



Guadalupe River Basin **ROAD TRIP**

**Guadalupe-Blanco River Authority
Comprehensive Annual Financial Report
Fiscal Year Ended August 31, 2008**



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

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

Fiscal Year Ended August 31, 2008

Financial information compiled by the GBRA Accounting Department.
Introductory Section, Year in Review and story narratives compiled by the
Communications and Education Department.
Report designed by Connie Rothe.



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GBRA BOARD of DIRECTORS



Myrna P. McLeroy, Chair
Gonzales County
Appointed: 2001, Gov. Rick Perry



Clifron L. Thomas, Jr., Vice-Chair
Victoria County
Appointed: 2004, Gov. Rick Perry



Tilmon Lee "T.L." Walker, Secretary/Treasurer
Comal County
Appointed: 2006, Gov. Rick Perry



Oscar Fogle, Director
Caldwell County
Appointed: 2008, Gov. Rick Perry



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



Grace G. Kunde, Director
Guadalupe County
Appointed: 2006, Gov. Rick Perry



Arlene N. Marshall, Director
Calhoun County
Appointed: 2008, Gov. Rick Perry



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



James L. Powers, Director
Hays County
Appointed: 2008, Gov. Rick Perry

GBRA is governed by nine directors, appointed by the Governor of the State of Texas and confirmed by the Senate. The 10 counties in GBRA's statutory district are represented on a rotating basis. Each director serves a six-year term with three directors appointed or re-appointed every two years.

GUADALUPE-BLANCO RIVER AUTHORITY OF TEXAS

ESTABLISHED BY THE TEXAS LEGISLATURE

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

SOUND MANAGEMENT AND ADMINISTRATION

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

PLANNING FOR THE BASIN AND TEXAS

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

SELF-SUPPORTING OPERATIONS

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

VISION

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

Board of Directors

General Manager

W. E. West, Jr.

General Counsel
Bruce Wasinger

Manager of Communications and Education
LaMarriol Smith

Public Communication and Education

Executive Manager of Governmental Relations and Policy

Todd Votteler

Executive Manager of Water Resources and Utility Operations

James Murphy

Executive Manager of Finance and Administration

Alvin Schuerg

Executive Manager of Business Development and Resource Management

David Welsch

Public Policy

Accounting and Finance

Information Technology

Human Resources

Operations Manager Upper Basin

John Smith

Chief Engineer

Thomas Hill

Manager of Project Engineering

Gary Aspury

Operations Manager Lower Basin

Bryan Seroid

Personnel Administration Coordination

Barbara Gunn

Director of Water Quality Services

Debbie Magin

Customer Representative and Economic Development Manager

Tommie S. Rhoad

Director of Project Development

Vacant

Hydrology

Engineering

Construction

Clean Rivers Program

Regional Laboratory

Watershed Management

Customer Relations

Community Affairs

Public Property Acquisition

Flood Response Coordination

Contract Development

San Marcos WTP

Lockhart WTP

Lockhart WTP

GPP RWDs

San Marcos RWDs

Mandeville WWTP

Watkins WWTP

Cadottan Canal

Port Lavaca WTP

Rural Water

Buda WWTP

Rural Utilities WWTP

Lockhart WWTP

Guadalupe Valley Recovery

Guadalupe Valley Hydroelectric

Gaugun Hydroelectric

Cochran Creek Reservoir

Crattien WWTP

Cochran Creek Reservoir

Lake Wood Reservoir

GBRA Year in Review

(September 1, 2007 – August 31, 2008)

September 2007

- 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 were provided by Zebco, American Rodsmiths, Ruben Gomez of Bass Pro Shop in San Antonio, Jason and John Gallas, Ronnie Logan of Skeeter Boats from Anchor Marine, Rick Shock with Nitro Boats, Ron's Tropical Sno and J-Rock Homes, LLL.



October 2007

- Port Lavaca Water Treatment Plant staff temporarily substituted chlorine as the disinfecting agent in the drinking water treatment process at the plant for about 10 days, after which the plant resumed using chlorine/ammonia. Substitution of chlorine alone on a periodic basis is recommended by the Texas Commission on Environmental Quality (TCEQ), in order to provide more stability to the disinfecting process and to remove any excess ammonia that might accumulate in the distribution systems over time.

November 2007

- The GBRA staff hosted a public meeting in Gonzales in November to discuss treatment measures for controlling the growth and spread of waterhyacinth in lakes Gonzales and Wood. Waterhyacinth is a large floating non-native plant. An overabundance of this macrophyte can negatively affect water quality and fish populations.
- The GBRA hosted an "open house" for invited guests at its main office campus in Seguin, culminating a five-year process of expanding the organization's main office to accommodate its increasing workload and to better serve constituents. [photo(s)]
- GBRA hydroelectric crews performed maintenance on the dam at Lake Placid (TP-4) in November, lowering the lake level approximately 12 to 15 inches below normal for several days.

December 2007

- As part of its consideration in developing a nuclear power plant in Texas and in evaluating specific sites within Victoria County, Exelon Generation Company, LLC, requested reservation of a water supply of 75,000 acre-feet per year from the Guadalupe-Blanco River Authority through June 30, 2009. The GBRA and Exelon reached an agreement on the terms of the reservation on Dec. 7. [logo]



- At the December board meeting in Seguin, the Board of Directors elected new officers for 2008. Myrna P. McLeroy from Gonzales County became chair, Clifton L. Thomas of Victoria County became vice-chair and T.L. Walker of Comal County became secretary/treasurer.

January 2008

- The Guadalupe-Blanco River Authority hired James "Jim" L. Murphy, former staff attorney, ethics officer, and secretary board of directors at Trinity River Authority (TRA), as its new executive manager of water resources and utility operations. Murphy was brought in to oversee the GBRA water resource division's planning, budgeting, programming operations and engineering, and would be responsible for managing existing operations as well as implementing new water, wastewater, and related utility projects. Murphy earned his bachelor of arts degree from Tulane University and his juris doctorate from Tulane University School of Law. In addition to his work at TRA, Murphy has been an attorney for the Texas Department of Banking and the Texas Water Commission.

February 2008

- In February, the Texas Engineering Extension Service provided hazardous materials training at the Western Canyon Water Treatment Plant. About 20 trainees from Western Canyon, San Marcos WTP, Lockhart, Buda, Luling, the City of Fair Oaks, and Canyon Lake Fire Department participated in the 8-hour refresher course.

March 2008

- Two GBRA laboratory professionals earned awards at the 2008 Texas Water Utilities Association (TWUA) Annual School in Fort Worth. Bryan Lyssy, GBRA lab technician III, collected the Lab Analyst Section Laboratory Analyst Leadership Award for 2007, while Clarissa Castellanos, GBRA lab technician II, earned the TWUA Outstanding New Professional Award for 2007.



- Canyon Park Estates Wastewater Treatment Plant, operated by GBRA, was honored as the 2008 Wastewater Treatment Plant of the Year in Category 1 by the Water Environment Association of Texas (WEAT). The award recognized a wastewater treatment facility with flows less than 1 million gallons-per-day for consistently exhibiting outstanding performance in daily activities beyond the normal call of duty. GBRA's Rural Utilities Team began operating the Canyon Park Estates facility following construction in 1976.

- About 60 GBRA employees, family members and friends performed repairs and renovations on March 29 for three senior citizens with disabilities and at the Comal County Senior Citizens Center in New Braunfels as part of GBRA's "Our Day to Shine" activities. Volunteers from offices in Seguin, Canyon Lake, San Marcos, Victoria, Port Lavaca and Coletto Creek were involved in painting, lawn maintenance, replacing boards, fixing screens, clearing obstacles, plumbing work, and making various other repairs.

April 2008

- The San Marcos Water Treatment Plant earned the state's T.O.P. Award for meeting rigorous criteria in surface water treatment. The plant is owned by the City of San Marcos and operated by GBRA. The Texas Optimization Program (T.O.P.) Award, presented by the Texas Commission on Environmental Quality (TCEQ) technical review and oversight team, is a voluntary, non-regulatory program created to improve standards of existing surface water treatment plants without major capital improvements. After a comprehensive performance evaluation and certain TOP optimization goals being met for the six-month period from May 2007 to October 2007, the TCEQ presented the recognition in April 2008.

- A GBRA clean up of Plum Creek Watershed resulted in the removal of more than 7 tons of trash. GBRA-led clean up crews spent 237 man-hours collecting trash and debris such as tires, batteries, scrap metal, construction materials, appliances, medical waste, mattresses and other furniture from the creek. The 397-square-mile watershed serves as a major tributary of the San Marcos River and lies within the Guadalupe River Basin covering portions of Hays, Travis and Caldwell counties.



May 2008

- After nearly 200 days of construction, GBRA's Port Lavaca Water Treatment Plant completed its new 1 million-gallon storage well. Nat Gunn, Inc., of Grand Prairie, TX, constructed the storage well.
- Crews performing preventive maintenance repairs to the gate arm at Coletto Creek Reservoir completed the project in mid-May. The necessary repairs were structural improvements to critical connection points on the gate to maintain structural integrity.

GBRA Year in Review, continued



- After determining sufficient need existed to create the position of an internal general counsel, Bruce Wasinger, former partner with Bickerstaff Heath Delgado Acosta, was hired in May as GBRA's general counsel and became part of the Executive Management Team. His duties include rendering legal advice to the Board of Directors and management staff; preparing legal opinions, briefs and other documentation; reviewing contracts; interpreting regulations; resolving disputes and managing other legal affairs. [photo]

- The National Association of Recreation Resource Planners (NARRP) awarded its 2008 "Excellence in Planning Award" to the GBRA, Half Associates Inc., and the Gorge Preservation Society for the Canyon Lake Gorge Master Plan. Presented in May at the organization's annual meeting, this national award gets presented to not more than four eligible recipients, primarily for professional achievement in the field of parks and recreation planning.

June 2008

- Several design organizations recognized publications produced by GBRA with awards. Hot Times in Texas, GBRA's annual report for the fiscal year ending Aug. 31, 2007, received an American Inhouse Design Award by the editors of Graphic Design USA. The publication

also earned a "Gold" award from the judges of the Association of Marketing and Communication Professionals, and earned an "Award of Distinction" from the Communicator Awards. GBRA's River Run magazine received "Honorable Mention" as part of the Hermes Creative Awards for 2008.

- Work crews completed a joint federal- and GBRA-funded project to install pneumatically-operated vent valves at GBRA's TP-4 spill gates. The project, totaling a little more than \$1 million, became necessary when the spill gates sustained damage during the floods of 1998, 2002, and 2004. GBRA engaged Devine Tarbell and Associates to prepare a conceptual design and cost estimate for a FEMA grant application to mitigate future flood damage. The grant was approved and FEMA provided \$787,500 toward the project, and GBRA carried \$262,500 of the costs.

July 2008

- GBRA's canal system staff worked to remove a significant logjam from a portion of the San Antonio River, completing the project in July. The logjam was so severe that it temporarily diverted the course of the San Antonio River. GBRA staff estimated the total cost of the logjam removal operation to be more than \$200,000. About 150,000 tons of logs and debris were removed from the river.

- The San Marcos Water Treatment Plant earned a second consecutive T.O.P. Award for meeting rigorous criteria in surface water treatment from the TCEQ. The plant is owned by the City of San Marcos and operated by GBRA. The Texas Optimization Program (T.O.P.) Award, was presented after a comprehensive performance evaluation and certain TOP optimization goals being met for a 12-month period.

August 2008

- The GBRA, the City of Lockhart Parks Department, and several Lockhart residents held planning meetings to organize the Lockhart's first "Keep Lockhart Beautiful" clean-up event. The community-wide clean-up would occur at Town Branch, a tributary of Plum Creek that flows through Pecos Street Park, Navarro Springs Park and Walkway, Arredondo Park, Lions Park, and City Park.

- The GBRA officially opened a new office in Sattler, TX, in August. Located at 2075 FM 2673 Copper Canyon Plaza. One of GBRA's priorities has been to be responsive to the needs of its constituents. Opening the Sattler Office directly addressed a need to have an on-site presence of GBRA in the Sattler and Canyon Lake communities.



Guadalupe River Basin Road Trip

Everybody needs beauty as well as bread, places to play in and pray in, where nature may heal and give strength to body and soul.

John Muir, the early American naturalist, penned those words long ago. They resonate today, as we try to preserve the old while making way for the new.

The stories of Texas' road trip treasures in the Guadalupe-Blanco River Authority's 2008 *Comprehensive Annual Financial Report* speak volumes about adapting old treasures to present tense. The people and places featured within these pages, often heirs to special treasures passed to them by grandparents and parents, are experts at preserving what they have while taking risks and surviving economic pressures. Often, they emerge from turmoil only slightly changed in form and stronger than they were.

While each "treasure" you will read about here is different in key ways from the next, every one has much in common with its brethren. For example, all bear the badge of their Texas heritage proudly. Whether it is a Lone Star flag flying over the beautiful Caldwell County Courthouse or a Texas Historical medallion that so many of these gems flaunt proudly at their entrances, they reflect state pride and spirit.

Many of the places you will read about began on a river, which in community lexicon becomes "The River." Each one has history. Some educate, some entertain, some do both. Others feed bodies and spirits.

In what other state would you find this diversity:

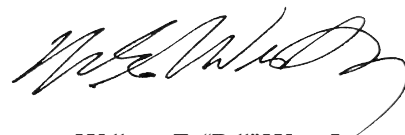
- A dance hall that still exists today, 100 plus years after it was built.
- A cooking school that's gone global.
- A cavern that's as much a science lesson as entertainment.
- A pecan store that boasts a collection of more than 6,000 nutcrackers.
- A warehouse that carries everything for the renovator/remodeler/antique shopper.
- A general store where you can get egg rolls, wine and fencing, too.
- A private cattle ranch that operates as usual, under the careful management of a university.

Not many. Dare we say, "Only in Texas?"

In the spirit of full disclosure and responsible governance, the Guadalupe-Blanco River Authority gladly shares this 2008 *Comprehensive Annual Financial Report* with all of its constituents and friends.



Myrna P. McLeroy
Chair, Board of Directors



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

KENDALL COUNTY

BERGHEIM GENERAL STORE
843 HIGHWAY 46 EAST
BERGHEIM



Photos by Barbara Elmore

Need hardware or pottery?

by Barbara Elmore

One Saturday morning at Bergheim General Store about 10 miles outside Boerne, a man brought in a fencepost, pulling out his measuring tape at the front counter so he would know the exact size of fence hardware he needed.

Another man hurried in to exchange a box of ammo – right purchase, wrong size. A third left with a sack of groceries.

All of this and more occurred before 10 a.m., when proprietor and postmaster Stanley Jones stepped into a room behind the cash register to sort the mail. It was just a normal Saturday morning, except for a new fall chill that everyone seemed to appreciate.

In the interest of avoiding the cliché, “a step back in time,” call the Bergheim General Store and Post Office “worn but much beloved,” like a favorite pair of jeans. Which, by the way, can be had at the general store. Also sold there: cowboy hats and boots, egg rolls, ice cream, and wine. Those are only a few of the foods and drinks available. Need hardware or pottery? Check on that here, too.

One of the remarkable things about Bergheim General Store is that 105 years after its beginnings, it is still in the same family’s hands. Owner Stanley Jones is the great-grandson of the store’s builder and first owner Andreas Engel. Stanley went to work in the store the same month in 1975 that he graduated from college at Texas State University, then Southwest Texas State. Stanley’s mother, Genevieve, was the granddaughter of Andreas and the daughter of Alfred Engel. Alfred operated the store, too. His record of 50 years there still stands.

The limestone walls of Bergheim General Store likely hold many stories, but Stanley and his wife, Charlene, recalled a tale about the walls themselves. “The rock came from around here, and they made the mortar to put the rocks together in a nearby kiln,” said Charlene, a fifth-grade teacher at Curington Elementary School. But their first attempt at homemade cement failed when the limestone they put in the kiln burned for days without breaking down. “They didn’t get what they needed because it was the wrong kind of rock,” said a smiling Stanley.

Eventually, the builders cracked the mysteries of cement, and the sturdiness of the limestone is one reason the walls stand today. The wooden floor, ceiling and walls are original, said Charlene. Some of the floorboards are newer pieces cut to replace spots that wore away under the

traffic of many feet. Replacements near the cash register and under a cooler that leaked almost match the rest of the floor.

More obvious to visitors is the old cash register Andreas used. It sits in the back of the store near the straw hats. Or they might browse the shelves of antique products well past their “use by” dates. If Charlene is there, she might point out a feature she particularly likes. “That is my favorite part of the store, that rock right there,” she said, pointing to the rectangular flat stone step outside the entrance. Rough in places and shiny in others, it is shaped by the steps of many people.

The store has its newer parts. An addition more than doubled the size, but neither Stanley nor Charlene, who are in their 50s, knows when that construction occurred. It happened before they were born. They do know that room for a post office was added in the 1950s.

The current store was actually the second that Andreas Engel built. He immigrated to the area from Austria in 1885 and worked on ranches before opening his first store on the river, right at the edge of the current property. He sold that store in 1900.

So what is on the horizon for Bergheim General Store? The Joneses have a son and three daughters, all of whom have gone on to college or careers. Stanley shakes his head when asked who is next. “The era of the general store is about over,” he said.

And yet, noted Charlene, in tourist communities “people are trying to package what we have. It’s all about location,” she said, adding that the re-routing of Highway 3351 cut into the store’s traffic. “His great-grandfather moved here to be on a crossroads and the crossroads moved.”

Regular customers would likely be lost if the historical store closed. They include people like employee Jean Clark, who has worked there six years but is also a longtime customer. Her grandparents were patrons, as was Jean’s mother, and Jean, and Jean’s children and grandchildren. What does she like most?

“Family,” she said. “Talking about the past with customers.”

