	\$ 1,137,030	\$ 1,265,191	\$ 1,403,234	\$ 23,638,019
Operating Expenses	(8,617,573)	(1,088,036)	(2,700,994)	(784,076)	(208,774)	(786,669)	(14,186,122)
Depreciation and Amortization Exp	(868,874)	(188,166)	(384,877)	(217,064)	(357,204)	(205,285)	(2,221,470)
Operating Income	5,180,329	264,068	539,647	135,890	699,213	411,279	7,230,427
Nonoperating Revenue (Expenses)	(2,224,613)	(101,548)	(439,422)	(158,221)	(361,435)	(212,391)	(3,497,630)
Capital Contributions	--	--	--	--	--	9,879	9,879
Costs to be Recovered (Deferred Rev)	1,533,094	(62,755)	(186,649)	(6,443)	(323,485)	186,546	1,140,308
Change in Net Assets	\$ 4,488,810	\$ 99,765	\$ (86,424)	\$ (28,774)	\$ 14,293	\$ 395,314	\$ 4,882,984
BALANCE SHEET ACTIVITIES							
Current Assets	\$ 2,738,615	\$ 566,717	\$ 1,486,056	\$ 382,737	\$ 675,066	\$ 473,262	\$ 6,322,453
Capital Assets	144,268,829	2,423,089	5,182,631	5,992,482	7,093,851	4,134,790	\$ 169,095,672
Other Assets	4,642,382	844,195	188,888	190,958	1,022,040	1,235,599	\$ 8,124,062
Total Assets	\$ 151,649,826	\$ 3,834,001	\$ 6,857,575	\$ 6,566,177	\$ 8,790,957	\$ 5,843,651	\$ 183,542,187
Current Liabilities	\$ 6,106,096	\$ 559,707	\$ 1,354,225	\$ 306,524	\$ 915,209	\$ 603,291	\$ 9,845,052
Long Term Liabilities	125,894,983	2,108,250	3,254,758	5,966,038	7,188,262	4,770,412	149,182,703
Total Liabilities	132,001,079	2,667,957	4,608,983	6,272,562	8,103,471	5,373,703	159,027,755
Invested in Capital Assets Net of Related Debt	13,691,994	143,089	2,324,744	(63,512)	148,1706	(1,168,239)	16,409,782
Restricted	2,602,398	188,294	843,808	79,284	366,759	241,416	4,321,959
Unrestricted	3,354,355	834,661	(919,960)	277,843	(1,160,979)	1,396,771	3,782,691
Total Net Assets	19,648,747	1,166,044	2,248,592	293,615	687,486	469,948	\$ 24,514,432
Total Liabilities and Net Assets	\$ 151,649,826	\$ 3,834,001	\$ 6,857,575	\$ 6,566,177	\$ 8,790,957	\$ 5,843,651	\$ 183,542,187
Revenue Bonds Payable	\$ 110,860,904	\$ 2,080,000	\$ 2,117,887	\$ 5,900,994	\$ 4,832,144	\$ 4,740,000	\$ 130,531,929
Loans Payable	10,019,509	--	--	--	--	--	10,019,509
Interfund Balances:							
Accounts Receivable	587,910	137,047	283,512	58,000	38,000	85,000	1,189,469
Accounts Payable	929,668	243,888	338,401	80,511	43,667	76,272	1,712,407
Notes Payable	4,363,136	--	--	--	--	30,412	4,393,548
CASH FLOW ACTIVITIES							
Cash Flows							
Operating Activities	\$ 7,499,740	\$ 435,517	\$ 1,137,679	\$ (16,483)	\$ 1,233,249	\$ 633,083	\$ 10,922,785
Capital & Related Financing Activities	(13,215,489)	(379,226)	(940,083)	(76,015)	(1,137,369)	(634,934)	(16,383,116)
Investing Activities	3,709,006	55,249	(80,407)	219,313	69,063	16,421	3,988,645
	\$ (2,006,743)	\$ 111,540	\$ 117,189	\$ 126,815	\$ 164,943	\$ 14,570	\$ (1,471,686)
Current Cash and Cash Equivalents							
At Beginning of Year	\$ 793,780	\$ 954	\$ 65,422	\$ 11,561	\$ 37,249	\$ 70,421	\$ 979,387
At End of Year	1,052,525	112,392	191,054	144,281	102,116	65,932	1,668,300
Net Increase (Decrease)	\$ 258,745	\$ 111,438	\$ 125,632	\$ 132,720	\$ 64,867	\$ (4,489)	\$ 688,913
Restricted Cash and Cash Equivalents							
At Beginning of Year	\$ 7,200,834	\$ 5,065	\$ 777,241	\$ 5,905	\$ 266,683	\$ 222,357	\$ 8,478,085
At End of Year	4,935,346	5,167	768,798	--	366,759	241,416	6,317,486
Net Increase (Decrease)	(2,265,488)	102	(8,443)	(5,905)	100,076	19,059	(2,160,599)
	\$ (2,006,743)	\$ 111,540	\$ 117,189	\$ 126,815	\$ 164,943	\$ 14,570	\$ (1,471,686)

