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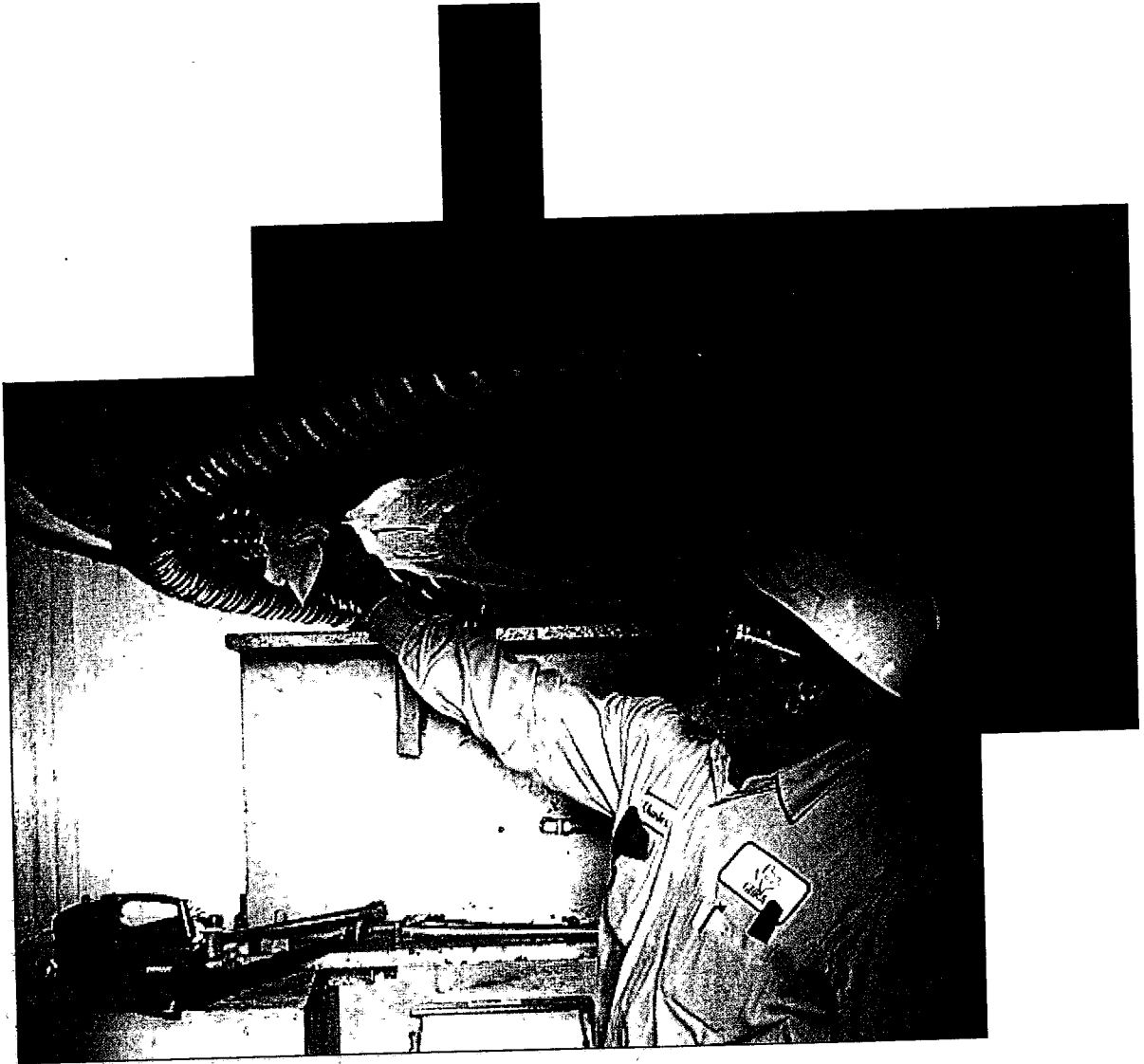


Item Number: 10

Addendum StartPage: 0

House Bill (HB) 1600 and Senate Bill (SB) 567 83rd
Legislature, Regular Session, transferred the functions
relating to the economic regulation of water and sewer
utilities from the TCEQ to the PUC effective
September 1, 2014

People - Our Natural Resource



Mission and Goals

Mission

The Mission of the Guadalupe-Blanco River Authority is to protect, conserve, reclaim and steward the resources of the ten-county District in order to ensure and promote quality of life for those we serve.