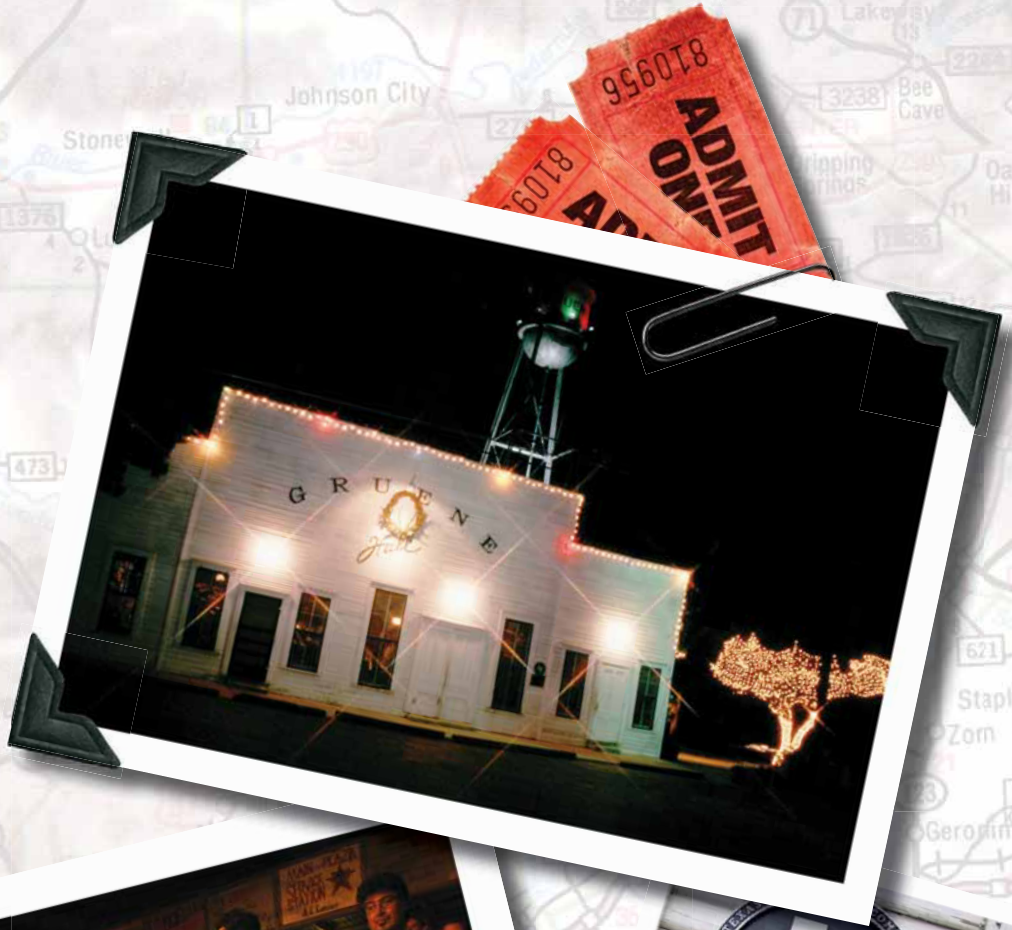
COMAL COUNTY

GRUENE HALL

1281 GRUENE ROAD

NEW BRAUNFELS

<http://www.gruenehall.com/>



Photos courtesy Mary Jane Nalley

131 Years of dancing!

by Barbara Elmore

Gruene Hall sat on its plot of turf in the tiny community of Gruene (pronounced green) for more than a century, as if keeping a ghost town open even if it did so alone. Built by Henry Gruene in 1878, the dance hall and saloon thrived as nearby stores opened, experienced success, and went bust. Through two world wars and a depression, businesses came and went, much like fires that burned too hot and extinguished themselves. Gruene Hall was a beacon, bearing the name of a founding family and a historic village.

As it enters its 131st year, Gruene Hall looks much as it did when Henry Gruene built it for his tenant farmers. And it holds the record as Texas' oldest continually operating dance hall.

Mary Jane Nalley, its co-owner along with Pat Molak, said Gruene Hall is what it was – a social hall. Farmers and their families would arrive in town on the weekends and shop at the mercantile. “They spent the night in the pasture. They would go to the dance hall, dance all night, and bed down the kids,” Mary Jane said. The next morning, they would brew coffee and set off for their farming areas. Today’s musical acts are different, but they are still entertaining the hordes of fun-seekers who visit Gruene to unwind.

She describes the white hall’s physical appearance as “sort of like a barn. But it has this really interesting character that is sort of intangible.” Textures, like the floor and the grain of the wood, reveal its personality. “You can tell a lot that has gone on there.”

One of her favorite stories has to do with Molak’s introduction to the property.

A stockbroker and real estate man, he was hunting for something less structured to do. He was interested in history from the perspective of old buildings and favored bars and saloons. About the same time, a friend was looking for a place to open a winery. The friend saw an ad in Texas Monthly magazine for old buildings for sale in a historical area, placed by a University of Texas student who happened upon the boarded-up village.

The area so charmed the student, who worked for the Texas Historical Commission, that he had contacted the THC and asked to inventory the buildings. He discovered that Austin developers had bought the last several hundred

acres of the Gruene estate and planned to raze the buildings to make way for condos. He asked them not to tear them down, but to let him see if he could get people interested in buying and preserving the historical community. They agreed. “That’s why the ad was in Texas Monthly,” Mary Jane said. Molak heard about the hall from his winery-seeking friend who told him, “You’ve got to come and look at this old bar.”

Part of the hall was boarded up when they went to see it, Mary Jane said. “We didn’t know there was a big dance hall in the back.” Molak discovered it when he was hunting for the restroom. “He decided to buy the building and that’s how we got started. I love that story; I really believe we were supposed to do this.”

That was more than 30 years ago. Gruene Hall has turned into a lifetime project, but Mary Jane does not seem to mind. “When you drive into that two-block area [Gruene’s historical district], something changes. It’s a nostalgic, feel-good thing. There is an energy about the place – probably because it’s right on the river and was a Native American camping ground.”

She cherishes the words of a woman who lives in the New Braunfels area who told her that local people are proud of Gruene. “That touched my heart,” Mary Jane said. “German folks take pride in their heritage. For her to say that meant a lot.” It also means that New Braunfels residents will take friends and visitors to Gruene because they like to visit themselves.

When they go today, they might see new plants that Mary Jane put in front of the hall in barrels and water troughs. But the hall itself remains the same. That’s partly because of the Texas Historical medallion on the front, and partly because the owners want to keep it true to its roots. It is on the National Register of Historic Places so it is well protected, Mary Jane noted. None of that keeps it from hosting musical acts every day – many of them famous.

Gruene Hall is still holding its place, open daily except for Thanksgiving and Christmas. But it no longer stands as the solitary open beacon in a ghost town. Instead, it stands at the head of a bustling village.

HAYS COUNTY

WONDER WORLD PARK 1000 PROSPECT ST. SAN MARCOS

<http://www.wonderworldpark.com>



Photos by Barbara Elmore

Not your average cave

by Barbara Elmore

Aah, Wonder Cave. A temperate 71 degrees all the time – no matter what the weather is like outside. It almost makes a person want to live here.

Wait, CEO Buddy Mostyn does.

Well...he lives nearby, anyway.

Buddy has worked at Wonder World since 1957. That's more than 50 years for anyone who's counting. He started there at age 10 as a "bumper boy," applying vinyl bumper stickers that read "Wonder Cave" to cars in the parking lot. He also wielded a broom to keep the place clean. "I've done it all. I worked in the snack bar. I led tours. I studied the cave and got interested in geology."

And he talks about Wonder Cave as if his degree from nearby Texas State University (then named Southwest Texas State) was in geology instead of business. Much of that education came courtesy of his father, who bought the cave in 1957 and did study geology. Proud of the fact that the cave has been open to tours for 106 years, Buddy noted that when he began working as tour guide, he walked the cave among other guides his own age. Then their children came to work there, and then, their children. "Three generations," he said.

But the story of Wonder Cave is not about a person, Buddy said. It's about the Earth, and understanding what occurred here 35 million years ago, when a monstrous quake shook up massive pieces of rock to form the cave and make the Hill Country what it is today. "Here you have the opportunity to descend deep within the Earth's crust and see the results...it's really the only example where you can see results of an earthquake and its devastating forces."

Wonder Cave's uniqueness comes from the way it came about, Buddy said – not by water eroding limestone, as many other commercial caves were. "This cave does not relate to that at all," Buddy said. That's because Wonder Cave is the byproduct of something called a thrust fault, which created a natural damming effect for water in the Hill Country that collects at the fault line. This caused a backup of water from springs that feed back into the Edwards Aquifer. The Balcones Fault Line, the most distinguishable fault line in Texas, splits the state and runs from Ardmore, Okla., to Del Rio and into Mexico.

The cave is notable for a number of other reasons. It opened for tours in 1903, which makes it the first

commercial cave in Texas. When Buddy and his father first arrived in

1957, it was just a cave. Since then it has grown to include parking lots, two towers – one that descends 80 feet into the ground and was dug by hand – and other features like an Anti-Gravity House and petting zoo. The cave's storied history includes designation as a bomb shelter in the '60s. In a room where the cave's elevator now sits, barrels of non-perishable food awaited diners that never arrived. Buddy got rid of the food cache years ago.

The cave has been continuously open since 1903, except for winter closings some years back. "We discovered there's enough traffic," Buddy said. A corporation owns the park, but he has been in charge since 1972 and is continually mulling new ideas for growth.

Although Wonder Cave is the most popular park attraction, tourists can spend half a day there if they go through all the features. A tour of the cavern alone takes about 45 minutes, said one of the guides, which varies if those touring ask questions. Sometimes language is a barrier. "You meet people from all over the world," Buddy said, recalling a group of Japanese travelers who found the park on the Internet. "They flew into San Antonio and came over, coupons in hand." The park offers recorded tours in Spanish, he added.

"It's not a big park," Buddy added, describing it as a "small natural theme park." Still, about 150,000 people visit each year.

"I think our future is great," Buddy said. "People want natural things. Tourism is non-polluting and adds to the economy base. We are not destroying anything. This is the most green thing you can do. Our cups are biodegradable. We don't sell bottled water. We are highly environmentally sensitive. It's the most green thing you can do."

CALDWELL COUNTY

CALDWELL COUNTY COURTHOUSE

110 SOUTH MAIN ST.

LOCKHART

<http://www.co.caldwell.tx.us/ip/cms/index.html>



Photos by Barbara Elmore



Evidence hidden in the courthouse

by Barbara Elmore

Photographers and tourists seem most taken with the outside of the Caldwell County Courthouse. It's easy to see why. The striking colors and Second Empire architecture demand notice, and outdoor landscaping and décor add to the building's charm.

But a historic building is made of stories, too, and this one has many. To start with, it is the third courthouse on this same plot of land. The two previous buildings were built in 1848 and 1858. Apparently the third was the charm, as this is the one with the Texas Historical marker and it is the one that locals and tourists like to talk about and photograph.

Finished in spring of 1894 at a cost of about \$65,000, the outside of the current three-story courthouse underwent restoration in 2000, with careful reconstruction of columns, balconies, tiles and metalwork. Historic pictures, even though in black and white, helped to determine what the original paint might have looked like. Also, according to the website of Ford, Powell & Carson, which did the restoration, the historical architecture hides the air-conditioning equipment. The original construction had neither electricity nor restrooms. More about the latter later.

The courthouse is made of Muldoon limestone, a type of sandstone quarried in Muldoon, Texas, and a popular choice for 19th-century buildings. Sometimes called Muldoon Blue because of a recognizable tint, it also has long white streaks that some people believe are the roots of plants trapped in the sedimentary rock. Also contributing to the colorful courthouse is red sandstone trim.

Finally, there is its colorful past. Most people who take central air-conditioning and heat for granted might not know that the courthouse had neither amenity until the mid-1980s. Workers used Dearborn heaters for warmth and sweated through the summers. James E. "Sonny" Rougeau, the county auditor who has worked in the courthouse for 25 years, was one of those workers. He remembers sharing an expensive computer with the treasurer's office and the mercury rising to more than 100 one day. Heat was hard on the computers, and Sonny remembers that soon after the computers arrived, the building was gutted to make way for a modern heating and cooling system.

He also recalls the filming of movies taking place on the square. He works on the third floor now but was on the first floor during previous filmings, and said the movies

created much excitement and brought many tourists into the building.

Sonny is a fulltime CPA in Luling and works in Lockhart two days a week by contract. Those knowledgeable about the courthouse know that he forgoes a lunch break to get the work out, since his time is limited. But his memories are many. "I can remember when the slate shingles on the turret were green," he said. "The pictures they had to go by were black and white, so they had to do some research to find the right color."

From his small, third-floor office, he sees maintenance men who work on the air-conditioning system and knows that the person who looks after the clock tower comes by once a month. There are no offices above the third floor – only space. But even that has a story. "Before it was renovated, we were up in there looking, and we found a room with a lock on it. We had no key to it. We had to get the sheriff's office over here with bolt cutters," Sonny said. The mystery room turned out to be an evidence room that no one at the courthouse knew about. It contained old hi-fis and vinyl records. The sheriff's office used to be in the courthouse, so it made sense that the old evidence room was there.

One more story reveals not only courthouse history but a bit of Lockhart's history as well. According to The Texas Monthly Guidebooks Hill Country by Richard Zelade, Lockhart first installed a water system in 1900. County officials then wanted public restrooms in the courthouse. They used existing space, converting the broom closets. The county judge at the time objected, and noted that people could use the outhouses that existed behind the town's saloons. County commissioners ignored his wishes and the bathrooms were installed, apparently with great success. The water bill after one month of operation resulted in the judge ordering padlocks on all the restrooms. Further legal action was required to unlock them again.

GONZALES COUNTY

DISCOVERY ARCHITECTURAL ANTIQUES

409 ST. FRANCIS STREET

GONZALES

<http://www.discoveryys.net>



Photos by Barbara Elmore



Photo Courtesy Suzane & Brad Kittel

Pieces and parts for sale

by Barbara Elmore

When Suzanne and Brad Kittel started Discovery Architectural Antiques in Gonzales 10 years ago, they had a couple of goals in mind. They wanted their son to grow up in a small town, they did not want to commute from Austin, where they were living at the time, and they wanted their store to be “the place” for remodelers of old homes to find authentic pieces and parts to use.

They bought a 1914-era lodge in downtown Gonzales from the Oddfellows and moved to the town. Two goals of three accomplished. Then they began selling the old doors and furniture they had acquired over the years.

They quickly realized that the items they thought they had in great numbers were not enough. They needed lots more. “Then we started buying,” Suzanne said. And selling.

To their surprise, their customers were not the people they thought the store would attract. “Our customers are people building new houses, generally speaking,” Suzanne said. “They want old flooring, doors, stained glass and antique beams. We don’t get a lot of people who are restoring old homes,” she said, adding that Texas does not have as many older homes like some states do.

But she is not complaining. The store will sell its “pieces and parts” to anyone, including restaurants owners that buy old items to establish a theme.

The Kittels came by their interest in restoring old homes through their former jobs as real estate brokers in Austin. They bought houses built in the ‘20s and ‘30s that no one else wanted, and restored them for resale. “We probably have owned 50 houses over the years, and could never find what we wanted (to fix them up),” Suzanne said. “We were both into antiques and avid garage-salers. We also wanted to do something that no one else was doing.”

Once they started buying architectural finds, they were able to fill 120,000 square feet of storage, which includes the huge downtown store and some offsite warehouses. Their discoveries come from auctions, from people who tear down houses, from families who find items in a garage, and from trips through the Midwest, which is “full of great old houses they are tearing down.”

The business is labor-intensive, said Suzanne, and always evolving. For example, the store has carried doors from the beginning, but the Kittels realized at some point

that they needed to finish them so that they would fit better into customers’ homes. So they set up a mill that not only finishes old doors but makes “new” ones from old wood. “We have some really talented guys,” she said.

Even in the business of selling old things, keeping up with styles is important, Suzanne noted. “I am always retooling. I am always looking in magazines. If I am seeing painted walls or barn wood, people will want it.”

Some of the most unusual things sold at Discovery are the pieces of old door hardware. “We carry a lot of it and sell a lot. There are not that many places you can get that and pull it all together,” Suzanne said.

She also carries a lot of American stained glass, which people like to use as accent pieces or as actual windows. Other items include old photos, glass lampshades, sinks, tubs, old iron fencing, light fixtures, bits of old tile, and wood flooring and bead board. And of course, antique furniture in every nook and cranny.

The homeowners, builders, architects and designers that come into the store need to be creative to figure out how they can use some things, Suzanne said. “The world has gone so cookie cutter, and the codes – there are so many things you can’t use.” For example, old fireplace mantels cannot be used as fireplace mantels. So people figure out other ways to incorporate them, which Suzanne demonstrated by pointing out a huge door laid on its side to make wainscoting.

Such creativity is not difficult if you like what you do, and Suzanne does. Standing beside a door in her “Door Store,” she admitted that she loves the business. “Where else could I make a living at shopping?” she asked.

GUADALUPE COUNTY

PAPE'S PECAN HOUSE

101 SOUTH HIGHWAY 123 BYPASS

SEGUIN

<http://www.papepecan.com>



Photos by Barbara Elmore

Pecans are cracking up

by Barbara Elmore

Other people custom-shell the nuts for Pape Pecan House these days, but it's not because of a sheller shortage. Kenneth Pape's collection of 6,000 nutcrackers could take care of the family's pecans if they had to. But these crackers and shellers are retired, telling their story silently to onlookers from display shelves, coming out occasionally to delight their owner as well as visitors to Kenneth's impromptu museum right outside of Seguin. A veteran pecan grower and seller, Kenneth Pape amassed the collection over 30 years and recalls where he got each one.

"Tourists come to buy pecans and see the nutcracker collection," he said. "We sell lots of nutcrackers, and we started taking in trades. The first (cracker) came from Muskogee, Oklahoma." Since then, Kenneth has bought them from England, Germany, Spain, the Philippines, Sri Lanka, Israel, and of course the United States. "Once you get started, it's hard to stop." He's purchased many on his travels, but also trades on eBay, the online auction site. Treasures are not so easy to find there any more, however.

He and his wife also are members of a U.S. nutcracker collectors' club, which boasts worldwide membership. They also joined a German nutcracker club and have traveled there, indulging Kenneth's love of nutcrackers by buying, trading and selling.

The Papes, which includes Kenneth's wife Zee, their son John and cousin Harold, got into the pecan business because of family. Kenneth and Harold's grandfather grew pecans, as well as other crops, in the 1890s. The family planted plentiful orchards on the river before moving into the equipment and retail businesses. In 1961, Kenneth and his father Hugo established Pape Pecan House, which at first was a mere shed. Now the business has grown to include a big equipment sales location for pecan orchards – shakers, pickers, cleaners, harvesters and sprayers. About two miles away from the equipment sales office, that shed on the Highway 123 Bypass has expanded into the shop that customers know as Pape Pecan House and includes a large warehouse, business offices and a front area in which pecans, pecan products, old nutcrackers and jewelry are sold. Eventually, the Papes will locate the equipment and retail business on one site.

"We used to grow a lot more (pecans)," Kenneth said. Now they buy from growers and sell to stores and other

customers throughout Texas, dealing mostly in improved pecan varieties. "We handle almost 10 percent of the Texas crop," he said. In the front of the shop, customers wander through to browse the jewelry, packages of fresh pecans, chocolate-coated nuts and other items. This is Zee's domain, and she runs a busy gift pack and fund-raising business from here, packaging items and selling them wholesale to churches and nonprofit groups for resale.

"He and his father had started the business about three years before we got married," Zee said. "It was just the front part then. They harvested pecans and bought some too." In her early days of working at the shop, she recalls that she washed off the Formica countertops because they had gotten dirty. She had seen the numbers written on the Formica and knew that customers had come in and done some figuring directly on the countertop, but she didn't think they needed to be preserved. Only later did she learn that they were important. "I had washed off all the accounts receivable," she said with a smile. The business did not founder because of her fastidiousness, but soon after that incident, the Papes purchased a cash register, calculator and ticket books.

The business has grown and changed over the years, with Kenneth attending to buying and selling truckloads of pecans wholesale in the warehouse and Zee selling shelled pecans in the front. John, their son, runs the equipment part of the business. Zee recalls that Hugo Pape, the retired patriarch, came in every day well into his 80s to see how the business was faring.

Pape Pecan House remains a fixture in the Seguin economy because it has kept up with the needs of customers. The shelled pecan business has taken off, and Zee has reported to work regularly since she married into the family 42 years ago. Although Kenneth told her when they married that they would retire at 40, they are still hard at work. "Do I look 40 yet?" she asked, smiling. "But I love it."

DeWitt COUNTY

*The Cooking Depot
202 S. ESPLANADE
CUERO*

<http://www.thecookingdepot.com>



Photos by Barbara Elmore

An unexpected place for gourmets

by Barbara Elmore

An important thing to know, if one is unfamiliar with Cuero, is that it has both South and North Esplanade streets. This knowledge is key if one is looking for the cooking school/kitchen store, which attracts hundreds of out-of-towners to the 6,500-population town.

The school is called The Cooking Depot, cleverly named as it sits right off the railroad tracks. And for the unaware, the building is on South Esplanade and is tucked inside the Cuero-Yoakum Propane Gas Co.

If a cooking school in Cuero sounds out of place, wait for the story. The reasons for both the kitchen store and the cooking school make sense when one talks to owners Annette and Erwin Rath.