OTHER SUPPLEMENTAL INFORMATION

GUADALUPE-BLANCO RIVER AUTHORITY
COMBINING BALANCE SHEET

AUGUST 31, 2007

	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.....	\$ 799,818	\$ 17,977	\$ 106,326	\$ 1,009,637	\$ 112,392	\$ 111,012
Investments-Unrestricted.....	2,508,683	--	--	750,209	--	126,101
Interest Receivable.....	50,905	--	142	12,367	341	3,607
Accounts Receivable-Operating.....	1,292	281,358	256,585	1,008,003	137,047	51,000
Accounts Receivable-Interfund.....	3,031,764	190,968	120,069	1,312,929	137,347	86,765
Other Current Assets.....	14,604	48,872	8,478	201,314	20,052	29,898
Total Current Assets.....	6,407,066	539,175	491,600	4,294,459	407,179	408,383
Restricted Assets						
Cash and Cash Equivalents.....	502,016	--	851,538	6,044,388	5,167	--
Investments.....	332,673	--	460,390	523,381	152,949	--
Interest Receivable.....	3,551	--	5,813	48,788	1,422	--
Total Restricted Assets.....	838,240	--	1,317,741	6,616,557	159,538	--
Total Current Assets.....	7,245,306	539,175	1,809,341	10,911,016	566,717	408,383
LONG-TERM ASSETS						
Restricted Assets						
Investments.....	200,000	--	300,000	1,959,036	30,178	--
Total Restricted Assets.....	200,000	--	300,000	1,959,036	30,178	--
Capital Assets						
Land, Water and Storage Rights.....	511,854	2,248,823	84,199	23,801,343	41,424	51,396
Dams, Plants and Equipment.....	1,999,487	10,136,529	7,640,900	126,040,829	5,424,420	2,355,475
Construction In Progress.....	--	40,247	159,710	1,542,458	143,725	42,603
Less Accumulated Depreciation.....	(1,410,237)	(5,546,812)	(2,263,240)	(11,002,744)	(3,186,480)	(1,361,015)
Total Capital Assets.....	1,101,104	6,878,787	5,621,569	140,381,886	2,423,089	1,088,459
Other Assets						
Investments-Unrestricted.....	2,508,833	--	--	--	--	--
Long-Term Loans Receivable.....	54,000	--	234,973	--	--	--
Contract Development Costs (Net of Amortization).....	--	--	--	899	--	--
Debt Issuance Costs (Net of Amortization).....	--	--	--	2,094,750	92,648	--
Permits and Licenses (Net of Amortization).....	--	--	--	--	--	--
Project Development Costs.....	--	--	22,355	2,401,005	--	--
Interfund Loans Receivable.....	9,823,307	--	--	--	--	--
Deferred Costs and Expenses.....	--	--	--	--	721,369	--
Total Other Assets.....	12,386,140	--	257,328	4,496,654	814,017	--
Total Long-Term Assets.....	13,687,244	6,878,787	6,178,897	146,837,576	3,267,284	1,088,459
Total Assets.....	\$ 20,932,550	\$ 7,417,962	\$ 7,988,238	\$ 157,748,592	\$ 3,834,001	\$ 1,496,842
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Payable from Unrestricted Assets						
Current Portion of Long-Term Loans Payable.....	\$ --	\$ --	\$ --	\$ 558,615	\$ --	\$ --
Interest Payable.....	--	--	--	77,114	--	--
Accounts Payable-Operating.....	643,207	177,752	194,776	838,618	97,745	28,301
Accounts Payable-Interfund.....	2,065,182	360,310	221,399	1,814,999	243,888	115,179
Total Current Unrestricted Liabilities.....	2,708,389	538,062	416,175	3,289,346	341,633	143,480
Payable from Restricted Assets						
Current Portion of Debt.....	--	--	125,550	2,345,000	200,000	--
Interest Payable.....	--	--	130,591	1,334,215	18,074	--
Accounts Payable-Construction.....	--	--	--	686,582	--	--
Total Current Restricted Liabilities.....	--	--	256,141	4,365,797	218,074	--
Total Current Liabilities.....	2,708,389	538,062	672,316	7,655,143	559,707	143,480
LONG-TERM LIABILITIES						
Revenue Bonds Payable.....	--	--	--	110,860,904	2,280,000	--
Long-Term Loans Payable.....	--	--	4,281,668	10,156,779	--	--
Interfund Loans Payable.....	--	1,239,500	122,000	8,281,600	--	--
Less Current Portion.....	--	1,239,500	4,403,668	129,299,283	2,280,000	--
Total Bonds and Loans Liabilities.....	--	--	(125,550)	(2,903,615)	(200,000)	--
Advances for Operations.....	--	--	13,975	64,830	28,250	--
Deferred Income.....	--	--	--	4,062,219	--	--
Total Long-Term Liabilities.....	--	1,239,500	4,292,093	130,522,717	2,108,250	--
Total Liabilities.....	2,708,389	1,777,562	4,964,409	138,177,860	2,667,957	143,480
NET ASSETS						
Investments in Capital Assets Net of Related Debt.....	1,101,104	5,639,286	1,320,978	13,656,275	143,089	1,088,459
Restricted for Construction.....	--	--	864,567	234,237	--	--
Restricted for Insurance.....	1,034,689	--	--	--	--	--
Restricted for Debt Service.....	--	--	--	2,368,161	188,294	--
Unrestricted.....	16,088,368	1,114	838,284	3,312,059	834,661	264,903
Total Net Assets.....	18,224,161	5,640,400	3,023,829	19,570,732	1,166,044	1,353,362
Total Liabilities and Net Assets.....	\$ 20,932,550	\$ 7,417,962	\$ 7,988,238	\$ 157,748,592	\$ 3,834,001	\$ 1,496,842

See accompanying independent auditors' report.

Victoria Regional Wastewater Reclamation Division	Coleta Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	2007 Eliminations	2007 Total
\$ 191,054	\$ 102,819	\$ 144,281	\$ 102,116	\$ 297,706	\$ --	\$ 2,995,138
150,016	30,000	30,000	50,000	25,000	--	3,670,009
7,426	316	512	481	2,059	--	78,156
5,095	4,508	64,679	104,620	29,450	--	1,943,637
283,512	90,029	58,000	38,000	125,000	(5,474,383)	0
24,543	8,997	5,778	7,590	11,037	--	381,163
661,646	236,669	303,250	302,807	490,252	(5,474,383)	9,068,103
768,798	--	--	366,759	241,416	--	8,780,082
50,016	--	79,284	--	--	--	1,598,693
5,596	--	203	5,500	1,229	--	72,102
824,410	--	79,487	372,259	242,645	--	10,450,877
1,486,056	236,669	382,737	675,066	732,897	(5,474,383)	19,518,980
25,000	--	--	--	--	--	2,514,214
25,000	--	--	--	--	--	2,514,214
1,003,391	--	875,292	12,187	136,881	--	28,766,790
14,461,102	1,885,778	7,117,844	12,553,881	6,271,091	--	195,887,336
--	--	--	--	19,381	--	1,948,124
(10,281,862)	(1,437,094)	(2,000,654)	(5,472,217)	(1,746,778)	--	(45,709,133)
5,182,631	448,684	5,992,482	7,093,851	4,680,575	--	180,893,117
100,000	--	--	--	--	--	2,608,833
--	--	--	--	--	--	288,973
--	--	--	41,739	13,040	--	55,678
63,888	--	190,958	282,317	66,931	--	2,791,492
--	--	--	697,984	--	--	697,984
--	--	--	--	--	--	2,423,360
--	--	--	--	--	(9,823,307)	0
--	--	--	--	1,151,086	--	1,872,455
163,888	--	190,958	1,022,040	1,231,057	(9,823,307)	10,738,775
5,371,519	448,684	6,183,440	8,115,891	5,911,632	(9,823,307)	194,146,106
\$ 6,857,575	\$ 685,353	\$ 6,566,177	\$ 8,790,957	\$ 6,644,529	(15,297,690)	\$ 213,665,086
\$ --	\$ 4,589	\$ --	\$ --	\$ --	\$ --	563,204
--	--	--	--	--	--	77,114
250,975	151,950	47,181	21,325	437,353	--	2,889,183
338,401	134,276	80,511	43,667	56,571	(5,474,383)	0
589,376	290,815	127,692	64,992	493,924	(5,474,383)	3,529,501
740,000	--	155,000	780,000	355,000	--	4,700,550
24,849	--	23,832	70,217	18,582	--	1,620,360
--	--	--	--	--	--	686,582
764,849	--	178,832	850,217	373,582	--	7,007,492
1,354,225	290,815	306,524	915,209	867,506	(5,474,383)	10,536,993
2,857,887	--	6,055,994	5,612,144	5,095,000	--	132,761,929
--	8,184	--	--	--	--	14,446,631
--	180,207	--	--	--	(9,823,307)	0
2,857,887	188,391	6,055,994	5,612,144	5,095,000	(9,823,307)	147,208,560
(740,000)	(4,589)	(155,000)	(780,000)	(355,000)	--	(5,263,754)
2,117,887	183,802	5,900,994	4,832,144	4,740,000	(9,823,307)	141,944,806
82,673	--	34,805	233,258	30,412	--	488,203
1,054,198	--	30,239	2,122,860	--	--	7,269,516
3,254,758	183,802	5,966,038	7,188,262	4,770,412	(9,823,307)	149,702,525
4,608,983	474,617	6,272,562	8,103,471	5,637,918	(15,297,690)	160,239,518
2,324,744	260,293	(63,512)	1,481,706	(414,425)	9,823,307	36,361,304
--	--	--	--	--	--	1,098,804
--	--	--	--	--	--	1,034,689
843,808	--	79,284	366,759	241,416	--	4,087,722
(919,960)	(49,557)	277,843	(1,160,979)	1,179,620	(9,823,307)	10,843,049
2,248,592	210,736	293,615	687,486	1,006,611	--	53,425,568
\$ 6,857,575	\$ 685,353	\$ 6,566,177	\$ 8,790,957	\$ 6,644,529	(15,297,690)	\$ 213,665,086