Goals:

Water Resource Management:

To ensure (1) a supply of quality water for both immediate and long term needs of the District by development of all feasible alternatives; and (2) development of flood management measures.

Water Quality:

To ensure that the quality of water in the District is suitable for municipal, agricultural and industrial supplies as well as recreational uses and aquatic life.

Public Services:

To expand the GBRA's public services and continue to enhance current operations.

Economic Development:

To create economic development opportunities for each community in the District, through partnership with the GBRA.

Technical Assistance and Support:

To provide increased professional and technical assistance to customers and other entities.

Communication and Education:

To inform and educate employees, customers and the public regarding protection, conservation and reclamation of District resources and GBRA's stewardship of those resources.

About the Cover

GBRA's six Hydroelectric Division dams and powerhouses, built in the late 1920's, are still in excellent condition and operation due to the dedication and skill of a team of 24 highly trained employees, with a combined experience of 397 years. Charles Durst, Plant Maintenance Crew, conducts maintenance and cleaning of stator coils on a plant generator.

Guadalupe-Blanco River Authority of Texas

Created by the Texas Legislature

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

Planning for the Basin and Texas

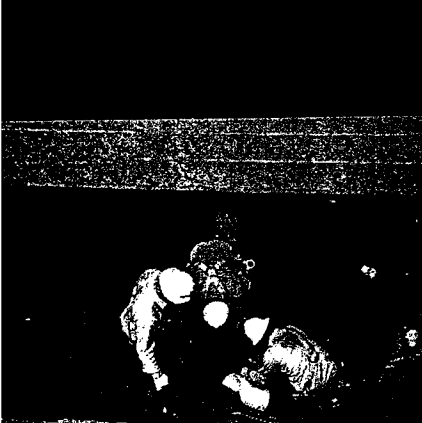
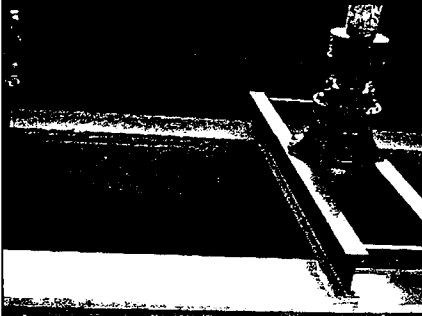
GBRA was established to develop, conserve and protect the water resources of the Guadalupe River Basin and make them available for beneficial use. To accomplish this responsibility, GBRA conducts its planning and resource development efforts in conjunction with the broader consideration of regional and statewide water needs. GBRA's statutory district begins near the headwaters of the Guadalupe and Blanco Rivers, ends at San Antonio Bay, and includes Kendall, Comal, Hays, Caldwell, Guadalupe, Gonzales, DeWitt, Victoria, Calhoun and Refugio counties. Today, eleven divisions supply essential services including water and wastewater treatment, water quality testing, the management of water rights and delivery of stored water, the production of electricity from seven hydroelectric plants, and engineering and design support.

