



OFF THE BEATEN PATH

Guadalupe-Blanco River Authority of Texas • Comprehensive Annual Financial Report • Fiscal Year Ended August 31, 2011



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

Fiscal Year Ended August 31, 2011

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.

OFF THE BEATEN PATH



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Comprehensive Annual Financial Report for Fiscal Year Ended August 31, 2011

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GUADALUPE-BLANCO RIVER AUTHORITY OF TEXAS

ESTABLISHED BY THE TEXAS LEGISLATURE

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

SOUND MANAGEMENT AND ADMINISTRATION

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

PLANNING FOR THE BASIN AND TEXAS

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

SELF-SUPPORTING OPERATIONS

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

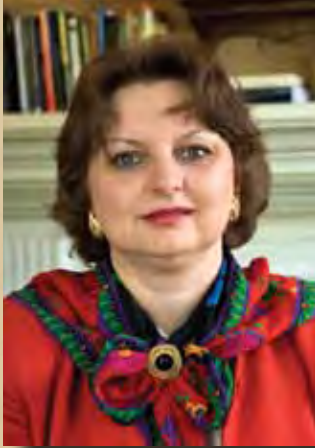
VISION

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.

GBRA BOARD OF DIRECTORS



Grace G. Kunde, Chair
Guadalupe County
Reappointed: 2009, Gov. Rick Perry



Oscar H. Fogle, Vice-Chair
Caldwell County
Reappointed: 2011, Gov. Rick Perry



Arlene N. Marshall, Secretary-Treasurer
Calhoun County
Reappointed: 2011, Gov. Rick Perry



Myrna P. McLeroy, Director
Gonzales County
Reappointed: 2011, Gov. Rick Perry



Dennis L. Patillo, Director
Victoria County
Appointed: 2011, Gov. Rick Perry



Rusty Brockman, Director
Comal County
Appointed: 2011, Gov. Rick Perry



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



Frank J. Pagel, Director
Refugio County
Reappointed: 2008, Gov. Rick Perry



Tommy Mathews, Director
Kendall County
Appointed: 2011, 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.

BASIN MAP

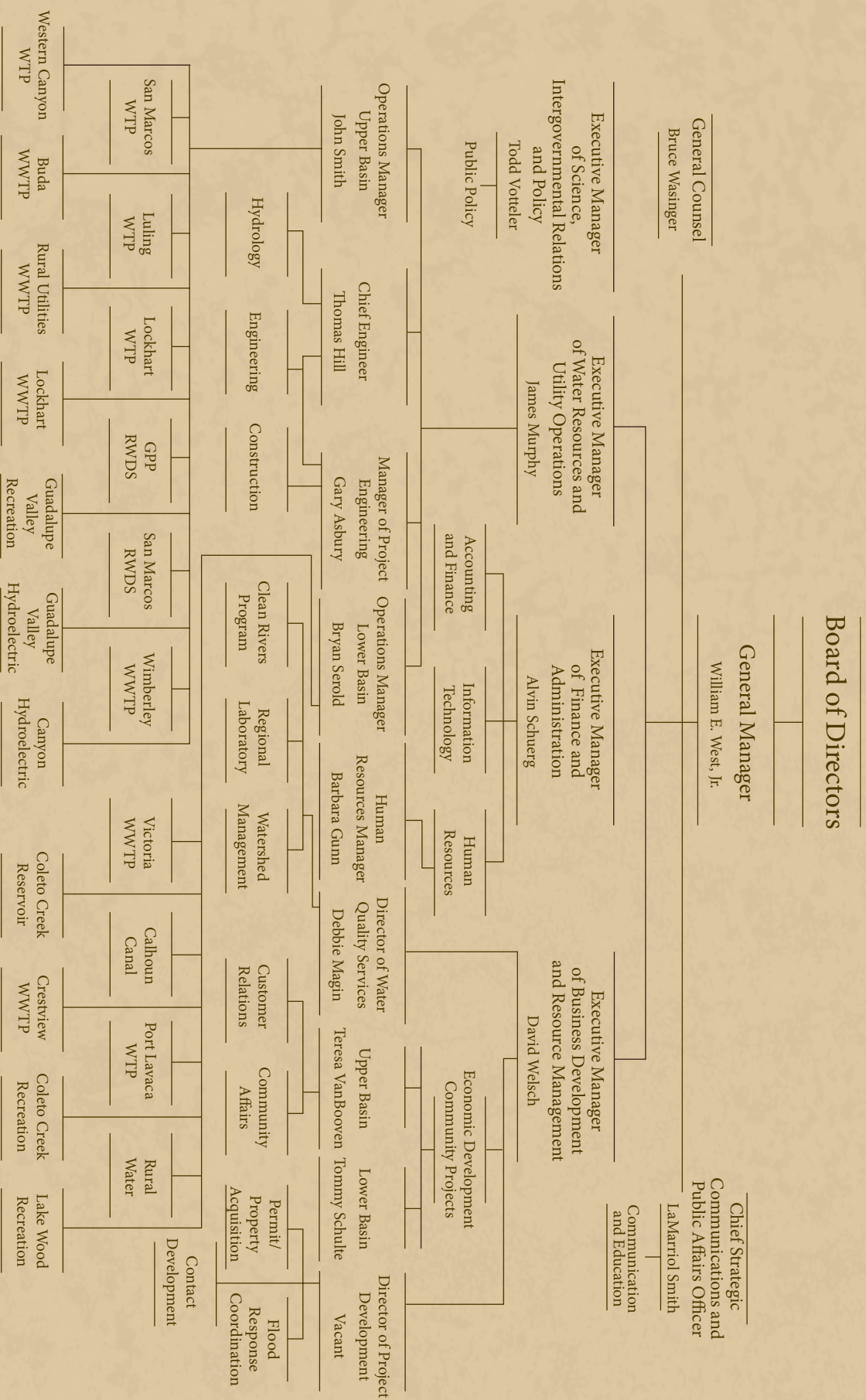


1. Canyon Park Estates Wastewater Treatment Plant
2. Canyon Dam and Reservoir
3. Cordillera Ranch Water & Wastewater Retail System
4. Comal Trace Retail Water System
5. Wimberley Wastewater Treatment Plant
6. Western Canyon Regional Water Treatment Plant
7. Buda Wastewater Treatment Plant
8. Shadow Creek Wastewater Treatment Plant
9. San Marcos Water Treatment Plant
10. Northcliffe Wastewater Treatment Plant
11. Guadalupe Power Partners Pump Station
12. Dunlap Wastewater Treatment Plant
13. Lake Dunlap (TP-1) Hydroelectric Power Plant
14. Lake McQueeney (TP-3) Hydroelectric Power Plant
15. Lake Placid (TP-4) Hydroelectric Power Plant
16. GBRA Main Office and Regional Laboratory
17. Lake Nolte (TP-5) Hydroelectric Power Plant
18. Springs Hill Wastewater Treatment Plant
19. Lockhart Wastewater Treatment Plant #1
20. Lockhart Wastewater Treatment Plant #2
21. Lockhart Water Treatment Facility
22. Luling Water Treatment Plant
23. Lake Gonzales (H-4) Hydroelectric Power Plant
24. Lake Wood Park (H-5) Hydroelectric Power Plant
25. Coletto Creek Park and Reservoir
26. Diversion Dam and Salt Water Barrier
27. Victoria Regional Wastewater Treatment Plant*
28. Crestview Subdivision Wastewater Treatment Plant
29. Port Lavaca Water Treatment Plant

Calhoun County Rural Water
Canal System Division

**Transferred to City of Victoria January 1, 2011*

GUADALUPE-BLANCO RIVER AUTHORITY
OPERATIONAL CHART



GBRA YEAR IN REVIEW

September 2010

- GBRA announced the availability of a Draft Final Report of the Kendall County and the City of Fair Oaks Ranch Regional Water and Wastewater Planning Study on the GBRA website at <http://www.gbra.org/Library/KendallCountyPlanningStudy.aspx>. The public was encouraged to review the documents and comment to the GBRA on this study, which was partially funded by the Texas Water Development Board (TWDB). A final public meeting on the study was held Sept. 14, 2010 at the Boerne Community Center.
- The KIDFISH Foundation stocked several hundred pounds of channel catfish in the Guadalupe-Blanco River Authority (GBRA) Lake Wood Recreation Area for children to catch on Sept. 11.

October 2010

- The Texas Travel Industry Association's (TTIA) Texas Nature Tourism Council (TNTC) awarded GBRA's Coletto Creek Park Manager, Wilfred Korth, its 2010 Texas Nature Tourism Award. Miles Phillips, 2010 chair of TNTC, presented the Individual Achievement Award to Korth in Galveston, Texas at the TTIA's Annual Travel Summit for Korth's work in developing and promoting nature tourism at Coletto Park and within his region.



Photo courtesy TTIA Staff

Korth has managed the operations of the Coletto Creek Park and recreation activities on the Coletto Creek Reservoir for more than 30 years.

- GBRA's hydroelectric crews lowered the level of Lake Wood by approximately two feet in order to perform routine dam maintenance in October.

November 2010

- The League of Women Voters (LWV) and GBRA co-sponsored a regional public forum, "State Water: What You Should Know," Saturday, Nov. 6, at the GBRA River Annex in Seguin. The purpose of the forum was to address issues regarding the allocation of water in Texas. Experts described the state water plan, the Region L water plan, information from the Headwaters region in Kerr County, current state regulations that govern the sale and transfer of water rights by river authorities, and the permitting of water transfers by groundwater districts. Participants also heard about upcoming legislation relating to water allocation.

December 2010

- The Texas Water Development Board (TWDB) approved in December by resolution a loan in the amount of \$4,400,000 from the Water Infrastructure Fund to the GBRA (Gonzales, Caldwell, Hays, Comal, Guadalupe, and Kendall counties) to finance development costs of the Mid-Basin Water Supply Project. With these funds, the GBRA would perform a study of the proposed Mid-Basin Water Supply Project (Project). As part of this feasibility and planning study, the Authority will identify transmission and delivery options for an intake and pump station on the Guadalupe River below Gonzales, options for an off-channel reservoir, major raw water transmission lines, storage facilities, booster pumping stations, possible additional groundwater supply and expansions and possible enhancements to treatment facilities in Luling and San Marcos.
- More than 400 acres of property along the Little Blanco River in Blanco County were preserved through a conservation easement with the Wallace family and the Guadalupe-Blanco River Trust (GBR Trust). The easement, executed Dec. 27, 2010, became the first conservation easement in Blanco County secured by the GBR Trust. Roger and Mary Wallace used a conservation easement to ensure that the property be retained in its natural, scenic, historic, agricultural, and open space condition.

January 2011

- New officers were installed and began presiding at the GBRA Board of Directors meeting in January 2011. Newly elected officers included Grace Kunde of Guadalupe County as chair, Oscar Fogle of Caldwell County as vice-chair, and Arlene Marshall of Calhoun County as secretary/treasurer.
- The GBRA Board of Directors opened its January meeting to public comments regarding its recent decision to phase out the Lake Wood land lease program. Initially, GBRA officials

invited its Lake Wood leasees to attend a public meeting on Dec. 15, 2010, where they discussed lease changes and the ultimate phasing out of the lease program over an approximate seven-year timeframe ending in 2018. GBRA representatives explained concerns regarding its practice of allowing construction on the leased properties within the flood plain of the Guadalupe River that are subject to damage during flood events, habitation of such structures that potentially pose a hazard to occupants during flood events, as well as regulatory and environmental issues related to the on-site disposal of domestic wastewater.

February 2011

- GBRA work crews lowered the levels of Lake Gonzales (H-4) and Lake Wood (H-5) approximately a foot in February in an effort to control invasive waterhyacinths plants on those lakes. GBRA officials employed this natural and less expensive method than chemical treatments to kill off some of the plants by allowing nature to freeze the plants' root systems. "Because water tends to protect the root ball of the plants from freezing, lowering the lake levels will expose the root systems to the freeze, killing the hyacinth," explained Debbie Magin, GBRA's director of Water Quality.

March 2011

- The Buda Wastewater Treatment Plant (WWTP), owned by the City of Buda and operated by GBRA, earned the Municipal Wastewater Treatment Plant of the Year Category 1 Award from the Water Environment Association of Texas (WEAT). The Buda facility met all permit requirements of the Texas Commission on Environmental Quality (TCEQ). "We recognize the high standards of the Buda Plant and they serve as an example to other wastewater treatment plants in the same category," said WEAT Executive Director, Carol Batterton. Utilizing their technical expertise, a safe working environment, and consistent facilities maintenance, the Buda wastewater operators manage the facility and systematically produce high quality effluent necessary to protect the sensitive waters of the Guadalupe River basin.
- The Guadalupe-Blanco River Trust (GBR Trust) Board of Trustees hired Steve Jester, a 20-year veteran in the fields of wildlife and land conservation, as the new executive director for the organization. Jester, who earned his bachelor of science degree in agriculture at Texas State University and master of science degree in wildlife and fisheries sciences at Texas A&M University, will be responsible for the operation and management of the GBR Trust under the direction of the Board of Trustees. "It's great to be back in Texas, but more importantly, I am back here in a position where I will have an impact in land conservation and preserving areas that will protect habitats for wildlife for years to come," said Jester.

- The Board of Directors of the San Antonio Bay Foundation (SABAY) confirmed the appointment of Tommie Rhoad as the new executive director of the foundation. Concurrently, the directors also approved Stephanie Shelly to take on responsibilities as the foundation's environmental director. Before signing on as executive director for the San Antonio Bay Foundation, Rhoad, who earned her bachelor's degree in geography from the University of Texas at San Antonio, will be responsible for the operation and management of all aspects of the San Antonio Bay Foundation under the direction of the Board of Directors.. Stephanie Shelly earned her bachelor of science degree in wildlife and fisheries science from Texas A&M and has a strong background in marine biology.



Photo by Mike Beggs

April 2011

- Appointees of Governor Rick Perry took the oath of office Wednesday, April 20, 2011 during the Guadalupe-Blanco River Authority Board of Directors meeting. District Judge Gary Steel swore in three new board members, Rusty Brockman, Thomas Mathews II, and Dennis L. Patillo, and three reappointed members, Myrna Patterson McLeroy, Oscar H. Fogle, and Arlene N. Marshall.
- Drier weather conditions in the lower Guadalupe River basin caused a gradual decline in the river's level as recorded at the GBRA Lower Guadalupe Diversion Dam and Saltwater Barrier, which is located near the community of Tivoli, Texas. As a result, GBRA crews activated the fabridam bags of its Salt Water Barrier on Friday, April 1, 2011.
- Beginning Tuesday, April 5, GBRA decreased the release rate out of Canyon Reservoir from 130 cubic feet per second (cfs) to

GBRA YEAR IN REVIEW continued

meet the reservoir inflow at that time of 70 cfs at Spring Branch. Under Canyon Reservoir operating agreements, when the inflow average is less than 90 cfs for at least 45 consecutive days, the release would equal the inflow. The 45-day trigger has been met and the release rate changed daily based on inflow.

May 2011

- In May, the aquatic herbicide Aquathol was applied in selected cove areas of Coletto Creek Park and the Lakewood Subdivision Park for control of water milfoil as part of the GBRA's ongoing Coletto Creek Reservoir Aquatic Plant Management Program. According to Chief Ranger Wilfred Korth, this annual program was originally developed by GBRA staff after extensive study and public input from the Coletto Creek Aquatic Plant Management Advisory Committee.

- General Manager, William E. West, Jr., was recognized as an Honorary Diplomate, Water Resources Engineer (Hon.D.WRE) from the American Academy of Water Resources Engineers (AAWRE) on May 24, 2011, in Palm Springs, CA, at the 7th Annual Environmental and Water Resources Institute (EWRI) World Environmental and Water Resources Congress. Since the beginning of AAWRE in 2004, more than 600 water resource engineers worldwide have qualified for the Hon.D.WRE program, but West became one of only 20 professionals who have received the Honorary Diplomate status.

June 2011

- The new Cypress Creek kiosk was unveiled by GBRA during a ribbon-cutting ceremony June 7 at the Wimberley Community Center. The kiosk displays educational modules by touch screen, and the user can listen to mini-lessons on a myriad of water subjects, such as watersheds and non-point source pollution, the wastewater treatment process, and the operation and maintenance of aerobic and conventional septic systems.

- GBRA staff temporarily substituted chlorine as the disinfecting agent in the drinking water treatment process in place of its regularly used chlorine/ammonia compound (chloramines) at its Port Lavaca Water Treatment Plant. The substitution of chlorine alone on a periodic basis is recommended by the 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.

- GBRA officials in June announced Stage II restrictions for its Hydroelectric Lakes. Restrictions affected lawn watering, outdoor fountain use, vehicle washing and other areas. According to

GBRA's Drought Contingency Plan, Stage II applies on any day following a day when the average 24-hour spring flow rate from the Comal Springs, when measured at the Comal River, is at or below 200 cubic feet per second (cfs), but greater than 150 cfs. As of Wednesday, June 8, 2011, Comal Springs flow rate was 184 cfs, thus triggering Stage II restrictions.

July 2011

- GBRA officials urged citizens in its 10-county statutory district, which includes Caldwell, Calhoun, Comal, DeWitt, Gonzales, Guadalupe, Hays, Kendall, Refugio and Victoria counties, to conserve water and comply with drought management measures implemented by local municipalities. The water conservation plea came amidst the U.S. Department of Agriculture's declaration of 213 of Texas' 254 counties as a natural disaster area as a result of the extreme drought conditions the state faced since at least January.

- GBRA staff installed watershed kiosks at the Patrick Heath Public Library in Boerne, Texas and at Kyle City Hall in Kyle, Texas, during the

month of July. The kiosks were designed by skilled professionals at GBRA and the participating entities. The kiosks are available for users to explore mini-lessons on a myriad of water subjects, such as watersheds, local geology, the water cycle, groundwater management, wildlife habitat, wells, rainwater harvesting, and sustainable practices.

August 2011

- Expert witness reports filed in August in U.S. District Court in Corpus Christi cast significant doubt on allegations made by The Aransas Project (TAP) in a lawsuit that 23 whooping cranes died during the 2008-09 drought, and countered that in fact, the flock is thriving. GBRA submitted reports from experts from all over the country establishing that there were not 23 whooping crane mortalities in the winter of 2008-09 as a result of water rights management in Texas, as alleged in the pending litigation.



Photo by LaMarriol Smith

OFF THE BEATEN PATH

If necessity is the mother of invention, it is also the parent of diversity.

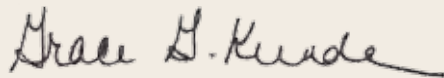
In no place is that more evident than in rural Texas. As more residents move to the state's less populous areas to find serenity, they learn to cope, as their forebears did, with wildness, heat and drought—as well as global economic change.

The following report illustrates that they are more than equal to these tasks. Independence that relies on creativity and ingenuity defines them. This character shows through in the names they give things, names like the Devil's Playground—a particularly wild and beautiful piece of the Guadalupe River in Comal County. Or the Cry of Liberty, a carving by a sculptor who listens to an unshaped block of wood before telling her stories through it.

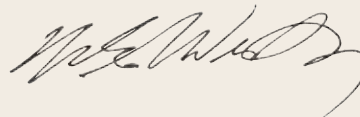
Sometimes, the independence shines through a Sunday morning sermon from the pastor of a cowboy church, who stops to listen to the rain on the roof of his open-air pavilion. Or it emanates from an old hotel in Calhoun County that burns—but is far from destroyed. In fact, it rises again, a county away—and its ghosts cheerfully move with it.

This diversity speaks through a big red mare named Baby Doll who rejoices when her rider comes home by racing around the pasture. It is the smell of leather in a new saddle, and the softness of alpaca wool in a chic shawl.

These are some of the treasures tucked inside Texas' vast plains and tree-line slopes, off the highway, on slices of pavement named "RR12" or "CR103". Finding them requires detailed directions that a global positioning system will miss. But once you arrive and the gates swing open, you become part of the new journey. Enjoy its surprising twists and turns.



Grace G. Kunde
Chair, Board of Directors



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



Photo by Barbara Elmore



Photo by Connie Rothe



Photo by Barbara Elmore



KENDALL COUNTY

WORSHIP WITHOUT WALLS

Crisp and tidy in a khaki shirt tucked into jeans, straw hat atop his head and spurs jingling on boots, Steve Gross appears ready for riding, roping, branding or fence mending. And on any given Sunday morning beginning at 10:30, he does all of those things simultaneously as a pastor, using prayer and persuasion.

“Cowboy,” as he likes to be called, is pastor of Kendall County Cowboy Church, which holds services at Kendall County Fairgrounds, 1307 River Road in Boerne.

Gross goes early to his church without walls, armed with a leaf blower. On a good Sabbath, the pews will already be in place on the concrete pavilion floor, and only the cross comes out of storage. But sometimes the pews have been stored to make way for other events. Then Cowboy and his wife, Terry, work a little harder to make the area ready.

The Grosses are familiar with the chores necessary to keep a church going—even one without walls. Gross has been a pastor since 1994, when he was ordained in Ingram. Although cowboy churches dot the countryside, particularly in Texas, this one began only in July 2011. That’s when the couple moved back to Boerne from the Waco area, where he was pastor of a more traditional Baptist church. The Grosses know most of the officials at Kendall County Fairgrounds, and they welcomed the services.

Each Sunday morning begins with “Slack Time” at 9:30—an hour for people to sip coffee and munch on sweets before the service begins. “People want to know your name, where you are from, a little bit about you,” says Gross. “So you will have a place to go if you have problems.”

He keeps the service simple, with sermons, singing and baptisms in a metal cattle trough. There are no rules on how to dress or where to sit. Although only a few members are cowboys, the churches embrace Western culture, Gross says. "I want to reach those not in a church setting. Cowboy church is for the hurt, the disillusioned. You can dress however—shorts and flip-flops. I don't care."