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

FISCAL YEAR ENDED AUGUST 31, 2007

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division	Port Lavaca Water Treatment Plant Division
REVENUE					
Power Sales.....	\$ --	\$ 2,512,610	\$ --	\$ --	\$ --
Water Sales and Lake Operations.....	--	--	--	19,972,830	1,539,745
Recreation and Land Use.....	--	--	--	65,316	--
Waste Water Treatment Services.....	--	--	1,247,050	432,978	--
Laboratory Services.....	--	--	--	582,517	--
Rental.....	--	2,545	--	261,159	--
Administrative and General.....	2,326,112	--	--	--	--
Pollution and Industrial Financing.....	--	--	--	--	--
Miscellaneous.....	1,493	69,120	165,196	1,328,206	525
Total Operating Revenue.....	2,327,605	2,584,275	1,412,246	22,643,006	1,540,270
EXPENSES					
Personnel Operating Costs.....	537,637	1,284,389	394,800	3,915,972	403,710
Operating Supplies and Services.....	961,998	268,387	325,878	8,083,868	466,859
Maintenance and Repairs.....	158,141	766,776	244,597	1,337,372	114,366
Administrative and General.....	--	393,651	105,587	970,290	103,101
Depreciation and Amortization	101,841	214,494	87,489	1,113,826	188,166
Total Operating Expenses	1,759,617	2,927,697	1,158,351	15,421,328	1,276,202
Operating Income (Loss).....	567,988	(343,422)	253,895	7,221,678	264,068
NONOPERATING REVENUES (EXPENSES)					
Investment Income.....	307,231	87	76,567	357,747	10,299
Interest Expense.....	--	--	(261,182)	(2,566,928)	(111,847)
Total Nonoperating Revenues (Expenses).....	307,231	87	(184,615)	(2,209,181)	(101,548)
Income (Loss) Before Recognition of Capital Contributions and Deferrals.....	875,219	(343,335)	69,280	5,012,497	162,520
Capital Contributions.....	--	--	--	--	--
Income (Loss) Before Recognition of Deferrals.....	875,219	(343,335)	69,280	5,012,497	162,520
Revenue to be Recognized in Future Years	--	--	--	(1,422,499)	(62,755)
Change in Net Assets.....	875,219	(343,335)	69,280	3,589,998	99,765
Net Assets at September 1, 2006.....	17,348,941	5,983,733	2,954,548	15,980,734	1,066,280
Net Assets at August 31, 2007	\$ 18,224,160	\$ 5,640,398	\$ 3,023,828	\$ 19,570,732	\$ 1,166,045

Calhoun County Rural Water Supply Division	Victoria Regional Wastewater Reclamation Division	Coleta Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Eliminations	Total
\$ --	\$ --	\$ --	\$ --	\$ 1,251,602	\$ --	\$ --	\$ 3,764,212
647,434	--	923,080	1,137,030	--	630,151	--	24,850,270
--	--	469,117	--	--	--	--	534,433
36,300	3,386,582	--	--	--	1,145,285	--	6,248,195
--	12,007	--	--	--	--	--	594,524
--	--	118,660	--	--	--	--	382,364
--	--	--	--	--	--	(2,326,112)	--
--	--	--	--	--	--	--	--
95,862	226,929	9,585	--	13,589	258,010	--	2,168,515
779,596	3,625,518	1,520,442	1,137,030	1,265,191	2,033,446	(2,326,112)	38,542,513
285,006	990,789	605,283	295,846	89,309	315,706	(120,827)	8,997,620
310,055	909,440	384,807	307,764	55,875	695,963	--	12,770,894
69,697	532,360	347,827	105,445	38,765	321,548	--	4,036,894
72,254	268,405	106,405	75,021	24,825	85,746	(2,205,285)	--
76,090	384,877	68,549	217,064	357,204	250,963	--	3,060,563
813,102	3,085,871	1,512,871	1,001,140	565,978	1,669,926	(2,326,112)	28,865,971
(33,506)	539,647	7,571	135,890	699,213	363,520	--	9,676,542
11,672	40,523	2,312	10,614	20,539	18,202	--	855,793
--	(479,945)	(524)	(168,835)	(381,974)	(228,512)	--	(4,199,747)
11,672	(439,422)	1,788	(158,221)	(361,435)	(210,310)	--	(3,343,954)
(21,834)	100,225	9,359	(22,331)	337,778	153,210	--	6,332,588
--	--	--	--	--	9,879	--	9,879
(21,834)	100,225	9,359	(22,331)	337,778	163,089	--	6,342,467
--	(186,649)	(24,071)	(6,443)	(323,485)	(148,455)	--	(2,174,357)
(21,834)	(86,424)	(14,712)	(28,774)	14,293	14,634	--	4,168,110
1,375,195	2,335,017	225,448	322,390	673,194	991,978	--	49,257,458
\$ 1,353,361	\$ 2,248,593	\$ 210,736	\$ 293,616	\$ 687,487	\$ 1,006,612	\$ --	\$ 53,425,568

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

FISCAL YEAR ENDED AUGUST 31, 2007

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers.....	\$ --	\$ 2,459,069	\$ 1,426,593	\$ 23,088,479
Cash Received from Interfund Administrative Charges.....	2,326,112	--	--	--
Cash Received from Administration of Industrial Revenue Bonds.....	--	--	--	--
Cash Received from Customer Operating Advances.....	--	--	--	--
Cash Paid for Personnel Operating Costs.....	(537,637)	(1,284,389)	(394,800)	(3,915,972)
Cash Paid for Other Operating and Maintenance Costs.....	(1,523,794)	(1,025,821)	(415,967)	(8,959,891)
Cash Paid for Interfund Administrative Charges.....	--	(393,651)	(105,587)	(970,290)
Net Cash Flows From (Used by) Operating Activities.....	264,681	(244,792)	510,239	9,242,326
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund Operating Loans Received.....	--	427,500	138,000	1,029,200
Interfund Operating Loans Made	(2,186,200)	--	--	--
Principal Payments Made on Interfund Operating Loans.....	--	(100,000)	(16,000)	(1,541,784)
Principal Payments Received on Interfund Operating Loans.....	2,408,163	--	--	--
Net Cash Flows From (Used by) Noncapital Financing Activities.....	221,963	327,500	122,000	(512,584)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Advances from Customers, Developers, and Other Governmental Units.....	--	--	--	250,942
Proceeds from Loans for Capital Assets and Plant Expansions.....	--	--	6,546	1,048,202
Proceeds from Sale of Capital Assets.....	--	--	--	--
Purchase of Capital Assets.....	(114,664)	(67,404)	(816,735)	(9,379,462)
Cash Paid for Construction in Progress.....	--	--	(281,705)	--
Cash Paid for Project Development.....	--	--	(22,355)	--
Interest Paid.....	--	--	(264,791)	(2,824,860)
Principal Payments on Revenue Bonds.....	--	--	--	(1,915,000)
Principal Payments on Loans.....	--	--	(118,332)	(745,448)
Net Cash Flows Used by Capital and Related Financing Activities.....	(114,664)	(67,404)	(1,497,372)	(13,565,626)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received from Investments	103,671	--	1,269,207	5,136,763
Investment Income Received.....	299,203	88	80,411	354,028
Cash Paid for Investments	(1,319,689)	--	(2,405)	(1,149,708)
Net Cash Flows From (Used by) Investing Activities.....	(916,815)	88	1,347,213	4,341,083
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$ (544,835)	\$ 15,392	\$ 482,080	\$ (494,801)
CURRENT CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	1,667,236	2,585	82,155	215,847
At End of Year.....	799,818	17,977	106,326	1,009,637
Net Increase (Decrease).....	(867,418)	15,392	24,171	793,790
RESTRICTED CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	179,433	--	393,629	7,332,979
At End of Year.....	502,016	--	851,538	6,044,388
Net Increase (Decrease).....	322,583	--	457,909	(1,288,591)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$ (544,835)	\$ 15,392	\$ 482,080	\$ (494,801)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss).....	\$ 567,988	\$ (343,422)	\$ 253,895	\$ 7,221,678
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:				
Depreciation and Amortization.....	101,841	214,494	87,489	1,113,826
Net Change in Assets and Liabilities from Operating Activities				
Operating Accounts Receivable.....	(101,527)	(125,206)	14,303	291,041
Other Current Assets.....	1,634	890	1,708	20,642
Operating Accounts Payable.....	(305,255)	8,452	152,844	595,139
Total Adjustments.....	(303,307)	98,630	256,344	2,020,648
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	\$ 264,681	\$ (244,792)	\$ 510,239	\$ 9,242,326