Self-Supporting Operations

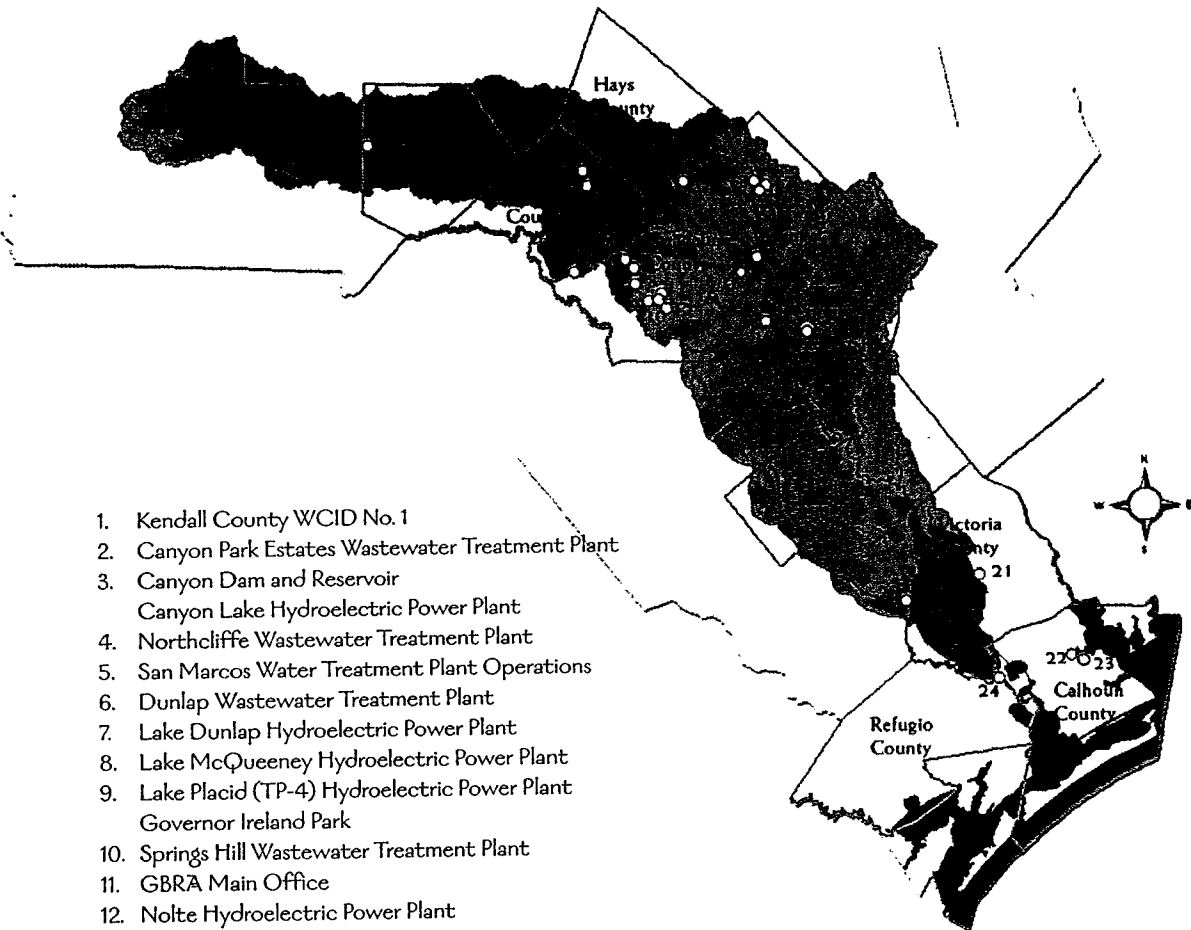
GBRA cannot levy or collect taxes or assessments or in any way pledge the general credit of the State of Texas. State and federal grants provide occasional funding for special projects. All other revenues for maintenance and operation are derived from the products and services GBRA provides to customers throughout the basin.