Those attending might hear a traditional sermon, or one that changes on the spot. "I am a topical preacher. Sometimes my sermon changes when I am walking into the pulpit. The neatest thing is when people say afterward, 'Pastor, I am so glad you talked about that.' People hear what they need. They are not pretentious."



Photo by Connie Rothe



Photo by Connie Rothe



Photo by Barbara Elmore



Photos by Connie Rothe





Photos by Connie Rothe



GUADALUPE COUNTY

'MADAM, YOU CAN CARVE'

The first time master sculptor Francois Sanon of Haiti told Marika Bordes that she could learn to do what he did, she told him, "I can't draw a straight line."

He told her a second time, "Madam, you can carve," and a third. But Bordes avoided Sanon for two years. One day, she decided to buy some carving tools. She took them to Sanon, and he told her they were too small. "Give me \$50," he said. "I'm going to have someone make tools for you."

She still uses those tools occasionally, although she now has many others. Crafted from old metal car parts, they were the instruments Sanon used to teach her to chisel and carve wood. And like her other tools, she takes care of them so they will last.

Now critically acclaimed, with her simple pieces displayed around the country, Bordes teaches students of all ages in her Seguin studio, showing them how to shape wood to create their stories. "I am just a tool," says Bordes. "I write my stories with a mallet and chisel."

She and husband Dennis Martin moved to Seguin from New York six years ago to escape the harsh northeastern winters. She became a U.S. citizen two years ago. "I am so proud to be a part of we the people," Bordes says.

As she works in her studio behind the historic home where she and Martin live, she sings in Creole. She demonstrates using

a mallet and chisel on a piece of wood, her rich voice ringing. “It’s a song calling the Lord,” she explains later. “I am saying, ‘Good morning. Come and join me.’”

Fascinating to watch, this slight woman who did not learn to carve until she was 49 shapes faces and figures, mostly female, from chinaberry, mesquite, bois d’arc. And each Thursday afternoon, students gather in her studio for a lesson, which is as instructive for Bordes as it is for them. “You should hear them

laughing,” she says. “We don’t feel competitive. It is about going inside of you. Your inner self is talking to you.”

Bordes has also lived in Montreal, attending boarding school there. Before she was a sculptor, she was a secretary for the United Nations in Haiti—a time and place far away now. Although she started sculpting late in life, she voices no regrets: “What you are is what you are becoming.”

Photo by Barbara Elmore



Photo by Barbara Elmore



Photo by Connie Rothe



Photo by Connie Rothe



Photo by Connie Rothe



Photo by LaMarriol Smith

Photo by LaMarriol Smith



Photo by Barbara Elmore



Photo by Barbara Elmore

CALHOUN AND VICTORIA COUNTIES

A TALE OF TWO CITIES

Outlaws Bonnie and Clyde slept here. Sort of.

According to folklore, they stayed in one particular room of the Lafitte Hotel of Seadrift, its big window overlooking Bay Street below. From here, the robbers watched to see if anyone was pursuing them.

Now the window looks out on a verdant field in the middle of 300 acres, roughly 40 miles away from tiny Seadrift. The charred hotel remains are reformed, and new owners Judy and John Clegg of Victoria call it the Spirit Inn.

But the lore continues. Judy Clegg says that workers accuse unseen ghosts of making off with tools. She tells her own story of a locked second-floor room where the lights seem to flick on by themselves.

The tales add richness to the abundant story of the Lafitte, built in 1909, burned in 2005, and rising like a Phoenix after

Clegg bought it for \$1 in 2006. She moved it, in pieces, to the family's historic property in 2008. The Phoenix still rises as Clegg refurbishes the top floor—the third—with the goal of finishing by summer of 2012.

Meanwhile, people are already using the first two floors for special events—the Cleggs' goal from the first. "We open it just for people to get away," Clegg says.

The story of the Lafitte's demise and rebirth is much easier and quicker in the retelling. A clothes dryer caused the fire, which traveled up a back wall and devoured the third floor. Hearing of the disaster, longtime admirer Judy Clegg called the owners to ask them what their plans were.

Demolish it, they said. She offered to buy it. They sold it to her for \$1 and a cleaned lot. "It took months to get ready to move," Clegg said. But move they did, dismantling the second floor

and moving the first floor as a unit. Fortunately, the Clegg family had been in the business of moving mobile homes, so John Clegg knew what to do and had the right equipment. The actual move took two days during daylight hours, and the family videotaped the process.

Then Judy Clegg began the careful restoration, using the original floor plans the owners still had. Workers salvaged what they could of the Lafitte, meaning that visitors walk on original floors when they enter the lobby. Ceiling boards in the kitchen come from the den; the den itself features the original fireplace, rebuilt. Old photos dot the walls.

Clegg, no stranger to restoration, says Spirit Inn has been physically and mentally draining, yet worth the trouble. The structure withstood Hurricane Carla in 1961 and is a repository of plentiful history. It was the site of many births, as pregnant women traveled to town from far-flung homes to deliver. Clegg shows photos from a time when the hotel and a school were the only two structures in the village of Seadrift.

"I love it," she says. "I have always loved old things."



Photos by LaMarriol Smith





Photos by Connie Rothe



Photo by Barbara Elmore

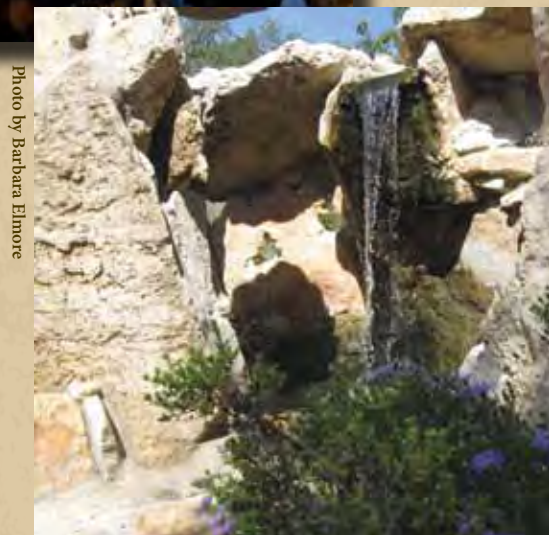


Photo by Barbara Elmore

HAYS COUNTY

TEXTURED PURSUITS

In a modern building, part of which used to be a pole barn, women sit around a rectangular table chatting and knitting. Teacher Nina Shishkoff leans over a shoulder to examine a stitch. Sunshine streams through a window, above which large letters spell out the word “LOOM.” Turn the “M” upside-down and switch it with the “L” and you have defined the essence of Old Oaks Ranch.

The textured pursuits of the fabric artist—spinning, weaving, knitting, crocheting, dyeing and felting—are catered to in this rough Texas oasis. “I have always played around with fiber arts,” says owner Sue Ellen Stavrand. “When our kids were young, we did quilt crafts with others mothers.”

When she opened the 25-acre Old Oaks Ranch to fiber artistry five years ago, she did it so that practitioners would have a place to go. “We have a group here that meets every Tuesday,”

Stavrand says. It’s one of four that comes together regularly with a dedicated teacher.

But the pole-barn-turned-store/classroom is also a bright lure to shoppers who want to purchase handmade ornaments and items of clothing, vintage jewelry, alpaca wool, many-hued threads, or fabric craft supplies.

The ranch grounds offer a visit with doe-eyed alpacas as well as the studio of a local ceramics artist. Janell Cottam, who is also a registered architect, moved her workplace to Old Oaks Ranch in late summer. In early October, she was preparing to fire 70 ceramic wizards that young students crafted in her free class, part of Wimberley’s “Art From the Heart” after-school initiative.

Then there is the magical sculpture garden, which includes an eye-catching steer and numerous metal creatures on fence posts by local artist Jimmy Harwell. Other pieces on display caught

the fancy of Stavrand and her husband, John Harcourt, while they were traveling. “We both have to like the piece to put it in our garden,” Stavrand says.

Originally from Connecticut, Stavrand moved to Wimberley from Austin with Harcourt, former owner of the Brown Schools, and their five children. The property that is now Old Oaks Ranch once featured bed-and-breakfast cottages, Stavrand says. The

Wimberley area reminded the family of home, making the move simple.

These days Stavrand spends more time moving around the store and supporting her staff than she does working fibers. “They create the classes and give the direction,” she said. “I put it all together.”

Photo by Barbara Elmore



Photos by Connie Rothe





Photo by Barbara Elmore



Photo courtesy of Jymmy Kay Cox



Photo by Barbara Elmore

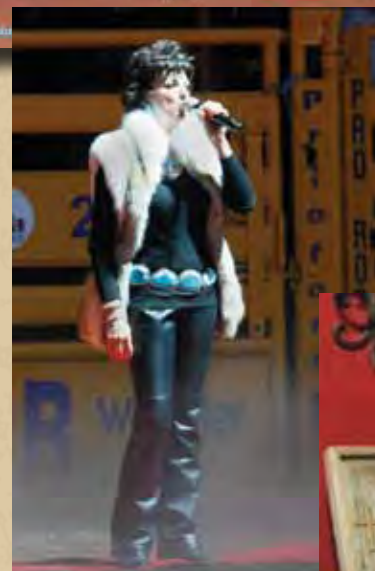


Photo courtesy of Jymmy Kay Cox

GONZALES COUNTY

HORSE SENSE

The first thing to know about Jymmy Kay Cox is that she is from a family of award-winning horsemen—and women. The second thing to know about jkay, as she signs her emails, is that she talks about her family's achievements more than she does her own.

One more thing to know: Cox has many achievements. She is an award-winning barrel racer who was riding a horse named Yogi on the Paleface Ranch near Austin before she could walk. She was a national high school champion as a junior, then went professional. Her list of successes continues: Texas circuit finals, Women's Pro Rodeo Association Divisional Tour Champion, WPRA World Finals, WPRA Heritage Award. She presided over the WPRA five years. She also was its Texas director and vice president.

"It's just what we did," Cox says, when asked about her rodeo life. Not that the life is in her rearview mirror. She still hauls horses across the country and still rodeos. She also features women rodeo competitors in a weekly TV show, "Women's Pro Rodeo Today," the official TV program of the WPRA, airing on RFD-TV.

Connecting the dots from Cox's childhood to current life is easy. Her father, Johnny Cox, was a jockey who won the All-American Futurity in 1971, setting a world record of 19.65 seconds on Mr. Kid Charge. "He ranched in winter and rode all summer," Cox says. Her mother rodeoed too. Her grandmother, Fannie Mae Cox, won the bull-riding event at an all-girl rodeo. Grandfather Alfred Cox was a movie stunt man. Both he and

her other grandfather, R.B. Wilson, were inducted into the Texas Rodeo Cowboy Hall of Fame.

What is surprising about this TV personality, rodeo competitor, performer (she has sung the National Anthem at the National Rodeo Finals and to troops in Afghanistan), motivational speaker and mother is the life she leads when she isn't traveling. She lives just outside Gonzales in a house purposely built to look like a

barn. She shares the rural property with five horses, two cats and two dogs. She rides her bicycle four and a half miles daily to stay in shape, and she has a room-sized closet full of boots, hats and other rodeo gear.

"I don't like to travel, but I like where I am going," Cox says of her life. Then adds: "We were girls born to ranchers, so our fathers made sure their daughters were self-sufficient and independent."



Photo courtesy of Jimmy Kay Cox



Photo courtesy of Jimmy Kay Cox



Photos by Barbara Elmore





Photos by Barbara Elmore



COMAL COUNTY

LAZY RIVER

The sudden view of the Guadalupe River from River Road near New Braunfels elicits gasps. A majestic paradise of sparkling water lapping at tall trees and taller cliffs, this is a well-known Texas sight. Yet it's one that many people see too rarely.

Margie and Rodney Skolaut are fixing that. Tucked into this glorious setting is their park-like property outside the New Braunfels city limits, in a land where people talk or write about “toobing” and everyone understands. Lazy L&L Campground offers proof that river life is different. And the Skolautes share their piece of the river by keeping the 25 acres of Lazy L&L open year-round.

The camp was a working farm and ranch until Louis and Viola Meckel, Margie's parents, decided to change things up a bit in 1972. Margie still has the spiral notebooks that her mother first used to take reservations by phone. “She never ignored a

phone call,” remembers her daughter. The phone could jangle during lunch or in the evening, and family would urge Viola not to answer. She would respond that it might be the only time someone could call.

In the beginning, the property, which has been in the family since before the 1930s, offered 38 camping slots. Nobody “toobed” the river yet. “Daddy brought washtubs of wood up to the entrances, and campers would build little fires.”

As the Meckels' only child, Skolaut worked the farm and ranch with her parents. “There was no recreation here—just work,” she recalls. “We threshed oats, we baled hay.” When first “toobers” hit the river, Louis Meckel was delighted, she recalls.

At that time, the back of a pickup truck held all the black rubber tubes needed. Now a vast warehouse with a basement



holds tubes, coolers and rafts for rent. The supplies fill both rooms from floor to ceiling. Some days the space empties.

The Skolauts moved from town to live here. Two other family homes, painstakingly restored, are nearby. As she tours the grounds in a motorized cart, Margie Skolaut snatches bits of trash, talks to guests and points out the steps to the river that she built with her late father.

So was she reluctant to turn paradise into a public playground? She looks at a photo history of the property, including an album made by a family that made camping here an annual tradition. She remembers the hard work. "It was not sad for me," she says.



Photo courtesy Margie Skolaut

Photos by Barbara Elmore





Photos by Connie Rothe



DEWITT COUNTY

BALANCING ACT

When former rodeo cowboy Tod Slone designed his first saddle for his own use, he did it for better balance. That one act proved to be a metaphor for his life.

Now owner of Tod Slone Saddles on the edge of Cuero, the businessman grew up on a ranch, graduated from high school, and obtained a degree in business finance from Texas State University in 1984. Meanwhile, he continued to train and compete as a rodeo calf-roper. Slone turned pro after college and roped in rodeos for more than a decade. For two years in a row, he won the \$50,000 winner-take-all purse at the Calgary Stampede.

All the while, he knew he needed a better saddle, something that offered him a more competitive stance. "Most people in the saddle business are manufacturers who don't ride or rope," he says. The only saddles he found were made for comfort, not competition.

So Slone designed what he wanted, got it made, and liked the results. So did rodeo pals who admired his creation and asked him to make saddles for them. He agreed, thinking he could simultaneously maintain the rodeo life. That was not to be. "It didn't work out," Slone says. "I could not compete at the same level."

In 1996, Slone took over an existing saddle-making business and learned the craft. In February 1997, he moved the business to Cuero because of its leather-experienced labor; nearby Yoakum was known for its thriving leather industry. And in 2000, Slone and his workers moved from downtown to a new barnlike building on Cuero's outskirts. It features a showroom in front and factory in rear. To remain competitive in a changing market, he recently opened another factory in Del Rio, where workers make less expensive beginner and trophy saddles.

Meanwhile, the Cuero plant continues to create custom saddles that sell for \$1,800 and up to customers who happen into his shop on the highway or find him on the Internet. Rodeo friends also help his business. “A rodeo career gives you credibility,” he says.

In future months, Slone will increase the size of his Cuero showroom and offer more small leather goods—briefcases, belts,

and bible covers. This will help him take advantage of fast-growing Internet sales.

Once again, Slone is finding the balance. “What doesn’t kill you makes you stronger,” he says. “We are positioning ourselves to be strong in the market.”

Photo by Barbara Elmore



Photos by Connie Rothe





Photos by Barbara Elmore



CALDWELL COUNTY

SIGN LANGUAGE

George Kalisek has trouble recalling the exact spelling of “barbecue” because he finished that sign when he was 13. Now past 50, he laughs as he tries to remember how he spelled “barbecue.”

These days, the sign-maker responsible for colorful images showing cows, sharks, watermelons and killer whales on Luling’s downtown streets thinks more about characters than words. His cheerful custom designs on wood decorate about a dozen pump jacks from one end of the oil town to another.

So how does this veteran sign-maker get the idea to design a shark chasing a small fish, or a gap-toothed boy eating a slice of watermelon? The first thing he has to consider is that the sign will be mounted on a beam. Then he thinks about the up-and-down motion of the pump. Thus the cow on a Pierce Street pump jack never tires of jumping over the moon, and the shark on South Magnolia never gets its fill of the smaller fish.

A local shop owner in Luling, Judy Hoffmeister of Tips Toes & Bows, first brought Kalisek’s work to Luling when she hired him to make a sign for her shop 21 years ago. “It was a great big bow and I kept it for years until it faded,” she said. Now it hangs on the inside.

She was on the board of the Luling Chamber of Commerce when the group first started talking about signs. She mentioned his work, and Kalisek met with the group. Since 2000, he has not only decorated the pump jacks but made more than 100 Christmas signs for Luling businesses, traveling from his home in Moulton every six weeks to make a delivery to a warehouse where the signs are stored.

Kalisek began creating signs full time in 1980 after working the family farm and making heels for boots on an assembly line.

At night, he created yard art and basic signs. One day he decided it was time to quit his job. Soon, people started requesting more yard items, and the more he made, the more he sold. Now he makes about 3,000 pieces of yard decor a year, as well as business signs.

“I don’t think I will ever retire. I will just slow down,” Kalisek says. “My dream, should I become independently wealthy, is to decorate the entire block where my shop is in Moulton.”

Photo by Barbara Elmore



Photo by Connie Rothe



Photo by Barbara Elmore



Photo by Barbara Elmore



Photo by Connie Rothe



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, 2010

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.



Linda C. Sandson

President

Jeffrey R. Enen

Executive Director



December 21, 2011

The Honorable Grace G. Kunde, Chair
and Members of the Board of Directors

Dear Chair Kunde and Directors,

The Comprehensive Annual Financial Report (CAFR) of the Guadalupe-Blanco River Authority (GBRA) for the fiscal year ended August 31, 2011, 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, financial statements, notes to the financial statements and more detailed combining and individual schedules. The notes to the 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 includes the report on compliance and on internal controls over financial reporting. A single audit was not required this year since GBRA did not receive sufficient federal grant funds to require such an audit. Accordingly, a single audit report is not included with this CAFR.

GBRA provides a variety of services including hydroelectric generation; water and wastewater treatment; treated water distribution; municipal, industrial and agricultural raw water supply; laboratory analyses; 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 seven 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 Sunfield Municipal Utility District's (MUD) Sunfield Wastewater Treatment Plant. GBRA began operating the plant in Fiscal Year 2009 utilizing personnel from the nearby City of Buda and Shadow Creek wastewater plants which GBRA also operates. GBRA's operation of these three plants using the same personnel provides a cost effective means for both the City and MUDs 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, industries 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 Comal Trace, Johnson Ranch, and Cordillera real estate developments.

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, which commenced operation in 1969, receives raw water from the Guadalupe River delivered through 20 miles of canals. GBRA 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* began in 1974 and currently operates and maintains a treated water distribution system to supply approximately 1,310 homes and businesses located throughout most of the unincorporated areas of Calhoun County.

The *Coleta Creek Division* operates and maintains the Coleta 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 Coleta Creek Power, LP. This division also operates and maintains recreation facilities that provide grounds for camping and picnicking as well as public access to the lake for fishing, swimming, and boating.

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

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

GBRA added the *Lockhart Division* to its list of operations on October 1, 1994. After signing a contract with the City of Lockhart during 1994, GBRA assumed the operation of the City's 1.1 million-gallon per day (MGD) wastewater treatment plant and began construction of a new 1.5 MGD plant that

became fully operational in February 1999. On October 1, 2000, the Lockhart Division was expanded further when GBRA assumed operation of the City's water well system and water treatment plant.

ECONOMIC CONDITION AND OUTLOOK

The Texas Economy. According to the Texas Comptroller of Public Accounts, the Texas State economy represents the world's 11th largest economy. Statistics that the Comptroller's office collects reveal that job growth, sales tax collections, and new vehicle sales are all signaling the fact that Texas has emerged from the recession better than most states. In fact unlike most states, Texas has regained approximately 94% of the jobs lost during the recession. This compares very favorably to the average job gain throughout the remainder of the nation which is stuck at a 26% job recovery level. There are a number of factors which allowed Texas to dodge many of the recession's worst consequences including the existence of large natural resource deposits, a unique mixture of timber land and land in agricultural production, ocean going import-export trade via four large Texas ports, a large trading partner just across the Rio Grande international border, a banking sector better capitalized than most of the remainder of the nation, and a housing market which had not inflated to unsustainable "bubble" levels prior to the recession. The Federal Reserve Bank of Dallas (Fed) reiterates these same State of Texas advantages in its Third Quarter 2011 Southwest Economy Publication. That publication further notes that as the nation's number one producer of cotton and beef, Texas has benefited from high commodity prices and increasing global demand.

Unfortunately, Texas is also mired in an exceptional drought which for all practical purposes covers the entire State. Conversation storage in the State's water supply reservoirs has dropped from 85% of capacity down to 68% during the past year. Several reservoirs, principally in West Texas, have less than 5% of capacity remaining behind the dam. This has caused agricultural losses which when coupled with losses in agricultural support industries could top \$20 billion. While water rationing and conservation has allowed most residents, municipalities, and industries to cope with the drought, significant rain and perhaps a new round of State water projects will be required to allow the State to recover and mitigate the effects of future droughts.