NON-CASH TRANSACTIONS SCHEDULE

1. During fiscal year 2007 and 2006, an adjustment of \$49,007 and (\$251,679) 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
\$ 1,505,291	\$ 804,442	\$ 3,623,638	\$ 1,530,705	\$ 1,087,764	\$ 1,483,988	\$ 2,031,137	\$ --	\$ 39,041,106
--	--	--	--	--	--	--	--	2,326,112
--	--	--	--	--	--	--	--	--
(403,710)	(285,006)	(990,789)	(605,283)	(295,846)	(89,309)	(315,706)	--	(9,118,447)
(562,963)	(318,249)	(1,226,765)	(657,693)	(733,380)	(136,605)	(841,367)	--	(16,402,495)
(103,101)	(72,254)	(268,405)	(106,405)	(75,021)	(24,825)	(85,746)	--	(2,205,285)
435,517	128,933	1,137,679	161,324	(16,483)	1,233,249	788,318	--	13,640,991
187,000	7,000	--	36,000	316,500	--	45,000	(2,186,200)	--
--	--	--	--	--	--	--	2,186,200	--
(372,000)	(7,000)	--	--	(316,500)	--	(54,879)	2,408,163	--
--	--	--	--	--	--	--	(2,408,163)	--
(185,000)	--	--	36,000	--	--	(9,879)	--	--
162,221	--	--	--	372,463	(76,502)	9,879	--	719,003
--	--	--	--	--	--	--	--	1,054,748
--	--	--	--	--	--	--	--	--
(52,898)	(101,708)	(41,341)	(81,342)	(131,282)	--	(36,057)	--	(10,822,893)
--	--	--	--	--	--	(19,381)	--	(301,086)
--	--	--	--	--	--	--	--	(22,355)
(113,549)	--	(173,742)	(524)	(167,196)	(310,867)	(229,617)	--	(4,085,146)
(190,000)	--	(725,000)	--	(150,000)	(750,000)	(340,000)	--	(4,070,000)
--	--	--	(4,366)	--	--	--	--	(868,146)
(194,226)	(101,708)	(940,083)	(86,232)	(76,015)	(1,137,369)	(615,176)	--	(18,395,875)
50,000	50,000	9,984	--	207,354	100,000	50,000	--	6,976,979
10,707	8,383	34,625	2,000	11,959	19,063	17,102	--	837,569
(5,458)	(37,191)	(125,016)	(30,000)	--	(50,000)	--	--	(2,719,467)
55,249	21,192	(80,407)	(28,000)	219,313	69,063	67,102	--	5,095,081
\$ 111,540	\$ 48,417	\$ 117,189	\$ 83,092	\$ 126,815	\$ 164,943	\$ 230,365	\$ --	\$ 340,197
954	62,595	65,422	19,727	11,561	37,249	86,400	--	\$ 2,251,731
112,392	111,012	191,054	102,819	144,281	102,116	297,706	--	2,995,138
111,438	48,417	125,632	83,092	132,720	64,867	211,306	--	743,407
5,065	--	777,241	--	5,905	266,683	222,357	--	9,183,292
5,167	--	768,798	--	--	366,759	241,416	--	8,780,082
102	--	(8,443)	--	(5,905)	100,076	19,059	--	(403,210)
\$ 111,540	\$ 48,417	\$ 117,189	\$ 83,092	\$ 126,815	\$ 164,943	\$ 230,365	\$ --	\$ 340,197
\$ 264,068	\$ (33,506)	\$ 539,647	\$ 7,571	\$ 135,890	\$ 699,213	\$ 363,520	\$ --	\$ 9,676,542
188,166	76,090	384,877	68,549	217,064	357,204	250,963	--	3,060,563
(36,275)	23,772	(2,161)	10,263	(52,266)	218,797	(2,309)	--	238,432
(1,494)	(6,824)	(386)	3,280	1,481	835	2,432	--	24,198
21,052	69,401	215,702	71,661	(318,652)	(42,800)	173,712	--	641,256
171,449	162,439	598,032	153,753	(152,373)	534,036	424,798	--	3,964,449
\$ 435,517	\$ 128,933	\$ 1,137,679	\$ 161,324	\$ (16,483)	\$ 1,233,249	\$ 788,318	\$ --	\$ 13,640,991

**DUNLAP WASTEWATER TREATMENT PLANT EXPANSION
AMORTIZATION SCHEDULE FOR WELLS FARGO BANK
AUGUST 31, 2007**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2008	125,550	257,352	382,902
2009	133,209	249,460	382,669
2010	141,335	241,087	382,422
2011	149,956	222,776	372,732
2012	159,103	222,776	381,879
2013	168,809	212,775	381,584
2014	179,106	202,163	381,269
2015	190,032	190,905	380,937
2016	3,034,568	92,554	3,127,122
	<u>\$ 4,281,668</u>	<u>\$ 1,891,848</u>	<u>\$ 6,173,516</u>

**CANYON DAM AND RESERVOIR SCHEDULE
AMORTIZATION SCHEDULE FOR U.S. GOVERNMENT LOAN
AUGUST 31, 2007**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 4,626,834</u>	<u>\$ 1,242,076</u>	<u>\$ 5,868,910</u>

EQUIPMENT LOAN AMORTIZATION SCHEDULE
GE CAPITAL PUBLIC FINANCE LOAN
AUGUST 31, 2007

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2008	43,993	15,132	59,125
2009	46,170	12,956	59,126
2010	48,453	10,672	59,125
2011	50,850	8,276	59,126
2012	53,365	5,760	59,125
2013	56,005	3,120	59,125
2014	30,699	550	31,249
	<u>\$ 329,535</u>	<u>\$ 56,466</u>	<u>\$ 386,001</u>

LAB EQUIPMENT LOAN AMORTIZATION SCHEDULE
OLD NATIONAL BANKCORP CORPORATION
AUGUST 31, 2007

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2008	12,823	1,609	14,432
2009	13,395	1,037	14,432
2010	13,993	439	14,432
2011	2,392	13	2,405
	<u>\$ 42,603</u>	<u>\$ 3,098</u>	<u>\$ 45,701</u>

LAB EQUIPMENT LOAN AMORTIZATION SCHEDULE
AMERICAN BANK OF TEXAS
AUGUST 31, 2007

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2008	39,420	3,275	42,695
2009	41,141	1,554	42,695
2010	14,106	125	14,231
	<u>\$ 94,667</u>	<u>\$ 4,954</u>	<u>\$ 99,621</u>

WATER RESOURCE WATER RIGHT AMORTIZATION SCHEDULE

A. USSERY

AUGUST 31, 2007

YEAR ENDING				TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS	
2008	\$ 7,823	\$ 14,677	\$ 22,500	
2009	8,175	14,325	22,500	
2010	8,543	13,957	22,500	
2011	8,928	13,572	22,500	
2012	9,329	13,171	22,500	
2013	9,749	12,751	22,500	
2014	10,188	12,312	22,500	
2015	10,646	11,854	22,500	
2016	11,126	11,374	22,500	
2017	11,626	10,874	22,500	
2018	12,149	10,351	22,500	
2019	12,696	9,804	22,500	
2020	13,267	9,233	22,500	
2021	13,864	8,636	22,500	
2022	14,488	8,012	22,500	
2023	15,140	7,360	22,500	
2024	15,822	6,678	22,500	
2025	16,534	5,966	22,500	
2026	17,278	5,222	22,500	
2027	18,055	4,445	22,500	
2028	18,868	3,632	22,500	
2029	19,717	2,783	22,500	
2030	20,604	1,896	22,500	
2031	21,533	967	22,500	
	<u>\$ 326,148</u>	<u>\$ 213,852</u>	<u>\$ 540,000</u>	