The propane company, which supplies gas to customers within a 45-mile radius of Cuero and Yoakum, came first. Annette started working for the company in 1979. She and Erwin, both born and raised in Cuero, acquired the business in 1986. Then customers started asking them to order items such as outdoor cooking gear. "We started with a gas grill and a turkey fryer," Erwin says.

But people cook indoors, too, so the Raths began to sell indoor cooking items. More cooking gadgets led to an expanded showroom in the mid-90s, and in 2000, to a 10-by-12-foot kitchen. But the new kitchen is not just a microwave, coffeemaker and small 'fridge for employee use. It is a chef-quality teaching kitchen, and includes a mirror over the stove and countertop so that students can see exactly what step comes next.

The classes were Annette's idea. "You have to make these things talk to people," she said, holding up a shiny Viking stainless steel pot. She explained that she would not spend what the pot costs unless she saw what it could do for the cook. She believes most cooks feel the same way. She turned her theory into action, and seven years later the classes are still going strong.

Chefs arrive regularly – including one from Tuscany, Italy, who has demonstrated at The Cooking Depot four times. Annette sends out schedules every quarter. Students come from Cuero as well as nearby towns, and sometimes from Beaumont and Houston. Annette remembers a pilot who flew in from East Texas. Since there was no taxi service in Cuero at the time, either she or the person who operated the bed-and-breakfast where the pilot stayed provided car service.

Other cooks or chefs include a chuck wagon expert from Boerne, a Houston cook who was a great success with children's classes over the summer, and Molly Fowler of Houston, also known as The Dining Diva. The author, TV personality and traveling instructor comes to The Cooking Depot at least once a month and sometimes a lot more. "She was our first and is still very popular," Annette said.

The Raths limit class size to 35, and usually 25 to 30 students attend. Rarely does Annette cancel a class because it did not attract the required 15 students to make. She also has booked private classes.

One question Annette has often heard is, "How can you make this go in Cuero?" She noted that the town has few restaurants, and people can visit The Cooking Depot and get great food. And as she thought they would, students buy pots and other kitchen items after class. The gadgets range from the small – stainless steel biscuit cutters, pastry brushes and butter keepers – to the gigantic: 80-quart stockpots and 10- or 20-quart outdoor cooking kettles. Also for sale: Texas products like jerky cure and seasoning, stew mix, or corn relish, which workers in The Cooking Depot might whip into a dip to serve to browsers.

If Annette ever gets bored at The Cooking Depot, she crosses the street to the Raths' other business, Cuero Pecan House, operated by partner Mary Beth Finney. The Raths and Mary Beth and her husband, William, bought the pecan house three years ago. They have made the store, which sells nuts and other products, into a bustling mail-order company, sending out 10 to 150 boxes a day.

And there's always work to do at the Raths' other business, Main Street Kaffee Haus and Deli, where Annette helps get the cooking started every morning at 6.

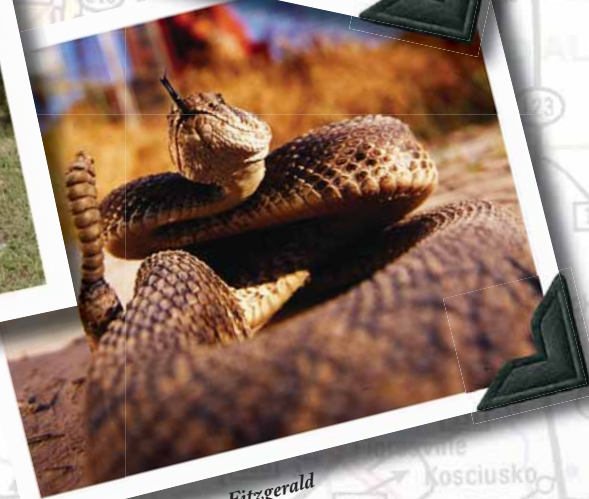
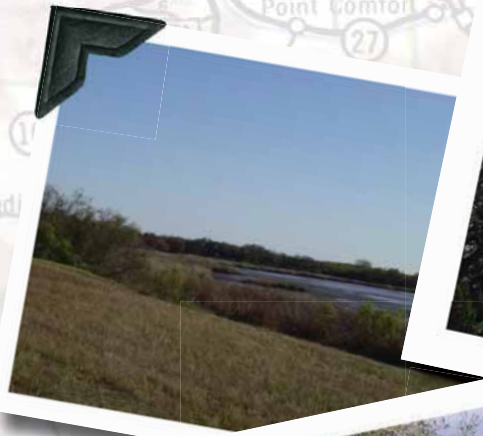
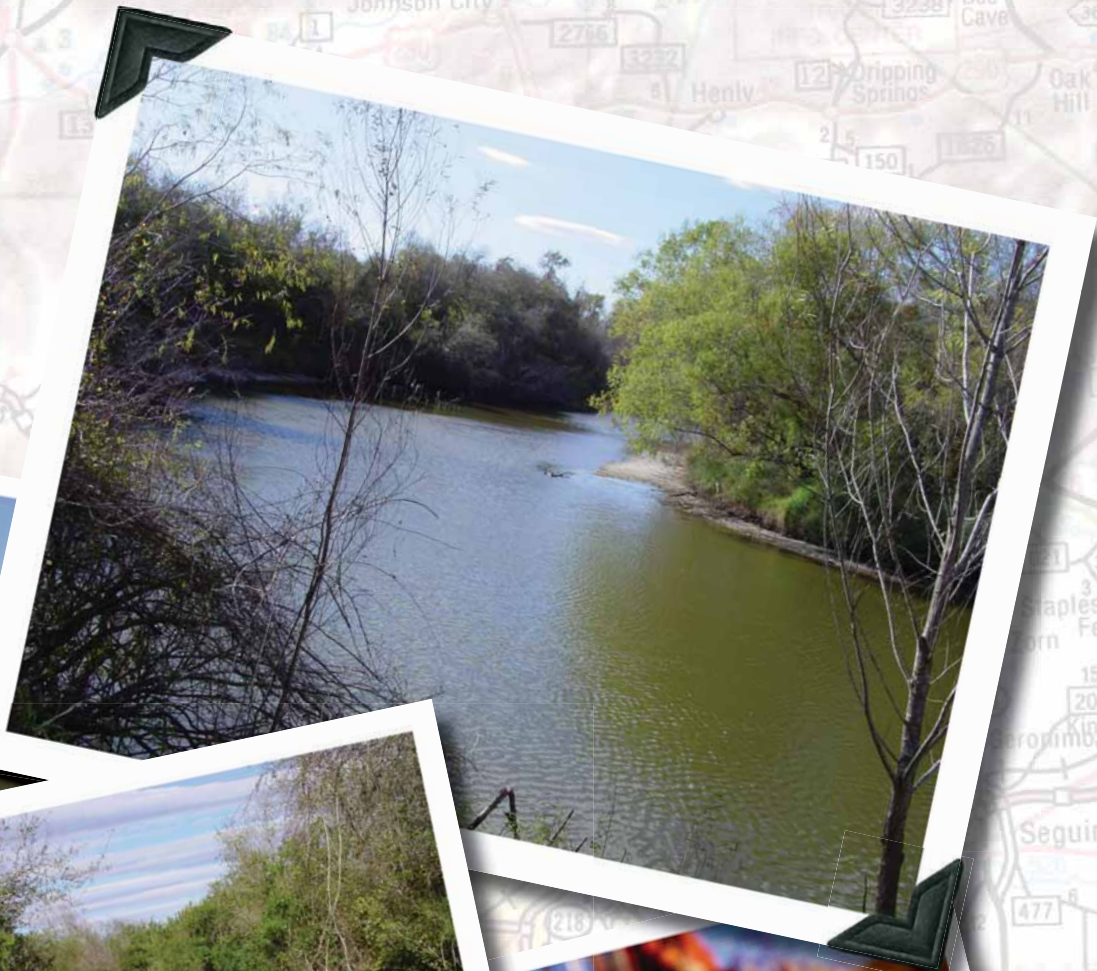
But that's another story.

REFUGIO COUNTY

FENNESSEY RANCH

REFUGIO, TEXAS

www.fennesseyranch.com



Photos by Barbara Elmore

Photo courtesy Sean Fitzgerald

Living the wildlife

by Barbara Elmore

The logo for the Fennessey Ranch of Refugio, Texas, says it was established in 1834. Imagine land almost untouched by change since that time and you will get a mental snapshot of a wild, 4,000-acre paradise bounded on three sides by the Mission River and populated with armadillos, coyotes, bobcats, cougars, skunks, raccoons, javelinas, Russian boar, snakes, and a variety of birds that avian watchers travel hundreds of miles to view.

And cattle, of course. The Fennessey is still a working cattle ranch, although Brien O'Conner Dunn, whose family has owned the property for almost 180 years, hired General Manager Sally Crofutt to diversify. She's been doing just that for the last 16 years.

Think of Sally as a missionary in a pickup truck bumping over the ranch's roads. "We saved 3,500 acres of contiguous habitat," she said, adding that the main mission of the ranch is research, stewardship and education. The saving of the ranch is for future generations of both people and wildlife, and Dunn accomplished that by selling a conservation easement to the University of Texas in 2006. The ranch still operates as it did, Sally said, except the owners cannot develop it and cannot kill predators. It can, however, still lease portions of the ranch to hog and deer hunters several months of each year. Except for the crucial exclusions, "We operate like we always did," Sally said.

She and Dunn were friends before Sally took on everyday operations. She clearly prefers the outdoors to working in the office, but the job requires both and she complies with for the ranch's survival. By Dec. 1, 2008, she had sold six birding slots, eight hunts, and one day in a nature blind to a photographer, all for 2009. Call this a success for the ranch that used to rely only on cattle and oil and gas leases for its money. "That vacation is over," Sally said of the petroleum income.

Dunn's years-long wish to diversify, preserve the land and keep the ranch private has led to three first-place wins in the Coastal Bend Wildlife Photo Contest. The profitable contests pair the ranch with a wildlife photographer who contributes his pictures to the contest. They have resulted in lucrative cash awards that the partners split. The contests also result in a book every other year that Sally uses as currency. "It's a win-win situation," she said. "Our book sales pay for the contest."

Perhaps the ranch's most notable public-private partnership is the easement with the University of Texas, which the UT Marine Sciences Institute in Port Aransas manages. The agreement made the ranch and habitats part of the Mission-Aransas National Estuarine Research Reserve, a research and education program. The institute manages it with the National Oceanic and Atmospheric Administration.

The National Estuarine Research Reserve program includes 185,708 acres of marshes, mangroves, open water and coastal prairie along the Texas Gulf coast. Fennessey Ranch is the only upland site with fresh water, and it is home to more than 400 species of migratory and resident birds.

In fact, Sally started the birding tours when she initiated diversification efforts. She hires professional birding guides to lead the birders, and accompanies them on tours via the ranch's Swedish military vehicles called Pinzgauers, which have high clearance and four-wheel drive options. "It gives the tours a cool feel," Sally said. She's also led photography safaris, another popular ranch activity, from the Pinzgauers.

But travelers can't get onto the ranch just by driving up to the padlocked gate. Tour reservations are welcome and can be made through the Web site, above, or by calling the ranch at 361-529-6600 or writing to P.O. Box 99, Bayside, 78340.

Dunn's efforts are gaining traction in Refugio and are legendary in the conservation world. In 1997, he won a National Wetlands Award for his efforts as a champion of conservation. The awards Web site described his work this way: Dunn believes that the private landowner must get involved to save habitat for wildlife in Texas and a rural way of life for future Texans. He has worked...with Texas ranchers as well as taught ranchers...how to implement innovative strategies to create environmentally healthy and profitable businesses.

Sally summed it up this way: "We are doing the right thing, and we have a lot of fun."

75th Anniversary Celebration

Photos by Chase Fountain



Congressman Lloyd Doggett



Debbie Magin, GBRA



Bill West, GBRA General Manager



Myrna McLeroy, GBRA Board Chair



Railroad Commissioner Elizabeth Ames Jones

The Guadalupe-Blanco River Authority celebrated 75 years of service to the constituents in its 10-county statutory district and to the citizens of Texas in 2008.

The primary celebration, held in Austin, was marked by the presentation of certificates to all employees, and resolutions presented to 13 "Legislative Champions," who included former Sen. Kenneth Armbrister; Sen. Glenn Hegar, Jr., R-Katy, Dist. 18; Sen. Kip Averitt, R-Waco, Dist. 22; Sen. Jeff Wentworth, R-San Antonio, Dist. 25; former Rep. Robert Puente; former Rep. Rick Green; former Rep. Carter Casteel; Rep. Patrick Rose, D-Dripping Springs, Dist. 25; Rep. Nathan Macias, R-Bulverde, Dist. 73; Rep. Edmund Kuempel, R-Seguin, Dist. 44; Rep. Geanie W. Morrison, R-Victoria, Dist. 30; Rep. William "Bill" A. Callegari, R-Katy, Dist. 132; and Rep. Harvey Hilderbran, R-Kerrville, Dist. 53.

General Manager Bill West made special announcements regarding the filing of a water permit application for a new surface and groundwater conjunctive use project at Gonzales, the establishment of the San Antonio Bay Foundation, and the pending publishing of GBRA's 75-year history by board member *emeritus* John Taylor.

On behalf of Governor Rick Perry, Railroad Commissioner Elizabeth Ames Jones presented GBRA with certificate of recognition from the Governor.



Attendees

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, 2007

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.



President

Executive Director



GUADALUPE-BLANCO RIVER AUTHORITY

December 5, 2008

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

Dear Chair McLeroy and Directors,

The Comprehensive Annual Financial Report (CAFR) of the Guadalupe-Blanco River Authority (GBRA) for the fiscal year ended August 31, 2008, 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 in this report however, GBRA did complete a single audit and the associated report is available upon request.

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 and wastewater treatment 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 1,290 homes and businesses located throughout most of the unincorporated areas of Calhoun County.

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

The *Coletto Creek Division* operates and maintains the Coletto Creek Reservoir located thirteen miles southwest of Victoria just off State Highway 59. The reservoir, which was completed and filled in 1981, serves as a cooling pond for a coal-fired electric generating plant owned by Coletto Creek Power, LP. This division also operates and maintains recreation facilities that provide grounds for camping and picnicking as well as public access to the lake for fishing, swimming, and boating.

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The Texas Economy. According to the Texas Comptroller of Public Accounts in her latest issue of "Texas Economy in Focus", the Texas economy is faring better than most other states. Comptroller Susan Combs goes on to note that "with our mix of industries and avoidance of the housing price bubble, Texas should have more resistance to, but not immunity from recessionary conditions." Comptroller Combs cites numerous statistics in support of her assessment of Texas' relatively strong economic position including a gross state product which grew at 4.2% during fiscal year 2008 compared to the national rate of 1.9% and further, the fact that Texas gained 230,400 jobs in fiscal year 2008 which exceeded the combined total job gains in the other 24 states that posted gains. The Federal Reserve Bank of Dallas (Fed) similarly states in its October 2008 Regional Economic Update, "while Texas is still stronger than the nation, the outlook is for further weakening over the coming months however, the Financial Times recently ranked Texas as the state most able to cope with the credit crisis." Finally, renowned economist Dr. M. Ray Perryman, founder of the Perryman Group states, "Texas, which has boldly embraced globalization continues to be a leader in terms of investment and business relocations and expansions and with the state's friendly business atmosphere, right-to-work opportunities and low taxes, among other attributes, the future remains bright."

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 the 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 2008 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 committees of the Texas Legislature related to instream surface water flows, fresh water flows for bays and estuaries, and the future desired conditions for Texas groundwater aquifers was debated. The Legislature and various other associated planning groups also continued consideration of 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 has been initiated 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 2008, it was also planning the development of future supplies. Throughout Fiscal Year 2008, 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. One such new surface water permit was filed by GBRA with the Texas Commission on Environmental Quality this past year seeks to divert up to 25,000 acre-feet of water per year just downstream of the confluence of the Guadalupe and San Marcos Rivers.

Another major initiative during the year 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 has 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 the plant to provide treated surface water to regional customers which currently include the Cities of Kyle and Buda, the GoForth Special Utility District, the Sunfield Municipal Utility District and the Monarch Utilities L.P.

A second major construction project that was underway during Fiscal Year 2008 was an expansion of the pumping capacity of San Marcos Raw Water Delivery System. The Raw Water Delivery System project was financed with approximately \$14,900,000 of revenue bonds on September 15, 2007. This expansion of the System's pumping capacity is designed to increase the total delivery capacity to 25MGD. The principal components of the expansion include a second pump station located on the Guadalupe River and an intermediated booster station located approximately half way between the river and the San Marcos Water Treatment Plant. It is anticipated that the additional pumping capacity made available by this project will be utilized by the rapidly growing cities of Kyle and Buda. Another major construction project that "kicked off" in Fiscal Year 2008 was an expansion of the Canyon Park Wastewater Treatment Plant. The Plant, which is located near Canyon Reservoir in Comal County, provides wastewater treatment to several developments along the periphery of the reservoir. This expansion will increase the Plant's treatment capacity 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, Fiscal Year 2008 was reasonably routine. Twice during the year, operations personnel prepared for the possible landfall of a hurricane in the vicinity of GBRA's facilities along the Texas Gulf Coast. However, on both occasions the hurricane altered its path and made landfall far enough away to spare any damage to GBRA facilities. A second major initiative completed by GBRA operating personnel during the Fiscal Year was the removal of log jams along the lower portions of the Guadalupe and San Antonio Rivers. These log jams are periodically removed by GBRA using specialized work barges in order to help avoid the river changing courses in the relatively flat terrain just upstream of the Guadalupe River delta. Approximately 114,760 cubic yards of debris was removed at a cost of \$288,000.

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.

While much of GBRA's water supply planning has traditionally focused on developing additional surface water supplies within the Guadalupe River Basin, GBRA's focus in recent years has been more focused on committing existing surface water supplies that are currently "under utilized". Consistent with this focus, GBRA has worked with a number of entities and potential water customers to determine how GBRA's run-of-river water rights located near the mouth of the river may be more fully utilized. Most recently in this effort, GBRA has worked with Exelon Corporation to commit approximately 75,000 acre-feet per year of water for a possible new nuclear power plant located in Victoria County. GBRA and Exelon are currently negotiating a long-term, definitive water supply agreement which would provide that if the power plant is constructed, it will use GBRA's run-of-river water rights as its principal source of cooling water. GBRA has also begun to look at other possible water supply alternatives including the use of groundwater. Principal among these possibilities is the development of groundwater from the Simsboro Aquifer which lies north and east of GBRA's district and the development of Carrizo Aquifer water in the Gonzales County area. 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, Guadalupe Basin Coalition, and the Edwards Aquifer Recovery Implementation Group 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 and the National Water Resource Association in efforts to further the Texas federal initiatives to obtain funding for water projects in the State.

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 \$9,238,097 as of January 1, 2007 to \$10,475,491 as of January 1, 2008 or 13.39%. GBRA's annual contribution of \$707,443 during fiscal year 2008 contributed to the increase in plan assets held by the plan. Further, plan assets as a percentage of the actuarial accrued liability remained at 63% during the year principally due to the annual contribution amount and market returns essentially matching the relative increase in the Plan's future liabilities.

Debt Administration. At August 31, 2008, 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, 2008 were \$142,245,000 while outstanding long-term loans were \$11,471,573. 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 issue two new bond issues during fiscal year 2008, one taxable and one tax exempt, in the combined par amount of \$14,955,000 for the purpose of completing an expansion of the pumping capacity of the raw water delivery system to the San Marcos Water Treatment Plant. GBRA also secured one new long-term bank loan in the amount of \$400,000 in order to fund a portion of the cost to construct a new ground storage tank for the Port Lavaca Water Treatment Plant.