Sound Management and Administration

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



The Guadalupe River Basin



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

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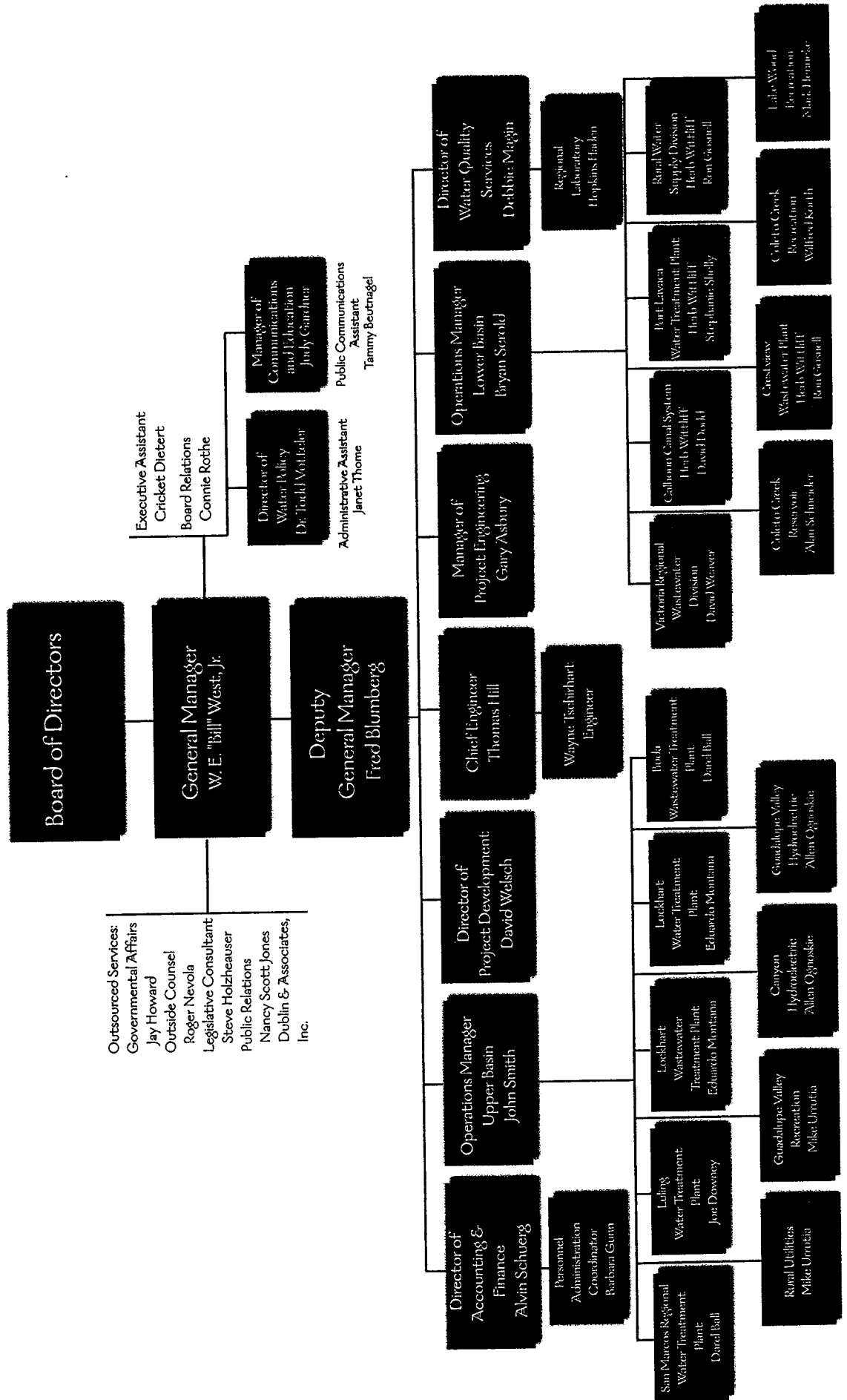
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Guadalupe-Blanco River Authority Organization Chart



r from Board Chair and General Manager

Few issues in Texas are more complicated - or provoke more opinions - than water. At GBRA, we deal with that reality every day. Making it even more complex is the fact that GBRA's unique geography ensures that virtually every water-related issue in Texas is represented in our statutory district. We must address such diverse issues and natural resources as springs and springflow, bays and estuaries, reservoirs, hydroelectric generation, aquifers, water quality and quantity, aquatic life, plants, birds, endangered species, agriculture and land management practices.