WATER RESOURCE WATER RIGHT AMORTIZATION SCHEDULE
LULING FOUNDATION
AUGUST 31, 2007

YEAR ENDING				TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS	
2008	\$ 13,318	\$ 24,982	\$ 38,300	
2009	13,916	24,384	38,300	
2010	14,543	23,757	38,300	
2011	15,197	23,103	38,300	
2012	15,881	22,419	38,300	
2013	16,596	21,704	38,300	
2014	17,342	20,958	38,300	
2015	18,123	20,177	38,300	
2016	18,938	19,362	38,300	
2017	19,790	18,510	38,300	
2018	20,681	17,619	38,300	
2019	21,612	16,688	38,300	
2020	22,584	15,716	38,300	
2021	23,600	14,700	38,300	
2022	24,663	13,637	38,300	
2023	25,772	12,528	38,300	
2024	26,932	11,368	38,300	
2025	28,144	10,156	38,300	
2026	29,410	8,890	38,300	
2027	30,734	7,566	38,300	
2028	32,117	6,183	38,300	
2029	33,562	4,738	38,300	
2030	35,072	3,228	38,300	
2031	36,658	1,642	38,300	
	<u>\$ 555,185</u>	<u>\$ 364,015</u>	<u>\$ 919,200</u>	

**GENERAL IMPROVEMENT OFFICE EXPANSION
AMORTIZATION SCHEDULE
JP MORGAN CHASE BANK
AUGUST 31, 2007**

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2008	160,000	54,897	214,898
2009	160,000	48,209	208,209
2010	160,000	41,521	201,521
2011	160,000	34,833	194,833
2012	160,000	28,145	188,145
2013	160,000	21,457	181,457
2014	160,000	14,769	174,769
2015	160,000	8,081	168,081
2016	106,667	1,672	108,339
	<u>\$ 1,386,667</u>	<u>\$ 253,584</u>	<u>\$ 1,640,252</u>

**EQUIPMENT LOAN AMORTIZATION SCHEDULE
FROST NATIONAL BANK
AUGUST 31, 2007**

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2008	8,406	1,477	9,883
2009	8,826	1,057	9,883
2010	9,273	610	9,883
2011	7,262	151	7,413
	<u>\$ 33,767</u>	<u>\$ 3,295</u>	<u>\$ 37,062</u>

**VEHICLE LOAN AMORTIZATION SCHEDULE
FROST NATIONAL BANK
AUGUST 31, 2007**

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
2008	4,589	301	4,890
2009	3,593	74	3,667
	<u>\$ 8,182</u>	<u>\$ 375</u>	<u>\$ 8,557</u>

**SAN MARCOS RAW WATER DELIVERY SYSTEM
AMORTIZATION SCHEDULE FOR
HAYS ENERGY LIMITED PARTNERSHIP LOAN
AUGUST 31, 2007**

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
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>\$ 2,761,382</u>	<u>\$ 2,298,696</u>	<u>\$ 5,060,078</u>

**GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2002
AMORTIZATION SCHEDULE
AUGUST 31, 2007**

YEAR ENDING			TOTAL
2008	115,000	168,275	283,275
2009	125,000	162,698	287,698
2010	130,000	156,635	286,635
2011	135,000	152,280	287,280
2012	145,000	147,623	292,623
2013	150,000	142,475	292,475
2014	155,000	137,000	292,000
2015	165,000	131,188	296,188
2016	175,000	124,753	299,753
2017	180,000	117,753	297,753
2018	190,000	110,283	300,283
2019	200,000	102,208	302,208
2020	210,000	93,608	303,608
2021	220,000	84,368	304,368
2022	230,000	74,468	304,468
2023	245,000	63,888	308,888
2024	255,000	52,250	307,250
2025	270,000	40,138	310,138
2026	280,000	27,313	307,313
2027	295,000	14,013	309,013
	<u>\$ 3,870,000</u>	<u>\$ 2,103,217</u>	<u>\$ 5,973,217</u>

REGIONAL RAW WATER DELIVERY SYSTEM CONTRACT REVENUE BONDS, SERIES 1998
CITY OF SAN MARCOS, TEXAS - AMORTIZATION SCHEDULE
AUGUST 31, 2007

YEAR ENDING			
AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2008	\$ - *	\$ - *	\$ -
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>\$ 7,725,000</u>	<u>\$ 3,375,701</u>	<u>\$ 11,100,701</u>

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

CONTRACT REVENUE BONDS, SERIES 2003
WESTERN CANYON REGIONAL WATER SUPPLY PROJECT - AMORTIZATION SCHEDULE
AUGUST 31, 2007

YEAR ENDING			
AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 76,505,000</u>	<u>\$ 61,817,301</u>	<u>\$ 138,322,301</u>

COMBINATION CONTRACT REVENUE BONDS SERIES 2004A & 2005B
(IH 35 PROJECT)
AMORTIZATION SCHEDULE
AUGUST 31, 2007

YEAR ENDING AUGUST 31	SERIES 2004A			SERIES 2004B			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2008	275,000	720,537	995,537	70,000	303,745	373,745	1,369,282
2009	285,000	712,287	997,287	75,000	299,895	374,895	1,372,182
2010	290,000	703,737	993,737	80,000	295,770	375,770	1,369,507
2011	300,000	694,675	994,675	85,000	291,370	376,370	1,371,045
2012	310,000	684,775	994,775	90,000	286,695	376,695	1,371,470
2013	320,000	673,925	993,925	95,000	281,745	376,745	1,370,670
2014	335,000	662,325	997,325	100,000	276,520	376,520	1,373,845
2015	345,000	649,762	994,762	105,000	271,020	376,020	1,370,782
2016	360,000	636,825	996,825	110,000	265,245	375,245	1,372,070
2017	370,000	622,425	992,425	115,000	259,195	374,195	1,366,620
2018	385,000	607,625	992,625	125,000	252,870	377,870	1,370,495
2019	405,000	591,744	996,744	130,000	245,995	375,995	1,372,739
2020	420,000	574,025	994,025	135,000	238,845	373,845	1,367,870
2021	440,000	555,650	995,650	145,000	231,420	376,420	1,372,070
2022	460,000	533,650	993,650	150,000	223,010	373,010	1,366,660
2023	485,000	510,650	995,650	160,000	214,310	374,310	1,369,960
2024	510,000	486,400	996,400	170,000	205,030	375,030	1,371,430
2025	535,000	460,900	995,900	180,000	195,170	375,170	1,371,070
2026	560,000	435,487	995,487	190,000	184,730	374,730	1,370,217
2027	585,000	408,887	993,887	200,000	173,710	373,710	1,367,597
2028	615,000	381,100	996,100	215,000	162,110	377,110	1,373,210
2029	645,000	351,887	996,887	225,000	149,640	374,640	1,371,527
2030	675,000	321,250	996,250	240,000	136,590	376,590	1,372,840
2031	705,000	287,500	992,500	255,000	122,670	377,670	1,370,170
2032	740,000	252,250	992,250	270,000	107,880	377,880	1,370,130
2033	780,000	215,250	995,250	285,000	92,220	377,220	1,372,470
2034	820,000	176,250	996,250	300,000	75,690	375,690	1,371,940
2035	860,000	135,250	995,250	315,000	58,290	373,290	1,368,540
2036	900,000	92,250	992,250	335,000	40,020	375,020	1,367,270
2037	945,000	47,250	992,250	355,000	20,590	375,590	1,367,840
	<u>\$ 15,660,000</u>	<u>\$ 14,186,528</u>	<u>\$ 29,846,528</u>	<u>\$ 5,305,000</u>	<u>\$ 5,961,990</u>	<u>\$ 11,266,990</u>	<u>\$ 41,113,518</u>

**WATER SUPPLY REVENUE BONDS
(CITY OF PORT LAVACA, TEXAS) SERIES 2000
AMORTIZATION SCHEDULE
AUGUST 31, 2007**

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
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>\$ 2,280,000</u>	<u>\$ 535,694</u>	<u>\$ 2,815,694</u>