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 3.82%. This yield compares to an average 90 Day treasury yield of 2.15%. During most years, GBRA is able to equal or exceed the 90 Day treasury yield including this past year as rates declined precipitously after mid year. Interest earnings on investments were \$828,429 for Fiscal Year 2008.

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, 2008 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 100.52% of their book value and 101.11% of their par value as of August 31, 2008. 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; GBRA's safety glasses and boots program continued, and pulmonary testing was completed at various operations. 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 Thompson, Williams, Biediger, Kastor & Young, LC was selected by the Board for the 2008 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, 2007. The Certificate of Achievement is a prestigious national award recognizing conformance with the highest standards for preparation of state and local government financial reports.

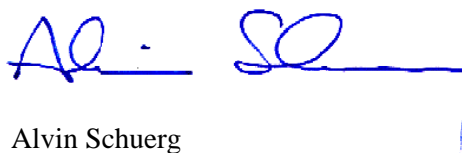
In order to be awarded a Certificate, a government unit must publish an easily readable and efficiently organized CAFR, whose contents conform to program standards. Such a CAFR must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. GBRA has received a Certificate for the last 34 consecutive fiscal years (1973-2007). 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



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**Thompson,
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Kastor
&
Young,
L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditor's Report

To the Board of Directors
Guadalupe-Blanco River Authority

We have audited the accompanying financial statements of Guadalupe-Blanco River Authority, as of and for the year ended August 31, 2008, 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 an opinion on these financial statements based on our audit. The financial statements of Guadalupe-Blanco River Authority as of August 31, 2007 were audited by other auditors whose report dated October 5, 2007 expressed an unqualified opinion on those statements.

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 the 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 opinion.

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, 2008, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2008 on our consideration of Guadalupe-Blanco River Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis on pages 42 through 46, 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 an opinion on the financial statements that collectively comprise Guadalupe-Blanco River Authority's basic financial statements. The introductory section, supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules pages 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 and statistical sections 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.



Certified Public Accountants

San Antonio, Texas

December 5, 2008

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, 2008 is the sixth 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 three 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 2008, assets exceeded liabilities by \$58,058,871 which is an increase of \$4,633,303 from last year which in turn indicates a continued improvement in GBRA's financial position. Also during FY 2008, Current Unrestricted Assets increased by \$2,118,015 which principally is the result of increases in cash and investments as well accounts receivables from customers. Another item that increased noticeably was Long-Term Capital Assets which increased by \$10,767,778 and which relates to GBRA's construction of various water supply projects. Other significant account changes include the \$2,354,285 increase in Investments in Capital Assets Net of Related Debt. This change is principally the result of various ongoing water supply construction projects and the related funding of those projects by the issuance of additional revenue bonds. This project funding through revenue bond issuance is readily apparent in the increase of \$7,460,223 from FY2007 to FY2008 in Long Term Liabilities-Bonds and Loans Payable. The following table presents a Condensed Balance Sheet for August 31, 2008, 2007 and 2006:

GUADALUPE-BLANCO RIVER AUTHORITY			
CONDENSED BALANCE SHEET			
AUGUST 31, 2008, 2007, AND 2006			
ASSETS	2008	2007	2006
Current Assets			
Unrestricted Assets	\$ 11,186,118	\$ 9,068,103	\$ 7,319,554
Restricted Assets	9,078,330	10,450,877	17,650,238
Long-Term Assets			
Restricted Assets	3,350,705	2,514,214	2,015,774
Capital Assets	191,660,895	180,893,117	174,081,804
Other Assets	11,707,295	10,738,775	10,279,532
Total Assets	\$ 226,983,343	\$ 213,665,086	\$ 211,346,902
LIABILITIES AND NET ASSETS			
Current Liabilities			
Payable from Current Assets	\$ 3,689,544	\$ 3,529,501	\$ 3,281,444
Payable from Restricted Assets	7,300,216	7,007,492	7,438,235
Long-Term Liabilities			
Bonds and Loans Payable	149,405,029	141,944,806	146,275,246
Advances for Operations	537,754	488,203	564,705
Deferred Income	7,991,929	7,269,516	4,529,814
Total Liabilities	168,924,472	160,239,518	162,089,444
NET ASSETS			
Investments in Capital Assets Net of Related Debt	\$ 38,715,589	\$ 36,361,304	\$ 38,506,620
Restricted for Construction	2,677,793	1,098,804	1,081,749
Restricted for Debt Service	4,301,984	4,087,722	1,585,363
Restricted for Insurance	998,239	1,034,689	982,190
Unrestricted	11,365,266	10,843,049	7,101,536
Total Net Assets	58,058,871	53,425,568	49,257,458
Total Liabilities and Net Assets	\$ 226,983,343	\$ 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. These reserve accounts 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, 2008 and 2007 and 2006:

GUADALUPE-BLANCO RIVER AUTHORITY			
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
FISCAL YEARS ENDED AUGUST 31, 2008, AUGUST 31, 2007, AND AUGUST 31, 2006			
REVENUE	2008	2007	2006
Program Revenues			
General Operating	\$ 2,399,024	\$ 2,327,605	\$ 2,156,739
Recreation and Land Use	1,833,086	1,520,442	1,495,781
Hydroelectric Generation	4,013,923	3,849,466	3,628,891
Water Treatment & Distribution	31,587,409	26,328,967	21,370,494
Waste Water Treatment	7,201,960	6,842,145	6,218,125
Interfund Eliminations	(2,389,963)	(2,326,112)	(2,130,695)
Total Revenues	<u>44,645,439</u>	<u>38,542,513</u>	<u>32,739,335</u>
EXPENSES			
Program Expenses			
General Operating	2,209,840	1,759,617	2,209,584
Recreation and Land Use	1,726,748	1,512,871	1,392,441
Hydroelectric Generation	3,162,335	3,493,675	3,319,589
Water Treatment & Distribution	22,380,622	19,008,842	14,423,680
Waste Water Treatment	6,595,083	5,417,078	5,292,402
Interfund Eliminations	(2,389,963)	(2,326,112)	(2,130,695)
Total Expenses	<u>33,684,665</u>	<u>28,865,971</u>	<u>24,507,001</u>
NON OPERATING REVENUES (EXPENSES)			
Investment Income	828,429	855,793	555,481
Gain (Loss) on Disposal of Capital Assets	(71,940)	--	7,716
Interest Expense	(7,046,879)	(4,199,747)	(5,687,458)
Total Non Operating Revenues (Expenses)	<u>(6,290,390)</u>	<u>(3,343,954)</u>	<u>(5,124,261)</u>
Income Before Recognition of Capital Contributions and Deferrals	4,670,384	6,332,588	3,108,073
Capital Contributions	<u>704,171</u>	<u>9,879</u>	<u>11,496</u>
Net Income Before Recognition of Deferrals	5,374,555	6,342,467	3,119,569
Revenue to be Recognized in Future Years	<u>(741,252)</u>	<u>(2,174,357)</u>	<u>(1,604,770)</u>
Change in Net Assets	4,633,303	4,168,110	1,514,799
Net Assets August 31, 2007 and 2006 and 2005	<u>53,425,568</u>	<u>49,257,458</u>	<u>47,742,659</u>
Net Assets August 31, 2008 and 2007 and 2006	<u>\$ 58,058,871</u>	<u>\$ 53,425,568</u>	<u>\$ 49,257,458</u>

As stated above, changes to GBRA's Net Assets is one measure of whether GBRA's financial position is improving or not. The Fiscal Year 2008 increase in Net Assets of \$4,633,303 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 \$6,102,926 compared to expense increases of \$4,818,694. 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 75,600 acre-feet per year (AF/Y) to 77,970 AF/Y. Also in the Water Resource Division, significant revenue increases resulted from additional deliveries of raw and treated water particularly along the IH35 Corridor to the Cities of San Marcos, Kyle and Buda among other customers.

Capital Asset and Long-Term Debt Activity

As of August 31, 2008, GBRA's total investment in capital assets was \$191,660,895 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 5.9% or \$10,767,778 during FY 2008. The principal reason for this asset growth was the initiation of a construction project to expand the pumping capacity of the raw water system which delivers water from the Guadalupe River to the San Marcos Water Treatment Plant in the amount of \$14,955,000.

GBRA's long-term debt is comprised of outstanding revenue bond issues, bank loans, and a loan from the United States Government related to the construction of Canyon Reservoir. The total revenue bonds outstanding at August 31, 2008 were \$142,245,000 which is 7.9% more than the outstanding revenue bond total at the end of the previous year. The reason for this increase in bonded indebtedness was the issuance of the \$14,955,000 of revenue bonds during FY 2008 noted above for the construction of additional raw water delivery capacity to the San Marcos Water Treatment Plant. While the amount of outstanding revenue bonds increased, the amount of outstanding long-term loans decreased by a net amount \$2,975,058. This decrease was attributable to annual principal payments on various loans as well as the early retirement of the loan with Hays Energy Limited Partners in the amount of \$2,761,382. This early retirement was made possible through the issuance of additional revenue bonds included with the \$14,955,000 total bond issue mentioned above.

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, 2008 a rate of \$105 per acre-foot per year for committed, firm raw water. Presently, GBRA contracts with about 100 customers throughout the GBRA district to commit approximately 77,970 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 have since rescinded their rate challenge, the petition of the remaining one customer was still ongoing as of the end of Fiscal Year 2008 and while GBRA believes it will be resolved favorably, the final resolution is not expected for some time unless currently ongoing settlement negotiations are successful.

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

AUGUST 31, 2008 AND 2007

ASSETS	2008	2007
CURRENT ASSETS		
Unrestricted Assets		
Cash and Cash Equivalents (Note A18 and Note D).....	\$3,059,198	\$2,995,138
Investments-Unrestricted (Note A18 and Note D).....	4,204,151	3,670,009
Interest Receivable.....	106,054	78,156
Accounts Receivable-Operating (Note A5).....	3,146,283	1,943,637
Other Current Assets.....	670,432	381,163
Total Unrestricted Assets.....	11,186,118	9,068,103
Restricted Assets		
Cash and Cash Equivalents (Note A18 and Note D).....	6,961,682	8,780,082
Investments-Restricted (Note A18 and Note D).....	2,008,748	1,598,693
Interest Receivable.....	107,900	72,102
Total Restricted Assets.....	9,078,330	10,450,877
Total Current Assets.....	20,264,448	19,518,980
LONG-TERM ASSETS (Note A6)		
Restricted Assets		
Investments-Restricted (Note D).....	3,350,705	2,514,214
Total Restricted Assets.....	3,350,705	2,514,214
Capital Assets		
Land, Water and Storage Rights.....	28,866,513	28,766,790
Dams, Plants and Equipment.....	198,736,549	195,887,336
Construction In Progress.....	14,901,213	1,948,124
Less Accumulated Depreciation.....	(50,843,380)	(45,709,133)
Total Capital Assets.....	191,660,895	180,893,117
Other Assets		
Investments-Unrestricted (Note D).....	3,466,773	2,608,833
Long-Term Loans Receivable	225,697	288,973
Contract Development Costs (Net of Amortization).....	48,998	55,678
Debt Issuance Costs (Net of Amortization).....	2,989,946	2,791,492
Permits and Licenses (Net of Amortization).....	669,468	697,984
Project Development Costs.....	2,676,873	2,423,360
Deferred Costs and Expenses (Note A12, and Note A17).....	1,629,540	1,872,455
Total Other Assets.....	11,707,295	10,738,775
Total Long-Term Assets.....	206,718,895	194,146,106
Total Assets.....	\$226,983,343	\$213,665,086
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payable from Unrestricted Assets		
Current Portion of Long-Term Loans Payable (Note B).....	\$501,377	\$563,204
Interest Payable.....	73,894	77,114
Accounts Payable-Operating.....	3,114,273	2,889,183
Total Current Unrestricted Liabilities.....	3,689,544	3,529,501
Payable from Restricted Assets		
Current Portion of Revenue Bonds (Note B).....	4,745,000	4,575,000
Current Portion of Long-Term Loans Payable.....	133,209	125,550
Interest Payable.....	1,801,082	1,620,360
Accounts Payable-Construction.....	620,925	686,582
Total Current Restricted Liabilities.....	7,300,216	7,007,492
Total Current Liabilities.....	10,989,760	10,536,993
LONG-TERM LIABILITIES (Note B)		
Revenue Bonds Payable.....	143,313,042	132,761,929
Long-Term Loans Payable.....	11,471,573	14,446,631
	154,784,615	147,208,560
Less Current Portion.....	(5,379,586)	(5,263,754)
Total Bonds and Loans Payable.....	149,405,029	141,944,806
Advances for Operations.....	537,754	488,203
Deferred Income.....	7,991,929	7,269,516
Total Long-Term Liabilities.....	157,934,712	149,702,525
Total Liabilities.....	168,924,472	160,239,518
NET ASSETS		
Investments in Capital Assets Net of Related Debt	38,715,589	36,361,304
Restricted for Construction (Note A15).....	2,677,793	1,098,804
Restricted for Debt Service (Note A15).....	4,301,984	4,087,722
Restricted for Insurance (Note G).....	998,239	1,034,689
Unrestricted	11,365,266	10,843,049
Total Net Assets	58,058,871	53,425,568
Total Liabilities and Net Assets.....	\$226,983,343	\$213,665,086

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, 2008 AND 2007

	2008	2007
REVENUE		
Power Sales.....	\$3,854,491	\$3,764,212
Water Sales and Lake Operations.....	30,255,712	24,850,270
Recreation and Land Use.....	605,257	534,433
Waste Water Treatment Services.....	6,271,513	6,248,195
Laboratory Services.....	641,059	594,524
Rental.....	368,346	382,364
Pollution and Industrial Financing (Note F).....	163,560	--
Miscellaneous	2,485,501	2,168,515
Total Operating Revenue.....	<u>44,645,439</u>	<u>38,542,513</u>
EXPENSES		
Personnel Operating Costs.....	9,325,518	8,997,620
Operating Supplies and Services.....	13,858,478	12,770,894
Maintenance and Repairs	4,876,916	4,036,894
Depreciation and Amortization.....	5,623,753	3,060,563
Total Operating Expenses.....	<u>33,684,665</u>	<u>28,865,971</u>
Operating Income	<u>10,960,774</u>	<u>9,676,542</u>
NONOPERATING REVENUES (EXPENSES)		
Investment Income.....	828,429	855,793
Loss on the Disposal of Capital Assets.....	(71,940)	--
Interest Expense	(7,046,879)	(4,199,747)
Total Nonoperating Revenues (Expenses).....	<u>(6,290,390)</u>	<u>(3,343,954)</u>
Income Before Recognition of Capital Contributions and Deferrals.....	4,670,384	6,332,588
Capital Contributions.....	704,171	9,879
Income Before Recognition of Deferrals.....	<u>5,374,555</u>	<u>6,342,467</u>
Revenue to be Recognized in Future Years (Note A17).....	(741,252)	(2,174,357)
Change in Net Assets.....	<u>4,633,303</u>	<u>4,168,110</u>
Net Assets at August 31, 2007 and 2006.....	<u>53,425,568</u>	<u>49,257,458</u>
Net Assets at August 31, 2008 and 2007.....	<u>\$58,058,871</u>	<u>\$53,425,568</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, 2008 AND 2007

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers.....	\$43,577,905	\$39,041,106
Cash Received from Interfund Administrative Charges.....	2,389,963	2,326,112
Cash Received from Administration of Industrial Revenue Bonds.....	163,560	--
Cash Paid for Personnel Operating Costs.....	(9,505,898)	(9,118,447)
Cash Paid for Other Operating and Maintenance Costs.....	(18,789,999)	(16,402,495)
Cash Paid for Interfund Administrative Charges.....	(2,209,583)	(2,205,285)
Net Cash Flows From Operating Activities.....	15,625,948	13,640,991
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Advances from Customers, Developers, and Other Governmental Units.....	753,722	719,003
Proceeds from Revenue Bonds and Loans for Capital Assets and Plant Expansion.....	15,364,276	1,054,748
Proceeds from Sale of Capital Assets.....	6,000	--
Purchase of Capital Assets.....	(3,269,069)	(10,822,893)
Cash Paid for Construction in Progress.....	(13,682,828)	(323,441)
Interest Paid.....	(6,782,435)	(4,085,146)
Principal Payments on Revenue Bonds.....	(4,575,000)	(4,070,000)
Principal Payments on Loans.....	(3,375,059)	(868,146)
Net Cash Flows From (Used by) Capital and Related Financing Activities.....	(15,560,393)	(18,395,875)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Investments	290,050	6,976,979
Investment Income Received.....	764,732	837,569
Cash Paid for Investments	(2,874,677)	(2,719,467)
Net Cash Flows From (Used by) Investing Activities.....	(1,819,895)	5,095,081
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(\$1,754,340)	\$340,197
CURRENT CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	\$2,995,138	\$2,251,731
At End of Year.....	3,059,198	2,995,138
Net Increase (Decrease).....	64,060	743,407
RESTRICTED CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	8,780,082	9,183,292
At End of Year.....	6,961,682	8,780,082
Net Increase (Decrease).....	(1,818,400)	(403,210)
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(\$1,754,340)	\$340,197
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS		
FROM OPERATING ACTIVITIES:		
Operating Income	\$10,960,774	\$9,676,542
Adjustments to Reconcile Operating Income to Net Cash Flow:		
From Operating Activities		
Depreciation and Amortization.....	5,623,753	3,060,563
Net Change in Assets and Liabilities from Operating Activities		
Operating Accounts Receivable.....	(1,637,795)	238,432
Other Current Assets.....	(506,566)	24,198
Operating Accounts Payable.....	1,185,782	641,256
Total Adjustments.....	4,665,174	3,964,449
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	\$15,625,948	\$13,640,991

NON-CASH TRANSACTIONS SCHEDULE

1. During fiscal year 2008 and 2007, an adjustment of \$114,694 and \$49,007 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, 2008 AND 2007

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 \$2,000. 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, 2008 and 2007 amounted to \$429,077 and \$418,414, 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, 2008 GBRA had \$630,574 for contractual commitments for construction of the Regional Raw Water Delivery System Expansion and the IH-35 Pipeline project. At August 31, 2007, GBRA had \$686,582 contractual commitments for the Office Expansion project, the 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 \$471,899 of interest expense and \$316,701 of interest income as construction in progress in 2008. GBRA recorded \$3,114,254 of interest expense and \$205,589 of interest income as construction in progress in 2007. The current construction projects, in which net interest costs were recognized, are the Western Canyon Construction project, the IH-35 Pipeline project, and the Regional Raw Water delivery System Expansion project.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

17. **Deferred Expenses/Revenue.** 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 \$153,716,573 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, 2008 mature serially through 2039 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
				\$11,471,573				\$142,245,000
2009	1,114,371	479,785	634,586	10,836,987	11,667,782	6,922,782	4,745,000	137,500,000
2010	1,075,303	453,611	621,692	10,215,295	11,927,133	6,742,133	5,185,000	132,315,000
2011	1,039,627	428,169	611,458	9,603,837	11,954,398	6,539,398	5,415,000	126,900,000
2012	1,022,840	402,766	620,074	8,983,763	11,168,305	6,333,305	4,835,000	122,065,000
2013	1,015,856	376,552	639,304	8,344,459	11,180,721	6,105,721	5,075,000	116,990,000
2014	980,976	349,638	631,338	7,713,121	11,178,075	5,883,075	5,295,000	111,695,000
2015	942,708	323,891	618,817	7,094,304	10,098,208	5,648,208	4,450,000	107,245,000
2016	3,647,795	211,544	3,436,251	3,658,053	10,121,073	5,436,073	4,685,000	102,560,000
2017	430,978	108,282	322,696	3,335,357	9,814,435	5,219,435	4,595,000	97,965,000
2018	430,978	98,771	332,207	3,003,150	9,151,429	5,006,429	4,145,000	93,820,000
2019	430,978	88,959	342,019	2,661,131	9,151,459	4,796,459	4,355,000	89,465,000
2020	430,978	78,852	352,126	2,309,005	9,148,878	4,573,878	4,575,000	84,890,000
2021	430,978	68,399	362,579	1,946,426	9,154,321	4,339,321	4,815,000	80,075,000
2022	400,333	57,887	342,446	1,603,980	9,149,767	4,089,767	5,060,000	75,015,000
2023	369,690	48,939	320,751	1,283,229	9,150,680	3,835,680	5,315,000	69,700,000
2024	369,690	40,101	329,589	953,640	9,158,148	3,568,148	5,590,000	64,110,000
2025	369,690	31,006	338,684	614,956	8,506,955	3,301,955	5,205,000	58,905,000
2026	369,691	21,645	348,046	266,910	8,498,383	3,038,383	5,460,000	53,445,000
2027	60,800	12,011	48,789	218,121	8,501,737	2,761,737	5,740,000	47,705,000
2028	60,800	9,815	50,985	167,136	8,200,800	2,470,800	5,730,000	41,975,000
2029	60,800	7,521	53,279	113,857	8,194,749	2,179,749	6,015,000	35,960,000
2030	60,800	5,124	55,676	58,181	8,193,633	1,873,633	6,320,000	29,640,000
2031	60,790	2,609	58,181	--	7,756,598	1,561,598	6,195,000	23,445,000
2032					7,754,530	1,244,530	6,510,000	16,935,000
2033					7,756,281	911,281	6,845,000	10,090,000
2034					2,435,748	560,748	1,875,000	8,215,000
2035					2,438,181	458,181	1,980,000	6,235,000
2036					2,429,726	349,726	2,080,000	4,155,000
2037					2,430,698	235,698	2,195,000	1,960,000
2038					1,065,242	115,242	950,000	1,010,000
2039					1,069,255	59,255	1,010,000	--
	<u>\$ 15,177,450</u>	<u>\$ 3,705,877</u>	<u>\$ 11,471,573</u>		<u>\$248,407,324</u>	<u>\$ 106,162,324</u>	<u>\$142,245,000</u>	

GUADALUPE BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

NOTE B – LONG-TERM LIABILITIES (CONTINUED)

GBRA had the following changes in long-term liabilities for the fiscal years ended August 31, 2008 and 2007 (exclusive of interfund loans payable).