The Local Economy. GBRA's service area is geographically part of south central Texas. It stretches from the Texas 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, seawater ports, 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 suffered from the same economic forces slowing the national and state economy, it is GBRA's estimation that its service area emerged from the slowdown much more rapidly than other areas. Support for this opinion can be found in Economist Ray Perryman's July 29th newsletter. Dr. Perryman states that the Austin MSA which includes Hays County in GBRA's district "has returned to an expansionary pattern and is expected to remain one of the strongest performing areas of the nation." Perryman says about the San Antonio MSA which includes Comal and Kendall Counties of GBRA's district, "this area is likely to be a growth leader over the long-term horizon with approximately 508,000 new workers forecast to be added during the 2010 to 2035 period." One noteworthy growth factor benefiting the entire GBRA district has been the oil and gas exploration boom unleashed by the Eagle Ford Shale discovery. This formation stretches across several counties within GBRA's district and the economic impacts of the exploration have spread to the surrounding counties as well. According to the Federal Reserve Board of Dallas, the drilling rig count in Texas has grown by 28% during the last year with 914 rigs actively drilling and much of this is concentrated in the middle section of GBRA's district. GBRA's role in assisting the area's economy and population growth is to

continue providing high quality water and wastewater treatment while also seeking 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 2011 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 and stakeholder groups established by the Texas Legislature related to instream surface water flows, fresh water flows for bays and estuaries, the future desired conditions for Texas groundwater aquifers, and the proper regulation of the Edwards Aquifer. Because of the Guadalupe River's dependency upon water emanating from the Edwards Aquifer's Comal and San Marcos springs, GBRA helped to establish and participated in the development of a Recovery Implementation Plan for the aquifer in conjunction with other stakeholder groups. A major milestone was recently reached by the stakeholder group when a formal Habitat Conservation Plan (HCP) was adopted and sent to the Edwards Aquifer Authority and the United States Fish and Wildlife for their review and hopeful adoption. With the hoped for adoption of the HCP by these groups, it should end decades of contentiousness over the use of the Edwards Aquifer and establish a more equitable use regime, particularly during times of drought. Another major water and environmental related study project that GBRA participated in during the year was the Senate Bill 3 – Bays and Basin Area Stakeholder Group. The principal focus of this stakeholder effort was the determination of the range of water volumes in the Guadalupe River Basin that are necessary under various seasonal and other events to support environmental needs. This stakeholder group also recently completed its work and submitted a report to the Texas Commission on Environmental Quality. The TCEQ will use the report to determine what streamflow environmental requirements are appropriate for the Guadalupe River Basin and associated bays and estuaries. While GBRA continued to protect the existing Guadalupe River Basin water supplies during 2011, it was also planning the development of future supplies. Throughout Fiscal Year 2011, GBRA's staff and consultants were actively exploring future water supply projects. These potential future supply projects include both groundwater and surface water sources, and supplies from existing surface water permits as well as new permits.

Another major initiative that was underway during Fiscal Year 2011 was the termination of the Victoria Regional Wastewater Reclamation Division and the return of the two Victoria Plants to the City's operation and ownership. GBRA operated these plants on behalf of the City for forty (40) years but with the final payoff of the Division's associated debt and the expiration of the contract, the City decided to operate the plants. As a result, the first quarter of the fiscal year was consumed with transitioning human and physical assets from GBRA to the City of Victoria to ensure the proper treatment of wastes regardless of the operating entity.

Still another major initiative that GBRA participated in during Fiscal Year 2011 was a whooping crane endangered species lawsuit filed against the Texas Commission on Environmental Quality (TCEQ) by a group of parties located along the Texas Gulf Coast. The suit alleges that the TCEQ has mismanaged the water in the Guadalupe and San Antonio River basins during drought conditions to the detriment of the endangered whooping cranes. Since many of GBRA's water rights might be affected by this suit, GBRA sought and was granted intervention into the suit on the side of the TCEQ. The case is set to go to trial in the Corpus Christi Federal Court in December 2011. GBRA's opinion of the case is that the Plaintiff's position is without merit as the current whooping crane flock numbers are at a level higher than at any time since recovery efforts began.

A list of significant initiatives for Fiscal Year 2011 must also include GBRA's continuing support for three tax-exempt organizations which it helped to create and which work side-by-side with GBRA in the protection of the Guadalupe River Basin's natural resources. These organizations include the Guadalupe Blanco River Trust, San Antonio Bay Foundation, and the Gorge Preservation Society. GBRA's financial and staff support of these organizations allows each of them to work with volunteers, interested landowners, and other conservation minded organizations to recognize and protect many of the unique natural attributes of the Basin.

From an operational perspective, in many respects Fiscal Year 2011 was reasonably routine. No major storms impacted the Texas Gulf Coast and no floods occurred in the Guadalupe River Basin. The absence of any emergency conditions resulted in minimal overtime and call out hours and the completion of numerous maintenance and repair projects. However, Fiscal Year 2011 was not a normal year from a rainfall perspective. The Guadalupe River Basin as well as most of Texas suffered through the worst 12 months of drought on record. Operationally, the lack of rainfall significantly decreased GBRA's hydroelectric energy generation from approximately 89,350,000 kilo-watt hours of energy generated last year to 49,692,000 this year. The drought also resulted in Canyon Reservoir declining from a "full pond" at 909 feet mean sea level (msl) down to 899 msl today. If the drought persists another year, more stringent conservation measures may become necessary to stretch the remaining water until the drought subsides.

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 on committing existing surface water supplies that are currently not fully 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 beneficially used. 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 of GBRA's district. It is incumbent on both GBRA and the SB1 regional water planning group to continue to study 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 Texas's 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 on pages 42 through 46, GBRA continues to meet its responsibility for sound financial management. GBRA recommends readers 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.

Pension Plan Operations. The operations of the Retirement Plan for Employees of GBRA was favorable during the year as the actuarial value of the plan assets increased from \$12,024,270 as of January 1, 2010 to \$16,135,047 as of January 1, 2011 while the Plan's unfunded actuarial accrued liability (UAAL) decreased from \$8,583,000 down to \$5,307,487. The decrease in UAAL was the result of several factors with the most significant of these being a supplemental contribution of \$3,000,000 that GBRA made to the plan in August 2010. In an effort to further accelerate the reduction of the UAAL, GBRA made another supplemental contribution to the Plan in the amount of \$600,000 during August 2011. This supplemental contribution will be reflected on the January 1, 2012 actuarial valuation and GBRA believes that as a result, the funding ratio of the Plan will improve on that valuation from a low of 55% in calendar year 2009 up to approximately 78%.

Debt Administration. At August 31, 2011, GBRA had 10 bond issues outstanding. A schedule of those 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. 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 K. Each revenue bond issue is insured or credit rated based on the financial strength of GBRA's service contracts.

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. Interest earnings on investments were \$237,079 for Fiscal Year 2010 which compares to \$288,242 in interest earnings during Fiscal Year 2011. 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, 2011 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 100.44% of their book value and 101.06% of their par value as of August 31, 2011. 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 Lower Basin Operations Managers while monthly safety meetings are held by each of the divisions. A schedule of insurance coverage is included in the statistical section of this report.

Financial Policies, Rates and Structure. GBRA's financial policies and the resulting rates and financial structure provide support to the management and decision making of the organization. Since GBRA is not a taxing district, it must rely solely upon the service rates that are adopted and the customer revenue that is generated to support GBRA's projects and operations. One strategy that GBRA has adopted through the years to mitigate the volatility of its revenue stream is to diversify operations. One group of operations are "rate-based" and these operations are structured in such a way that financial gains and losses may result. A second group of operations are "contract-based" and these operations are structured to yield an exact cost of service to customers with no corresponding financial gain or loss to GBRA. This strategy has allowed GBRA to expand its operations through the years, meet its legislative mandate of providing water and wastewater services, minimize financial risk, while still accumulating the financial reserves important to any viable organization. Another rate strategy that GBRA has employed is the requirement of a debt coverage factor on all bond issues that are of a regional, multi-customer nature. This coverage factor has allowed GBRA to expand its financial reserves and position the organization to assimilate the monetary impacts of natural disasters, unscheduled repair projects, customer defaults while also providing funds for new project start up. These strategies have been particularly useful this past year in dealing with the effects of the drought, ongoing whooping crane lawsuit, and studies to determine the most appropriate new water supply project.

OTHER INFORMATION

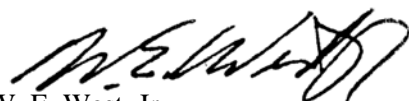
Independent Audit. Section 50.371 of the Texas Water Code requires an annual audit of the GBRA's accounting records by the state auditor or by an independent certified public accountant selected by the Board of Directors. The firm of Thompson, Williams, Biediger, Kastor & Young, LC was selected by the Board for the 2011 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, 2010. 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 37 consecutive fiscal years (1973-2010). 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 AUDITOR'S REPORT



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

CERTIFIED PUBLIC ACCOUNTANTS
MEMBERS AMERICAN INSTITUTE OF
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 years ended August 31, 2011 and 2010, 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 audits.

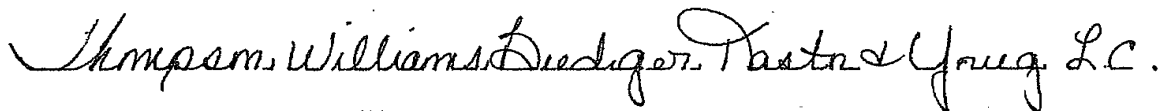
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan 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 audits provide 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, 2011 and 2010, and the respective changes in financial position and cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2011 on our consideration of Guadalupe-Blanco River Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress on pages 42 through 46 and page 67 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise Guadalupe-Blanco River Authority's financial statements as a whole. The introductory section, other supplemental schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The other supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements 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 do not express an opinion or provide any assurance on them.



Certified Public Accountants

San Antonio, Texas

December 21, 2011

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 implemented the provisions of the Government Accounting Standards Board Statement Number 34 (GASB 34) in 2002 and as such, the MD&A that follows presents a comparison of each of the last three years.

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 are utilized.
- **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 Years 2011, 2010 and 2009 respectively, assets exceeded liabilities by \$65,091,678; \$64,900,534; and \$61,954,814. During this three year period, Net Assets have increased \$3,136,864 which indicates a continued improvement in GBRA's financial position. A significant reason for this increase in Net Assets is the underlying \$6,292,918 increase in Other Assets during the same period. Included within the Other Assets

increase is an increase of long-term investments of \$2,931,752 due to positive cash flows from operations and a net pension asset of \$4,106,444 due to supplemental pension plan contributions. GBRA initiated these supplemental pension contributions to reverse the declining pension plan funded balance precipitated by the financial market meltdown of 2008-09. Other significant account changes include the \$2,444,627 decrease in Investments in Capital Assets Net of Related Debt. This change is principally the result of terminating the Victoria Regional Wastewater Reclamation Division at the end of its forty year contract period and return the operation of the Division's two plants to the City of Victoria. The following table presents a Condensed Balance Sheet for August 31, 2011, 2010 and 2009:

GUADALUPE-BLANCO RIVER AUTHORITY			
CONDENSED BALANCE SHEET			
AUGUST 31, 2011, 2010, AND 2009			
ASSETS	2011	2010	2009
Current Assets			
Unrestricted Assets	\$ 10,943,736	\$ 9,425,246	\$ 11,387,970
Restricted Assets	6,677,557	8,685,924	13,712,493
Long-Term Assets			
Restricted Assets	3,519,141	3,025,803	926,746
Capital Assets	185,435,861	186,572,143	190,201,088
Other Assets	16,370,113	16,331,596	10,077,195
Total Assets	\$ 222,946,408	\$ 224,040,712	\$ 226,305,492
LIABILITIES AND NET ASSETS			
Current Liabilities			
Payable from Current Assets	\$ 4,269,626	\$ 4,119,102	\$ 4,099,619
Payable from Restricted Assets	7,011,225	7,267,561	7,103,351
Long-Term Liabilities			
Bonds and Loans Payable	138,750,165	137,691,439	143,971,931
Advances for Operations	489,947	514,030	509,820
Deferred Income	7,333,767	9,548,046	8,665,957
Total Liabilities	157,854,730	159,140,178	164,350,678
NET ASSETS			
Investments in Capital Assets Net of Related Debt	\$ 40,790,810	\$ 43,235,437	\$ 40,582,695
Restricted for Construction	527,138	1,160,355	1,029,472
Restricted for Debt Service	3,688,262	4,238,092	5,635,160
Restricted for Insurance	1,171,147	1,122,877	4,051,178
Unrestricted	18,914,321	15,143,773	10,656,309
Total Net Assets	65,091,678	64,900,534	61,954,814
Total Liabilities and Net Assets	\$ 222,946,408	\$ 224,040,712	\$ 226,305,492

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, 2011, 2010 and 2009:

GUADALUPE-BLANCO RIVER AUTHORITY			
COMBINED STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS			
FISCAL YEARS ENDED AUGUST 31, 2011, AUGUST 31, 2010, AND AUGUST 31, 2009			
REVENUE	2011	2010	2009
Program Revenues			
General Operating	\$ 2,399,699	\$ 2,424,228	\$ 2,522,530
Recreation and Land Use	1,530,967	1,488,608	1,621,988
Hydroelectric Generation	4,286,489	4,112,320	3,165,208
Water Treatment & Distribution	33,537,536	32,476,705	33,374,916
Waste Water Treatment	4,294,646	6,384,223	6,749,053
Interfund Eliminations	(2,399,623)	(2,368,385)	(2,432,480)
Total Revenues	<u>43,649,714</u>	<u>44,517,699</u>	<u>45,001,215</u>
EXPENSES			
Program Expenses			
General Operating	2,057,017	2,204,192	2,148,832
Recreation and Land Use	1,552,674	1,584,768	1,747,402
Hydroelectric Generation	3,832,811	3,696,431	3,467,499
Water Treatment & Distribution	23,670,202	22,488,464	22,730,472
Waste Water Treatment	4,491,665	6,169,499	6,842,255
Interfund Eliminations	(2,399,623)	(2,368,385)	(2,432,480)
Total Expenses	<u>33,204,746</u>	<u>33,774,969</u>	<u>34,503,980</u>
NON OPERATING REVENUES (EXPENSES)			
Grant Income	549,534	430,424	242,557
Investment Income	288,242	237,079	475,308
Gain (Loss) on Disposal of Capital Assets	(1,748,901)	16,790	(2,704)
Interest Expense	(6,812,918)	(7,184,205)	(7,410,716)
Total Non Operating Revenues (Expenses)	<u>(7,724,043)</u>	<u>(6,499,912)</u>	<u>(6,695,555)</u>
Income Before Recognition of Capital Contributions and Deferrals	2,720,925	4,242,818	3,801,680
Capital Contributions	<u>-</u>	<u>414,096</u>	<u>1,300,256</u>
Net Income Before Recognition of Deferrals	2,720,925	4,656,914	5,101,936
Revenue to be Recognized in Future Years	<u>(534,847)</u>	<u>(1,015,402)</u>	<u>(705,993)</u>
Income Before Special Items	2,186,078	3,641,512	4,395,943
SPECIAL ITEMS			
Costs for the Whooping Crane Endangered Species Lawsuit	(1,994,934)	(1,195,792)	-
Supplementary Contribution to Defined Benefit Plan	<u>-</u>	<u>-</u>	<u>(500,000)</u>
Change in Net Assets	191,144	2,445,720	3,895,943
Net Assets September 1, 2010 and 2009 and 2008	64,900,534	61,954,814	58,058,871
Restatement of Net Assets	<u>-</u>	<u>500,000</u>	<u>-</u>
Net Assets September 1, 2010 and 2009 and 2008	<u>64,900,534</u>	<u>62,454,814</u>	<u>58,058,871</u>
Net Assets August 31, 2011 and 2010 and 2009	<u>\$ 65,091,678</u>	<u>\$ 64,900,534</u>	<u>\$ 61,954,814</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 Years 2011, 2010, and 2009 increases in Net Assets of \$191,144, \$2,445,720, and \$3,895,943 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 Condensed Statement of Revenues, Expenses and Changes in Net Assets. From these components, one can readily ascertain that the significant reduction in growth of Net Assets during FY 2011 was the expenditures related to GBRA's involvement in a Whooping Crane endangered species lawsuit. Since this case has serious implications on the management of water rights within the State of Texas, including GBRA's water rights, GBRA's involvement is essential. Nevertheless, the case is set to go to trial in December 2011 and as such, this expenditure should be considered infrequent in occurrence as one projects GBRA's future financial results.

Contributing to the increase in Net Assets was a stable revenue stream over the past three years which averaged \$44,389,542, a stable expense level which averaged \$33,827,898 during the same time period, and the differential between the two. It is apparent in the reviewing the actual yearly results of the revenue and expense totals that both line items declined during the 3 year period. While various factors caused this result, the principle factor was the transition of the Victoria Wastewater Division from GBRA operation back to the City of Victoria effective January 1, 2011.

GBRA's normal, annual contributions into its Defined Benefit Pension Plan have been in the amounts of \$764,425; \$970,248; and \$1,020,832 for Fiscal Years 2009, 2010, and 2011 respectively. Due to declining equity market conditions throughout much of 2008 and 2009 and due to GBRA's adoption of more conservative actuarial assumptions, the Plan's Unfunded Actuarial Accrued Liability (UAAL) increased \$2,303,132 between the January 1, 2008 and 2010 actuarial reports. In order to start to arrest this increasing UAAL, the GBRA Board of Directors approved supplemental contributions into the Plan of \$4,100,000 over the last three years. Additional supplemental contributions may also be approved in those future years when GBRA's annual financial operating results are favorable.

Capital Asset and Long-Term Debt Activity

As of August 31, 2011, 2010, and 2009 respectively, GBRA's total investment in capital assets net of depreciation were \$185,435,861, \$186,572,143, and \$190,201,088. 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 declined by 2.5% or \$4,765,227 during period FY 2009-2011. The principal reason for this asset decrease was the return of assets to the City of Victoria when the City elected to terminate GBRA's operating contract and resume ownership and operation of the associated plants after 40 years.

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, exclusive of bond discounts and premiums, as of August 31, 2009, 2010, and 2011 respectively were \$137,500,000; \$132,305,000; and \$133,875,000. Between Fiscal Years 2009 and 2011, revenue bonds outstanding decreased by \$3,625,000 which represents the annual principal repayment on the existing ten GBRA bond issues. GBRA's long-term loans outstanding as of fiscal year end 2009, 2010, and 2011 respectively amounted to \$11,232,658; \$10,360,529; and \$9,732,455. These declining amounts represent the annual principal repayments of the various loans.

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

Infrastructure

GBRA recognizes all equipment and infrastructure with an original cost greater than \$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, 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 generally very good. Most of GBRA's equipment and infrastructure is generally less than 30 years old, with much of it being less than 15 years old, nevertheless this equipment is subject to the ongoing preventive maintenance program. One area of concern is the infrastructure within the Guadalupe Valley Hydroelectric System (GV Hydro). This system is comprised of six low-head hydroelectric dams, power houses and ancillary equipment all of which was originally constructed in the 1920's and 1930's. Due to the age of many of the GV Hydro components and an inadequate amount of funds to fully address all equipment replacement needs, a major emphasis will be required in the next few years to return this System to the level of equipment condition present in GBRA's other operations. An essential first step in this GV Hydro upgrade effort has already been initiated with the completion of a hydroelectric rate study and an agreement on an increased rate with the System's sole customer.

Other Potentially Significant Matters

The GBRA Board of Directors established on October 1, 2011 a rate of \$114 per acre-foot per year for committed, firm raw water. Presently, GBRA contracts with about 100 customers throughout the GBRA district to commit approximately 89,487 acre-feet of firm, raw water. Currently the source of this water is water stored in Canyon Reservoir. The permitted yield of Canyon Reservoir is 90,000 acre-feet per year which essentially means that GBRA has fully committed the Reservoir to customers. Therefore in the future, GBRA must develop new sources of water to supply customers but these new supplies are expected to be considerably more expensive than current supplies. This has the potential to create a difficult transition for GBRA and its customers as higher priced water is financially blended with today's lower priced water.

A small group of plaintiffs filed a federal lawsuit in Corpus Christi, Texas against the Texas Commission on Environmental Quality (TCEQ) during 2010. The suit alleges that the TCEQ has mismanaged the water rights in the Guadalupe and San Antonio River Basins and as a result, insufficient freshwater reaches the San Antonio Bay during droughts thereby adversely impacting the whooping cranes, listed as an endangered species under the Federal Endangered Species Act (Act). The federal judge has allowed GBRA to intervene in the case on the side of the TCEQ to protect its water rights in the Guadalupe River Basin. GBRA does not agree with the plaintiffs allegations nor does GBRA believe plaintiffs can prove the basic cause and effect between freshwater flows and whooping crane health as required by the Act. Therefore, GBRA does not believe this case will diminish its State approved water rights or its financial position.