**REGIONAL WASTE DISPOSAL REVENUE BONDS AND
REFUNDING AND IMPROVEMENT REVENUE BONDS
(CITY OF VICTORIA, TEXAS) SERIES 1989, AND 1996
AMORTIZATION SCHEDULE
AUGUST 31, 2007**

YEAR	1989 SERIES		1996 SERIES		TOTAL
ENDING					
AUGUST 31	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	REQUIREMENTS
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>\$ 1,740,000</u>	<u>\$ --</u>	<u>\$ 1,295,000</u>	<u>\$ 124,004</u>	<u>\$ 3,159,004</u>

The 1989 series bonds maturing during fiscal years 2008 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, 2007**

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
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>\$ 6,070,000</u>	<u>\$ 4,040,240</u>	<u>\$ 10,110,240</u>

HYDROELECTRIC PROJECT (CITY OF NEW BRAUNFELS, TEXAS)
REVENUE REFUNDING BONDS, SERIES 2002
AMORTIZATION SCHEDULE
AUGUST 31, 2007

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
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>\$ 6,320,000</u>	<u>\$ 1,206,745</u>	<u>\$ 7,526,745</u>

CONTRACT REVENUE BONDS, SERIES 1996
(CITY OF LOCKHART PROJECT)
AMORTIZATION SCHEDULE
AUGUST 31, 2007

YEAR ENDING			TOTAL
AUGUST 31	PRINCIPAL	INTEREST	REQUIREMENTS
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>\$ 5,095,000</u>	<u>\$ 1,254,640</u>	<u>\$ 6,349,640</u>

Statistical Section

Index and Explanation

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

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

	Fiscal Year				
	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
Primary government					
Invested in capital assets, net of related debt	\$ 36,361,304	\$ 38,506,620	\$ 41,278,632	\$ 29,946,905	\$ 28,544,428
Restricted	6,221,215	3,649,302	3,712,823	3,767,282	3,732,721
Unrestricted	<u>10,843,049</u>	<u>7,698,500</u>	<u>2,751,204</u>	<u>13,498,123</u>	<u>14,427,337</u>
Total primary government net assets	<u>\$ 53,425,568</u>	<u>\$ 49,854,422</u>	<u>\$ 47,742,659</u>	<u>\$ 47,212,310</u>	<u>\$ 46,704,486</u>

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

Guadalupe Blanco River Authority
Changes in Net Assets
Last Five Fiscal Years

<u>Fiscal Year</u>	<u>Operating Revenues</u>	<u>Operating Expenses</u>	<u>Operating Income</u>	<u>Total Nonoperating Revenues (Expenses)</u>	<u>Income before Capital Contributions</u>	<u>Capital Contributions</u>	<u>Change in Net Assets</u>
2003	\$ 24,715,917	\$ 19,570,481	\$ 5,145,436	\$ (2,478,241)	\$ 2,667,195	\$ 422,599	\$ 3,089,794
2004	24,746,450	21,722,827	\$ 3,023,623	(2,527,295)	496,328	11,496	\$ 507,824
2005	27,391,962	22,423,013	\$ 4,968,949	(4,748,011)	220,938	309,411	\$ 530,349
2006	32,739,335	24,507,001	\$ 8,232,334	(4,838,756)	3,393,578	11,496	\$ 3,405,074
2007	38,542,513	28,865,971	9,676,542	(3,343,954)	6,332,588	9,879	6,342,467

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

Guadalupe Blanco River Authority

Operating Revenues by Source Last Five Fiscal Years

Year	Pollution and Industrial Financing	Power Sales	Water Sales and Lake Operations	Rental, Recreation and Land Use	Waste Water Treatment Services	Laboratory Services	Miscellaneous	Total
2003	\$ 341,600	\$ 3,291,811	\$ 13,218,362	\$ 693,986	\$ 4,787,951	\$ 303,199	\$ 2,079,008	\$ 24,715,917
2004	324,725	3,497,610	12,612,934	739,851	4,994,556	337,564	2,239,210	24,746,450
2005	205,233	3,872,868	15,663,761	740,988	5,002,254	435,819	1,471,039	27,391,962
2006	222,657	3,427,563	20,122,065	781,252	5,581,511	538,302	2,065,985	32,739,335
2007	-	3,764,212	24,850,270	534,433	6,248,195	594,524	2,168,515	38,160,149

Operating Expenses Last Five Fiscal Years

Year	Personnel Operating Costs	Operating Supplies and Services	Maintenance and Repairs	Depreciation and Amortization	Total
2003	\$ 6,328,767	\$ 7,676,099	\$ 2,807,840	\$ 2,757,775	\$ 19,570,481
2004	6,800,123	9,034,504	3,068,368	2,819,832	21,722,827
2005	7,229,312	8,879,415	3,298,910	3,015,376	22,423,013
2006	7,830,077	10,084,494	3,454,708	3,137,722	24,507,001
2007	8,997,620	12,770,894	4,036,894	3,060,563	28,865,971

Nonoperating Revenue and Expenses Last Five Fiscal Years

Year	Interest Expense	Investment Income	Gain (Loss) on Disposal of Capital Assets	Costs to be Recovered in Future Years	Special Items (a)	Total
2003	\$ (2,521,188)	\$ 171,472	\$ (4,004)	\$ (124,521)	-	\$ (2,478,241)
2004	(2,413,026)	180,130	(734)	(293,665)	-	(2,527,295)
2005	(4,015,142)	310,337	(19,523)	(790,362)	(233,321)	(4,748,011)
2006	(5,401,953)	555,481	7,716	(1,604,770)	-	(6,443,526)
2007	(4,199,747)	855,793	-	(2,174,357)	-	(5,518,311)

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

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

List of Principal Customers

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

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

POWER SALES & OTHER SERVICES

WATER SALES CUSTOMERS

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



WASTEWATER TREATMENT CUSTOMERS

WATER TREATMENT CUSTOMERS

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

Types of Operating Systems

GBRA divisions are segregated into systems to allow for cost accounting and control. Each system has one of two types of budgets, either “Budget-to-Actual” or “Units of Service”. Budget-to-Actual systems provide services based on a budget approved by the customer and GBRA. During the course of the year, the customer is billed based on the annual budget with those billings adjusted to the total actual cost of service at each fiscal year end. Unit-of Service budgets are for the other GBRA operations where the customer pays for some type of service based on a unit of measure at a rate approved by the GBRA Board of Directors. The revenue, derived from these customers, pay the operating and maintenance, debt service, and capital addition expenses of the system. In these divisions and systems, the income is completely dependent upon the number of units sold. The table below distinguishes the systems according to the type of operations in which they operate:

Budget-to-Actual Operations:	Principal Customers	County
Shadow Creek Wastewater Treatment Plant	North Hays County MUD #1	Hays
Northcliffe Wastewater Treatment Plant	City of Schertz	Guadalupe
Sunfield Wastewater Treatment Plant	Sunfield MUD #4	Hays
Buda Wastewater Treatment Plant	City of Buda	Hays
Port Lavaca Water Treatment Plant	City of Port Lavaca	Calhoun
Victoria Regional Wastewater Reclamation System	City of Victoria	Victoria
Coleto Creek Reservoir	Coleto Creek Power, LP	Victoria/Goliad
Luling Water Treatment Plant	City of Luling	Caldwell
Canyon Hydroelectric Plant	New Braunfels Utilities	Comal
Lockhart Wastewater Reclamation System	City of Lockhart	Caldwell
Lockhart Water Treatment Plant	City of Lockhart	Caldwell