	Date of	Final	Effective	Original	Outstanding	Retired	Outstanding	Retired	Outstanding	Amounts	
Series	Issue	Maturity	Rate	Amount	8/31/2006	During	8/31/2007	During	8/31/2008	Due Within	
						FY 2007		FY 2008		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	\$4,156,118	\$133,209	
WATER RESOURCE DIVISION											
U. S. Government Loan	01/01/1977	2026	2.5%	8,979,862	4,815,341	188,507	4,626,834	193,219	4,433,615	198,050	
First Lockhart National Bank Loan	12/31/2001	2007	3.5%	1,750,000	189,029	189,029	--	--	--	--	
GE Capital Public Finance Loan, Equipment	03/19/2004	2014	4.8%	467,276	371,455	41,920	329,535	43,993	285,542	46,170	
Old National Bancorp Loan, Lab Equipment	12/21/2005	2010	4.38%	65,000	54,878	12,275	42,603	12,823	29,780	13,395	
JPMorgan Chase Loan, Office Expansion	05/09/2006	2016	4.18%	1,600,000	1,546,667	160,000	1,386,667	160,000	1,226,667	160,000	
Frost National Bank Loan, Equipment	06/26/2006	2011	4.95%	43,696	41,756	7,989	33,767	8,406	25,363	8,826	
American Bank Loan, Lab Equipment	12/29/2006	2010		120,000	--	25,334	94,666	39,420	55,246	41,141	
A. Ussery, Water Rights	09/26/2006	2031	4.50%	343,496	--	17,348	326,148	7,823	318,325	8,175	
Luling Foundation, Water Rights	09/26/2006	2031	4.50%	584,706	--	29,529	555,177	13,317	541,860	13,916	
General Improvement Revenue Bonds	2002	09/15/2002	2027	3.35-4.75%	4,390,000	3,980,000	110,000	3,870,000	115,000	3,755,000	125,000
COLETO CREEK DIVISION											
Frost National Bank Loan, Equipment	06/26/2006	2009	4.95%	13,609	12,550	4,366	8,184	4,591	3,593	3,593	
Total Obligations Payable Directly by GBRA				\$22,757,645	\$15,411,676	\$904,631	\$15,555,249	\$724,142	\$14,831,109	\$751,475	
CONTRACT REVENUE BONDS AND LOANS											
WATER RESOURCE DIVISION											
Hays Energy Ltd. Loan	09/23/1999	2024	8.0%	\$3,200,000	\$2,834,899	\$73,517	\$2,761,382	\$2,761,382	\$ --	\$ --	
Regional Raw Wtr Delivery System Bonds, San Marcos	1998	09/15/1998	2024	4.50-6.0%	9,735,000	8,025,000	300,000	7,725,000	310,000	7,415,000	325,000
Western Canyon Regional Water Supply Project Revenue Bonds	2003	04/01/2003	2033	3.0-5.25%	79,450,000	78,010,000	1,505,000	76,505,000	1,575,000	74,930,000	1,620,000
IH35 Project Combination Contract Revenue Bonds	2004A	12/07/2004	2037	3.0-4.13%	15,660,000	15,660,000	--	15,660,000	275,000	15,385,000	285,000
IH35 Project Combination Contract Revenue Bonds	2004B	12/07/2004	2037	5.5-5.8%	5,305,000	5,305,000	--	5,305,000	70,000	5,235,000	75,000
RRWDS Combination Contract Revenue Bonds	2007A	09/15/2007	2039	5.00%	9,180,000	--	--	--	9,180,000	--	
RRWDS Combination Contract Revenue Bonds	2007B	09/15/2007	2039	7.10%	5,775,000	--	--	--	5,775,000	--	
PORT LAVACA WATER TREATMENT PLANT DIVISION											
Frost National Bank, Clearwell	03/04/2008	2022	4.00%	400,000	--	--	--	4,533	395,467	8,111	
Water Supply Revenue Refunding Bonds	2000	12/15/2000	2016	4.50-5.375%	3,265,000	2,470,000	190,000	2,280,000	200,000	2,080,000	215,000
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	2,175,000	435,000	1,740,000	435,000	1,305,000	435,000 (1)
Regional Waste Disposal Revenue Bonds	1996	07/18/1996	2010	2.9-4.75%	3,750,000	1,585,000	290,000	1,295,000	305,000	990,000	315,000

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

NOTE B – LONG-TERM LIABILITIES (CONTINUED)

Series	Date of Issue	Final Maturity	Effective Interest Rate	Original Amount	Outstanding 8/31/2006	Retired During FY 2007	Outstanding 8/31/2007	Retired During FY 2008	Outstanding 8/31/2008	Amounts Due Within One Year
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	6,220,000	150,000	6,070,000	155,000	5,915,000	160,000
CANYON HYDROELECTRIC DIVISION										
Hydroelectric Project Revenue Refunding Bonds										
2002	04/15/2002	2014	3.5-4.75%	9,705,000	7,070,000	750,000	6,320,000	780,000	5,540,000	815,000 (2)
LOCKHART WASTEWATER RECLAMATION DIVISION										
Regional Wastewater Treatment System Contract Revenue Bonds										
1996	04/02/1996	2017	2.85%-4.55%	5,480,000	5,435,000	340,000	5,095,000	355,000	4,740,000	375,000
Total Contract Revenue Bonds and Loans				\$162,795,000	\$134,789,899	\$4,033,517	\$130,756,382	\$7,225,915	\$138,885,467	\$4,628,111

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

\$150,201,575 \$146,311,631 \$153,716,576 \$5,379,586

	8/31/2007	8/31/2008	
Total Bonds and Loans Payable Prior to Defeasance and Accretion of Interest	\$146,311,631	\$153,716,576	
Less Revenue Bond Discounts and Deferred Defeasance	(987,237)	(817,643)	
Plus Revenue Bond Premiums	1,884,166	1,885,682	(1)(2)
Net Revenue Bonds and Long-Term Loans Payable	147,208,560	154,784,615	
Less Current Portion	(5,263,754)	(5,379,586)	
TOTAL BONDS AND LOANS PAYABLE	141,944,806	149,405,029	

INTERDIVISION LOANS ELIMINATED FROM COMBINED BALANCE SHEET

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

	8/31/2007	8/31/2008
GuadalupeValley Hydroelectric Division	1,239,500	1,655,534
Rural Utilities Division	122,000	498,000
Water Supply Division	8,281,600	7,275,600
Coleto Creek Division	180,207	62,207
Total Long-term loans payable to the General Division	9,823,307	9,491,341

- 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, 2008 and 2007 discount balance was \$92,942 and \$177,113 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, 2008 and 2007 was \$18,566 and \$20,936 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 and the Series 2004 Combination Contract Revenue required provisions are disclosed in footnote "Continuing Disclosure Requirements".

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

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 9.02% of total participant payroll for 2007 and are expected to be 9.32% for the 2008 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, 2007 and ending August 31, 2008, the Annual Pension Cost for GBRA of \$707,443 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.

SIX-YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
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%	\$ --
August 31, 2008	\$707,443	100%	\$ --

The required contribution for the fiscal year ending August 31, 2008 was based on the results of the actuarial valuation as of January 1, 2007 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, 2006	January 1, 2007	January 1, 2008
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 2003	Jan 2004	Jan 2005	Jan 2006	Jan 2007	Jan 2008
Actuarial Value of Assets	\$6,366,054	\$7,205,740	\$7,677,107	\$8,298,010	\$9,238,097	\$10,475,491
Actuarial Accrued Liability (AAL)	\$10,754,778	\$11,372,521	\$12,690,710	\$13,572,098	\$14,779,785	\$16,755,359
Unfunded AAL (UAAL)	\$4,388,724	\$4,166,781	\$5,013,603	\$5,274,088	\$5,541,688	\$6,279,868
Funded Ratio	59%	63%	60%	61%	63%	63%
Covered Payroll	\$6,109,780	\$5,941,599	\$6,972,148	\$7,319,088	\$7,840,665	\$8,201,393
UAAL as a Percentage of Covered Payroll	72%	70%	72%	72%	71%	77%

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

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, 2008, GBRA held \$912,228 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.

		Weighted Average
	Fair Value	Maturity in Months
Federal Farm Credit Bank	\$ 309,189	18.39
Federal Home Loan Bank	1,345,903	23.34
Federal National Mortgage Assn.	767,580	15.44
U. S. Treasury	6,718,930	16.20
Subtotal	9,141,602	
Certificates of Deposit	4,187,591	5.82
Money Market Funds	2,911,305	1.00
Texas Class	207,482	1.00
TexPool	5,691,049	1.00
Total Investments	\$ 22,139,029	8.63

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 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 Federated Investors, under an agreement with the Comptroller, acting on behalf of the Trust Company. The Comptroller maintains oversight of the services provided to TexPool by Federated Investors. In addition, the TexPool Advisory Board advises on TexPool's Investment Policy and approves any fee increases.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

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	\$ 2,422,672	10.51%
Government Securities	6,718,930	29.15%
Certificates of Deposit	4,187,591	18.17%
Money Market Funds	2,911,305	12.62%
Public Funds Investment Pool	5,898,531	25.59%
Cash	912,228	3.96%
Total	\$ 23,051,257	100.00%

NOTE E - CAPITAL ASSETS

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

ASSETS				
Classification	Balance August 31, 2007	Additions	Removals	Balance August 31, 2008
Land, Water & Storage Rights	\$ 28,766,790	\$ 99,723	\$ --	\$ 28,866,513
Construction in Progress	1,948,124	10,044,061	2,909,028	14,901,213
Total Assets Not Being Depreciated	30,714,914	10,143,784	2,909,028	43,767,726
Structures & Improvements	178,996,305	2,759,542	77,180	181,678,667
Specialized Equipment	6,965,566	69,706	--	7,035,272
Office Buildings & Communications	2,260,173	2,000	83,120	2,179,053
Shops & Storerooms	89,909	--	39,736	50,173
Auto & Heavy Equipment	3,277,524	191,219	29,864	3,438,879
Office Furniture & Equipment	1,185,969	54,612	113,674	1,126,907
Miscellaneous Equipment	3,111,890	131,337	15,629	3,227,598
Total Dams, Plants and Equipment	195,887,336	3,208,416	359,203	198,736,549
Total Capital Assets	\$ 226,602,250	\$ 13,352,200	\$ 3,268,231	\$ 242,504,275
DEPRECIATION				
Classification	Balance August 31, 2007	Additions	Removals	Balance August 31, 2008
Structures & Improvements	\$ (34,721,985)	\$ (4,824,135)	\$ (149,309)	\$ (39,396,811)
Specialized Equipment	(5,345,828)	(121,250)	--	(5,467,078)
Office Buildings & Communications	(1,431,847)	(48,332)	(54,067)	(1,426,112)
Shops & Storerooms	(73,345)	(1,920)	(32,572)	(42,693)
Auto & Heavy Equipment	(2,134,685)	(228,580)	(23,842)	(2,339,423)
Office Furniture & Equipment	(867,698)	(79,777)	(111,301)	(836,174)
Miscellaneous Equipment	(1,133,745)	(215,133)	(13,789)	(1,335,089)
Total Accumulated Depreciation	\$ (45,709,133)	\$ (5,519,127)	\$ (384,880)	\$ (50,843,380)
NET CAPITAL ASSETS	\$ 180,893,117	\$ 7,833,073	\$ 2,883,351	\$ 191,660,895

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

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.

For each of the 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, 2008 total \$90,890,000 and are as follows:

Series	Date of		Interest Rate	Original Amount	Outstanding 8/31/2007	Outstanding 8/31/2008
	Issue	Maturity				
Pollution Control Revenue Bonds (Central Power & Light Company Project)						
1996	10/1/1995	2015	4.75%	40,890,000	40,890,000	-
Sewage and Soldid 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	3.50%	25,000,000	25,000,000	25,000,000
Pollution Control Revenue Refunding Bonds (AEP Texas Central, formerly Central Power & Light, Company Project)						
2008	4/1/2008	2017	Variable	40,890,000	40,890,000	40,890,000

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 \$1,287,970 for the group and \$50,000 per covered individual are insured through MedEx. 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 \$77,144. These funds will be available in any future year that health costs exceed that plan year budget.

	Beginning			Adjust to		Ending
	Balance	Additions	Deletions	Market Value		Balance
FY 2006 \$	395,903	\$ 109,692	\$ (312,660)	\$ 3,274		\$ 196,209
FY 2007 \$	196,209	\$ 110,982	\$ (115,813)	\$ 3,618		\$ 194,996
FY 2008 \$	194,996	\$ 106,145	\$ (225,000)	\$ 1,003		\$ 77,144

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

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

NOTE H – CONTINUING DISCLOSURE REQUIREMENTS (CONTINUED)

water supply agreement with GBRA, less all debt service, reserve fund, operation and maintenance expenses, and other funding requirement payable from such gross revenues which are then due and payable).

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

1. DEBT SERVICE REQUIREMENTS

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

2. FUND BALANCES AND COVERAGE

GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2002

Interest and Sinking Fund Balances as of August 31, 2008	\$	24,000
Reserve Fund Balance as of August 31, 2008	\$	- (1)
Pledged Revenues for the Fiscal Year Ended August 31, 2008	\$	8,316,007 (2)
Net Revenues for the Fiscal Year Ended August 31, 2008	\$	1,540,553 (3)
Average Annual Debt Service Requirements (2003-2027)	\$	295,625
Coverage Factor based on Pledged Revenues		28.13
Coverage Factor based on Net Revenues		5.21

(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		
	2008	2007	2006
Debt Service Component of Gross Contract Revenues			
From City of Buda, Texas	\$ 165,969	\$ 44,671	\$ 995
From City of Kyle, Texas	438,159	117,931	2,626
From GoForth Water Supply Corporation	156,011	41,990	935
From Sunfield Municipal Utilities District	663,877	178,683	3,979
From Monarch	6,915	--	--
Total Gross Contract Revenues	\$ 1,430,931	\$ 383,275	\$ 8,535
Subordinate Water Resources Division Revenues	1,257,278	1,738,821	1,926,831
Surplus West. Canyon Reg. Water Sup. Project Revs.	532,000	532,000	532,000
Total Pledged Revenues Available to Pay Debt Service	\$ 3,220,209	\$ 2,654,096	\$ 2,467,366
Annual Debt Service Requirements	\$ 1,369,282	\$ 1,024,283	\$ 1,024,283
Coverage Factor	2.35	2.59	2.41

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, 2008 AND 2007

NOTE H – CONTINUING DISCLOSURE REQUIREMENTS (CONTINUED)

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

	Fiscal Year Ended August 31									
	2008		2007		2006		2005		2004	
Revenue										
Raw Water Sales (1)	\$	8,316,007	\$	7,949,392	\$	6,713,379	\$	5,691,556	\$	5,387,503
Reservation Fees (2)and(3)		58,771		117,543		39,181		609,750		504,750
Water Replacement Fees (4)		41,250		343,750		220,000				
Recreation and Land Use		90,065		65,316		87,415		78,990		81,441
Rental Income		253,435		254,775		167,772		158,937		158,077
Miscellaneous		217,085		33,993		32,236		31,298		185,560
Total Operating Revenue	\$	8,976,613	\$	8,764,769	\$	7,259,983	\$	6,570,531	\$	6,317,331
Expense										
Operating Expenses (5)	\$	5,819,131	\$	5,851,606	\$	3,613,693	\$	4,879,440	\$	4,197,678
Maintenance and Repairs		1,120,329		397,331		1,030,821		430,913		228,875
Administrative and General		496,600		493,511		405,413		404,101		378,547
Total Operating Expense	\$	7,436,060	\$	6,742,448	\$	5,049,926	\$	5,714,454	\$	4,805,100
Net Revenue	\$	1,540,553	\$	2,022,322	\$	2,210,057	\$	856,077	\$	1,512,231
Less Debt Service for Senior Lien Bonds (6)	\$	283,275	\$	283,500	\$	283,225	\$	282,725	\$	282,000
Subordinate Revenues Available	\$	1,257,278	\$	1,738,822	\$	1,926,832	\$	573,352	\$	1,230,231

(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 2008, 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, 2008		August 31, 2007		August 31, 2006		August 31, 2005		August 31, 2004	
	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total
Municipal	56,470	77.44%	56,142	77.10%	53,872	76.40%	49,856	74.96%	46,248	73.40%
Domestic	17	0.01%	19	0.03%	22	0.03%	25	0.04%	24	0.04%
Industrial	15,830	21.71%	15,833	21.74%	15,830	22.45%	15,831	23.80%	15,830	25.12%
Irrigation	609	0.84%	825	1.13%	792	1.12%	799	1.20%	903	1.43%
Contracted	72,926	100.00%	72,819	100.00%	70,516	100.00%	66,511	100.00%	63,005	100.00%

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

NOTE H – CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

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, 2008 are shown below:

Customer	Type	Total AF/YR	Revenue	Contract Information		
				Contract Date	Expiration Date	Renewal Option
Municipal						
Canyon Regional Water Authority	Regional Water Authority	10,575	\$ 1,215,761	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	669,760	01/26/1989	01/25/2009	20 Yrs
City of Seguin	City	1,000	66,000	07/11/1995	12/31/2037	(1)
Canyon Lake WSC	Water Supply Corporation	2,000	199,333	10/01/1994	12/31/2044	(1)
Canyon Lake WSC II	Water Supply Corporation	2,000	199,333	08/27/2001	12/31/2050	(1)
Canyon Lake WSC III	Water Supply Corporation	2,000	199,333	09/29/2006	12/31/2050	(1)
SHWSC I	Water Supply Corporation	1,500	108,000	06/26/1967	12/31/2050	(1)
SHWSC II	Water Supply Corporation	1,000	108,000	06/01/2000	12/31/2050	(1)
Regional RWDS Project						
City of San Marcos	City	5,000	550,747	10/01/1989	07/01/2047	(1)
City of Kyle	City	2,957	294,714	05/20/2005	12/31/2038	20 YRS
City of Buda	City	1,120	111,627	04/09/2002	12/31/2042	(1)
CRWA --Hays Project	Regional Water Authority	2,038	203,121	06/04/2003	12/31/2039	(1)
GoForth WSC	Water Supply Corporation	1,050	104,650	03/01/2004	12/31/2039	(1)
Sunfield MUD	Municipal Utility District	3,136	312,555	09/08/2005	12/31/2050	
Monarch	Utility Company	560	37,333	01/01/2008	12/31/2037	
GBRA Western Canyon						
SAWS	City	4,000	1,077,602	03/17/2000	12/31/2037	40 Yrs (2x20 Yrs)
Boerne	City	2,361	245,730	02/22/2000	12/31/2037	40 Yrs (2x20 Yrs)
Fair Oaks Ranch	City	1,600	159,467	02/10/2000	12/31/2037	40 Yrs (2x20 Yrs)
Total Major Municipal Customers		50,617	\$ 5,863,066			
Industrial						
Guadalupe Power Partners	Electric Generation	6,840	\$ 681,720	03/17/1999	12/31/2021	30 Yrs (6x5 Yrs)
Coletto Creek Power LP	Electric Generation	4,000	448,500	09/01/1975	09/01/2025	(1)
Hays Energy Limited Partners	Electric Generation	2,464	245,579	06/25/1999	12/31/2025	(1)
Ineos USA LLC	Chemical Company	1,100	109,633	02/11/1980	02/21/2010	40 Yrs (15 Yrs = (5x5 Yrs))
Total Major Industrial Customers		14,404	\$ 1,485,432			
Other						
Cordillera Ranch	Housing Development	1,000	72,867	10/11/2001	12/31/2037	40 Yrs (2x20 Yrs)
Total Major Other Customers		1,000	\$ 72,867			
Total Major Customers		66,021	\$ 7,421,365			
Total Firm Water Sales		72,926	8,316,007			
Major Customers as a Percentage of Total		90.53%	89.24%			

(1) Contract does not provide for specific renewal options

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

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
105.00	10/1/2008

(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.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2008 AND 2007

NOTE I - 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, 2008 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	\$ 18,352,292	\$ 2,390,388	\$ 3,321,912	\$ 1,402,375	\$ 1,316,405	\$ 1,433,830	\$ 28,217,202
Operating Expenses	(7,589,357)	(1,134,426)	(2,791,858)	(793,558)	(260,927)	(824,801)	(13,394,928)
Depreciation and Amortization Exp	(3,243,556)	(190,812)	(376,408)	(219,114)	(368,714)	(210,187)	(4,608,791)
Operating Income	7,519,378	1,065,150	153,646	389,703	686,764	398,842	10,213,483
Nonoperating Revenue (Expenses)	(319,375)	(89,284)	(106,629)	(273,348)	(328,830)	(205,364)	(1,322,830)
Costs to be Recovered (Deferred Rev)	48,316	(79,459)	(202,866)	(1,053)	(353,485)	163,455	(425,092)
Change in Net Assets	\$ 7,248,319	\$ 896,407	\$ (155,849)	\$ 115,302	\$ 4,449	\$ 356,933	\$ 8,465,562
BALANCE SHEET ACTIVITIES							
Current Assets	\$ 3,451,466	\$ 502,152	\$ 1,370,682	\$ 612,082	\$ 739,458	\$ 543,577	\$ 7,219,417
Capital Assets	153,857,341	3,554,435	4,879,812	5,787,779	6,794,415	3,969,601	\$ 178,843,383
Other Assets	5,409,936	755,553	144,133	182,439	952,761	1,065,902	\$ 8,510,724
Total Assets	\$ 162,718,743	\$ 4,812,140	\$ 6,394,627	\$ 6,582,300	\$ 8,486,634	\$ 5,579,080	\$ 194,573,524
Current Liabilities	\$ 6,861,286	\$ 469,082	\$ 1,282,800	\$ 365,308	\$ 939,793	\$ 683,697	\$ 10,601,966
Long Term Liabilities	134,345,744	2,280,606	3,019,083	5,808,074	6,854,905	4,395,412	156,703,824
Total Liabilities	141,207,030	2,749,688	4,301,883	6,173,382	7,794,698	5,079,109	167,305,790
Invested in Capital Assets Net of Related Debt	12,625,578	1,093,967	2,677,754	(114,198)	1,883,664	(770,399)	17,396,366
Restricted	4,643,652	162,227	715,144	117,676	250,827	238,053	6,127,579
Unrestricted	4,242,483	806,258	(1,300,154)	405,440	(1,442,555)	1,032,317	3,743,789
Total Net Assets	21,511,713	2,062,452	2,092,744	408,918	691,936	499,971	\$ 27,267,734
Total Liabilities and Net Assets	\$ 162,718,743	\$ 4,812,140	\$ 6,394,627	\$ 6,582,300	\$ 8,486,634	\$ 5,579,080	\$ 194,573,524
Revenue Bonds Payable	\$ 123,478,256	\$ 1,865,000	\$ 1,452,058	\$ 5,741,977	\$ 4,095,751	\$ 4,365,000	\$ 140,998,042
Loans Payable	6,831,368	387,356	--	--	--	--	7,218,724
Interfund Balances:							
Accounts Receivable	816,566	151,485	283,386	75,000	38,000	85,000	1,449,437
Accounts Payable	1,270,040	81,196	378,928	87,972	30,572	69,015	1,917,723
Notes Payable	3,413,136	--	--	--	--	--	3,413,136
CASH FLOW ACTIVITIES							
Cash Flows							
Operating Activities	\$ 10,331,741	\$ 1,126,821	\$ 733,694	\$ 642,363	\$ 979,606	\$ 651,146	\$ 14,465,371
Capital & Related Financing Activities	(11,003,066)	(1,227,738)	(929,889)	(444,548)	(1,011,316)	(607,888)	(15,224,445)
Investing Activities	342,927	15,386	70,622	(205,662)	(29,014)	(32,065)	162,194
	\$ (328,398)	\$ (85,531)	\$ (125,573)	\$ (7,847)	\$ (60,724)	\$ 11,193	\$ (596,880)
Current Cash and Cash Equivalents							
At Beginning of Year	\$ 1,052,525	\$ 112,392	\$ 191,054	\$ 144,281	\$ 102,116	\$ 105,285	\$ 1,707,653
At End of Year	949,781	27,025	70,203	136,434	107,997	119,841	1,411,281
Net Increase (Decrease)	\$ (102,744)	\$ (85,367)	\$ (120,851)	\$ (7,847)	\$ 5,881	\$ 14,556	\$ (296,372)
Restricted Cash and Cash Equivalents							
At Beginning of Year	\$ 5,218,833	\$ 5,167	\$ 768,798	\$ --	\$ 366,759	\$ 241,416	\$ 6,600,973
At End of Year	4,993,179	5,003	764,076	--	300,154	238,053	6,300,465
Net Increase (Decrease)	(225,654)	(164)	(4,722)	--	(66,605)	(3,363)	(300,508)
	\$ (328,398)	\$ (85,531)	\$ (125,573)	\$ (7,847)	\$ (60,724)	\$ 11,193	\$ (596,880)

Other Supplemental Information

GUADALUPE-BLANCO RIVER AUTHORITY
COMBINING BALANCE SHEET

AUGUST 31, 2008

	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.....	\$ 906,708	\$ 392,285	\$ 54,037	\$ 1,133,092	\$ 27,025	\$ 58,923
Investments-Unrestricted.....	2,832,355	--	--	879,817	--	78,793
Interest Receivable.....	83,924	286	42	8,454	2	2,563
Accounts Receivable-Operating.....	779	411,111	336,602	1,841,681	135,431	80,484
Accounts Receivable-Interfund.....	3,462,809	210,000	120,069	1,719,010	151,485	73,644
Other Current Assets.....	13,140	69,497	10,053	450,187	24,435	29,239
Total Current Assets.....	7,299,715	1,083,179	520,803	6,032,241	338,378	323,646
Restricted Assets						
Cash and Cash Equivalents.....	544,139	--	220,896	4,889,361	5,003	--
Investments.....	278,150	--	318,234	1,008,652	157,224	--
Interest Receivable.....	18,350	--	25,737	52,332	1,547	--
Total Restricted Assets.....	840,639	--	564,867	5,950,345	163,774	--
Total Current Assets.....	8,140,354	1,083,179	1,085,670	11,982,586	502,152	323,646
LONG-TERM ASSETS						
Restricted Assets						
Investments.....	313,430	--	966,392	2,039,525	31,358	--
Total Restricted Assets.....	313,430	--	966,392	2,039,525	31,358	--
Capital Assets						
Land, Water and Storage Rights.....	511,854	2,248,823	84,199	23,901,066	41,424	51,396
Dams, Plants and Equipment.....	1,711,205	11,126,848	7,758,116	127,848,048	5,447,034	2,468,887
Construction In Progress.....	--	--	321,363	12,998,696	1,432,906	5,168
Less Accumulated Depreciation.....	(1,258,121)	(5,786,596)	(2,477,234)	(14,406,782)	(3,366,929)	(1,434,272)
Total Capital Assets.....	964,938	7,589,075	5,686,444	150,341,028	3,554,435	1,091,179
Other Assets						
Investments-Unrestricted.....	3,160,448	--	--	--	--	102,680
Long-Term Loans Receivable.....	--	--	225,697	--	--	--
Contract Development Costs (Net of Amortization).....	--	--	--	532	--	--
Debt Issuance Costs (Net of Amortization).....	--	--	--	2,375,252	82,286	--
Permits and Licenses (Net of Amortization).....	--	--	--	--	--	--
Project Development Costs.....	--	--	35,677	2,641,196	--	--
Interfund Loans Receivable.....	9,491,341	--	--	--	--	--
Deferred Costs and Expenses.....	--	--	--	--	641,909	--
Total Other Assets.....	12,651,789	--	261,374	5,016,980	724,195	102,680
Total Long-Term Assets.....	13,930,157	7,589,075	6,914,210	157,397,533	4,309,988	1,193,859
Total Assets.....	\$ 22,070,511	\$ 8,672,254	\$ 7,999,880	\$ 169,380,119	\$ 4,812,140	\$ 1,517,505
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Payable from Unrestricted Assets						
Current Portion of Long-Term Loans Payable.....	\$ --	\$ --	\$ --	\$ 489,673	\$ 8,111	\$ --
Interest Payable.....	--	--	--	73,894	--	--
Accounts Payable-Operating.....	693,411	150,151	138,725	1,272,274	148,201	31,352
Accounts Payable-Interfund.....	2,721,928	356,710	222,356	2,155,407	81,196	75,695
Total Current Unrestricted Liabilities.....	3,415,339	506,861	361,081	3,991,248	237,508	107,047
Payable from Restricted Assets						
Current Portion of Debt.....	--	--	133,209	2,430,000	215,000	--
Interest Payable.....	--	--	126,762	1,535,292	16,574	--
Accounts Payable-Construction.....	--	--	--	620,925	--	--
Total Current Restricted Liabilities.....	--	--	259,971	4,586,217	231,574	--
Total Current Liabilities.....	3,415,339	506,861	621,052	8,577,465	469,082	107,047
LONG-TERM LIABILITIES						
Revenue Bonds Payable.....	--	--	--	123,478,256	2,080,000	--
Long-Term Loans Payable.....	--	--	4,156,118	6,916,395	395,467	--
Interfund Loans Payable.....	--	1,655,534	498,000	7,275,600	--	--
Less Current Portion.....	--	1,655,534	4,654,118	137,670,251	2,475,467	--
Total Bonds and Loans Liabilities.....	--	1,655,534	4,520,909	134,750,578	2,252,356	--
Advances for Operations.....	--	--	13,975	64,830	28,250	--
Deferred Income.....	--	--	--	3,999,940	--	--
Total Long-Term Liabilities.....	--	1,655,534	4,534,884	138,815,348	2,280,606	--
Total Liabilities.....	3,415,339	2,162,395	5,155,936	147,392,813	2,749,688	107,047
NET ASSETS						
Investments in Capital Assets Net of Related Debt.....	964,938	5,933,541	1,032,824	14,162,622	1,093,967	1,091,179
Restricted for Construction.....	--	--	852,198	1,825,595	--	--
Restricted for Insurance.....	998,239	--	--	--	--	--
Restricted for Debt Service.....	--	--	--	2,818,057	162,227	--
Unrestricted.....	16,691,995	576,318	958,922	3,181,032	806,258	319,279
Total Net Assets.....	18,655,172	6,509,859	2,843,944	21,987,306	2,062,452	1,410,458
Total Liabilities and Net Assets.....	\$ 22,070,511	\$ 8,672,254	\$ 7,999,880	\$ 169,380,119	\$ 4,812,140	\$ 1,517,505

See accompanying independent auditors' report.

Victoria Regional Wastewater Reclamation Division	Coletto Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	2008 Eliminations	2008 Total
\$ 70,203	\$ 72,379	\$ 136,434	\$ 107,997	\$ 100,115	\$ --	\$ 3,059,198
104,430		207,310	50,723	50,723	--	4,204,151
6,280	99	1,211	642	2,551	--	106,054
27,914	1,069	67,514	172,447	71,251	--	3,146,283
283,386	123,118	75,000	38,000	135,000	(6,391,521)	--
33,899	9,916	6,569	13,019	10,478	--	670,432
526,112	206,581	494,038	382,828	370,118	(6,391,521)	11,186,118
764,076	--	--	300,154	238,053	--	6,961,682
77,710	--	117,676	51,102	--	--	2,008,748
2,784	--	368	5,374	1,408	--	107,900
844,570	--	118,044	356,630	239,461	--	9,078,330
1,370,682	206,581	612,082	739,458	609,579	(6,391,521)	20,264,448
--	--	--	--	--	--	3,350,705
--	--	--	--	--	--	3,350,705
1,003,391	--	875,292	12,187	136,881	--	28,866,513
14,475,356	1,923,015	7,123,737	12,553,881	6,300,422	--	198,736,549
38,614	--	--	--	104,466	--	14,901,213
(10,637,549)	(1,508,976)	(2,211,250)	(5,771,653)	(1,984,018)	--	(50,843,380)
4,879,812	414,039	5,787,779	6,794,415	4,557,751	--	191,660,895
100,965	--	--	--	102,680	--	3,466,773
--	--	--	--	--	--	225,697
--	--	--	36,730	11,736	--	48,998
43,168	--	182,439	246,563	60,238	--	2,989,946
--	--	--	669,468	--	--	669,468
--	--	--	--	--	--	2,676,873
--	--	--	--	--	(9,491,341)	--
--	--	--	--	987,631	--	1,629,540
144,133	--	182,439	952,761	1,162,285	(9,491,341)	11,707,295
5,023,945	414,039	5,970,218	7,747,176	5,720,036	(9,491,341)	206,718,895
\$ 6,394,627	\$ 620,620	\$ 6,582,300	\$ 8,486,634	\$ 6,329,615	(15,882,862)	\$ 226,983,343
\$ --	\$ 3,593	\$ --	\$ --	\$ --	\$ --	501,377
--	--	--	--	--	--	73,894
134,678	75,282	93,892	31,804	344,503	--	3,114,273
378,928	162,453	87,972	30,572	118,304	(6,391,521)	--
513,606	241,328	181,864	62,376	462,807	(6,391,521)	3,689,544
750,000	--	160,000	815,000	375,000	--	4,878,209
19,194	--	23,444	62,417	17,399	--	1,801,082
--	--	--	--	--	--	620,925
769,194	--	183,444	877,417	392,399	--	7,300,216
1,282,800	241,328	365,308	939,793	855,206	(6,391,521)	10,989,760
2,202,058	--	5,901,977	4,910,751	4,740,000	--	143,313,042
--	3,593	--	--	--	--	11,471,573
--	62,207	--	--	--	(9,491,341)	--
2,202,058	65,800	5,901,977	4,910,751	4,740,000	(9,491,341)	154,784,615
(750,000)	(3,593)	(160,000)	(815,000)	(375,000)	--	(5,379,586)
1,452,058	62,207	5,741,977	4,095,751	4,365,000	(9,491,341)	149,405,029
82,673	--	34,805	282,809	30,412	--	537,754
1,484,352	--	31,292	2,476,345	--	--	7,991,929
3,019,083	62,207	5,808,074	6,854,905	4,395,412	(9,491,341)	157,934,712
4,301,883	303,535	6,173,382	7,794,698	5,250,618	(15,882,862)	168,924,472
2,677,754	348,239	(114,198)	1,883,664	(182,248)	9,823,307	38,715,589
--	--	--	--	--	--	2,677,793
--	--	--	--	--	--	998,239
715,144	--	117,676	250,827	238,053	--	4,301,984
(1,300,154)	(31,154)	405,440	(1,442,555)	1,023,192	(9,823,307)	11,365,266
2,092,744	317,085	408,918	691,936	1,078,997	--	58,058,871
\$ 6,394,627	\$ 620,620	\$ 6,582,300	\$ 8,486,634	\$ 6,329,615	(15,882,862)	\$ 226,983,343

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

FISCAL YEAR ENDED AUGUST 31, 2008

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division	Port Lavaca Water Treatment Plant Division
REVENUE					
Power Sales.....	\$ --	\$ 2,551,675	\$ --	\$ --	\$ --
Water Sales and Lake Operations.....	--	--	--	24,071,885	2,390,386
Recreation and Land Use.....	--	--	--	90,065	--
Waste Water Treatment Services.....	--	--	1,387,594	494,003	--
Laboratory Services.....	--	--	--	632,087	--
Rental.....	--	3,919	--	259,819	--
Administrative and General.....	2,389,963	--	--	--	--
Pollution and Industrial Financing.....	--	--	--	--	--
Miscellaneous.....	9,061	141,924	165,840	1,640,400	2
Total Operating Revenue.....	2,399,024	2,697,518	1,553,434	27,188,259	2,390,388
EXPENSES					
Personnel Operating Costs.....	870,906	1,040,074	435,978	3,920,821	442,193
Operating Supplies and Services.....	1,064,481	287,103	500,532	8,929,933	456,939
Maintenance and Repairs.....	169,150	638,848	284,931	2,132,396	121,621
Administrative and General.....	--	326,885	113,593	972,968	113,673
Depreciation and Amortization	105,303	239,784	213,994	3,519,247	190,812
Total Operating Expenses	2,209,840	2,532,694	1,549,028	19,475,365	1,325,238
Operating Income (Loss).....	189,184	164,824	4,406	7,712,894	1,065,150
NONOPERATING REVENUES (EXPENSES)					
Investment Income.....	313,746	466	69,233	342,577	20,626
Loss on Disposal of Capital Assets.....	(71,918)	--	--	(22)	--
Interest Expense.....	--	--	(253,523)	(5,701,154)	(109,910)
Total Nonoperating Revenues (Expenses).....	241,828	466	(184,290)	(5,358,599)	(89,284)
Income (Loss) Before Recognition of Capital Contributions and Deferrals.....	431,012	165,290	(179,884)	2,354,295	975,866
Capital and Grant Contributions.....	--	704,171	--	--	--
Income (Loss) Before Recognition of Deferrals.....	431,012	869,461	(179,884)	2,354,295	975,866
Costs (Revenue) to be Recognized in Future Years	--	--	--	62,279	(79,459)
Change in Net Assets.....	431,012	869,461	(179,884)	2,416,574	896,407
Net Assets at September 1, 2007.....	18,224,160	5,640,398	3,023,828	19,570,732	1,166,045
Net Assets at August 31, 2008	\$ 18,655,172	\$ 6,509,859	\$ 2,843,944	\$ 21,987,306	\$ 2,062,452