As the agency charged by the Texas Legislature with providing essential, water-related stewardship for the Guadalupe-Blanco river basin, we serve a ten-county area stretching from the Hill Country to San Antonio Bay. There are more than 70 cities and communities in these counties, as well as industries, farmers, ranchers and others who also need and use water.

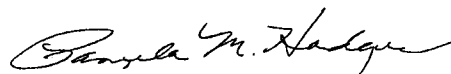
In dealing with such a broad spectrum of water issues, and of citizens who are concerned about those issues, GBRA must rely on its own extraordinary 'natural resource' -- the more than 120 public servants who make up our work force. Their value cannot be measured.

Because of them, GBRA is much more than a collection of buildings, divisions, plants and equipment. While these facilities are vital, our employees -- with their talents, specialized skills, hard-earned certifications and willingness to serve - are the difference-makers, performing their jobs with pride and dedication. Many of them have been with GBRA for more than 20 years. In one division alone, 24 employees share a combined experience of 397 years! Multiply this across our 11 operating divisions and it is obvious that these employees provide an endless source of knowledge and good judgment for the people and communities they serve.

The population of GBRA's 10 counties grew 25 percent in the last decade alone. Ensuring adequate services and water for this area of Texas will require personal commitment and cooperation if we are to succeed in meeting this challenge.

We salute our employees and the professionalism they exhibit every day, whether coping with devastating floods or simply offering a warm, sincere greeting to visitors. They are an outstanding reflection on this organization.

We are also proud to report on our progress throughout last year.



Pamela M. Hodges, Board Chair



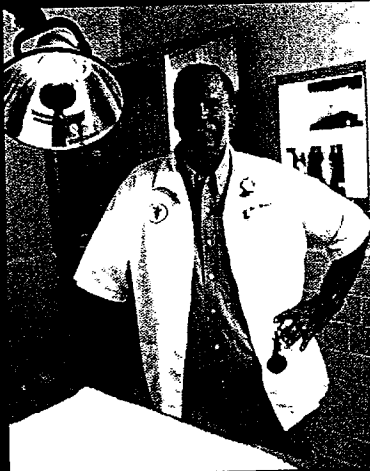
W. F. West, Jr., General Manager

GBRA Board of Directors



Pamela M. Hodges, Chair
KENDALL COUNTY, Boerne, Texas
Appointed: 1997, Gov. George W. Bush

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



Stephen F. Wilson, DVM, Vice-Chair
CALHOUN COUNTY, Port Lavaca, Texas
Appointed: 1999, Gov. George W. Bush

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



Frederick "Fritz" Schlather, Secretary/Treasurer
GUADALUPE COUNTY, Cibolo, Texas
Appointed: 1997, Gov. George W. Bush

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



John P. Schneider, Jr., Director
CALDWELL COUNTY, Lockhart, Texas
Appointed: 1999, Gov. George W. Bush

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



Myrna P. McLeroy, Director
GONZALES COUNTY, Gonzales, Texas
Appointed: 2001, Gov. Rick Perry

Mrs. McLeroy lives on a farm in Gonzales that has been in her family since 1885. She is owner of the McLeroy Land Group in Gonzales, which conducts mineral title searches and negotiates oil and gas leases. She attended Southern Methodist University and the University of Houston. Her community activities include director, Torch of Freedom Foundation; commissioner of the Housing Authority of Gonzales, a member of the Empowerment Board of Gonzales, the American Association of Professional Landmen, the Gonzales County Chamber of Commerce and Agriculture, the State Republican Executive Committee; and chair of the Gonzales County Republican party.