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

Guadalupe Blanco River Authority
Debt By Type
Last Ten Fiscal Years

Year	Obligations Payable Directly By GBRA		Obligations Payable From Revenue Contracts (a)		Pollution Control (b)
	<u>Bonds</u>	<u>Loans</u>	<u>Bonds</u>	<u>Loans</u>	<u>Bonds</u>
1998	\$ -	\$ 6,681,669	\$ 32,069,000	\$ -	\$ 4,955,000
1999	-	6,222,258	40,715,000	-	4,950,000
2000	-	5,853,659	38,950,000	3,171,710	4,700,000
2001	-	5,691,110	37,320,000	3,126,123	4,700,000
2002	-	7,112,802	33,990,000	3,076,778	4,700,000
2003	4,280,000	6,610,246	106,905,000	3,023,337	4,700,000
2004	4,185,000	6,544,463	116,310,000	2,965,461	4,700,000
2005	4,085,000	5,971,257	135,450,000	2,902,781	-
2006	3,980,000	11,431,676	131,955,000	2,834,899	-
2007	3,870,000	11,685,249	127,995,000	2,761,382	-

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

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

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

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

**Pollution Control and
Industrial Development Bonds**

Year	
1998	\$ 103,890,000
1999	103,890,000
2000	128,890,000
2001	125,390,000
2002	104,390,000
2003	104,390,000
2004	104,390,000
2005	104,390,000
2006	90,890,000
2007	90,890,000

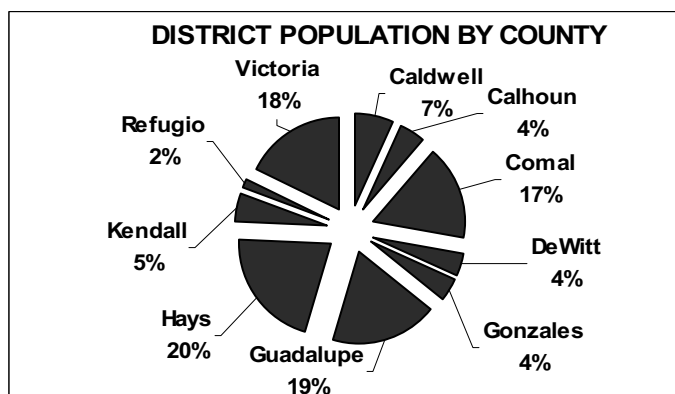
GBRA has assisted industries within the GBRA service area by acting as issuing conduit so that the user of the bond proceeds benefited from reduced debt service requirements. Fees to administer this debt are recognized as pollution and industrial financing income. In each case, the user of the bond proceeds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

GBRA District Demographics

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

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

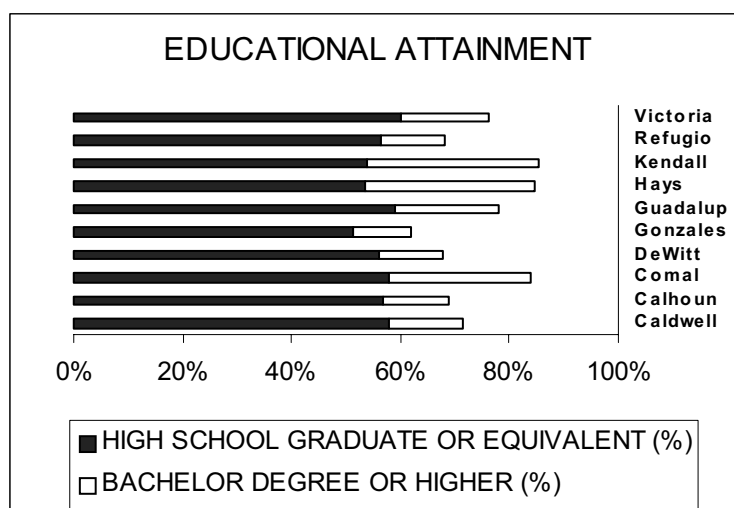
This diversity allows the local economy to be among the State's growth leaders and outpace the national economy as well as weather the effects of any global economic problems better than other areas may. The local economy is also being spurred by tremendous population growth along the I-35 Corridor.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



SOURCE: U.S. Census Bureau, Census 2000

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

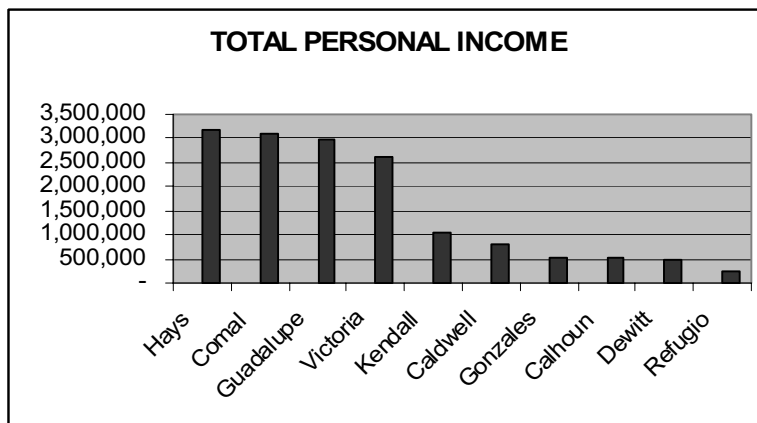
COUNTY	HIGH SCHOOL GRADUATE OR EQUIV.	BACHELOR DEGREE OR HIGHER
Caldwell	58%	13%
Calhoun	57%	12%
Comal	58%	26%
DeWitt	56%	12%
Gonzales	51%	11%
Guadalupe	59%	19%
Hays	53%	31%
Kendall	54%	31%
Refugio	57%	12%
Victoria	60%	16%



SOURCE: U.S. Census Bureau, Census 2000

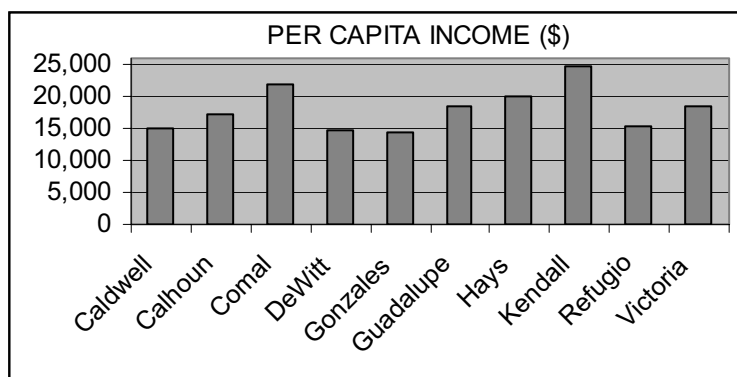
Guadalupe Blanco River Authority

<u>COUNTY</u>	<u>TOTAL PERSONAL INCOME</u> (thousands)
Hays	3,186,753
Comal	3,117,052
Guadalupe	2,960,808
Victoria	2,629,240
Kendall	1,057,535
Caldwell	803,644
Gonzales	519,198
Calhoun	504,580
Dewitt	494,756
Refugio	223,168

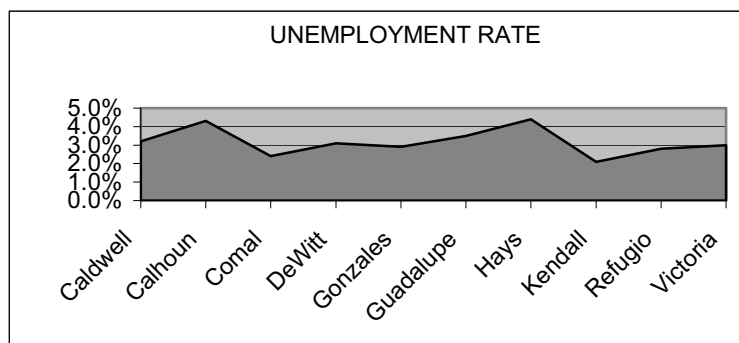


SOURCE: Bureau of Economic Analysis U.S. Dept. of Commerce 2005

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



SOURCE: U.S. Census Bureau, Census 2000



SOURCE: U.S. Census Bureau, Census 2000

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

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

Division	Number of Authorized Positions Full Time Equivalent Fiscal Year Ended August 31									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General	30.5	31.5	32.5	28.5	30	33.5	34.5	35.5	35.5	36
Guadalupe Valley Electric	23	23	24	24	24	24	25	25	25	25
Rural Utilities	8	8	5	5	5	5	6	5	6	6
Water Resources	11	11	26	33.5	34	39	41.5	45.5	45	45
Western Canyon	0	0	0	0	0	0	0	7	7	8
Port Lavaca WTP	8	8	8	8	8	8	8	8	8	8
Calhoun County RWSS	4	4	4	4	4	4	4	4	4	4
Victoria Regional WWRS	19	19	19	20	20	21	21	21	21	21
Coleto Creek Park and Reservoir	16.5	16.5	16.5	16.5	16.5	16	16	16	16	16
Luling WTP	5	5	5	5	5	5	5	5	5	5
Canyon Hydroelectric	2	2	2	2	2	2	2	2	2	2
Lockhart WWTP & WTP	4	4	4	9	10	10	10	11	11	11
Total	131	132	146	155.5	158.5	167.5	173	185	185.5	187