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
\$ --	\$ --	\$ --	\$ --	\$ 1,302,816	\$ --	\$ --	\$ 3,854,491
728,359	--	1,037,896	1,402,337	--	624,849	--	30,255,712
--	--	515,192	--	--	--	--	605,257
35,580	3,219,562	--	--	--	1,134,774	--	6,271,513
--	8,972	--	--	--	--	--	641,059
--	--	104,608	--	--	--	--	368,346
--	--	--	--	--	--	(2,389,963)	--
--	--	163,560	--	--	--	--	163,560
110,183	93,378	11,830	38	13,589	299,256	--	2,485,501
874,122	3,321,912	1,833,086	1,402,375	1,316,405	2,058,879	(2,389,963)	44,645,439
295,213	1,059,695	648,054	323,359	101,854	367,751	(180,380)	9,325,518
337,711	960,359	287,839	275,257	74,721	683,603	--	13,858,478
43,707	484,722	600,586	112,435	53,102	235,418	--	4,876,916
74,840	287,082	118,386	82,507	31,250	88,399	(2,209,583)	--
73,257	376,408	71,883	219,114	368,714	245,237	--	5,623,753
824,728	3,168,266	1,726,748	1,012,672	629,641	1,620,408	(2,389,963)	33,684,665
49,394	153,646	106,338	389,703	686,764	438,471	--	10,960,774
7,703	24,737	3,522	10,902	22,844	12,073	--	828,429
--	--	--	--	--	--	--	(71,940)
--	(131,366)	(298)	(284,250)	(351,674)	(214,704)	--	(7,046,879)
7,703	(106,629)	3,224	(273,348)	(328,830)	(202,631)	--	(6,290,390)
57,097	47,017	109,562	116,355	357,934	235,840	--	4,670,384
--	--	--	--	--	--	--	704,171
57,097	47,017	109,562	116,355	357,934	235,840	--	5,374,555
--	(202,866)	(3,213)	(1,053)	(353,485)	(163,455)	--	(741,252)
57,097	(155,849)	106,349	115,302	4,449	72,385	--	4,633,303
1,353,361	2,248,593	210,736	293,616	687,487	1,006,612	--	53,425,568
\$ 1,410,458	\$ 2,092,744	\$ 317,085	\$ 408,918	\$ 691,936	\$ 1,078,997	\$ --	\$ 58,058,871

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

FISCAL YEAR ENDED AUGUST 31, 2008

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers.....	\$ --	\$ 2,567,765	\$ 1,473,417	\$ 26,354,581
Cash Received from Interfund Administrative Charges.....	2,389,963	--	--	--
Cash Received from Administration of Industrial Revenue Bonds.....	--	--	--	--
Cash Received from Customer Operating Advances.....	--	--	--	--
Cash Paid for Personnel Operating Costs.....	(870,906)	(1,040,074)	(435,978)	(3,920,821)
Cash Paid for Other Operating and Maintenance Costs.....	(946,688)	(996,809)	(842,132)	(10,943,219)
Cash Paid for Interfund Administrative Charges.....	--	(326,885)	(113,593)	(972,968)
Net Cash Flows From (Used by) Operating Activities.....	572,369	203,997	81,714	10,517,573
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund Operating Loans Received.....	--	416,034	376,000	75,000
Interfund Operating Loans Made	(942,034)	--	--	--
Principal Payments Made on Interfund Operating Loans.....	--	--	--	(1,081,000)
Principal Payments Received on Interfund Operating Loans.....	1,274,000	--	--	--
Net Cash Flows From (Used by) Noncapital Financing Activities.....	331,966	416,034	376,000	(1,006,000)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Advances from Customers, Developers, and Other Governmental Units.....	--	704,171	--	--
Proceeds from Revenue and Loans for Capital Assets and Plant Expansions.....	--	--	9,276	14,955,000
Proceeds from Sale of Capital Assets.....	--	--	--	6,000
Purchase of Capital Assets.....	(41,055)	(950,072)	(117,216)	(1,936,806)
Cash Paid for Construction in Progress.....	--	--	(161,653)	(11,521,895)
Cash Paid for Project Development.....	--	--	(13,322)	(611,692)
Interest Paid.....	--	--	(257,352)	(5,495,945)
Principal Payments on Revenue Bonds.....	--	--	--	(2,345,000)
Principal Payments on Loans.....	--	--	(125,550)	(3,240,384)
Net Cash Flows Used by Capital and Related Financing Activities.....	(41,055)	(245,901)	(665,817)	(10,190,722)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received from Investments	--	--	142,156	--
Investment Income Received.....	265,929	178	49,409	342,946
Cash Paid for Investments	(980,196)	--	(666,393)	(695,369)
Net Cash Flows From (Used by) Investing Activities.....	(714,267)	178	(474,828)	(352,423)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$ 149,013	\$ 374,308	\$ (682,931)	\$ (1,031,572)
CURRENT CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	799,818	17,977	106,326	1,009,637
At End of Year.....	906,708	392,285	54,037	1,133,092
Net Increase (Decrease).....	106,890	374,308	(52,289)	123,455
RESTRICTED CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	502,016	--	851,538	6,044,388
At End of Year.....	544,139	--	220,896	4,889,361
Net Increase (Decrease).....	42,123	--	(630,642)	(1,155,027)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$ 149,013	\$ 374,308	\$ (682,931)	\$ (1,031,572)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:				
Operating Income (Loss).....	\$ 189,184	\$ 164,824	\$ 4,406	\$ 7,712,894
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities:				
Depreciation and Amortization.....	105,303	239,784	213,994	3,519,247
Net Change in Assets and Liabilities from Operating Activities				
Operating Accounts Receivable.....	(430,532)	(129,753)	(80,017)	(833,678)
Other Current Assets.....	1,464	(20,625)	(1,575)	(406,081)
Operating Accounts Payable.....	706,950	(50,233)	(55,094)	525,191
Total Adjustments.....	383,185	39,173	77,308	2,804,679
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	\$ 572,369	\$ 203,997	\$ 81,714	\$ 10,517,573

NON-CASH TRANSACTIONS SCHEDULE

1. During fiscal year 2008 and 2007, an adjustment of \$114,694 and \$49,007 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	Coleta Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Eliminations	Total
\$ 2,392,004	\$ 844,638	\$ 3,610,552	\$ 1,669,752	\$ 1,399,540	\$ 1,248,578	\$ 2,017,078	\$ --	\$ 43,577,905
--	--	--	--	--	--	--	--	2,389,963
--	--	--	163,560	--	--	--	--	163,560
--	--	--	--	--	--	--	--	--
(442,193)	(295,213)	(1,059,695)	(648,054)	(323,359)	(101,854)	(367,751)	--	(9,505,898)
(709,317)	(404,071)	(1,530,081)	(970,924)	(351,311)	(135,868)	(959,579)	--	(18,789,999)
(113,673)	(74,840)	(287,082)	(118,386)	(82,507)	(31,250)	(88,399)	--	(2,209,583)
1,126,821	70,514	733,694	95,948	642,363	979,606	601,349	--	15,625,948
--	--	--	75,000	--	--	--	(942,034)	--
--	--	--	--	--	--	--	942,034	--
--	--	--	(193,000)	--	--	--	1,274,000	--
--	--	--	--	--	--	--	(1,274,000)	--
--	--	--	(118,000)	--	--	--	--	--
--	--	--	--	--	49,551	--	--	753,722
400,000	--	--	--	--	--	--	--	15,364,276
--	--	--	--	--	--	--	--	6,000
(22,614)	(75,977)	(52,868)	(37,237)	(5,893)	--	(29,331)	--	(3,269,069)
(1,289,181)	--	--	--	--	--	(85,085)	--	(13,057,814)
--	--	--	--	--	--	--	--	(625,014)
(111,410)	--	(137,021)	(298)	(283,655)	(280,867)	(215,887)	--	(6,782,435)
(200,000)	--	(740,000)	--	(155,000)	(780,000)	(355,000)	--	(4,575,000)
(4,533)	--	--	(4,592)	--	--	--	--	(3,375,059)
(1,227,738)	(75,977)	(929,889)	(42,127)	(444,548)	(1,011,316)	(685,303)	--	(15,560,393)
--	47,308	70,586	30,000	--	--	--	--	290,050
20,838	8,747	28,694	3,739	10,039	22,810	11,403	--	764,732
(5,452)	(102,681)	(28,658)	--	(215,701)	(51,824)	(128,403)	--	(2,874,677)
15,386	(46,626)	70,622	33,739	(205,662)	(29,014)	(117,000)	--	(1,819,895)
\$ (85,531)	\$ (52,089)	\$ (125,573)	\$ (30,440)	\$ (7,847)	\$ (60,724)	\$ (200,954)	\$ --	\$ (1,754,340)
112,392	111,012	191,054	102,819	144,281	102,116	297,706	--	\$ 2,995,138
27,025	58,923	70,203	72,379	136,434	107,997	100,115	--	3,059,198
(85,367)	(52,089)	(120,851)	(30,440)	(7,847)	5,881	(197,591)	--	64,060
5,167	--	768,798	--	--	366,759	241,416	--	8,780,082
5,003	--	764,076	--	--	300,154	238,053	--	6,961,682
(164)	--	(4,722)	--	--	(66,605)	(3,363)	--	(1,818,400)
\$ (85,531)	\$ (52,089)	\$ (125,573)	\$ (30,440)	\$ (7,847)	\$ (60,724)	\$ (200,954)	\$ --	\$ (1,754,340)
\$ 1,065,150	\$ 49,394	\$ 153,646	\$ 106,338	\$ 389,703	\$ 686,764	\$ 438,471	\$ --	\$ 10,960,774
190,812	73,257	376,408	71,883	219,114	368,714	245,237	--	5,623,753
(12,522)	(16,363)	(22,693)	226	(2,835)	(67,827)	(41,801)	--	(1,637,795)
(4,383)	659	(9,356)	(34,008)	(17,791)	(5,429)	(9,441)	--	(506,566)
(112,236)	(36,433)	235,689	(48,491)	54,172	(2,616)	(31,117)	--	1,185,782
61,671	21,120	580,048	(10,390)	252,660	292,842	162,878	--	4,665,174
\$ 1,126,821	\$ 70,514	\$ 733,694	\$ 95,948	\$ 642,363	\$ 979,606	\$ 601,349	\$ --	\$ 15,625,948

**DUNLAP WASTEWATER TREATMENT PLANT EXPANSION
AMORTIZATION SCHEDULE FOR WELLS FARGO BANK**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 4,156,118</u>	<u>\$ 1,634,496</u>	<u>\$ 5,790,614</u>

**CANYON DAM AND RESERVOIR SCHEDULE
AMORTIZATION SCHEDULE FOR U.S. GOVERNMENT LOAN**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 4,433,615</u>	<u>\$ 1,126,405</u>	<u>\$ 5,560,020</u>

**EQUIPMENT LOAN AMORTIZATION SCHEDULE
GE CAPITAL PUBLIC FINANCE LOAN**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 285,542</u>	<u>\$ 41,334</u>	<u>\$ 326,876</u>

**LAB EQUIPMENT LOAN AMORTIZATION SCHEDULE
OLD NATIONAL BANKCORP CORPORATION**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2009	\$ 13,395	\$ 1,037	\$ 14,432
2010	13,993	439	14,432
2011	2,392	13	2,405
	<u>\$ 29,780</u>	<u>\$ 1,489</u>	<u>\$ 31,269</u>

**GENERAL IMPROVEMENT OFFICE EXPANSION
AMORTIZATION SCHEDULE
JP MORGAN CHASE BANK**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 1,226,667</u>	<u>\$ 198,687</u>	<u>\$ 1,425,354</u>

**EQUIPMENT LOAN AMORTIZATION SCHEDULE
FROST NATIONAL BANK**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2009	\$ 8,826	\$ 1,057	\$ 9,883
2010	9,273	610	9,883
2011	7,264	151	7,415
	<u>\$ 25,363</u>	<u>\$ 1,818</u>	<u>\$ 27,181</u>

**LAB EQUIPMENT LOAN AMORTIZATION SCHEDULE
AMERICAN BANK OF TEXAS**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2009	\$ 41,141	\$ 1,554	\$ 42,695
2010	14,105	125	14,230
	<u>\$ 55,246</u>	<u>\$ 1,679</u>	<u>\$ 56,925</u>

WATER RESOURCE WATER RIGHT PURCHASE AMORTIZATION SCHEDULE

YREND AUG 31	<u>LULING FOUNDATION</u>			<u>ABNER USSERY</u>			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2009	\$ 13,916	\$ 24,384	\$ 38,300	\$ 8,175	\$ 14,325	\$ 22,500	\$ 60,800
2010	14,543	23,757	38,300	8,543	13,957	22,500	60,800
2011	15,197	23,103	38,300	8,928	13,572	22,500	60,800
2012	15,881	22,419	38,300	9,329	13,171	22,500	60,800
2013	16,595	21,705	38,300	9,749	12,751	22,500	60,800
2014	17,342	20,958	38,300	10,188	12,312	22,500	60,800
2015	18,123	20,177	38,300	10,646	11,854	22,500	60,800
2016	18,938	19,362	38,300	11,126	11,374	22,500	60,800
2017	19,790	18,510	38,300	11,626	10,874	22,500	60,800
2018	20,681	17,619	38,300	12,149	10,351	22,500	60,800
2019	21,612	16,688	38,300	12,696	9,804	22,500	60,800
2020	22,584	15,716	38,300	13,267	9,233	22,500	60,800
2021	23,600	14,700	38,300	13,864	8,636	22,500	60,800
2022	24,662	13,638	38,300	14,488	8,012	22,500	60,800
2023	25,772	12,528	38,300	15,140	7,360	22,500	60,800
2024	26,932	11,368	38,300	15,822	6,678	22,500	60,800
2025	28,144	10,156	38,300	16,534	5,966	22,500	60,800
2026	29,410	8,890	38,300	17,278	5,222	22,500	60,800
2027	30,734	7,566	38,300	18,055	4,445	22,500	60,800
2028	32,117	6,183	38,300	18,868	3,632	22,500	60,800
2029	33,562	4,738	38,300	19,717	2,783	22,500	60,800
2030	35,072	3,228	38,300	20,604	1,896	22,500	60,800
2031	36,651	1,649	38,300	21,531	969	22,500	60,800
	<u>\$ 541,860</u>	<u>\$ 339,040</u>	<u>\$ 880,900</u>	<u>\$ 318,325</u>	<u>\$ 199,175</u>	<u>\$ 517,500</u>	<u>\$ 1,398,400</u>

GENERAL IMPROVEMENT REVENUE BONDS, SERIES 2002

AMORTIZATION SCHEDULE

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 3,755,000</u>	<u>\$ 1,934,942</u>	<u>\$ 5,689,942</u>

**VEHICLE LOAN AMORTIZATION SCHEDULE
FROST NATIONAL BANK**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2009	\$ 3,593	\$ 74	\$ 3,667
	<u>\$ 3,593</u>	<u>\$ 74</u>	<u>\$ 3,667</u>

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

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2009	\$ -- *	\$ -- *	\$ --
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>\$ 7,415,000</u>	<u>\$ 3,033,771</u>	<u>\$ 10,448,771</u>

* The principal and related interest were due on September 1, 2008 but were paid in fiscal year ending August 31, 2008.

CONTRACT REVENUE BONDS, SERIES 2003

WESTERN CANYON REGIONAL WATER SUPPLY PROJECT - AMORTIZATION SCHEDULE

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 74,930,000</u>	<u>\$ 58,070,726</u>	<u>\$ 133,000,726</u>

COMBINATION CONTRACT REVENUE BONDS SERIES 2004A & 2004B
IH 35 PROJECT
AMORTIZATION SCHEDULE

YEAR ENDING AUGUST 31	SERIES 2004A			SERIES 2004B			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
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>\$ 15,385,000</u>	<u>\$ 13,465,991</u>	<u>\$ 28,850,991</u>	<u>\$ 5,235,000</u>	<u>\$ 5,658,245</u>	<u>\$ 10,893,245</u>	<u>\$ 39,744,236</u>

COMBINATION CONTRACT REVENUE BONDS SERIES 2007A & 2007B
RRWDS PROJECT
AMORTIZATION SCHEDULE

YEAR ENDING AUGUST 31	SERIES 2007A			SERIES 2007B			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2009	\$ --	\$ 459,000	\$ 459,000	\$ --	\$ 408,293	\$ 408,293	\$ 867,293
2010	140,000	459,000	599,000	60,000	408,293	468,293	1,067,293
2011	145,000	452,000	597,000	65,000	404,051	469,051	1,066,051
2012	150,000	444,750	594,750	70,000	399,455	469,455	1,064,205
2013	160,000	437,250	597,250	75,000	394,506	469,506	1,066,756
2014	170,000	429,250	599,250	80,000	389,204	469,204	1,068,454
2015	175,000	420,750	595,750	85,000	383,548	468,548	1,064,298
2016	185,000	412,000	597,000	90,000	377,538	467,538	1,064,538
2017	195,000	402,750	597,750	100,000	371,175	471,175	1,068,925
2018	205,000	393,000	598,000	105,000	364,105	469,105	1,067,105
2019	215,000	382,750	597,750	110,000	356,682	466,682	1,064,432
2020	225,000	372,000	597,000	120,000	348,905	468,905	1,065,905
2021	235,000	360,750	595,750	130,000	340,421	470,421	1,066,171
2022	250,000	349,000	599,000	135,000	331,230	466,230	1,065,230
2023	260,000	336,500	596,500	145,000	321,685	466,685	1,063,185
2024	275,000	323,500	598,500	155,000	311,434	466,434	1,064,934
2025	285,000	309,750	594,750	170,000	300,475	470,475	1,065,225
2026	300,000	295,500	595,500	180,000	288,456	468,456	1,063,956
2027	315,000	280,500	595,500	195,000	275,730	470,730	1,066,230
2028	335,000	264,750	599,750	205,000	261,944	466,944	1,066,694
2029	350,000	248,000	598,000	220,000	247,450	467,450	1,065,450
2030	365,000	230,500	595,500	235,000	231,896	466,896	1,062,396
2031	385,000	212,250	597,250	255,000	215,282	470,282	1,067,532
2032	405,000	193,000	598,000	270,000	197,253	467,253	1,065,253
2033	425,000	172,750	597,750	290,000	178,164	468,164	1,065,914
2034	445,000	151,500	596,500	310,000	157,661	467,661	1,064,161
2035	470,000	129,250	599,250	335,000	135,744	470,744	1,069,994
2036	490,000	105,750	595,750	355,000	112,060	467,060	1,062,810
2037	515,000	81,250	596,250	380,000	86,961	466,961	1,063,211
2038	540,000	55,500	595,500	410,000	60,095	470,095	1,065,595
2039	570,000	28,500	598,500	440,000	31,108	471,108	1,069,608
	<u>\$ 9,180,000</u>	<u>\$ 9,193,000</u>	<u>\$ 18,373,000</u>	<u>\$ 5,775,000</u>	<u>\$ 8,690,804</u>	<u>\$ 14,465,804</u>	<u>\$ 32,838,804</u>

**PORT LAVACA WTP CLEARWELL
FROST NATIONAL BANK
AMORTIZATION SCHEDULE**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
2009	\$ 8,111	\$ 15,889	24,000
2010	8,446	15,554	24,000
2011	8,795	15,205	24,000
2012	9,117	14,883	24,000
2013	9,535	14,465	24,000
2014	9,929	14,071	24,000
2015	10,339	13,661	24,000
2016	29,533	13,111	42,644
2017	49,975	11,313	61,288
2018	52,040	9,248	61,288
2019	54,190	7,098	61,288
2020	56,416	4,872	61,288
2021	58,760	2,528	61,288
2022	30,281	362	30,643
	<u>\$ 395,467</u>	<u>\$ 152,260</u>	<u>\$ 547,727</u>

**WATER SUPPLY REVENUE BONDS
CITY OF PORT LAVACA, TEXAS, SERIES 2000
AMORTIZATION SCHEDULE**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 2,080,000</u>	<u>\$ 431,751</u>	<u>\$ 2,511,751</u>

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

YEAR ENDING AUGUST 31	1989 SERIES		1996 SERIES		TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	
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>\$ 1,305,000</u>	<u>\$ --</u>	<u>\$ 990,000</u>	<u>\$ 71,153</u>	<u>\$ 2,366,153</u>

The 1989 series bonds maturing during fiscal years 2009 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**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 5,915,000</u>	<u>\$ 3,756,586</u>	<u>\$ 9,671,586</u>

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

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 5,540,000</u>	<u>\$ 925,877</u>	<u>\$ 6,465,877</u>

**CONTRACT REVENUE BONDS, SERIES 1996
CITY OF LOCKHART PROJECT
AMORTIZATION SCHEDULE**

YEAR ENDING AUGUST 31	PRINCIPAL	INTEREST	TOTAL REQUIREMENTS
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>\$ 4,740,000</u>	<u>\$ 1,038,752</u>	<u>\$ 5,778,752</u>



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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 Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	<u>2008</u>	<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	\$ 38,715,589	\$ 36,361,304	\$ 38,506,620	\$ 41,278,632	\$ 29,946,905	\$ 28,544,428
Restricted	7,978,016	6,221,215	3,649,302	3,712,823	3,767,282	3,732,721
Unrestricted	<u>11,365,266</u>	<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>\$ 58,058,871</u>	<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 information when it implemented GASB Statement 34 in fiscal year 2003. Ten year information will be developed on a prospective basis.