GUADALUPE-BLANCO RIVER AUTHORITY
BALANCE SHEET

AUGUST 31, 2011 AND 2010

ASSETS	2011	2010
CURRENT ASSETS		
Unrestricted Assets		
Cash and Cash Equivalents	\$ 3,860,027	\$ 3,514,911
Investments-Unrestricted	4,720,223	3,591,129
Interest Receivable.....	57,191	68,264
Accounts Receivable-Operating.....	1,855,419	1,812,287
Other Current Assets.....	450,876	438,655
Total Unrestricted Assets.....	10,943,736	9,425,246
Restricted Assets		
Cash and Cash Equivalents	4,340,292	6,212,452
Investments-Restricted	2,297,692	2,442,071
Interest Receivable.....	39,573	31,401
Total Restricted Assets.....	6,677,557	8,685,924
Total Current Assets.....	17,621,293	18,111,170
LONG-TERM ASSETS		
Restricted Assets		
Investments-Restricted	3,519,141	3,025,803
Total Restricted Assets.....	3,519,141	3,025,803
Capital Assets		
Land, Water and Storage Rights.....	35,296,772	29,300,163
Dams, Plants and Equipment.....	206,155,319	216,524,560
Construction In Progress.....	177,223	2,737,183
Less Accumulated Depreciation.....	(56,193,453)	(61,989,763)
Total Capital Assets.....	185,435,861	186,572,143
Other Assets		
Investments-Unrestricted	7,667,512	7,890,967
Long-Term Loans Receivable	190,811	203,682
Contract Development Costs (Net of Amortization).....	29,528	35,869
Debt Issuance Costs (Net of Amortization).....	2,582,125	2,621,845
Permits and Licenses (Net of Amortization).....	583,922	612,437
Project Development Costs.....	648,862	538,834
Net Pension Asset.....	4,106,444	3,500,000
Deferred Costs and Expenses.....	560,909	927,962
Total Other Assets.....	16,370,113	16,331,596
Total Long-Term Assets.....	205,325,115	205,929,542
Total Assets.....	\$ 222,946,408	\$ 224,040,712
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
Payable from Unrestricted Assets		
Current Portion of Long-Term Loans Payable.....	\$ 514,588	\$ 503,333
Interest Payable.....	63,741	67,209
Accounts Payable-Operating.....	3,691,297	3,548,560
Total Current Unrestricted Liabilities.....	4,269,626	4,119,102
Payable from Restricted Assets		
Current Portion of Revenue Bonds.....	5,220,000	5,415,000
Current Portion of Long-Term Loans Payable.....	159,103	149,956
Interest Payable.....	1,632,122	1,702,605
Total Current Restricted Liabilities.....	7,011,225	7,267,561
Total Current Liabilities.....	11,280,851	11,386,663
LONG-TERM LIABILITIES		
Revenue Bonds Payable.....	134,911,400	133,399,199
Long-Term Loans Payable.....	9,732,456	10,360,529
	144,643,856	143,759,728
Less Current Portion.....	(5,893,691)	(6,068,289)
Total Bonds and Loans Payable.....	138,750,165	137,691,439
Advances for Operations.....	489,947	514,030
Deferred Income.....	7,333,767	9,548,046
Total Long-Term Liabilities.....	146,573,879	147,753,515
Total Liabilities.....	157,854,730	159,140,178
NET ASSETS		
Investments in Capital Assets Net of Related Debt	40,790,810	43,235,437
Restricted for Construction.....	527,138	1,160,355
Restricted for Insurance.....	1,171,147	1,122,877
Restricted for Debt Service.....	3,688,262	4,238,092
Unrestricted	18,914,321	15,143,773
Total Net Assets	65,091,678	64,900,534
Total Liabilities and Net Assets.....	\$ 222,946,408	\$ 224,040,712

The accompanying notes are an integral part of this statement.

GUADALUPE-BLANCO RIVER AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
FISCAL YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
REVENUE		
Power Sales.....	\$ 4,192,271	\$ 4,040,510
Water Sales and Lake Operations.....	31,615,931	31,054,841
Recreation and Land Use.....	665,450	568,247
Waste Water Treatment Services.....	4,273,817	6,107,928
Laboratory Services.....	736,451	759,958
Rental.....	357,296	358,802
Miscellaneous	1,808,498	1,627,413
Total Operating Revenue.....	<u>43,649,714</u>	<u>44,517,699</u>
EXPENSES		
Personnel Operating Costs.....	9,454,599	9,942,404
Operating Supplies and Services.....	13,340,648	13,288,880
Maintenance and Repairs	4,272,751	4,416,585
Depreciation and Amortization.....	6,136,748	6,127,100
Total Operating Expenses.....	<u>33,204,746</u>	<u>33,774,969</u>
Operating Income	<u>10,444,968</u>	<u>10,742,730</u>
NONOPERATING REVENUES (EXPENSES)		
Grant Income.....	549,534	430,424
Investment Income.....	288,242	237,079
Gain (Loss) on the Disposal of Capital Assets.....	(1,748,901)	16,790
Interest Expense	(6,812,918)	(7,184,205)
Total Nonoperating Revenues (Expenses).....	<u>(7,724,043)</u>	<u>(6,499,912)</u>
Income Before Recognition of Capital Contributions and Deferrals.....	<u>2,720,925</u>	<u>4,242,818</u>
Capital Contributions.....	-	414,096
Income Before Recognition of Deferrals.....	<u>2,720,925</u>	<u>4,656,914</u>
Revenue to be Recognized in Future Years	<u>(534,847)</u>	<u>(1,015,402)</u>
Income Before Special Item.....	<u>2,186,078</u>	<u>3,641,512</u>
SPECIAL ITEM		
Costs Associated with the Whooping Crane Endangered Species Lawsuit.....	(1,994,934)	(1,195,792)
Change in Net Assets.....	<u>191,144</u>	<u>2,445,720</u>
Net Assets at September 1, 2010 and 2009.....	64,900,534	61,954,814
Restatement of Net Assets.....	<u>--</u>	<u>500,000</u>
Net Assets at September 1, 2010 and 2009, as restated.....	<u>64,900,534</u>	<u>62,454,814</u>
Net Assets at August 31, 2011 and 2010.....	<u>\$ 65,091,678</u>	<u>\$ 64,900,534</u>

The accompanying notes are an integral part of this statement.

GUADALUPE-BLANCO RIVER AUTHORITY
STATEMENT OF CASH FLOWS

FISCAL YEARS ENDED AUGUST 31, 2011 AND 2010

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers.....	\$ 43,627,247	\$ 44,742,350
Cash Received from Interfund Administrative Charges.....	2,399,623	2,368,385
Cash Paid for Personnel Operating Costs.....	(9,588,298)	(10,070,015)
Cash Paid for Other Operating and Maintenance Costs.....	(17,513,956)	(17,477,852)
Cash Paid for Interfund Administrative Charges.....	(2,265,924)	(2,240,774)
Cash Paid for Supplementary Contribution to Defined Benefit Plan.....	(606,444)	(3,000,000)
Costs Associated with Whooping Crane Endangered Species Lawsuit.....	(1,994,934)	(1,195,792)
Net Cash Flows From Operating Activities.....	14,057,314	13,126,302
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES:		
Cash Received from Grants.....	549,534	430,424
Net Cash Flows Used by Noncapital and Related Activities.....	549,534	430,424
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Advances from Customers, Developers, and Other Governmental Units.....	64,058	444,846
Proceeds from Revenue Bonds and Loans for Capital Assets and Plant Expansion.....	22,470,657	12,436
Proceeds from Sale of Capital Assets.....	75,921	16,737
Purchase of Capital Assets.....	(8,669,175)	(1,462,461)
Cash Paid for Construction in Progress.....	(209,162)	(1,087,610)
Interest Paid.....	(6,863,256)	(7,159,368)
Principal Payments on Revenue Bonds.....	(21,381,406)	(5,309,452)
Principal Payments on Loans.....	(658,073)	(872,129)
Net Cash Flows Used by Capital and Related Financing Activities.....	(15,170,436)	(15,417,001)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Investments	1,368,195	6,746,343
Investment Income Received.....	441,143	297,759
Cash Paid for Investments	(2,772,794)	(5,945,389)
Net Cash Flows Used by Investing Activities.....	(963,456)	1,098,713
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	(1,527,044)	(761,562)
CURRENT CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	3,514,911	5,112,310
At End of Year.....	3,860,027	3,514,911
Net Increase.....	345,116	(1,597,399)
RESTRICTED CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	6,212,452	5,376,615
At End of Year.....	4,340,292	6,212,452
Net Decrease.....	(1,872,160)	835,837
TOTAL CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	9,727,363	10,488,925
At End of Year.....	8,200,319	9,727,363
NET CHANGE IN CASH AND CASH EQUIVALENTS.....	\$ (1,527,044)	\$ (761,562)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$ 10,444,968	\$ 10,742,730
Adjustments to Reconcile Operating Income to Net Cash Flows		
From Operating Activities:		
Depreciation and Amortization.....	6,136,748	6,127,099
Supplementary Contributions to the Defined Benefit Plan.....	(606,444)	(3,000,000)
Costs Associated with Whooping Crane Endangered Species Lawsuit.....	(1,994,934)	(1,195,792)
Net Change in Assets and Liabilities from Operating Activities:		
Operating Accounts Receivable.....	486,137	93,013
Other Current Assets.....	(12,221)	35,502
Operating Accounts Payable.....	(396,940)	323,750
Total Adjustments.....	3,612,346	2,383,572
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	\$ 14,057,314	\$ 13,126,302

NON-CASH TRANSACTIONS SCHEDULE

1. During fiscal year 2011 and 2010, an adjustment of \$125,076 and \$39,883 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, 2011 AND 2010

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 financial statements. These policies, as presented, should be viewed as an integral part of the accompanying 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 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 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:

<u>Asset</u>	<u>Service Lives</u>	<u>Depreciation Method</u>
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, 2011 and 2010 amounted to \$453,890 and \$457,376, 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, 2011 and August 31, 2010, GBRA had no contingencies.
- 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.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2011 AND 2010

16. **Capitalization of Interest.** It is GBRA's policy to capitalize net interest costs on funds borrowed to finance the construction of fixed assets. GBRA recorded no interest expense and interest income of \$171 as construction in progress in 2011 for the Regional Raw Water Delivery System Expansion project.
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.
18. **Reclassification.** Certain 2010 amounts have been reclassified to conform with 2011 classifications. These classifications have no effect on net assets in a prior year.

NOTE B - LONG TERM LIABILITIES

GBRA currently has \$143,607,455 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, 2011 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
				\$9,732,456				\$133,874,999
2012	1,081,053	407,362	673,691	9,058,765	11,589,605	6,369,605	5,220,000	128,654,999
2013	1,074,071	378,733	695,338	8,363,427	11,606,899	6,156,899	5,450,000	123,204,999
2014	1,000,120	349,817	650,303	7,713,124	11,602,508	5,952,508	5,650,000	117,554,999
2015	942,708	323,891	618,817	7,094,307	10,528,350	5,738,351	4,789,999	112,765,000
2016	3,647,795	211,544	3,436,251	3,658,056	10,555,613	5,545,613	5,010,000	107,755,000
2017	430,978	108,282	322,696	3,335,360	10,258,520	5,343,520	4,915,000	102,840,000
2018	430,978	98,771	332,207	3,003,153	9,619,446	5,139,446	4,480,000	98,360,000
2019	430,978	88,959	342,019	2,661,134	9,620,535	4,925,535	4,695,000	93,665,000
2020	430,978	78,852	352,126	2,309,008	9,618,776	4,698,776	4,920,000	88,745,000
2021	430,978	68,399	362,579	1,946,429	9,630,596	4,460,596	5,170,000	83,575,000
2022	400,334	57,888	342,446	1,603,983	9,632,110	4,207,110	5,425,000	78,150,000
2023	369,700	48,939	320,761	1,283,222	9,635,583	3,950,583	5,685,000	72,465,000
2024	369,690	40,101	329,589	953,633	9,649,792	3,679,792	5,970,000	66,495,000
2025	369,690	31,006	338,684	614,949	9,028,630	3,403,630	5,625,000	60,870,000
2026	369,689	21,644	348,045	266,904	9,024,420	3,124,420	5,900,000	54,970,000
2027	60,800	12,011	48,789	218,115	9,030,474	2,830,474	6,200,000	48,770,000
2028	60,800	9,815	50,985	167,130	8,720,519	2,520,519	6,200,000	42,570,000
2029	60,800	7,521	53,279	113,851	8,717,499	2,207,499	6,510,000	36,060,000
2030	60,800	5,124	55,676	58,175	8,303,489	1,878,489	6,425,000	29,635,000
2031	60,789	2,614	58,175	--	7,756,598	1,561,598	6,195,000	23,440,000
2032					7,754,530	1,244,530	6,510,000	16,930,000
2033					7,756,281	911,281	6,845,000	10,085,000
2034					2,435,748	560,748	1,875,000	8,210,000
2035					2,438,181	458,181	1,980,000	6,230,000
2036					2,429,726	349,726	2,080,000	4,150,000
2037					2,430,698	235,698	2,195,000	1,955,000
2038					1,065,242	115,242	950,000	1,005,000
2039					1,064,255	59,255	1,005,000	--
	<u>\$ 12,083,729</u>	<u>\$ 2,351,273</u>	<u>\$ 9,732,456</u>		<u>\$221,504,623</u>	<u>\$ 87,629,624</u>	<u>\$133,874,999</u>	

GUADALUPE BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

NOTE B – LONG-TERM LIABILITIES (CONTINUED)

GBRA had the following changes in long-term liabilities for the fiscal years ended August 31, 2011 and 2010 (exclusive of interfund loans payable).

Series	Date of Issue	Final Maturity	Effective Interest Rate	Original Amount	Outstanding 8/31/2009	Retired During FY 2010	Outstanding 8/31/2010	Retired During FY 2011	Outstanding 8/31/2011	Amounts Due Within One Year
OBLIGATIONS PAYABLE DIRECTLY BY GBRA										
GENERAL DIVISION										
Casteel Loan, Property	08/21/2009	2014	6.5%	\$ 210,475	\$ 210,475	\$ 210,475	\$ --	\$ --	\$ --	\$ --
GUADALUPE VALLEY HYDROELECTRIC DIVISION										
First Lockhart Nat'l Bank Loan, Equipment	11/17/2008	2013	3.9%	110,000	94,857	20,896	73,961	21,746	52,215	22,627
First Lockhart Nat'l Bank Loan, Equipment	02/17/2011	2014	3.5%	30,000	--	--	--	4,781	25,219	9,821
RURAL UTILITIES DIVISION										
Wells Fargo Loan, Dunlap Construction	09/15/2005	2015	6.1%	4,400,000	4,022,909	141,335	3,881,574	149,956	3,731,618	159,103
WATER RESOURCE DIVISION										
U. S. Government Loan	01/01/1977	2026	2.5%	8,979,862	4,235,565	203,006	4,032,559	208,072	3,824,487	213,278
GE Capital Public Finance Loan, Equipment	03/19/2004	2014	4.8%	467,276	239,372	48,453	190,919	50,850	140,069	53,365
PNC Equipment Finance Loan, Lab Equipment	12/21/2005	2010	4.38%	65,000	16,385	13,993	2,392	2,392	--	--
JPMorgan Chase Loan, Office Expansion	05/09/2006	2016	4.18%	1,600,000	1,066,667	160,000	906,667	160,000	746,667	160,000
Frost National Bank Loan, Equipment	06/26/2006	2011	4.95%	43,696	16,537	9,273	7,264	7,264	--	--
American Bank Loan, Lab Equipment	12/29/2006	2010	4.20%	120,000	14,105	14,105	--	--	--	--
A. Ussery, Water Rights	09/26/2006	2031	4.50%	343,496	310,150	8,543	301,607	8,928	292,679	9,329
Luling Foundation, Water Rights	09/26/2006	2031	4.50%	584,706	527,944	14,543	513,401	15,201	498,200	15,881
Metcalf Bank Loan, Lab Equipment	10/20/2008	2014	5.25%	102,945	90,339	19,064	71,275	20,089	51,186	21,170
General Improvement Revenue Bonds, 2002	09/15/2002	2027	3.35-4.75%	4,390,000	3,630,000	130,000	3,500,000	3,500,000	--	--
General Improvement & Ref. Rev. Bonds, 2011	04/13/2011	2030	3.0-4.625%	10,745,000	--	--	--	595,000	10,150,000	420,000 (1)
Total Obligations Payable Directly by GBRA				\$32,192,456	\$14,475,305	\$993,686	\$13,481,619	\$4,744,279	\$19,512,340	\$1,084,574
CONTRACT REVENUE BONDS AND LOANS										
WATER RESOURCE DIVISION										
Regional Raw Water Delivery System Bonds, San Marcos										
1998	09/15/1998	2024	4.50-6.0%	\$9,735,000	\$7,090,000	\$340,000	\$6,750,000	\$6,750,000	\$ --	\$ --
Western Canyon Regional Water Supply Project Revenue Bonds										
2003	04/01/2003	2033	3.0-5.25%	79,450,000	73,310,000	1,685,000	71,625,000	1,755,000	69,870,000	1,825,000
IH35 Project Combination Contract Revenue Bonds										
2004A	12/07/2004	2037	3.0-4.13%	15,660,000	15,100,000	290,000	14,810,000	300,000	14,510,000	310,000
IH35 Project Combination Contract Revenue Bonds										
2004B	12/07/2004	2037	5.5-5.8%	5,305,000	5,160,000	80,000	5,080,000	85,000	4,995,000	90,000
RRWDS Combination Contract Revenue Bonds										
2007A	09/15/2007	2039	5.00%	9,180,000	9,180,000	145,000	9,035,000	145,000	8,890,000	150,000
RRWDS Combination Contract Revenue Bonds										
2007B	09/15/2007	2039	7.10%	5,775,000	5,775,000	65,000	5,710,000	65,000	5,645,000	70,000
Regional Raw Water Delivery System Contract Revenue Ref Bonds, San Marcos										
2010	09/01/2010	2024	2.0-3.25%	\$6,895,000	--	--	--	415,000	6,480,000	420,000 (2)
PORT LAVACA WATER TREATMENT PLANT DIVISION										
Frost National Bank, Clearwell										
	03/04/2008	2022	4.00%	400,000	387,356	8,446	378,910	8,795	370,115	9,117
Water Supply Revenue Refunding Bonds										
2000	12/15/2000	2016	4.50-5.375%	3,265,000	1,865,000	230,000	1,635,000	1,385,000	250,000	250,000
Water Supply Revenue Refunding Bonds										
2011	08/16/2011	2016	2.00%	1,205,000	--	--	--	--	1,205,000	25,000 (3)
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	870,000	435,000	435,000	435,000	--	-- (4)
Regional Waste Disposal Revenue Bonds										
1996	07/18/1996	2010	2.9-4.75%	3,750,000	675,000	330,000	345,000	345,000	--	--
LULING WATER TREATMENT PLANT DIVISION										
Treated Water Delivery System Contract Revenue Bonds (City of Lockhart)										
2004	05/01/2004	2030	3.0-5.0%	6,370,000	5,755,000	165,000	5,590,000	175,000	5,415,000	180,000
CANYON HYDROELECTRIC DIVISION										
Hydroelectric Project Revenue Refunding Bonds										
2002	04/15/2002	2014	3.5-4.75%	9,705,000	4,725,000	850,000	3,875,000	905,000	2,970,000	945,000 (5)

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

NOTE B – LONG-TERM LIABILITIES (CONTINUED)

Series	Date of Issue	Final Maturity	Effective Interest Rate	Original Amount	Outs tanding 8/31/2009	Reti red During FY 2010	Outs tanding 8/31/2010	Reti red During FY 2011	Outs tanding 8/31/11	Amounts Due Within One Year
LOCKHART WASTEWATER RECLAMATION DIVISION										
Regional Wastewater Treatment System Contract Revenue Bonds										
1996	04/02/1996	2017	2.85%-4.55%	5,480,000	4,365,000	450,000	3,915,000	3,915,000	--	--
Regional Wastewater Treatment System Contract Revenue Refunding Bonds										
2010	09/08/2010	2017	1.5%-2.5%	4,025,000	--	--	--	530,000	3,495,000	535,000 (6)
Total Contract Revenue Bonds and Loans				<u>\$17,120,000</u>	<u>\$134,257,356</u>	<u>\$5,073,446</u>	<u>\$129,183,910</u>	<u>\$17,213,795</u>	<u>\$124,095,115</u>	<u>\$4,809,117</u>

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

\$48,732,661 \$42,665,529 \$43,607,455 \$5,893,691

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

8/31/2010 8/31/2011

Less Revenue Bond Discounts and Deferred Defeasance
Plus Revenue Bond Premiums

\$42,665,529 \$43,607,455
(554,029) (661,228) (1)
1,648,228 1,697,629 (5)

Net Revenue Bonds and Long-Term Loans Payable

43,759,728 44,643,856

Less Current Portion

(6,068,289) (5,893,691)

TOTAL BONDS AND LOANS PAYABLE

\$137,691,439 \$138,750,165

INTERDIVISION LOANS ELIMINATED FROM COMBINED BALANCE SHEET

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

Guadalupe Valley Hydroelectric Division
Rural Utilities Division
Water Supply Division
Colto Creek Division

8/31/2010 8/31/2011
\$2,100,034 \$2,197,234
1,595,000 1,797,100
1911,904 1,611,029
122,707 100,000
\$5,729,645 \$5,705,363

Total Long-term loans payable to the General Division

- GBRA issued in Fiscal Year 2011 General Improvement and Refunding Revenue Bonds, Series 2011. These bonds were issued to retire the General Improvement Revenue Bonds, Series 2002 and to provide funds for the lump sum buy-out of the Water Right Subordination Agreement between GBRA and the City of Seguin. The refunding of the 2002 General Improvement Revenue Bonds produced an economic loss of \$27,473, but was necessary to remove bond covenants in the 2002 bonds to facilitate the new money portion of the bond. GBRA's buy-out of the Water Right Subordination agreement effectively produced a savings of approximately \$4,295,500. Bonds outstanding that are considered defeased as a result of the current year refunding are \$3,500,000.
- GBRA issued in Fiscal Year 2011 Regional Raw Water Delivery System Contract Revenue Refunding Bonds, Series 2010 (City of San Marcos portion). These bonds were issued to retire the 1998 bonds, except for the September 1, 2010 payment of \$340,000. As a result of the refunding, GBRA reduced its total debt service requirement by \$842,606 and produced a net present value savings (economic gain) of \$848,929. Bonds outstanding that are considered defeased as a result of the current year refunding are \$0.
- GBRA issued in Fiscal Year 2011 Water Supply Revenue Refunding Bonds, Series 2011 (Port Lavaca Water Treatment Plant Project). These bonds were issued to retire the Series 2000 bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$44,115 and produced a net present value savings (economic gain) of \$39,856. Bonds outstanding that are considered defeased as a result of the current year refunding are \$1,145,000.
- 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 fully amortized the discount over the life of the bonds using the effective interest method. 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, 2011 and 2010 was \$11,455 and \$13,825 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.
- GBRA issued in Fiscal Year 2011 Contract Revenue Refunding Bonds, Series 2010 (City of Lockhart Wastewater Treatment System Project). These bonds were issued to retire the Series 1996 bonds. As a result of the refunding, GBRA reduced its total debt service requirements by \$248,321 and produced a net present value savings (economic gain) of \$220,321. Bonds that are considered defeased as a result of the current year refunding are \$0.
- 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 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 and Refunding Revenue Bonds, Series 2011, the Series 2004 Combination Contract Revenue Bonds and the Water Supply Revenue Refunding Bonds, Series 2011. Therefore coverage data is not applicable for those issues. The Series 2011 General Improvement and Refunding Revenue Bonds, the Series 2004 Combination Contract Revenue and the Water Supply Revenue Refunding Bonds, Series 2011 required provisions are disclosed in footnote "Continuing Disclosure Requirements".