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



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GUADALUPE-BLANCO RIVER AUTHORITY
OPERATING STATISTICS

Operating Statistics:

	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Water Treatment Customers:					
Total Water Distributed (Gal.)					
Calhoun County Rural Water Supply Division	122,060,000	124,442,000	137,396,000	83,603,000	70,348,000
Total Water Treated (Gal.)					
CRWA-Hays/Caldwell Water Treatment Plant System	--	--	--	--	--
Lockhart Water Treatment System	--	--	--	519,389,102	614,466,054
Luling Water Treatment Plant Division	315,536,000	302,674,000	315,290,000	321,077,000	306,271,000
Port Lavaca Water Treatment Plant Division	687,460,000	653,726,000	723,545,000	798,749,000	753,453,000
San Marcos Water Treatment Plant System	--	--	946,459,000	1,498,437,000	1,401,515,000
Western Canyon Water Treatment Plant System	--	--	--	--	--
Waste Water Treatment Customers:					
Total Wastewater Treated (Gal.)					
Buda Wastewater Treatment Plant	--	--	--	--	102,900,000
Crestview Subdivision Wastewater Treatment Plant	--	--	1,660,552	2,846,072	1,867,506
Lockhart Wastewater Reclamation System	500,658,000	503,700,000	430,700,000	459,200,000	516,100,000
Rural Utilities Division	168,630,000	148,256,246	130,715,651	148,990,000	152,410,000
Victoria Regional Wastewater Reclamation Division	2,533,000,000	2,951,400,000	2,867,800,000	2,687,800,000	2,155,900,000
Village of Wimberley Wastewater Treatment Plant	--	--	--	--	--
North Hayes County MUD #1	--	--	--	--	--
Water Sales Customers:					
Rice Irrigation (Acres)					
Calhoun Canal System	3,458	3,040	1,758	1,458	1,475
Water Delivered (Gal.)					
Guadalupe Power Partners	--	--	--	599,209,000	821,496,000
San Marcos Pipeline	--	--	952,000,000	1,525,000,000	1,445,000,000
Power Sales & Other Services:					
Total Generation (kWh)					
Guadalupe Valley Hydroelectric Division	62,804,200	55,357,700	29,738,100	74,338,600	77,361,500
Canyon Hydroelectric Division	21,767,770	18,087,200	5,509,240	25,930,989	16,493,895
Annual Permits					
Lake Wood Recreation Area	56	41	66	59	45
Coletto Creek Regional Park	251	271	229	211	241
Camping Permits					
Lake Wood Recreation Area	2,145	1,372	2,548	2,459	2,105
Coletto Creek Regional Park	10,571	11,839	12,051	11,255	12,326
Camping Cabins					
Coletto Creek Regional Park	--	--	--	--	425
Day Use Permits					
Lake Wood Recreation Area	2,535	2,114	3,248	3,127	2,501
Coletto Creek Regional Park	17,841	18,408	17,055	15,455	15,056

FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
70,501,000	72,392,000	76,710,000	75,334,000	62,684,000
331,000,000	225,000,000	89,818,289	--	--
560,814,000	527,260,000	557,882,000	581,087,000	479,150,000
286,951,000	256,335,000	470,651,000	802,677,000	651,263,000
642,047,000	686,938,000	692,600,000	666,085,000	592,510,000
1,656,000,000	1,586,000,000	1,645,448,005	1,711,018,000	2,129,290,000
--	--	--	1,041,235,000	2,713,775,000
125,300,000	110,470,000	120,300,000	119,580,000	198,200,000
1,910,945	2,433,849	2,523,245	2,404,060	3,256,203
588,700,000	542,930,000	609,430,000	491,100,000	489,000,000
147,100,000	150,410,000	153,054,000	149,520,000	190,740,000
2,741,000,000	2,788,000,000	2,811,000,000	2,741,000,000	2,390,000
--	1,760,000	2,974,000	4,381,000	5,385,000
--	--	--	3,641,000	23,790,000
1,897	2,488	2,430	2,634	2,086
846,695,620	898,443,000	966,788,000	1,129,607,000	974,680,000
1,965,000,000	1,713,000,000	2,151,367,000	1,811,222,000	2,129,290,000
64,974,600	77,975,500	86,911,400	44,412,900	64,980,700
--	14,930,325	24,371,501	7,906,746	9,102,504
34	35	13	23	11
246	262	260	258	274
2,323	2,030	2,264	3,235	2,112
11,856	12,736	11,800	12,554	13,376
568	573	692	664	542
2,671	2,641	2,686	2,860	2,164
15,052	14,771	16,051	16,378	14,177

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

	Guadalupe				Port Lavaca	Calhoun	Victoria		Luling			
	General	Valley	Rural	Water	Water	County	Regional		Water	Canyon		
		Hydro	Utilities	Resource	Treatment	Rural Water	Wastewater		Treatment	Hydro		
Year	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Division	Total
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
2006	54,012	13,010	118,078	350,993	1,165	114,275	95,199	43,171	275,991	-	27,638	\$ 1,093,531
2007	114,664	409,952	4,557,535	102,312,530	52,897	107,390	64,896	81,342	131,282	125,553	36,057	\$ 107,994,097

Schedule of Capital Asset Additions by Classification
Last Five Fiscal Years

	2003	2004	2005	2006	2007
Land, Water & Storage Rights	\$ 2,077,812	\$ -	\$ 1,088,461		\$ 6,718,880
Structures & Improvements	1,984,279	142,425	4,612,873	647,401	99,724,123
Specialized Equipment	1,791	14,738	68,966	60,202	110,451
Auto & Heavy Equipment	402,739	617,808	213,367	195,622	238,477
Office Furniture & Equipment	93,149	84,821	108,694	94,745	102,270
Miscellaneous Equipment	59,952	49,712	443,314	95,561	1,099,896
Total	\$ 4,619,722	\$ 909,504	\$ 6,535,676	\$ 1,093,531	\$ 107,994,097

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

Independent Auditor's Report In Accordance With Government Auditing Standards

Report on Compliance and Internal Controls

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

Certified Public Accountants

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

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING 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 the Guadalupe-Blanco River Authority as of and for the year ended August 31, 2007 which collectively comprise Guadalupe-Blanco River Authority's basic financial statements and have issued our report thereon dated October 5, 2007. 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 as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of Guadalupe-Blanco River Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Guadalupe-Blanco River Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects Guadalupe-Blanco River Authority's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principals such that there is more than a remote likelihood that a misstatement of Guadalupe-Blanco River Authority's financial statements that is more than inconsequential will not be detected by Guadalupe-Blanco River Authority's internal controls.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Guadalupe-Blanco River Authority's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify any deficiencies in internal control over financial reporting that we consider a material weakness as defined above.

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 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, the Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Holtman Wagner & Company LLP

New Braunfels, Texas
October 5, 2007

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