Frank J. Pagel, Director
REFUGIO COUNTY, Tivoli, Texas
Appointed: 2001, Gov. Rick Perry

Mr. Pagel lives on a farm that has been in his family for three generations. He has been involved in agricultural production since 1957. He received a B.S. in Animal Husbandry from Texas A&M College and formerly owned and operated Progreso Aviation. He is a temporary board member of the Refugio County Underground Water District, a member and current county chairman of the Refugio County Farm Service Agency committee, the Texas A&M Century Club and Former Students' Association, and was named Man of the Year in Agriculture by the Texas County Agricultural Agents Association in 1967. Pagel has been the County Chairman of the Refugio County Republican Party since 1996.



Jack R. Gary, Director
HAYS COUNTY, San Marcos, Texas
Appointed: 2001, Gov. Rick Perry

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



Kathleen A. Devine, Director
COMAL COUNTY, New Braunfels, Texas
Appointed: 1999, Gov. George W. Bush

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



Catherine R. "Kay" McHaney, Director
VICTORIA COUNTY, Victoria, Texas
Appointed: 1994, Gov. Ann Richards,
1997 Gov. George W. Bush

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

Accomplishments - FY 2001 Division Highlights

BOARD AND ADMINISTRATION:

Elected new officers of the GBRA Board of Directors in January 2001 -- chair Pamela M. Hodges, vice-chair Stephen F. Wilson, DVM, and secretary/treasurer Frederick Schlather.

Governor Rick Perry appointed three new directors in August 2001 -- Jack R. Gary of San Marcos for Hays County, Myrna P. McLeroy of Gonzales for Gonzales County, and Frank J. Pagel of Tivoli for Refugio County.

Conducted a preliminary design and needs analysis that will be used to add additional office and storage space to GBRA headquarters in Seguin, including an expanded Regional Laboratory and new Hydro Division shop facilities. The survey included employee input and recommendations from consulting architects Chesney Morales and Associates, Inc. of San Antonio.

Completed a comprehensive review of the GBRA job classification and pay system to help ensure internal equity within the organization and market competitiveness. The project included a survey by all GBRA employees of their job duties, and a market survey by Ray Associates, Inc. of Austin, Texas. In December 2000, the Board unanimously approved the new classification and pay plan to be implemented with the Fiscal Year 2002 Work Plan and Budget.

Selected International City/County Management Association (ICMA) as the Plan Administrator for the GBRA Employee 457 Deferred Compensation Plan.

GBRA DIVISIONS:

General:

Accepted the 27th consecutive Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting, and the 4th consecutive Distinguished Budget Award for GBRA's 2000 Comprehensive Annual Financial Report.

Implemented new Accounting Division software.

Contracted with Sprint Enterprise Network Services to implement a Wide Area Network via Frame Relay and Virtual Private Network (VPN). This will greatly enhance GBRA's internal communication capabilities.

Contracted with Matson Multi Media, Inc. of San Antonio to produce an educational video about GBRA, including watershed awareness and management in the Guadalupe River basin.

Approved Articles of Incorporation and Bylaws creating the GBRA Endowment. This entity will serve as a recipient for conservation easements, donations of land and other assets that will be used to steward, develop and protect natural resources in the Guadalupe River basin.

Initiated a funding request with the Texas Parks and Wildlife Department (TP&WD) for a basin-wide system for water-related recreation; outdoor, heritage and environmental education opportunities; portage ways along the river; a series of interpretive centers throughout the Guadalupe River basin; and park enhancements to meet growing user demands.

Prepared for deregulation of the electric market by participating in the Texas Water Conservation Association aggregation group; approved the TWCA USA, Inc. Articles of Incorporation and Bylaws; and received approval from the Public Utility Commission to be a Power Generating Company and a Resource with the Electric Reliability Council of Texas (ERCOT). Because GBRA generates electricity from water power for New Braunfels Utilities and the Guadalupe Valley Electric Cooperative, it is assisting these customers to obtain Renewable Energy Credits, or 'green power' offsets.