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

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, 2008. 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 to nor can it utilize assets within the Retirement Plan Trust.

All full-time GBRA employees who were hired before January 1, 2011 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. The required employer contribution was 12.00% of total participant payroll for 2010 and is 12.00% for the 2011 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 ASSET

For the GBRA fiscal year commencing September 1, 2010 and ending August 31, 2011, the Annual Pension Cost for GBRA was \$1,014,388. The actual contribution during the fiscal year was \$1,620,832, the sum of the required contribution of \$1,020,832 and a supplemental contribution of \$600,000. Before August 31, 2009, there had been no net pension obligation or asset since GBRA had historically contributed the annual required contribution. Because of the supplemental contributions in August 2009, 2010 and 2011, there is now a net pension asset of \$4,106,444 as of August 31, 2011.

SIX-YEAR TREND INFORMATION

Fiscal Year Ending	Annual Required Contribution (ARC)	Interest On Net Pension Asset	Adjustment to ARC	Annual Pension Cost (APC)	Amount Contributed	Percentage of APC Contributed	Net Pension Asset
31-Aug-06	\$ 625,333	\$ -	\$ -	\$ 625,333	\$ 625,333	100%	\$0
31-Aug-07	\$ 662,796	\$ -	\$ -	\$ 662,796	\$ 662,796	100%	\$0
31-Aug-08	\$ 707,443	\$ -	\$ -	\$ 707,443	\$ 707,443	100%	\$0
31-Aug-09	\$ 764,425	\$ -	\$ -	\$ 764,425	\$ 1,264,425	165%	\$500,000
31-Aug-10	\$ 970,248	\$ -	\$ -	\$ 970,248	\$ 3,970,248	409%	\$3,500,000
31-Aug-11	\$ 1,020,832	\$ (40,000)	\$ 33,556	\$ 1,014,388	\$ 1,620,832	160%	\$4,106,444

The Annual Pension Cost for the fiscal year ending August 31, 2011 was based on the results of the actuarial valuation as of January 1, 2010 using the entry age actuarial cost method and was determined in compliance with the GASB Statement No. 27 parameters. The actuarial assumptions and methods used for the three most recent valuations are shown below:

Actuarial Valuation Date:	January 1, 2009	January 1, 2010	January 1, 2011
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	24 years	13 years
Asset Valuation Method:	5-yr adjusted mkt value	5-yr adjusted mkt value	5-yr adjusted mkt value
Annual Actuarial Assumptions:			
Investment return*	8.00%	8.00%	8.00%
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

**merit increases range from 5.0% to 0.0%

The Schedule of Funding Progress presented as Required Supplemental Information for the GBRA defined benefit plan immediately following the notes to the financial statements presents multi-year trend information about the actuarial value of plan assets increasing or decreasing relative to the actuarial accrued liability for benefits over time.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

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 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, 2011, GBRA held \$1,623,461 in restricted and unrestricted cash. Included in this amount was \$1,500 of cash on hand and the remainder was on deposit at various banks in demand accounts.

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

2. INVESTMENTS

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

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

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

	Fair Value	Weighted Average Maturity in Months
Federal Home Loan Bank	\$ 1,010,720	4.66
Federal National Mortgage Assn.	2,430,288	28.32
U. S. Treasury	9,084,354	17.06
Certificates of Deposit	6,042,916	13.32
Money Market Funds	1,827,158	1.00
Texas Class	162,959	1.00
TexPool	4,223,031	1.00
Total Investments	<u>\$ 24,781,426</u>	12.72

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	AA+
Federal Home Loan Bank	Aaa	AA+
Federal National Mortgage Assn.	Aaa	AA+
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, 2011 AND 2010

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	\$ 3,441,008	13.03%
Government Securities	9,084,354	34.40%
Certificates of Deposit	6,042,916	22.89%
Money Market Funds	1,827,158	6.92%
Public Funds Investment Pool	4,385,990	16.61%
Cash	1,623,461	6.15%
Total	<u>\$ 26,404,887</u>	<u>100.00%</u>

NOTE E - CAPITAL ASSETS

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

ASSETS				
Classification	Balance August 31, 2010	Additions	Removals	Balance August 31, 2011
Land, Water & Storage Rights	\$ 29,300,163	\$ 7,000,000	\$ (1,003,391)	\$ 35,296,772
Construction in Progress	2,737,183	1,510,411	(4,070,371)	177,223
Total Assets Not Being Depreciated	<u>32,037,346</u>	<u>8,510,411</u>	<u>(5,073,762)</u>	<u>35,473,995</u>
Structures & Improvements	198,276,937	3,749,160	(13,781,067)	188,245,030
Specialized Equipment	7,189,674	41,246	--	7,230,920
Office Buildings & Communications	2,249,266	--	--	2,249,266
Shops & Storerooms	50,173	--	--	50,173
Auto & Heavy Equipment	3,798,733	229,186	(444,927)	3,582,992
Office Furniture & Equipment	1,248,605	89,353	(28,425)	1,309,533
Miscellaneous Equipment	3,711,172	171,895	(395,662)	3,487,405
Total Dams, Plants and Equipment	<u>216,524,560</u>	<u>4,280,840</u>	<u>(14,650,081)</u>	<u>206,155,319</u>
Total Capital Assets	<u>\$ 248,561,906</u>	<u>\$ 12,791,251</u>	<u>\$ (19,723,843)</u>	<u>\$ 241,629,314</u>
DEPRECIATION				
Classification	Balance August 31, 2010	Additions	Removals	Balance August 31, 2011
Structures & Improvements	\$ (49,296,259)	\$ (4,909,131)	\$ 10,786,169	\$ (43,419,221)
Specialized Equipment	(5,678,475)	(134,825)	--	(5,813,300)
Office Buildings & Communications	(1,516,410)	(45,368)	--	(1,561,778)
Shops & Storerooms	(44,787)	(1,047)	--	(45,834)
Auto & Heavy Equipment	(2,707,721)	(228,888)	394,120	(2,542,489)
Office Furniture & Equipment	(978,546)	(73,398)	28,039	(1,023,905)
Miscellaneous Equipment	(1,767,565)	(240,202)	220,841	(1,786,926)
Total Accumulated Depreciation	<u>\$ (61,989,763)</u>	<u>\$ (5,632,859)</u>	<u>\$ 11,429,169</u>	<u>\$ (56,193,453)</u>
NET CAPITAL ASSETS	<u>\$ 186,572,143</u>	<u>\$ 7,158,392</u>	<u>\$ (8,294,674)</u>	<u>\$ 185,435,861</u>

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

NOTE F - POLLUTION CONTROL

GBRA has assisted industries within the GBRA service area by providing tax-exempt financing for pollution control facilities and private industrial development.

For 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, 2011 total \$40,890,000 and are as follows:

Series	Date of		Interest	Original	Outs tanding	Outs tanding
	Issue	Maturity				
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.

NOTE H - CONTINUING DISCLOSURE REQUIRMENTS

GENERAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2011

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 were used for the expansion and construction of the GBRA headquarters, meeting room and office facilities, and an operations warehouse.

On November 17, 2010, GBRA authorized the issuance of GBRA tax-exempt revenue bonds to be used to refund the Series 2002 General Improvement Revenue Bonds and provide funds for the lump sum buy-out of the Water Right Subordination Agreement between GBRA and the City of Seguin. The resolution was subsequently amended on March 16, 2011 related to the issuance of Guadalupe-Blanco River Authority General Improvement and Refunding Revenue Bonds, Series 2011 primarily for the purpose of amending the date by which certain proceeds of such bonds must be used to pay the "final payment" to the City of Seguin, revising the continuing disclosure requirements to comply with amended Section regulations that became effective December 1, 2010, revising the annual rate covenant, and deleting references to the General Division in certain covenants.

Moody's Investors Service, Inc. assigned an underlying rating on the Bonds of "Aa2".

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 were 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.

Moody's Investors Service, Inc. ("Moody's") and Standard and poor's Ratings Services, a Division of The McGraw Hill Companies, Inc ("S&P") assigned an underlying rating on the Bonds of "A3" and "A-" respectively, and an additional rating on the Bonds of "Aaa" and "AAA", respectively, based upon a municipal bond insurance policy issued by MBIA Insurance Corporation. As of August 31, 2011, the Bonds continued to have an underlying rating of "A3" and "A-" from Moody's and S&P, respectively, but the enhanced rating on the Bonds had been downgraded by Moody's to "Baa1" [based upon Moody's latest rating (confirmed on June 25, 2009) of the insurance financial strength rating of National Public Finance Guarantee Corporation (which entity has assumed MBIA Insurance Corporation's U.S. public finance portfolio)] and had been upgraded by S&P to "A" [based upon S&P's latest rating (announced on June 5, 2009 and affirmed on September 28, 2009) of the insurance financial strength rating of National Public Finance Guarantee Corporation].

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

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

NOTE H – CONTINUING DISCLOSURE REQUIREMENTS (CONTINUED)

be made in connection with any “Senior Lien Water Resources Division Obligations” and operation and maintenance expenses of such Water Supply System), and (iii) the “Surplus Western Canyon Regional Water Supply Project Revenues” (which generally consist of gross revenues received by GBRA from various public and private entities and certain retail customers of GBRA that receive treated water from GBRA’s “Western Canyon Regional Water Supply Project” pursuant to water supply agreement with GBRA, less all debt service, reserve fund, operation and maintenance expenses, and other funding requirement payable from such gross revenues which are then due and payable).

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

1. DEBT SERVICE REQUIREMENTS

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

2. FUND BALANCES AND COVERAGE

GENERAL IMPROVEMENT AND REFUNDING REVENUE BONDS, SERIES 2011

Average Annual Principal and Interest Requirements, 2012 - 2030	\$	756,771	
Coverage of Average Requirements by Pledged Revenues		12.88	times
Coverage of Average Requirements by Net Revenues		1.36	times
Maximum Principal and Interest Requirements, 2027	\$	837,750	
Coverage of Maximum Requirements by Pledged Revenues		11.64	times
Coverage of Maximum Requirements by Net Revenues		1.22	times
Interest and Sinking Fund Balance as of August 31, 2011	\$	76,259	
Pledged Revenues for the Fiscal Year Ended August 31, 2011	\$	9,749,248	(1)
Net Revenues for Fiscal Year Ended August 31, 2011	\$	1,025,680	(2)

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

(2) 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		
	2011	2010	2009
Debt Service Component of Gross Contract Revenues			
From City of Buda, Texas	\$ 165,969	\$ 165,969	\$ 165,969
From City of Kyle, Texas	438,159	438,159	438,159
From GoForth Water Supply Corporation	156,011	156,011	156,011
From Sunfield Municipal Utilities District	663,877	663,877	663,877
From Monarch	82,985	82,985	82,985
Total Gross Contract Revenues	\$ 1,507,001	\$ 1,507,001	\$1,507,001
Subordinate Water Resources Division Revenues	287,175	1,425,908	2,212,473
Surplus West. Canyon Reg. Water Sup. Project Revs.	532,000	532,000	532,000
Total Pledged Revenues Available to Pay Debt Service	\$ 2,326,176	\$ 3,464,909	\$4,251,474
Annual Debt Service Requirements	\$ 1,371,045	\$ 1,369,507	\$1,372,183
Coverage Factor	1.70	2.53	3.10

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

NOTE H – CONTINUING DISCLOSURE REQUIRMENTS (CONTINUED)

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

	Fiscal Year Ended August 31				
	2011	2010	2009	2008	2007
Revenue					
Raw Water Sales (1)	\$ 9,749,248	\$ 9,222,437	\$ 9,022,433	\$ 8,316,007	\$ 7,949,392
Reservation Fees (2)	--	--	--	58,771	117,543
Water Replacement Fees (3)	--	--	68,750	41,250	343,750
Recreation and Land Use	115,840	92,813	95,439	90,065	65,316
Rental Income	255,420	258,330	230,464	253,435	254,775
Miscellaneous	851,715	464,324	533,493	217,085	33,993
Total Operating Revenue	\$ 10,972,223	\$ 10,037,904	\$ 9,950,579	\$ 8,976,613	\$ 8,764,769
Expense					
Operating Expenses	\$ 8,637,599	\$ 7,158,901	\$ 6,055,807	\$ 5,819,131	\$ 5,851,606
Maintenance and Repairs	717,105	625,012	870,150	1,120,329	397,331
Administrative and General	591,839	541,448	524,452	496,600	493,511
Total Operating Expense	\$ 9,946,543	\$ 8,325,361	\$ 7,450,409	\$ 7,436,060	\$ 6,742,448
Net Revenue	\$ 1,025,680	\$ 1,712,543	\$ 2,500,170	\$ 1,540,553	\$ 2,022,322
Less Debt Service for Senior Lien Bonds (4)	\$ 738,505	\$ 286,635	\$ 287,698	\$ 283,275	\$ 283,500
Subordinate Revenues Available	\$ 287,175	\$ 1,425,908	\$ 2,212,472	\$ 1,257,278	\$ 1,738,822

(1) Pledged Revenues.

(2) 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.

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

(4) Senior Lien Bonds include the outstanding General Improvement Bonds, Series 2002, which were refunded with Series 2011 General Improvement and Revenue Refunding Bonds in FY2011.

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, 2011		August 31, 2010		August 31, 2009		August 31, 2008		August 31, 2007	
	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total	Acre-Feet	% of Total
Municipal	65,135	79.84%	62,159	79.08%	61,292	78.84%	56,470	77.43%	56,142	77.10%
Domestic	16	0.02%	17	0.02%	17	0.02%	17	0.02%	19	0.03%
Industrial	15,826	19.40%	15,827	20.13%	15,827	20.36%	15,830	21.71%	15,833	21.74%
Irrigation	602	0.74%	608	0.77%	606	0.78%	609	0.84%	825	1.13%
Contracted	81,579	100.00%	78,611	100.00%	77,742	100.00%	72,926	100.00%	72,819	100.00%

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

NOTE H – CONTINUING DISCLOSURE REQUIREMENTS (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, 2011 are shown below:

		Contract Information				
Customer	Type	Total AF/YR	Revenue ⁽²⁾	Contract Date	Expiration Date	Renewal Option
Municipal						
Canyon Regional Water Authority City of Marion (100 A/F) City of Cibola (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)	Regional Water Authority	10,575	\$ 1,329,838	10/31/1998	12/31/2039	(1)
New Braunfels Utilities	City	7,720	809,733	01/26/1989	01/25/2050	20 Yrs
City of Seguin	City	1,000	109,583	07/11/1995	12/31/2012	(1)
Canyon Lake WSC	Water Supply Corporation	2,000	233,722	10/01/1994	12/31/2044	(1)
Canyon Lake WSC II	Water Supply Corporation	2,000	233,722	08/27/2001	12/31/2050	(1)
Canyon Lake WSC III	Water Supply Corporation	2,000	233,722	09/29/2006	12/31/2050	(1)
SHWSC I	Water Supply Corporation	1,500	136,979	06/26/1967	12/31/2050	(1)
SHWSC II	Water Supply Corporation	1,000	136,979	06/01/2000	12/31/2050	(1)
Green Valley SUD	Special Utility District	1,000	109,583	12/01/2008	12/31/2040	(1)
Regional RWDS Project						
City of San Marcos	City	9,000	950,000	10/01/1989	07/01/2047	(1)
City of Kyle	City	2,957	324,038	05/20/2005	12/31/2038	20 YRS
City of Buda	City	1,120	122,733	04/09/2002	12/31/2042	(1)
CRWA --Hays Project	Regional Water Authority	2,038	223,331	06/04/2003	12/31/2039	(1)
GoForth WSC	Water Supply Corporation	1,050	115,063	03/01/2004	12/31/2039	(1)
Sunfield MUD	Municipal Utility District	3,136	343,653	09/08/2005	12/31/2050	
Monarch	Utility Company	560	61,367	01/01/2008	12/31/2037	
GBRA Western Canyon						
SAWS	City	4,000	1,104,957	03/17/2000	12/31/2037	40 Yrs (2x20 Yrs)
Boerne	City	3,611	394,201	02/22/2000	12/31/2037	40 Yrs (2x20 Yrs)
Fair Oaks Ranch	City	1,850	201,958	02/10/2000	12/31/2037	40 Yrs (2x20 Yrs)
Total Major Municipal Customers		58,117	\$ 7,175,162			
Industrial						
Guadalupe Power Partners	Electric Generation	6,840	\$ 731,524	03/17/1999	12/31/2021	30 Yrs (6x5 Yrs)
Coletto Creek Power LP	Electric Generation	4,000	493,125	09/01/1975	09/01/2025	(1)
Hays Energy Limited Partners	Electric Generation	2,464	270,013	06/25/1999	12/31/2025	(1)
Ineos USA LLC	Chemical Company	1,100	120,542	02/11/1980	02/21/2015	40 Yrs (15 Yrs = (5x5 Yrs))
Total Major Industrial Customers		14,404	\$ 1,615,204			
Other						
Cordillera Ranch	Housing Development	1,000	109,167	10/11/2001	12/31/2037	40 Yrs (2x20 Yrs)
Total Major Other Customers		1,000	\$ 109,167			
Total Major Customers		73,521	\$ 8,899,533			
Total Firm Water Sales		81,579	9,749,248			
Major Customers as a Percentage of Total		90.12%	91.28%			

(1) Contract does not provide for specific renewal options

(2) Includes Out-of-District Charges

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

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
110.00	10/1/2010
114.00	10/1/2011

(1) Excludes out-of-district charges.

8. HISTORIC TREATMENT OF WATER BY THE AUTHORITY FOR THE CITY OF PORT LAVACA, THE CALHOUN COUNTY RURAL WATER SUPPLY CORPORATION AND THE PORT O'CONNOR MUNICIPALITY DISTRICT

Fiscal Year Ended	City of Port Lavaca			Calhoun County Rural Water Supply Corp.			Port O'Connor Municipal Utility District ⁽¹⁾		
	Total Annual Water Treated	Customer Count	% of Total	Total Annual Water Treated	Customer Count	% of Total	Total Annual Water Treated	Customer Count	% of Total
8/31	(Gallons)			(Gallons)			(Gallons)	(approx.)	% of Total
2007	428,465,000	4,456	72.31%	69,277,000	1,249	11.69%	94,768,000	1,350	15.99%
2008	477,229,000	4,548	70.89%	78,261,000	1,287	11.63%	117,682,000	1,400	17.48%
2009	515,138,000	4,514	69.66%	88,979,000	1,299	12.03%	135,384,000	1,400	18.31%
2010	447,856,000	4,552	70.63%	77,396,000	1,309	12.21%	108,800,000	1,450	17.16%
2011	521,972,000	4,463	69.33%	94,680,000	1,317	12.58%	136,266,000	1,400	18.10%

(1) Approximate figures.

CALHOUN COUNTY WATER SUPPLY CORPORATION MONTHLY WATER RATES

5/8" Meter	First	2,000 gal.	\$35.00 (minimum)
	Over	2,000 gal.	\$4.30/M Gallons

PORT O'CONNOR MUNICIPAL UTILITY DISTRICT MONTHLY WATER RATES

Up to 3/4" Meter	First	2,000 gal.	\$25.00 (minimum)
	Over	2,000 gal.	\$3.00/M Gallons

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

9. GBRA PORT LAVACA WATER TREATMENT PLANT – HISTORICAL OPERATING STATEMENT

	For Fiscal Year Ended August 31,				
	2011	2010	2009	2008	2007
Revenues:					
Water Sales and Lake Operations	\$ 1,568,055	\$ 1,620,238	\$ 1,630,624	\$ 2,390,386	\$ 1,539,745
Miscellaneous	5	1	2	2	525
Total	<u>1,568,060</u>	<u>1,620,239</u>	<u>1,630,626</u>	<u>2,390,388</u>	<u>1,540,270</u>
Expenses: ⁽¹⁾					
Personnel Operating Costs	\$ 416,538	\$ 429,220	\$ 464,162	\$ 442,193	\$ 403,710
Operating Supplies and Services	586,862	611,106	563,275	456,939	466,859
Maintenance and Repairs	116,260	130,727	130,015	121,621	114,366
Administrative and General	108,765	106,328	117,759	113,673	103,101
Total	<u>1,228,425</u>	<u>1,277,381</u>	<u>1,275,211</u>	<u>1,134,426</u>	<u>1,088,036</u>
Net Income Available for Debt Service	<u>\$ 339,635</u>	<u>\$ 342,858</u>	<u>\$ 355,415</u>	<u>\$ 1,255,962</u>	<u>\$ 452,234</u>
Average Annual Debt Service	\$ 254,868	\$ 314,638	\$ 314,600	\$ 313,969	\$ 312,855
Coverage	1.33	1.09	1.13	4.00	1.45

(1) Excludes depreciation expense

10. 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 Bonds

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

11. CASH, CASH EQUIVALENTS AND INVESTMENTS OF GBRA

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

NOTE I – TERMINATION OF VICTORIA REGIONAL WASTEWATER RECLAMATION DIVISION

GBRA contracted with the City of Victoria to operate its only wastewater plant in 1970 and to construct and operate a new wastewater plant for the City. The contract to operate these plants terminated December 31, 2010, at which time the City of Victoria took over operations of both wastewater plants. The statements reflect GBRA’s operating the plants from September 1, 2010 through December 31, 2010.