Guadalupe Blanco River Authority
Changes in Net Assets
Last Six 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
2008	44,645,439	33,684,665	10,960,774	(6,290,390)	4,670,384	704,171	5,374,555

Note: GBRA began to report information when it implemented GASB Statement 34 in fiscal year 2003. Ten year information will be developed on a prospective basis.

Guadalupe Blanco River Authority

Operating Revenues by Source Last Six 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	916,797	6,248,195	594,524	2,168,515	38,542,513
2008	163,560	3,854,491	30,255,712	973,603	6,271,513	641,059	2,485,501	44,645,439

Operating Expenses Last Six 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
2008	9,325,518	13,858,478	4,876,916	5,623,753	33,684,665

Nonoperating Revenue and Expenses Last Six Fiscal Years

Year	Interest Expense	Investment Income	Gain (Loss) on Disposal of Capital Assets	Costs (Revenue) 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)
2008	(7,046,879)	828,429	(71,940)	(741,252)	-	\$ (7,031,642)

(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 information when it implemented GASB Statement 34 in fiscal year 2003. Ten year information will be presented on a prospective basis.

List of Principal Customers

<p>Guadalupe Valley Electric Cooperative New Braunfels Utilities Coleto Creek Park Customers Lake Wood Recreational Park Customers Nolte Island Park Customers Regional Laboratory Customers Victoria Laboratory Customers</p>	<p>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 City of Wimberley</p>
<p>POWER SALES & OTHER SERVICES</p>	<p>WASTEWATER TREATMENT CUSTOMERS</p>
<p>WATER SALES CUSTOMERS</p>	<p>WATER TREATMENT CUSTOMERS</p>
<p>Canyon Lake Water Supply Corp. Canyon Regional Water Authority City of Boerne City of Buda City of Fair Oaks Ranch City of Kyle City of Port Lavaca City of San Marcos City of Seguin Coleto 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</p>	<p>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</p>

Note: The above customers represent GBRA's principal customers. Because of the long term nature of GBRA's contracts, the majority of these customers have been customers of GBRA for ten years or more. The Water Sales Customers represent GBRA's largest source of revenue. Rate history is found in Footnote H of the Notes to the Combined Financial Statements.

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

	Obligations Payable Directly By GBRA		Obligations Payable From Revenue Contracts (a)		Pollution Control (b)
Year	<u>Bonds</u>	<u>Loans</u>	<u>Bonds</u>	<u>Loans</u>	<u>Bonds</u>
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	-
2008	3,755,000	11,076,109	138,885,467	-	-

(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. Debt coverage is 100% for these bonds and loans. Each customer is billed monthly for 1/12 of the total debt service for the fiscal year. 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 was entirely retired by Standard Oil Company of Ohio during 2005.

Note: 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	
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
2008	90,890,000

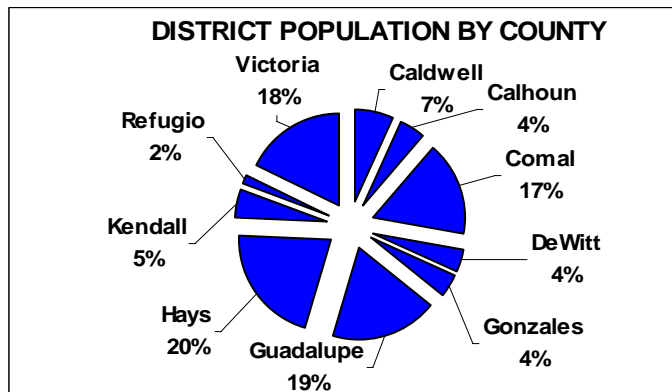
GBRA has assisted industries within the GBRA service area by acting as issuing conduit so that the user of the bond proceeds benefited from reduced debt service requirements. Fees to administer this debt are recognized as pollution and industrial financing income. In each case, the user of the bond proceeds 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.

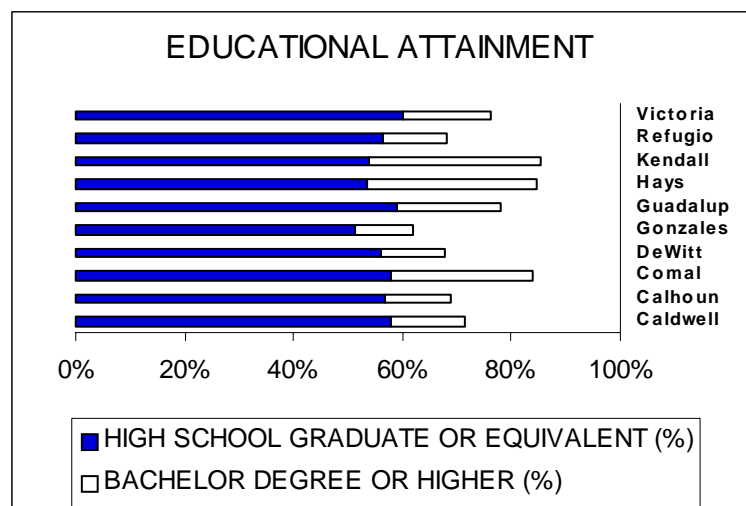
This diversity allows the local economy to be among the State's growth leaders and outpace the national economy as well as weather the effects of any global economic problems better than other areas may. The local economy is also being spurred by tremendous population growth along the I-35 Corridor. 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

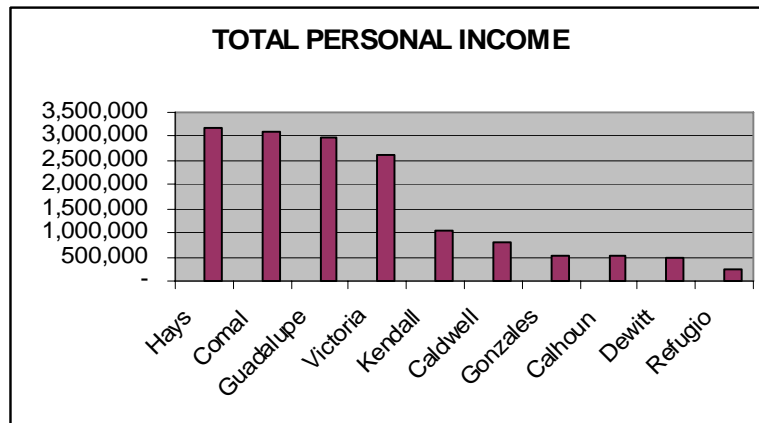
COUNTY	POPULATION
Hays	97,589
Guadalupe	89,023
Victoria	84,088
Comal	78,021
Caldwell	32,194
Kendall	23,743
Calhoun	20,647
DeWitt	20,013
Gonzales	18,628

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%



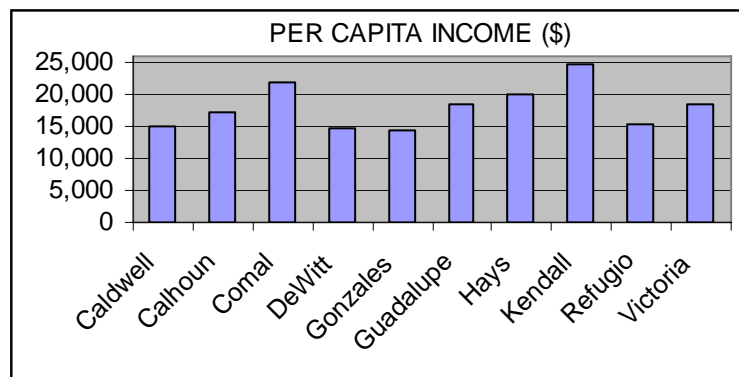
SOURCE: U.S. Census Bureau, Census 2000

<u>COUNTY</u>	<u>TOTAL PERSONAL INCOME</u>
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

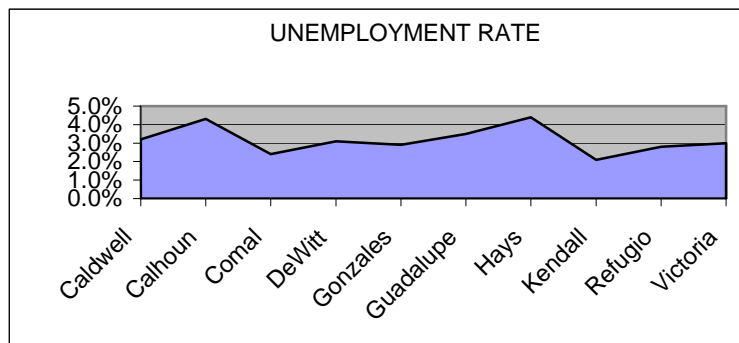


SOURCE:: Bureau of Economic Analysis U.S. Dept.of Commerce 2005

<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									
	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General	31.5	32.5	28.5	30	33.5	34.5	35.5	35.5	36	38
Guadalupe Valley Electric	23	24	24	24	24	25	25	25	25	25
Rural Utilities	8	5	5	5	5	6	5	6	6	7
Water Resources	11	26	33.5	34	39	41.5	45.5	45	45	46
Western Canyon	0	0	0	0	0	0	7	7	8	9
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	20	20	21	21	21	21	21	21
Coleto Creek Park and Reservoir	16.5	16.5	16.5	16.5	16	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	9	10	10	10	11	11	11	11
Total	132	146	155.5	158.5	167.5	173	185	185.5	187	192

Note: 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 1999	FY 2000	FY 2001	FY 2002	FY 2003
Water Treatment Customers:					
Total Water Distributed (Gal.)					
Calhoun County Rural Water Supply Division	124,442,000	137,396,000	83,603,000	70,348,000	70,501,000
Total Water Treated (Gal.)					
CRWA-Hays/Caldwell Water Treatment Plant System	--	--	--	--	331,000,000
Lockhart Water Treatment System	--	--	519,389,102	614,466,054	560,814,000
Luling Water Treatment Plant Division	302,674,000	315,290,000	321,077,000	306,271,000	286,951,000
Port Lavaca Water Treatment Plant Division	653,726,000	723,545,000	798,749,000	753,453,000	642,047,000
San Marcos Water Treatment Plant System	--	946,459,000	1,498,437,000	1,401,515,000	1,656,000,000
Western Canyon Water Treatment Plant System	--	--	--	--	--
Waste Water Treatment Customers:					
Total Wastewater Treated (Gal.)					
Buda Wastewater Treatment Plant	--	--	--	102,900,000	125,300,000
Crestview Subdivision Wastewater Treatment Plant	--	1,660,552	2,846,072	1,867,506	1,910,945
Lockhart Wastewater Reclamation System	503,700,000	430,700,000	459,200,000	516,100,000	588,700,000
Rural Utilities Division	148,256,246	130,715,651	148,990,000	152,410,000	147,100,000
Victoria Regional Wastewater Reclamation Division	2,951,400,000	2,867,800,000	2,687,800,000	2,155,900,000	2,741,000,000
Village of Wimberley Wastewater Treatment Plant	--	--	--	--	--
North Hayes County MUD #1	--	--	--	--	--
Water Sales Customers:					
Rice Irrigation (Acres)					
Calhoun Canal System	3,040	1,758	1,458	1,475	1,897
Water Delivered (Gal.)					
Guadalupe Power Partners	--	--	599,209,000	821,496,000	846,695,620
Regional Raw Water Delivery System	--	952,000,000	1,525,000,000	1,445,000,000	1,965,000,000
Power Sales & Other Services:					
Total Generation (kWh)					
Guadalupe Valley Hydroelectric Division	55,357,700	29,738,100	74,338,600	77,361,500	64,974,600
Canyon Hydroelectric Division	18,087,200	5,509,240	25,930,989	16,493,895	--
Annual Permits					
Lake Wood Recreation Area	41	66	59	45	34
Coletto Creek Regional Park	271	229	211	241	246
Camping Permits					
Lake Wood Recreation Area	1,372	2,548	2,459	2,105	2,323
Coletto Creek Regional Park	11,839	12,051	11,255	12,326	11,856
Camping Cabins					
Coletto Creek Regional Park	--	--	--	425	568
Day Use Permits					
Lake Wood Recreation Area	2,114	3,248	3,127	2,501	2,671
Coletto Creek Regional Park	18,408	17,055	15,455	15,056	15,052

FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
72,392,000	76,710,000	75,334,000	62,684,000	75,006,000
225,000,000	89,818,289	--	--	--
527,260,000	557,882,000	581,087,000	479,150,000	525,871,000
256,335,000	470,651,000	802,677,000	651,263,000	734,704,000
686,938,000	692,600,000	666,085,000	592,510,000	673,172,000
1,586,000,000	1,645,448,005	1,711,018,000	2,129,290,000	2,404,842,000
--	--	1,041,235,000	2,713,775,000	3,648,193,000
110,470,000	120,300,000	119,580,000	198,200,000	243,800,000
2,433,849	2,523,245	2,404,060	3,256,203	2,191,534
542,930,000	609,430,000	491,100,000	489,000,000	447,100,000
150,410,000	153,054,000	149,520,000	190,740,000	168,630,000
2,788,000,000	2,811,000,000	2,741,000,000	2,390,000,000	2,585,000,000
1,760,000	2,974,000	4,381,000	5,385,000	3,660,000
--	--	3,641,000	23,790,000	35,570,000
2,488	2,430	2,634	2,086	2,809
898,443,000	966,788,000	1,129,607,000	974,680,000	1,157,790,000
1,713,000,000	2,151,367,000	1,811,222,000	2,129,290,000	3,274,240,000
77,975,500	86,911,400	44,412,900	64,980,700	66,914,600
14,930,325	24,371,501	7,906,746	9,102,504	19,026,827
35	13	23	11	17
262	260	258	274	285
2,030	2,264	3,235	2,112	2,635
12,736	11,800	12,554	13,376	14,594
573	692	664	542	662
2,641	2,686	2,860	2,164	2,567
14,771	16,051	16,378	14,177	16,851

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

		Guadalupe			Port Lavaca	Calhoun	Victoria		Luling			
		Valley	Rural	Water	Water	County	Regional		Water	Canyon		
	General	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	\$ 107,994,098
2008	41,054	990,319	117,216	1,936,806	22,614	113,413	14,254	37,238	5,893	-	29,332	\$ 3,308,139

Schedule of Capital Asset Additions by Classification
Last Six Fiscal Years

	2003	2004	2005	2006	2007	2008
Land, Water & Storage Rights	\$ 2,077,812	\$ -	\$ 1,088,461	\$ -	\$ 6,718,880	\$ 99,723
Structures & Improvements	1,984,279	142,425	4,612,873	647,401	99,724,123	2,759,542
Specialized Equipment	1,791	14,738	68,966	60,202	110,451	69,706
Auto & Heavy Equipment	402,739	617,808	213,367	195,622	238,477	193,219
Office Furniture & Equipment	93,149	84,821	108,694	94,745	102,270	54,612
Miscellaneous Equipment	59,952	49,712	443,314	95,561	1,099,896	131,337
Total	\$ 4,619,722	\$ 909,504	\$ 6,535,676	\$ 1,093,531	\$ 107,994,097	\$ 3,308,139

Note: GBRA began to report information when it implemented GASB Statement 34 in fiscal year 2003. Ten year information will be presented on a prospective basis.

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

Report on Compliance and Internal Controls



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FAX 210/341-2588
cpas@twbky.com

**Thompson,
Williams,
Biediger,
Kastor
&
Young,
L.C.**

CERTIFIED PUBLIC ACCOUNTANTS

MEMBERS AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Guadalupe-Blanco River Authority

We have audited the financial statements of Guadalupe-Blanco River Authority, as of and for the year ended August 31, 2008, which collectively comprise Guadalupe-Blanco River Authority's basic financial statements, and have issued our report thereon dated December 5, 2008. 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 opinion 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.

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 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 principles such that there is more than a remote likelihood that a misstatement of the Authority's financial statements that is more than inconsequential will not be prevented or detected by the Authority's internal control.

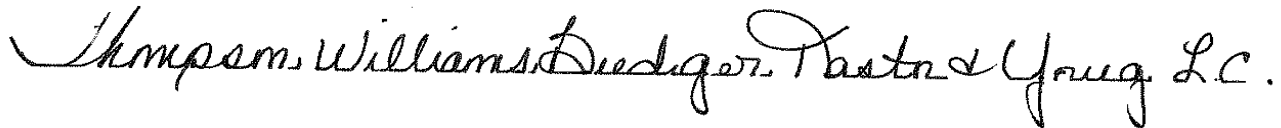
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Guadalupe-Blanco River Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, 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 or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, the fiscal committee, 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.



Certified Public Accountants

San Antonio, Texas

December 5, 2008

Principal Offices and Business Locations

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

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

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

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

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

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

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

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

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

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

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

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Guadalupe-Blanco River Authority
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Seguin, Texas 78155

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