NOTE J – SPECIAL ITEM

In 2010, a small group of plaintiffs filed a federal lawsuit against the Texas Commission on Environmental Quality (TCEQ) under the Federal Endangered Species Act alleging that the TCEQ had mismanaged the water rights in the Guadalupe and San Antonio River Basins during the droughts and as a result had adversely impacted the endangered whooping cranes. Since the outcome of the lawsuit could affect many of GBRA’s water rights, GBRA was granted intervention into the suit on the side of TCEQ. Expenses incurred have been \$1,994,934 and \$1,195,792 for fiscal years 2011 and 2010 respectively.

NOTE K – SUBSEQUENT EVENT

On September 27, 2011 the City of Wimberley, TX and GBRA agreed to terminate its operating agreement for wastewater services dated April 2, 2002 as well as the April 18, 2002 Memorandum of Understanding regarding a wastewater master plan for the Wimberley area. Wimberley will pay GBRA \$250,000 for the plant. The plant transfer date is January 1, 2012.

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2011 AND 2010

NOTE L - 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, 2011 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	\$ 20,054,899	\$ 1,568,060	\$ 815,181	\$ 1,313,250	\$ 1,388,267	\$ 1,560,530	\$ 26,700,187
Operating Expenses	(8,567,080)	(1,228,425)	(775,640)	(794,078)	(305,081)	(919,757)	(12,590,061)
Depreciation and Amortization Exp	(3,791,438)	(267,465)	(110,075)	(166,115)	(311,576)	(263,683)	(4,910,352)
Operating Income	7,696,381	72,170	(70,534)	353,057	771,610	377,090	9,199,774
Nonoperating Revenue (Expenses)	(5,688,711)	(85,250)	(1,766,544)	(261,046)	(243,457)	(83,083)	(8,128,091)
Costs to be Recovered (Deferred Rev)	136,164	(80,055)	94,175	(23,127)	(538,645)	(286,998)	(698,486)
Change in Net Assets	\$ 2,143,834	\$ (93,135)	\$ (1,742,903)	\$ 68,884	\$ (10,492)	\$ 7,009	\$ 373,197
BALANCE SHEET ACTIVITIES							
Current Assets	\$ 4,945,350	\$ 606,976	\$ --	\$ 536,731	\$ 877,772	\$ 719,697	\$ 7,686,526
Capital Assets	141,621,004	3,019,742	--	5,337,031	6,061,567	3,384,263	159,423,607
Other Assets	9,943,634	386,016	--	356,884	753,907	327,748	11,768,189
Total Assets	\$ 156,509,988	\$ 4,012,734	\$ --	\$ 6,230,646	\$ 7,693,246	\$ 4,431,708	\$ 178,878,322
Current Liabilities	\$ 6,457,356	\$ 618,490	\$ --	\$ 429,479	\$ 1,127,724	\$ 912,499	\$ 9,545,548
Long Term Liabilities	124,032,121	1,569,248	--	5,338,136	5,876,473	2,990,412	139,806,390
Total Liabilities	130,489,477	2,187,738	--	5,767,615	7,004,197	3,902,911	149,351,938
Invested in Capital Assets Net of Related Debt	18,001,778	1,194,628	--	(67,778)	3,484,996	(110,737)	22,502,887
Restricted	3,118,172	215,637	--	127,009	243,534	318,231	4,022,583
Unrestricted	4,900,561	414,731	--	403,800	(3,039,481)	321,303	3,000,914
Total Net Assets	26,020,511	1,824,996	--	463,031	689,049	528,797	\$ 29,526,384
Total Liabilities and Net Assets	\$ 156,509,988	\$ 4,012,734	\$ --	\$ 6,230,646	\$ 7,693,246	\$ 4,431,708	\$ 178,878,322
Revenue Bonds Payable	\$ 12,198,018	\$ 1,455,000	\$ --	\$ 5,404,811	\$ 2,576,571	\$ 3,495,000	\$ 134,911,400
Loans Payable	5,502,105	370,115	--	--	--	--	5,872,220
Interfund Balances:							
Accounts Receivable	829,106	151,310	--	75,000	39,021	85,000	1,179,437
Accounts Payable	868,778	215,439	--	131,370	116,822	154,280	1,486,689
CASH FLOW ACTIVITIES							
Cash Flows							
Operating Activities	\$ 11,074,492	\$ 317,282	\$ (244,384)	\$ 497,641	\$ 998,957	\$ 648,984	\$ 13,292,972
Capital & Related Financing Activities	(11,244,046)	(337,499)	(736,704)	(463,193)	(1,083,463)	(614,051)	(14,478,956)
Noncapital Financing Activities	--	--	(104,497)	--	--	--	--
Investing Activities	(1,391,625)	(1,755)	55,503	1,651	(46,693)	(26,135)	(1,409,054)
	\$ (1,561,179)	\$ (21,972)	\$ (1,030,082)	\$ 36,099	\$ (131,199)	\$ 8,798	\$ (2,699,535)
Current Cash and Cash Equivalents							
At Beginning of Year	\$ 1,677,154	\$ 110,153	\$ 278,801	\$ 188,660	\$ 196,426	\$ 239,557	\$ 2,690,751
At End of Year	1,036,984	88,182	--	224,759	114,063	221,720	1,685,708
Net Increase (Decrease)	\$ (640,170)	\$ (21,971)	\$ (278,801)	\$ 36,099	\$ (82,363)	\$ (17,837)	\$ (1,005,043)
Restricted Cash and Cash Equivalents							
At Beginning of Year	\$ 4,079,348	\$ 5,001	\$ 751,281	\$ --	\$ 342,889	\$ 291,596	\$ 5,470,115
At End of Year	3,158,339	5,000	--	--	294,053	318,231	3,775,623
Net Increase (Decrease)	(921,009)	(1)	(751,281)	--	(48,836)	26,635	(1,694,492)
	\$ (1,561,179)	\$ (21,972)	\$ (1,030,082)	\$ 36,099	\$ (131,199)	\$ 8,798	\$ (2,699,535)



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REQUIRED SUPPLEMENTAL INFORMATION



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GUADALUPE-BLANCO RIVER AUTHORITY
REQUIRED SUPPLEMENTAL INFORMATION
AUGUST 31, 2011

DEFINED BENEFIT PENSION PLAN-SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Jan 1, 2006	Jan 1, 2007	Jan 1, 2008	Jan 1, 2009	Jan 1, 2010	Jan 1, 2011
Actuarial Value of Assets	\$ 8,298,010	\$ 9,238,097	\$ 10,475,491	\$ 10,916,278	\$ 12,024,270	\$ 16,135,047
Actuarial Accrued Liability (AAL)	\$ 13,572,098	\$ 14,779,785	\$ 16,755,359	\$ 19,872,320	\$ 20,607,270	\$ 21,422,534
Unfunded AAL (UAAL)	\$ 5,274,088	\$ 5,541,688	\$ 6,279,868	\$ 8,956,042	\$ 8,583,000	\$ 5,307,487
Funded Ratio	61%	63%	63%	55%	58%	75%
Covered Payroll	\$ 7,319,088	\$ 7,840,665	\$ 8,201,393	\$ 8,573,185	\$ 8,506,931	\$ 8,447,077
UAAL as a Percentage of Covered Payroll	72%	71%	77%	104%	101%	63%

Employer Contributions	Aug 31, 2006	Aug 31, 2007	Aug 31, 2008	Aug 31, 2009	Aug 31, 2010	Aug 31, 2011
	\$ 625,333	\$ 662,796	\$ 707,443	\$ 1,264,425	\$ 3,970,248	\$ 1,620,832



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OTHER SUPPLEMENTAL INFORMATION

GUADALUPE-BLANCO RIVER AUTHORITY
COMBINING BALANCE SHEET

AUGUST 31, 2011

	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.....	\$ 974,278	\$ 377	\$ 494	\$ 1,896,135	\$ 88,182	\$ 127,742
Investments-Unrestricted.....	2,004,291	--	--	2,359,968	--	106,057
Interest Receivable.....	26,260	--	16	23,721	2	3,708
Accounts Receivable-Operating.....	1,404	162,048	292,265	754,977	144,851	103,418
Accounts Receivable-Interfund.....	3,160,357	215,097	120,000	1,736,758	151,310	85,800
Other Current Assets.....	17,180	81,715	18,359	242,524	38,681	6,030
Total Current Assets.....	6,183,770	459,237	431,134	7,014,083	423,026	432,755
Restricted Assets						
Cash and Cash Equivalents.....	502,611	--	382,997	3,155,631	5,000	--
Investments.....	488,640	--	502,506	658,035	178,223	--
Interest Receivable.....	16,778	--	7,920	13,323	727	--
Total Restricted Assets.....	1,008,029	--	893,423	3,826,989	183,950	--
Total Current Assets.....	7,191,799	459,237	1,324,557	10,841,072	606,976	432,755
LONG-TERM ASSETS						
Restricted Assets						
Investments.....	461,602	--	455,801	2,544,326	32,412	--
Total Restricted Assets.....	461,602	--	455,801	2,544,326	32,412	--
Capital Assets						
Land, Water and Storage Rights.....	945,504	2,248,823	84,199	30,901,066	41,424	51,396
Dams, Plants and Equipment.....	1,905,829	11,421,082	10,747,192	144,373,693	6,915,200	2,563,984
Construction In Progress.....	--	79,440	90,373	--	--	4,951
Less Accumulated Depreciation.....	(1,489,012)	(6,616,960)	(3,190,712)	(25,733,333)	(3,936,882)	(1,622,280)
Total Capital Assets.....	1,362,321	7,132,385	7,731,052	149,541,426	3,019,742	998,051
Other Assets						
Investments-Unrestricted.....	4,629,810	--	--	2,687,702	--	150,000
Long-Term Loans Receivable.....	--	--	190,811	--	--	--
Contract Development Costs (Net of Amortization).....	--	--	--	--	--	--
Debt Issuance Costs (Net of Amortization).....	--	--	--	2,189,341	51,418	--
Permits and Licenses (Net of Amortization).....	--	--	--	--	--	--
Project Development Costs.....	--	--	27,687	621,175	--	--
Net Pension Asset.....	4,106,444	--	--	--	--	--
Interfund Loans Receivable.....	5,705,363	--	--	--	--	--
Deferred Costs and Expenses.....	--	--	--	--	302,186	--
Total Other Assets.....	14,441,617	--	218,498	5,498,218	353,604	150,000
Total Long-Term Assets.....	16,265,540	7,132,385	8,405,351	157,583,970	3,405,758	1,148,051
Total Assets.....	\$ 23,457,339	\$ 7,591,622	\$ 9,729,908	\$ 168,425,042	\$ 4,012,734	\$ 1,580,806
LIABILITIES AND NET ASSETS						
CURRENT LIABILITIES						
Payable from Unrestricted Assets						
Current Portion of Long-Term Loans Payable.....	\$ --	\$ 32,447	\$ --	\$ 473,024	\$ 9,117	\$ --
Interest Payable.....	--	--	--	63,741	--	--
Accounts Payable-Operating.....	1,027,202	143,683	161,227	1,564,743	115,048	44,760
Accounts Payable-Interfund.....	2,265,487	378,593	233,587	1,947,396	215,439	148,542
Total Current Unrestricted Liabilities.....	3,292,689	554,723	394,814	4,048,904	339,604	193,302
Payable from Restricted Assets						
Current Portion of Debt.....	--	--	159,103	3,285,000	275,000	--
Interest Payable.....	--	--	113,814	1,457,998	3,886	--
Total Current Restricted Liabilities.....	--	--	272,917	4,742,998	278,886	--
Total Current Liabilities.....	3,292,689	554,723	667,731	8,791,902	618,490	193,302
LONG-TERM LIABILITIES						
Revenue Bonds Payable.....	--	--	--	121,980,018	1,455,000	--
Long-Term Loans Payable.....	--	77,433	3,731,618	5,553,290	370,115	--
Interfund Loans Payable.....	--	2,197,234	1,797,100	1,611,029	--	--
Less Current Portion.....	--	(32,447)	(159,103)	(3,758,024)	(284,117)	--
Total Bonds and Loans Payable.....	--	2,242,220	5,369,615	125,386,313	1,540,998	--
Advances for Operations.....	--	--	13,975	64,830	28,250	--
Deferred Income.....	--	--	--	3,328,020	--	--
Total Long-Term Liabilities.....	--	2,242,220	5,383,590	128,779,163	1,569,248	--
Total Liabilities.....	3,292,689	2,796,943	6,051,321	137,571,065	2,187,738	193,302
NET ASSETS						
Investments in Capital Assets Net of Related Debt.....	1,362,320	7,054,953	3,999,432	22,009,380	1,194,628	998,051
Restricted for Construction.....	--	--	527,138	--	--	--
Restricted for Insurance.....	1,171,147	--	--	--	--	--
Restricted for Debt Service.....	--	--	--	2,783,851	215,637	--
Unrestricted.....	17,631,183	(2,260,274)	(847,983)	6,060,746	414,731	389,453
Total Net Assets.....	20,164,650	4,794,679	3,678,587	30,853,977	1,824,996	1,387,504
Total Liabilities and Net Assets.....	\$ 23,457,339	\$ 7,591,622	\$ 9,729,908	\$ 168,425,042	\$ 4,012,734	\$ 1,580,806

See accompanying independent auditors' report.

Victoria Regional Wastewater Reclamation Division	Coletto Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	2011 Eliminations	2011 Total
\$ --	\$ 117,925	\$ 224,759	\$ 114,063	\$ 316,072	\$ --	\$ 3,860,027
--	--	99,976	49,952	99,979	--	4,720,223
--	--	3,054	406	24	--	57,191
--	17,549	--	341,945	36,962	--	1,855,419
--	117,365	75,000	39,021	135,000	(5,835,708)	--
--	11,666	6,851	12,935	14,935	--	450,876
--	264,505	409,640	558,322	602,972	(5,835,708)	10,943,736
--	--	--	294,053	--	--	4,340,292
--	--	127,009	25,048	318,231	--	2,297,692
--	--	82	349	394	--	39,573
--	--	127,091	319,450	318,625	--	6,677,557
--	264,505	536,731	877,772	921,597	(5,835,708)	17,621,293
--	--	--	25,000	--	--	3,519,141
--	--	--	25,000	--	--	3,519,141
--	--	875,292	12,187	136,881	--	35,296,772
--	1,938,116	7,146,691	12,553,881	6,589,651	--	206,155,319
--	--	--	--	2,459	--	177,223
--	(1,693,878)	(2,684,952)	(6,504,501)	(2,720,943)	--	(56,193,453)
--	244,238	5,337,031	6,061,567	4,008,048	--	185,435,861
--	--	200,000	--	--	--	7,667,512
--	--	--	--	--	--	190,811
--	--	--	21,704	7,824	--	29,528
--	--	156,884	123,281	61,201	--	2,582,125
--	--	--	583,922	--	--	583,922
--	--	--	--	--	--	648,862
--	--	--	--	--	--	4,106,444
--	--	--	--	--	(5,705,363)	--
--	--	--	--	258,723	--	560,909
--	--	356,884	728,907	327,748	(5,705,363)	16,370,113
--	244,238	5,693,915	6,815,474	4,335,796	(5,705,363)	205,325,115
\$ --	\$ 508,743	\$ 6,230,646	\$ 7,693,246	\$ 5,257,393	(11,541,071)	\$ 222,946,408
\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	514,588
--	--	--	--	--	--	63,741
--	139,736	96,232	31,355	367,311	--	3,691,297
--	177,246	131,370	116,822	221,226	(5,835,708)	--
--	316,982	227,602	148,177	588,537	(5,835,708)	4,269,626
--	--	180,000	945,000	535,000	--	5,379,103
--	--	21,877	34,547	--	--	1,632,122
--	--	201,877	979,547	535,000	--	7,011,225
--	316,982	429,479	1,127,724	1,123,537	(5,835,708)	11,280,851
--	--	5,404,811	2,576,571	3,495,000	--	134,911,400
--	--	--	--	--	--	9,732,456
--	100,000	--	--	--	(5,705,363)	--
--	100,000	5,404,811	2,576,571	3,495,000	(5,705,363)	144,643,856
--	--	(180,000)	(945,000)	(535,000)	--	(5,893,691)
--	100,000	5,224,811	1,631,571	2,960,000	(5,705,363)	138,750,165
--	--	34,805	317,675	30,412	--	489,947
--	--	78,520	3,927,227	--	--	7,333,767
--	100,000	5,338,136	5,876,473	2,990,412	(5,705,363)	146,573,879
--	416,982	5,767,615	7,004,197	4,113,949	(11,541,071)	157,854,730
--	244,238	(67,778)	3,484,996	510,590	--	40,790,810
--	--	--	--	--	--	527,138
--	--	--	--	--	--	1,171,147
--	--	127,009	243,534	318,231	--	3,688,262
--	(152,477)	403,800	(3,039,481)	314,623	--	18,914,321
--	91,761	463,031	689,049	1,143,444	--	65,091,678
\$ --	\$ 508,743	\$ 6,230,646	\$ 7,693,246	\$ 5,257,393	(11,541,071)	\$ 222,946,408

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

FISCAL YEAR ENDED AUGUST 31, 2011

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division	Port Lavaca Water Treatment Plant Division
REVENUE					
Power Sales.....	\$ --	\$ 2,822,756	\$ --	\$ --	\$ --
Water Sales and Lake Operations.....	--	--	--	26,540,101	1,568,055
Recreation and Land Use.....	--	--	--	115,840	--
Waste Water Treatment Services.....	--	--	1,628,726	578,279	--
Laboratory Services.....	--	--	--	736,451	--
Rental.....	--	8,507	--	261,804	--
Administrative and General.....	2,399,623	--	--	--	--
Miscellaneous.....	76	66,959	11,982	1,263,694	5
Total Operating Revenue.....	2,399,699	2,898,222	1,640,708	29,496,169	1,568,060
EXPENSES					
Personnel Operating Costs.....	856,560	1,086,977	556,985	4,639,111	416,538
Operating Supplies and Services.....	941,898	504,053	480,434	8,685,573	586,862
Maintenance and Repairs.....	168,361	963,530	332,393	1,677,081	116,260
Administrative and General.....	--	375,708	146,952	1,149,070	108,765
Depreciation and Amortization	90,198	285,886	271,859	4,208,128	267,465
Total Operating Expenses	2,057,017	3,216,154	1,788,623	20,358,963	1,495,890
Operating Income (Loss).....	342,682	(317,932)	(147,915)	9,137,206	72,170
NONOPERATING REVENUES (EXPENSES)					
Grant Income.....	--	19,204	--	530,330	--
Investment Income.....	107,582	--	15,956	147,991	2,743
Gain on Disposal of Capital Assets.....	--	--	--	13,793	--
Interest Expense.....	--	(3,056)	(227,629)	(5,892,915)	(87,993)
Total Nonoperating Revenues (Expenses).....	107,582	16,148	(211,673)	(5,200,801)	(85,250)
Income (Loss) Before Recognition of Deferrals.....	450,264	(301,784)	(359,588)	3,936,405	(13,080)
Costs (Revenue) to be Recognized in Future Years	--	--	--	286,128	(80,055)
Income (Loss) Before Special Item.....	450,264	(301,784)	(359,588)	4,222,533	(93,135)
SPECIAL ITEM					
Costs Associated with Whooping Crane Endangered Species Lawsuit.....	--	--	--	(1,994,934)	--
Change in Net Assets.....	450,264	(301,784)	(359,588)	2,227,599	(93,135)
Net Assets at September 1, 2010.....	19,609,889	5,096,463	4,038,175	28,626,378	1,918,131
Transfer of Net Assets (Equity) from Victoria Division to General Division.....	104,497	--	--	--	--
Net Assets at August 31, 2011	\$ 20,164,650	\$ 4,794,679	\$ 3,678,587	\$ 30,853,977	\$ 1,824,996

Calhoun County Rural Water Supply Division	Victoria Regional Wastewater Reclamation Division	Coletto Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Eliminations	Total
\$ --	\$ --	\$ --	\$ --	\$ 1,369,515	\$ --	\$ --	\$ 4,192,271
832,183	--	875,370	1,313,165	--	487,057	--	31,615,931
--	--	549,610	--	--	--	--	665,450
38,626	767,708	--	--	--	1,260,478	--	4,273,817
--	--	--	--	--	--	--	736,451
--	--	86,985	--	--	--	--	357,296
--	--	--	--	--	--	(2,399,623)	--
80,415	47,473	19,002	85	18,752	300,055	--	1,808,498
951,224	815,181	1,530,967	1,313,250	1,388,267	2,047,590	(2,399,623)	43,649,714
349,451	191,689	697,386	286,419	115,551	391,631	(133,699)	9,454,599
351,975	410,466	327,594	363,532	71,709	616,552	--	13,340,648
99,802	114,039	356,354	71,030	79,876	294,025	--	4,272,751
90,893	59,446	122,090	73,097	37,945	101,958	(2,265,924)	--
69,149	110,075	49,250	166,115	311,576	307,047	--	6,136,748
961,270	885,715	1,552,674	960,193	616,657	1,711,213	(2,399,623)	33,204,746
(10,046)	(70,534)	(21,707)	353,057	771,610	336,377	--	10,444,968
--	--	--	--	--	--	--	549,534
3,829	--	62	5,322	3,544	1,213	--	288,242
--	(1,762,694)	--	--	--	--	--	(1,748,901)
--	(3,850)	--	(266,368)	(247,001)	(84,106)	--	(6,812,918)
3,829	(1,766,544)	62	(261,046)	(243,457)	(82,893)	--	(7,724,043)
(6,217)	(1,837,078)	(21,645)	92,011	528,153	253,484	--	2,720,925
--	94,175	13,675	(23,127)	(538,645)	(286,998)	--	(534,847)
(6,217)	(1,742,903)	(7,970)	68,884	(10,492)	(33,514)	--	2,186,078
--	--	--	--	--	--	--	(1,994,934)
(6,217)	(1,742,903)	(7,970)	68,884	(10,492)	(33,514)	--	191,144
1,393,721	1,847,400	99,731	394,147	699,541	1,176,958	--	64,900,534
--	(104,497)	--	--	--	--	--	--
\$ 1,387,504	\$ --	\$ 91,761	\$ 463,031	\$ 689,049	\$ 1,143,444	\$ --	\$ 65,091,678

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

FISCAL YEAR ENDED AUGUST 31, 2011

	General Division	Guadalupe Valley Hydroelectric Division	Rural Utilities Division	Water Resource Division
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash Received from Customers.....	\$ --	\$ 3,025,355	\$ 1,701,240	\$ 29,439,931
Cash Received from Interfund Administrative Charges.....	2,399,623	--	--	--
Cash Paid for Personnel Operating Costs.....	(856,560)	(1,086,977)	(556,985)	(4,639,111)
Cash Paid for Other Operating and Maintenance Costs.....	(1,200,287)	(1,643,714)	(897,284)	(9,946,915)
Cash Paid for Interfund Administrative Charges.....	--	(375,708)	(146,952)	(1,149,070)
Supplementary Contribution to Defined Benefit Plan.....	(606,444)	--	--	--
Costs Associated with Whooping Crane Endangered Species Lawsuit.....	--	--	--	(1,994,934)
Net Cash Flows From (Used by) Operating Activities.....	(263,668)	(81,044)	100,019	11,709,901
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:				
Interfund Operating Loans Received.....	--	197,200	222,100	35,000
Interfund Operating Loans Made	(499,800)	--	--	--
Principal Payments Made on Interfund Operating Loans.....	--	(100,000)	(20,000)	(335,875)
Principal Payments Received on Interfund Operating Loans.....	628,579	--	--	--
Cash Received from Grants	--	19,204	--	530,330
Net Cash Flows From (Used by) Noncapital Financing Activities.....	128,779	116,404	202,100	229,455
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:				
Proceeds from Advances from Customers, Developers, and Other Governmental Units.....	--	51,187	12,871	--
Proceeds from Revenue and Loans for Capital Assets and Plant Expansions.....	--	30,000	--	17,334,575
Proceeds from Sale of Capital Assets.....	--	--	--	24,432
Purchase of Capital Assets.....	(84,590)	(51,473)	(173,939)	(8,250,326)
Cash Paid for Construction in Progress.....	--	(45,516)	--	--
Cash Paid for Project Development.....	--	--	(22,760)	(138,427)
Interest Paid.....	--	(3,054)	(232,205)	(5,923,459)
Principal Payments on Revenue Bonds.....	--	--	--	(13,747,328)
Principal Payments on Loans.....	--	(26,527)	(149,956)	(472,795)
Net Cash Flows Used by Capital and Related Financing Activities.....	(84,590)	(45,383)	(565,989)	(11,173,328)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Cash Received from Investments	15,268	--	270,128	928,095
Investment Income Received.....	259,572	--	17,648	149,086
Cash Paid for Investments	(383,564)	--	--	(1,914,593)
Net Cash Flows From (Used by) Investing Activities.....	(108,724)	--	287,776	(837,412)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$ (328,203)	\$ (10,023)	\$ 23,906	\$ (71,384)
CURRENT CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	1,410,242	10,400	12,098	1,043,802
At End of Year.....	974,278	377	494	1,896,135
Net Increase (Decrease).....	(435,964)	(10,023)	(11,604)	852,333
RESTRICTED CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	394,850	--	347,487	4,079,348
At End of Year.....	502,611	--	382,997	3,155,631
Net Increase (Decrease).....	107,761	--	35,510	(923,717)
TOTAL CASH AND CASH EQUIVALENTS:				
At Beginning of Year.....	1,805,092	10,400	359,585	5,123,150
At End of Year.....	1,476,889	377	383,491	5,051,766
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS.....	\$ (328,203)	\$ (10,023)	\$ 23,906	\$ (71,384)
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS				
FROM OPERATING ACTIVITIES:				
Operating Income (Loss).....	\$ 342,682	\$ (317,932)	\$ (147,915)	\$ 9,137,206
Adjustments to Reconcile Operating Income to Net Cash Flows				
From Operating Activities:				
Depreciation and Amortization.....	90,198	285,886	271,859	4,208,128
Supplementary Contribution to Defined Benefit Plan.....	(606,444)	--	--	--
Costs Associated with Whooping Crane Endangered Species Lawsuit.....	--	--	--	(1,994,934)
Net Change in Assets and Liabilities From Operating Activities:				
Operating Accounts Receivable.....	266,336	127,133	60,532	(86,934)
Other Current Assets.....	(2,786)	(9,919)	(6,588)	(51,391)
Operating Accounts Payable.....	(353,654)	(166,212)	(77,869)	497,826
Total Adjustments.....	(606,350)	236,888	247,934	2,572,695
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	\$ (263,668)	\$ (81,044)	\$ 100,019	\$ 11,709,901
NON-CASH TRANSACTIONS SCHEDULE				

1. During fiscal year 2011 and 2010, an adjustment of \$125,076 and \$39,883 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	Coieto Creek Division	Luling Water Treatment Plant Division	Canyon Hydroelectric Division	Lockhart Division	Eliminations	Total
\$ 1,544,270	\$ 920,466	\$ 832,421	\$ 1,531,972	\$ 1,315,343	\$ 1,190,265	\$ 2,125,984	\$ --	\$ 43,627,247
--	--	--	--	--	--	--	--	2,399,623
(416,538)	(349,451)	(191,689)	(697,386)	(286,419)	(115,551)	(391,631)	--	(9,588,298)
(701,685)	(410,973)	(825,670)	(667,609)	(458,186)	(37,812)	(723,821)	--	(17,513,956)
(108,765)	(90,893)	(59,446)	(122,090)	(73,097)	(37,945)	(101,958)	--	(2,265,924)
--	--	--	--	--	--	--	--	(606,444)
--	--	--	--	--	--	--	--	(1,994,934)
317,282	69,149	(244,384)	44,887	497,641	998,957	908,574	--	14,057,314
--	28,500	--	17,000	--	--	--	(499,800)	--
--	--	--	--	--	--	--	499,800	--
--	(28,500)	(104,497)	(39,707)	--	--	--	628,579	--
--	--	--	--	--	--	--	(628,579)	--
--	--	--	--	--	--	--	--	549,534
--	--	(104,497)	(22,707)	--	--	--	--	549,534
--	--	--	--	--	--	--	--	64,058
1,153,582	--	--	--	--	--	3,952,500	--	22,470,657
--	--	51,489	--	--	--	--	--	75,921
--	(41,994)	--	(21,785)	(22,166)	--	(22,902)	--	(8,669,175)
--	--	--	--	--	--	(2,459)	--	(47,975)
--	--	--	--	--	--	--	--	(161,187)
(97,286)	--	(8,193)	--	(266,949)	(233,463)	(98,647)	--	(6,863,256)
(1,385,000)	--	(780,000)	--	(174,078)	(850,000)	(4,445,000)	--	(21,381,406)
(8,795)	--	--	--	--	--	--	--	(658,073)
(337,499)	(41,994)	(736,704)	(21,785)	(463,193)	(1,083,463)	(616,508)	--	(15,170,436)
117	49,975	54,440	3	49,952	217	--	--	1,368,195
2,768	2,111	1,063	61	3,920	3,195	1,719	--	441,143
(4,640)	--	--	--	(52,221)	(50,105)	(367,671)	--	(2,772,794)
(1,755)	52,086	55,503	64	1,651	(46,693)	(365,952)	--	(963,456)
\$ (21,972)	\$ 79,241	\$ (1,030,082)	\$ 459	\$ 36,099	\$ (131,199)	\$ (73,886)	\$ --	\$ (1,527,044)
110,153	48,501	278,801	117,466	188,660	196,426	98,362	--	3,514,911
88,182	127,742	--	117,925	224,759	114,063	316,072	--	3,860,027
(21,971)	79,241	(278,801)	459	36,099	(82,363)	217,710	--	345,116
5,001	--	751,281	--	--	342,889	291,596	--	6,212,452
5,000	--	--	--	--	294,053	--	--	4,340,292
(1)	--	(751,281)	--	--	(48,836)	(291,596)	--	(1,872,160)
115,154	48,501	1,030,082	117,466	188,660	539,315	389,958	--	9,727,363
93,182	127,742	--	117,925	224,759	408,116	316,072	--	8,200,319
\$ (21,972)	\$ 79,241	\$ (1,030,082)	\$ 459	\$ 36,099	\$ (131,199)	\$ (73,886)	\$ --	\$ (1,527,044)
\$ 72,170	\$ (10,046)	\$ (70,534)	\$ (21,707)	\$ 353,057	\$ 771,610	\$ 336,377	\$ --	\$ 10,444,968
267,465	69,149	110,075	49,250	166,115	311,576	307,047	--	6,136,748
--	--	--	--	--	--	--	--	(606,444)
--	--	--	--	--	--	--	--	(1,994,934)
(19,395)	(46,157)	300,626	659	2,093	(198,235)	79,479	--	486,137
3,349	16,889	42,526	(1,912)	(573)	(1,036)	(780)	--	(12,221)
(6,307)	39,314	(627,077)	18,597	(23,051)	115,042	186,451	--	(396,940)
245,112	79,195	(173,850)	66,594	144,584	227,347	572,197	--	3,612,346
\$ 317,282	\$ 69,149	\$ (244,384)	\$ 44,887	\$ 497,641	\$ 998,957	\$ 908,574	\$ --	\$ 14,057,314

**GUADALUPE-BLANCO RIVER AUTHORITY
AMORTIZATION SCHEDULES**

FIRST LOCKHART NATIONAL BANK, EQUIPMENT LOAN (2008)			
YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2012	\$ 22,627	\$ 1,679	\$ 24,306
2013	23,552	754	24,306
2014	6,036	41	6,077
	<u>\$ 52,215</u>	<u>\$ 2,474</u>	<u>\$ 54,689</u>

FIRST LOCKHART NATIONAL BANK, EQUIPMENT LOAN (2011)			
YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2012	\$ 9,821	\$ 735	\$ 10,556
2013	10,174	382	10,556
2014	5,224	54	5,278
	<u>\$ 25,219</u>	<u>\$ 1,171</u>	<u>\$ 26,390</u>

WELLS FARGO BANK, DUNLAP WASTEWATER TREATMENT PLANT EXPANSION LOAN			
YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
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>\$ 3,731,618</u>	<u>\$ 921,173</u>	<u>\$ 4,652,791</u>

U.S. GOVERNMENT LOAN, CANYON DAM AND RESERVOIR			
YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2012	\$ 213,278	\$ 95,612	\$ 308,890
2013	218,610	90,280	308,890
2014	224,075	84,815	308,890
2015	229,677	79,213	308,890
2016	235,419	73,471	308,890
2017	241,305	67,585	308,890
2018	247,337	61,553	308,890
2019	253,521	55,369	308,890
2020	259,859	49,031	308,890
2021	266,355	42,535	308,890
2022	273,014	35,876	308,890
2023	279,839	29,051	308,890
2024	286,835	22,055	308,890
2025	294,006	14,884	308,890
2026	301,357	7,533	308,890
	<u>\$ 3,824,487</u>	<u>\$ 808,863</u>	<u>\$ 4,633,350</u>

**GUADALUPE-BLANCO RIVER AUTHORITY
AMORTIZATION SCHEDULES**

GE CAPITAL PUBLIC FINANCE, EQUIPMENT LOAN

YR END AUG 31	PRINCIPAL	INTEREST	REQUIREMENTS
2012	\$ 53,365	\$ 5,760	\$ 59,125
2013	56,005	3,120	59,125
2014	30,699	550	31,249
	<u>\$ 140,069</u>	<u>\$ 9,430</u>	<u>\$ 149,499</u>

JP MORGAN CHASE BANK, GENERAL IMPROVEMENT OFFICE EXPANSION LOAN

YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
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>\$ 746,667</u>	<u>\$ 74,124</u>	<u>\$ 820,791</u>

WATER RESOURCE WATER RIGHT PURCHASE AMORTIZATION SCHEDULE

YR END AUG 31	LULING FOUNDATION			ABNER USSERY			TOTAL REQUIREMENTS
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
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	36,649	1,647	38,296	21,533	967	22,500	60,796
	<u>\$ 498,200</u>	<u>\$ 267,796</u>	<u>\$ 765,996</u>	<u>\$ 292,679</u>	<u>\$ 157,321</u>	<u>\$ 450,000</u>	<u>\$ 1,215,996</u>

GUADALUPE-BLANCO RIVER AUTHORITY
AMORTIZATION SCHEDULES

METCALF BANK LOAN, EQUIPMENT

YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2012	\$ 21,170	\$ 2,182	\$ 23,352
2013	22,308	1,044	23,352
2014	7,708	84	7,792
	<u>\$ 51,186</u>	<u>\$ 3,310</u>	<u>\$ 54,496</u>

GENERAL IMPROVEMENT & REFUNDING REVENUE BONDS, SERIES 2011

OFFICE EXPANSION & WATER RIGHT CONTRACT BUYOUT

YR END AUG 31	WATER RIGHT CONTRACT BUYOUT			REFUNDING PORTION-OFFICE			TOTAL
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2012	\$ 260,000	\$ 262,863	\$ 522,863	\$ 160,000	\$ 136,794	\$ 296,794	\$ 819,657
2013	270,000	252,462.50	522,463	165,000	130,393.76	295,394	817,857
2014	280,000	241,662.50	521,663	170,000	123,793.76	293,794	815,457
2015	290,000	230,462.50	520,463	180,000	116,993.76	296,994	817,457
2016	300,000	221,762.50	521,763	190,000	111,593.76	301,594	823,357
2017	310,000	212,762.50	522,763	195,000	105,893.76	300,894	823,657
2018	320,000	203,462.50	523,463	200,000	100,043.76	300,044	823,507
2019	330,000	190,662.50	520,663	215,000	92,043.76	307,044	827,707
2020	345,000	177,462.50	522,463	220,000	83,443.76	303,444	825,907
2021	360,000	163,662.50	523,663	230,000	74,643.76	304,644	828,307
2022	375,000	149,262.50	524,263	240,000	65,443.76	305,444	829,707
2023	385,000	135,668.76	520,669	255,000	56,743.76	311,744	832,413
2024	400,000	121,231.26	521,231	265,000	47,181.26	312,181	833,412
2025	415,000	105,231.26	520,231	275,000	36,581.26	311,581	831,812
2026	435,000	88,112.50	523,113	285,000	25,237.50	310,238	833,351
2027	455,000	69,625.00	524,625	300,000	13,125.00	313,125	837,750
2028	475,000	49,718.76	524,719			--	524,719
2029	495,000	27,750.00	522,750			--	522,750
2030	105,000	4,856.26	109,856			--	109,856
	<u>\$ 6,605,000</u>	<u>\$ 2,908,682</u>	<u>\$ 9,513,687</u>	<u>\$ 3,545,000</u>	<u>\$ 1,319,950</u>	<u>\$ 4,864,953</u>	<u>\$ 14,378,640</u>

GUADALUPE-BLANCO RIVER AUTHORITY
AMORTIZATION SCHEDULES

CONTRACT REVENUE BONDS, SERIES 2003			
WESTERN CANYON REGIONAL WATER SUPPLY PROJECT			
YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
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>\$ 69,870,000</u>	<u>\$ 47,169,751</u>	<u>\$ 117,039,751</u>

REGIONAL RAW WATER DELIVERY SYSTEM			
CONTRACT REVENUE REFUNDING BONDS, SERIES 2010			
(CITY OF SAN MARCOS, TEXAS PORTION)			
YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2013	\$ 420,000 *	\$ 165,768 *	\$ 585,768
2014	430,000	157,268	587,265
2015	440,000	148,568	588,568
2016	445,000	139,718	584,718
2017	460,000	130,668	590,668
2018	470,000	120,781	590,781
2019	490,000	108,756	598,756
2020	500,000	94,518	594,518
2021	520,000	79,218	599,218
2022	540,000	63,318	603,318
2023	565,000	46,743	611,743
2024	585,000	29,128	614,128
2025	615,000	9,994	624,994
	<u>\$ 6,480,000</u>	<u>\$ 1,294,446</u>	<u>\$ 7,774,443</u>

* The principal and related interest due on September 1, 2011 (FY2012) were paid in fiscal year ending August 31, 2011.

**GUADALUPE-BLANCO RIVER AUTHORITY
AMORTIZATION SCHEDULES**

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

YR END AUG 31	SERIES 2004A			SERIES 2004B			TOTAL
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
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>\$ 14,510,000</u>	<u>\$ 11,355,292</u>	<u>\$ 25,865,292</u>	<u>\$ 4,995,000</u>	<u>\$ 4,771,210</u>	<u>\$ 9,766,210</u>	<u>\$ 35,631,502</u>

**GUADALUPE-BLANCO RIVER AUTHORITY
AMORTIZATION SCHEDULES**

**COMBINATION CONTRACT REVENUE BONDS SERIES 2007A & 2007B
RRWDS PROJECT**

YR END AUG 31	SERIES 2007A			SERIES 2007B			TOTAL
	PRINCIPAL	INTEREST	TOTAL	PRINCIPAL	INTEREST	TOTAL	
2012	\$ 150,000	\$ 444,500	\$ 594,500	\$ 70,000	\$ 399,102	\$ 469,102	\$ 1,063,602
2013	160,000	437,000	597,000	75,000	394,153	469,153	1,066,153
2014	170,000	429,000	599,000	80,000	388,850	468,850	1,067,850
2015	175,000	420,500	595,500	85,000	383,194	468,194	1,063,694
2016	185,000	411,750	596,750	90,000	377,185	467,185	1,063,935
2017	195,000	402,500	597,500	100,000	370,822	470,822	1,068,322
2018	205,000	392,750	597,750	105,000	363,752	468,752	1,066,502
2019	215,000	382,500	597,500	110,000	356,328	466,328	1,063,828
2020	225,000	371,750	596,750	120,000	348,551	468,551	1,065,301
2021	235,000	360,500	595,500	130,000	340,067	470,067	1,065,567
2022	250,000	348,750	598,750	135,000	330,876	465,876	1,064,626
2023	260,000	336,250	596,250	145,000	321,332	466,332	1,062,582
2024	275,000	323,250	598,250	155,000	311,080	466,080	1,064,330
2025	285,000	309,500	594,500	170,000	300,122	470,122	1,064,622
2026	300,000	295,250	595,250	180,000	288,103	468,103	1,063,353
2027	315,000	280,250	595,250	195,000	275,377	470,377	1,065,627
2028	330,000	264,500	594,500	205,000	261,590	466,590	1,061,090
2029	350,000	248,000	598,000	220,000	247,097	467,097	1,065,097
2030	365,000	230,500	595,500	235,000	231,543	466,543	1,062,043
2031	385,000	212,250	597,250	255,000	214,928	469,928	1,067,178
2032	405,000	193,000	598,000	270,000	196,900	466,900	1,064,900
2033	425,000	172,750	597,750	290,000	177,811	467,811	1,065,561
2034	445,000	151,500	596,500	310,000	157,308	467,308	1,063,808
2035	470,000	129,250	599,250	335,000	135,391	470,391	1,069,641
2036	490,000	105,750	595,750	355,000	111,706	466,706	1,062,456
2037	515,000	81,250	596,250	380,000	86,608	466,608	1,062,858
2038	540,000	55,500	595,500	410,000	59,742	469,742	1,065,242
2039	570,000	28,500	598,500	435,000	30,755	465,755	1,064,255
	<u>\$ 8,890,000</u>	<u>\$ 7,818,750</u>	<u>\$ 16,708,750</u>	<u>\$ 5,645,000</u>	<u>\$ 7,460,273</u>	<u>\$ 13,105,273</u>	<u>\$ 29,814,023</u>

GUADALUPE-BLANCO RIVER AUTHORITY
AMORTIZATION SCHEDULES

FROST NATIONAL BANK, PORT LAVACA WTP CLEARWELL

YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
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>\$ 370,115</u>	<u>\$ 105,612</u>	<u>\$ 475,727</u>

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

YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2012	\$ 250,000	\$ 5,875	\$ 255,875
	<u>\$ 250,000</u>	<u>\$ 5,875</u>	<u>\$ 255,875</u>

WATER SUPPLY REVENUE REFUNDING BONDS
PORT LAVACA WATER TREATMENT PLANT PROJECT, SERIES 2011

YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2012	\$ 25,000	\$ 21,440	\$ 46,440
2013	285,000	20,750	305,750
2014	290,000	15,000	305,000
2015	300,000	9,100	309,100
2016	305,000	3,050	308,050
	<u>\$ 1,205,000</u>	<u>\$ 69,340</u>	<u>\$ 1,274,340</u>

GUADALUPE-BLANCO RIVER AUTHORITY
AMORTIZATION SCHEDULES

CONTRACT REVENUE BONDS
CITY OF LOCKHART, TEXAS, SERIES 2004

YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
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>\$ 5,415,000</u>	<u>\$ 2,938,999</u>	<u>\$ 8,353,999</u>

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

YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
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>\$ 2,970,000</u>	<u>\$ 282,308</u>	<u>\$ 3,252,308</u>

CONTRACT REVENUE BONDS, SERIES 1996
CITY OF LOCKHART PROJECT

YR END AUG 31	PRINCIPAL	INTEREST	TOTAL
2012	\$ 535,000	\$ 67,750	\$ 602,750
2013	550,000	56,900	606,900
2014	565,000	45,750	610,750
2015	590,000	34,200	624,200
2016	615,000	22,150	637,150
2017	640,000	8,000	648,000
	<u>\$ 3,495,000</u>	<u>\$ 234,750</u>	<u>\$ 3,729,750</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 Nine Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Primary government					
Invested in capital assets, net of related debt	\$ 40,790,810	\$ 43,235,437	\$ 40,582,695	\$ 38,715,589	\$ 36,361,304
Restricted	5,386,547	6,521,324	10,715,810	7,978,016	6,221,215
Unrestricted	<u>18,914,321</u>	<u>15,143,773</u>	<u>10,656,309</u>	<u>11,365,266</u>	<u>10,843,049</u>
Total primary government net assets	<u>\$ 65,091,678</u>	<u>\$ 64,900,534</u>	<u>\$ 61,954,814</u>	<u>\$ 58,058,871</u>	<u>\$ 53,425,568</u>

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

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

Guadalupe Blanco River Authority
Changes in Net Assets
Last Nine 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 and Deferrals</u>	<u>Capital Contributions</u>	<u>Deferrals</u>	<u>Change in Net Assets</u>
2003	\$ 24,715,917	\$ 19,570,481	\$ 5,145,436	\$ (2,353,720)	\$ 2,791,716	\$ 422,599	\$ (124,521)	3,089,794
2004	24,746,450	21,722,827	3,023,623	(2,233,630)	789,993	11,496	(293,665)	507,824
2005	27,391,962	22,951,387	4,440,575	(3,724,328)	716,247	309,411	(495,309)	530,349
2006	32,739,335	24,507,001	8,232,334	(4,838,756)	3,393,578	11,496	(1,604,770)	1,800,304
2007	38,542,513	28,865,971	9,676,542	(3,343,954)	6,332,588	9,879	(2,174,357)	4,168,110
2008	44,645,439	33,684,665	10,960,774	(6,290,390)	4,670,384	704,171	(741,252)	4,633,303
2009	45,001,215	34,503,980	10,497,235	(6,695,555)	3,801,680	1,300,256	(705,993)	4,395,943
2010	44,517,699	34,970,761	9,546,938	(6,499,912)	3,047,026	414,096	(1,015,402)	2,445,720
2011	43,649,714	35,199,680	8,450,034	(7,724,043)	725,991	-	(534,847)	191,144

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

Guadalupe Blanco River Authority

Operating Revenues by Source Last Nine 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
2009	-	3,056,054	31,051,511	932,909	6,683,467	675,585	2,601,689	45,001,215
2010	-	4,040,510	31,054,841	927,049	6,107,928	759,958	1,627,413	44,517,699
2011	-	4,192,271	31,615,931	1,022,746	4,273,817	736,451	1,808,498	43,649,714

Operating Expenses Last Nine Fiscal Years

Year	Personnel Operating Costs	Operating Supplies and Services	Maintenance and Repairs	Depreciation and Amortization	Special Items (a) (b)	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	528,374	22,951,387
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
2009	10,014,890	14,371,964	4,539,233	5,577,893	-	34,503,980
2010	9,942,404	13,288,880	4,416,585	6,127,100	1,195,792	34,970,761
2011	9,454,599	13,340,648	4,272,751	6,136,748	1,994,934	35,199,680

(a.) Special Items in FY 2005 include costs associated with the write off of Certain Diversion and Water Supply Development Costs

(b.) Special Items in FY 2009 and FY 2010 include costs associated with the Whooping Crane Endangered Species Lawsuit.

Nonoperating Revenue and Expenses Last Nine Fiscal Years

Year	Interest Expense	Investment Income	Grants	Gain (Loss) on Disposal of Capital Assets	Total
2003	\$ (2,521,188)	\$ 171,472	\$ -	\$ (4,004)	\$ (2,353,720)
2004	(2,413,026)	180,130	-	(734)	(2,233,630)
2005	(4,015,142)	310,337	-	(19,523)	(3,724,328)
2006	(5,401,953)	555,481	-	7,716	(4,838,756)
2007	(4,199,747)	855,793	-	-	(3,343,954)
2008	(7,046,879)	828,429	-	(71,940)	(6,290,390)
2009	(7,410,716)	475,308	242,557	(2,704)	(6,695,555)
2010	(7,184,205)	237,079	430,424	16,790	(6,499,912)
2011	(6,812,918)	288,242	549,534	(1,748,901)	(7,724,043)

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

List of Principal Customers



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. The rate history for the previous ten years for Water Sales Customers is as follows:

Price Per Acre-Foot (1)	Effective Date
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
110.00	10/1/2010
114.00	10/1/2011

(1) Excludes out-of-district charges.

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
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
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
Shadow Creek Wastewater Treatment Plant	North Hays County MUD #1	Hays
Dunlap Wastewater Reclamation System	Residential Customers	Guadalupe
Springs Hill Wastewater Reclamation System	Residential Customers	Guadalupe
Wimberley Wastewater Treatment Plant	City 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
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
Johnson Ranch Water Distribution System	Residential Customers, Public School	Comal
Johnson Ranch Wastewater Treatment Plant	Residential Customers, Public School	Comal
Calhoun County Rural Water System	Residential Customers	Calhoun
Coleto Creek Recreation	Recreational Customers	Victoria/Goliad

Guadalupe Blanco River Authority
Debt By Type
Last Ten Fiscal Years

Year	Obligations Payable Directly By GBRA		Obligations Payable From Revenue Contracts (a)		Pollution Control (b)
	<u>Bonds</u>	<u>Loans</u>	<u>Bonds</u>	<u>Loans</u>	<u>Bonds</u>
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	138,490,000	395,467	-
2009	3,630,000	10,845,301	133,870,000	387,356	-
2010	3,500,000	9,981,619	128,805,000	378,910	-
2011	10,150,000	9,362,340	123,725,000	370,115	-

(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.

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

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

**Pollution Control and
Industrial Development Bonds**

Year	
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
2009	90,890,000
2010	40,890,000
2011	40,890,000

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.

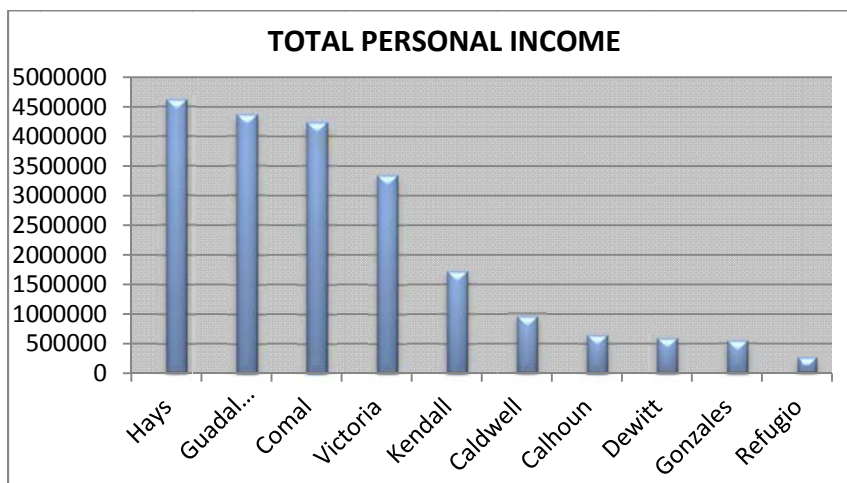
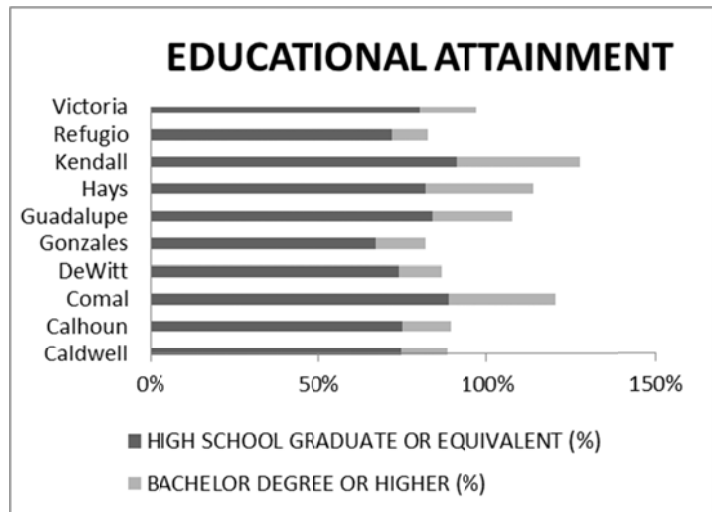
GBRA District Demographics

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.

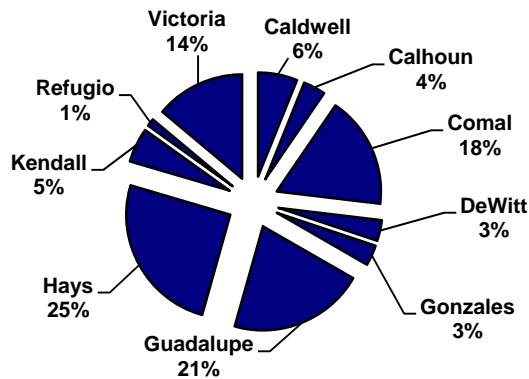
This diversity allows the local economy to be among the State's growth leaders and outpace the national economy as well as weather the effects of any global economic problems better than other areas may. The local economy is also being spurred by tremendous population growth along the I-35 Corridor.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

COUNTY	HIGH SCHOOL GRADUATE OR EQUIV.	BACHELOR DEGREE OR HIGHER
Caldwell	75%	14%
Calhoun	75%	14%
Comal	89%	32%
DeWitt	74%	12%
Gonzales	67%	15%
Guadalupe	84%	24%
Hays	82%	32%
Kendall	91%	37%
Refugio	72%	11%



COUNTY	TOTAL PERSONAL INCOME
Hays	4,622,968
Guadalupe	4,370,052
Comal	4,240,601
Victoria	3,349,267
Kendall	1,719,516
Caldwell	957,644
Calhoun	647,612
Dewitt	598,572
Gonzales	550,888
Refugio	266,867

DISTRICT POPULATION BY COUNTY



COUNTY POPULATION

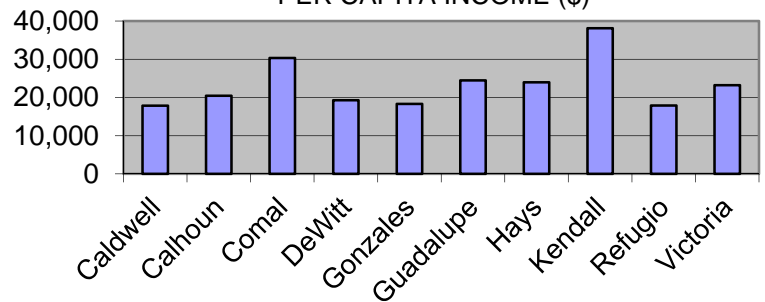
COUNTY	POPULATION
Hays	157,107
Guadalupe	131,533
Comal	108,472
Victoria	86,793
Caldwell	38,066
Kendall	33,410
Calhoun	21,381
DeWitt	20,097
Gonzales	19,807
Refugio	7,383

SOURCE: U.S. Census Bureau, Census 2010

COUNTY PER CAPITA INCOME

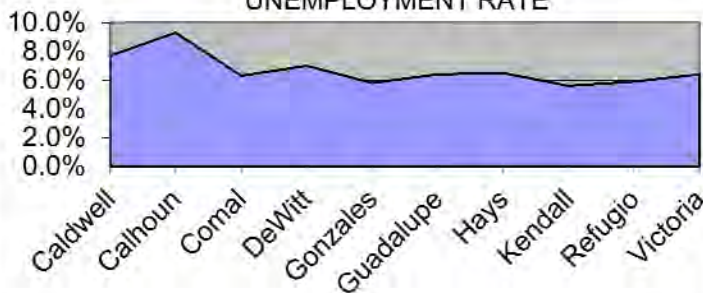
COUNTY	PER CAPITA INCOME
Kendall	24,619
Comal	21,914
Hays	19,931
Guadalupe	18,430
Victoria	18,379
Calhoun	17,125
Refugio	15,481
Caldwell	15,099
DeWitt	14,780
Gonzales	14,269

PER CAPITA INCOME (\$)



SOURCE: U.S. Census Bureau, Census 2010

UNEMPLOYMENT RATE



SOURCE: WashingtonPost.com as of April 2011

UNEMPLOYMENT RATE

COUNTY	RATE
Calhoun	9.3%
Caldwell	7.7%
DeWitt	7.0%
Hays	6.5%
Guadalupe	6.4%
Victoria	6.4%
Comal	6.3%
Refugio	5.9%
Gonzales	5.8%
Kendall	5.6%
Texas	7.7%
U.S.	8.7%

**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									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General	30	33.5	34.5	35.5	35.5	36	38	40	40	41
Guadalupe Valley Electric	24	24	25	25	25	25	25	25	25	25
Rural Utilities	5	5	6	5	6	6	7	7	7	7
Water Resources	34	39	41.5	45.5	45	45	46	51	48	49
Western Canyon	0	0	0	7	7	8	9	9	9	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	20	21	21	21	21	21	21	21	19	9
Coleto Creek Park and Reservoir	16.5	16	16	16	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	10	10	10	11	11	11	11	11	11	11
Total	158.5	167.5	173	185	185.5	187	192	199	194	186

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

GBRA's contract with the City of Victoria to operate the Victoria Regional Wastewater Reclamation Plants terminated in December, 2010. Employees of GBRA transitioned to the City of Victoria or other GBRA divisions.



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GUADALUPE-BLANCO RIVER AUTHORITY
OPERATING STATISTICS

Operating Statistics:	FY 2002	FY 2003	FY 2004	FY 2005
Water Treatment Customers:				
Total Water Distributed (Gal.)				
Calhoun County Rural Water Supply Division	70,348,000	70,501,000	72,392,000	76,710,000
Total Water Treated (Gal.)				
CRWA-Hays/Caldwell Water Treatment Plant System	--	331,000,000	225,000,000	89,818,289
Lockhart Water Treatment System	614,466,054	560,814,000	527,260,000	557,882,000
Luling Water Treatment Plant Division	306,271,000	286,951,000	256,335,000	470,651,000
Port Lavaca Water Treatment Plant Division	753,453,000	642,047,000	686,938,000	692,600,000
San Marcos Water Treatment Plant System	1,401,515,000	1,656,000,000	1,586,000,000	1,645,448,005
Western Canyon Water Treatment Plant System	--	--	--	--
Waste Water Treatment Customers:				
Total Wastewater Treated (Gal.)				
Buda Wastewater Treatment Plant	102,900,000	125,300,000	110,470,000	120,300,000
Crestview Subdivision Wastewater Treatment Plant	1,867,506	1,910,945	2,433,849	2,523,245
Lockhart Wastewater Reclamation System	516,100,000	588,700,000	542,930,000	609,430,000
Rural Utilities Division	152,410,000	147,100,000	150,410,000	153,054,000
Victoria Regional Wastewater Reclamation Division	2,155,900,000	2,741,000,000	2,788,000,000	2,811,000,000
Village of Wimberley Wastewater Treatment Plant	--	--	1,760,000	2,974,000
North Hayes County MUD #1	--	--	--	--
Sunfield Subdivision Wastewater Treatment	--	--	--	--
Water Sales Customers:				
Rice Irrigation (Acres)				
Calhoun Canal System	1,475	1,897	2,488	2,430
Water Delivered (Gal.)				
Guadalupe Power Partners	821,496,000	846,695,620	898,443,000	966,788,000
Regional Raw Water Delivery System	1,445,000,000	1,965,000,000	1,713,000,000	2,151,367,000
Power Sales & Other Services:				
Total Generation (kWh)				
Guadalupe Valley Hydroelectric Division	77,361,500	64,974,600	77,975,500	86,911,400
Canyon Hydroelectric Division	16,493,895	--	14,930,325	24,371,501
Annual Permits				
Lake Wood Recreation Area	45	34	35	13
Coletto Creek Regional Park	241	246	262	260
Camping Permits				
Lake Wood Recreation Area	2,105	2,323	2,030	2,264
Coletto Creek Regional Park	12,326	11,856	12,736	11,800
Camping Cabins				
Coletto Creek Regional Park	425	568	573	692
Day Use Permits				
Lake Wood Recreation Area	2,501	2,671	2,641	2,686
Coletto Creek Regional Park	15,056	15,052	14,771	16,051

FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
75,334,000	62,684,000	75,006,000	87,252,000	71,381,000	91,070,000
--	--	--	--	--	--
581,087,000	479,150,000	525,871,000	554,970,000	542,137,000	613,240,000
802,677,000	651,263,000	734,704,000	677,043,000	634,399,000	675,179,000
666,085,000	592,510,000	673,172,000	739,501,000	630,210,000	752,918,000
1,711,018,000	2,129,290,000	2,404,842,000	2,773,635,000	2,685,046,000	3,209,012,000
1,041,235,000	2,713,775,000	3,648,193,000	3,669,842,000	3,722,663,000	3,446,937,000
119,580,000	198,200,000	243,800,000	273,300,000	339,800,000	331,430,000
2,404,060	3,256,203	2,191,534	2,184,018	3,059,616	2,291,900
491,100,000	489,000,000	447,100,000	380,250,000	465,830,000	429,580,000
149,520,000	190,740,000	168,630,000	168,400,000	239,600,000	195,800,000
2,741,000,000	2,390,000,000	2,585,000,000	2,209,000,000	2,579,000,000	819,000,000
4,381,000	5,385,000	3,660,000	4,720,000	3,246,000	4,930,000
3,641,000	23,790,000	35,570,000	35,980,000	41,010,000	38,160,000
--	--	--	--	2,560,000	9,970,000
2,634	2,086	2,809	2,153	2,177	2,249
1,129,607,000	974,680,000	1,157,790,000	1,146,655,000	998,991,000	900,513,000
1,811,222,000	2,129,290,000	3,274,240,000	2,908,782,000	3,280,168,000	3,336,852,000
44,412,900	64,980,700	66,914,600	25,726,200	71,633,300	42,126,000
7,906,746	9,102,504	19,026,827	2,415,841	17,716,632	7,566,158
23	11	17	9	18	19
258	274	285	252	254	259
3,235	2,112	2,635	2,995	3,204	4,266
12,554	13,376	14,594	12,941	12,393	13,133
664	542	662	725	717	766
2,860	2,164	2,567	2,739	2,776	2,588
16,378	14,177	16,851	15,139	14,465	16,331

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

		Guadalupe			Port Lavaca	Calhoun	Victoria		Luling			
		Valley	Rural	Water	Water	County	Regional		Water	Canyon		
	General	Hydro	Utilities	Resource	Treatment	Rural Water	Wastewater	Coleto	Treatment	Hydro	Lockhart	
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	\$ 3,308,138
2009	485,055	121,593	391,855	14,182,783	1,464,060	28,727	77,120	7,829	-	-	59,264	\$ 16,818,286
2010	83,824	121,168	591,354	511,881	4,106	48,080	57,852	-	-	-	207,062	\$ 1,625,327
2011	84,589	51,473	2,005,870	9,027,303	-	43,964	-	21,786	22,954	-	22,902	\$ 11,280,840

Schedule of Capital Asset Additions by Classification
Last Nine Fiscal Years

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Land, Water & Storage Rights	\$ 2,077,812	\$ -	\$ 1,088,461	\$ -	\$ 6,718,880	\$ 99,723	\$ 433,650	\$ -	\$ 7,000,000
Structures & Improvements	1,984,279	142,425	4,612,873	647,401	99,724,123	2,759,542	15,702,963	1,005,294	3,749,160
Specialized Equipment	1,791	14,738	68,966	60,202	110,451	69,706	142,709	63,522	41,246
Auto & Heavy Equipment	402,739	617,808	213,367	195,622	238,477	193,219	248,342	205,812	229,186
Office Furniture & Equipment	93,149	84,821	108,694	94,745	102,270	54,612	121,309	23,902	89,353
Miscellaneous Equipment	59,952	49,712	443,314	95,561	1,099,896	131,337	169,314	326,797	171,895
Total	\$ 4,619,722	\$ 909,504	\$ 6,535,676	\$ 1,093,531	\$ 107,994,097	\$ 3,308,138	\$ 16,818,286	\$ 1,625,327	\$ 11,280,840

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

**INDEPENDENT AUDITOR'S REPORT
IN ACCORDANCE WITH GOVERNMENT
AUDITING STANDARDS**

REPORT ON COMPLIANCE AND INTERNAL CONTROLS



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&
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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, 2011, which collectively comprise Guadalupe-Blanco River Authority's basic financial statements, and have issued our report thereon dated December 21, 2011. 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. Accordingly, we do not express an opinion on the effectiveness of Guadalupe-Blanco River Authority's internal control over financial reporting.

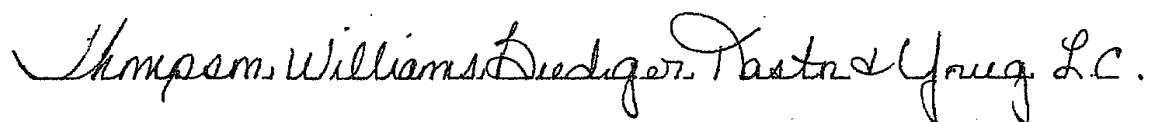
A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Authority's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, 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 audit 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 21, 2011

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.gbira.org>

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

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

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

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

Lockhart Water Treatment Division
547 Old McMahan Road
Lockhart, TX 78644
TEL: (512) 398-3528
email: emontana@gbira.org

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

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

Guadalupe-Blanco River Authority
933. E. Court St.
Seguin, Texas 78155

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