Approved a Joint Funding Agreement with the United States Geological Survey (USGS) to help fund gauging and water quality testing sites in the Guadalupe River basin.

Inaugurated the Employee Volunteer Program which supported numerous community projects during the Christmas 2000 holidays; conducted a day-long "Our Day to Shine" effort that completed substantial rehabilitation projects on six flood-damaged homes in the City of Cuero in DeWitt County.

Developed a new hands-on science curriculum for middle school students to address water quality,

quantity, conservation, pollution and other important issues. The program will be distributed free to all six, seventh and eighth grade classrooms in the GBRA statutory district in 2002.

Commissioned the Kendall County Resource Stewardship Program to evaluate the potential impact of rapid growth in the Hill Country on water and other natural resources. The project includes issue identification, option generation, evaluation and integration stages that work toward the development of resource protection alternatives.

Coordinated the preparation of year 2000 drinking water Consumer Confidence Reports for the cities of Luling, Lockhart and Port Lavaca, the Port O'Connor MUD and the GBRA Calhoun County Rural Water Supply System.

Hosted the Texas Lineman's Rodeo at GBRA's Nolte Island Park, in cooperation with the Texas Electric Cooperative and the Guadalupe Valley Electric Cooperative.

Hydroelectric:

Disassembled and shipped the turbine at the H-5 (Lake Wood) hydro plant to Voith Siemens Hydro in York, Pennsylvania for rehabilitation and reinstallation. This equipment has been in operation since the late 1920's and constituted a major project for the GBRA hydro employees.

Contracted with General Electric Energy Services to install new stator windings in a McQueeney Hydroelectric Plant generator.

Built an all weather enclosure at the Dunlap dam. This structure will help shelter employees who must staff GBRA spillways around the clock when floodwater and Canyon Reservoir releases are being passed through the Hydro system.

Worked with Guadalupe Power Partners (GPP) to design and build a water pump station, owned and operated by GBRA, that provides 4 to 6 million gallons of water per day for the cooling towers and process feed water at the new GPP 1,000 megawatt, combined cycle power plant outside Marion, TX. The water is a blend of treated effluent from GBRA's Dunlap Wastewater Treatment Plant and raw water from the Guadalupe River.

Completed a cooperative project to upgrade the substation transformer at the GBRA Canyon Hydroelectric Plant from 69 kV to a 138 kV unit. This is part of the Pedernales Electric Cooperative's upgrade of its Sattler-Canyon Transmission Line and involved a joint effort among GBRA, PEC, the Lower Colorado River Authority (LCRA) and New Braunfels Utilities.

Prepared sites at Nolte Island in cooperation with the Texas Electric Cooperative and LCRA for the annual state Lineman's Rodeo competition in July 2001.

Water Treatment and Delivery:

Calhoun County Rural Water Supply System - relocated two water mains on several areas of Royal Road to facilitate TxDOT road widening projects; completed installation of a new SCADA system for command and monitoring of remote operations; worked with the town of Bayside and a subdivision near Port Alto to evaluate their water supply and wastewater systems; began the conversion from manual to automated meter-reading hardware and software; and delivered water on a wholesale basis to the Port O'Connor Municipal Utility District during completion of a new water main.

Lockhart WTP - entered into a contract with the City of Lockhart to operate its wells and 4 million gallon per day (mgd) water treatment plant beginning October 1, 2000. GBRA currently operates two wastewater treatment facilities for the City. Conducted team training for new employees; completed extensive electrical upgrades including changing out the radio frequency at the water plant, well sites and pump station, and repairing the raw water pump station tank.

Luling WTP - the year's major project involved a complete overhaul of the #2 clarifier, including sandblasting and painting of all components; employees also compiled information for Malcom Pirnie Engineering for a study to determine the benefits of water blending from Luling and Lockhart for the Polonia Water Supply Corporation; installed new SCADA system software.

Port Lavaca WTP - commissioned study to confirm plant's ability to comply with future Safe Drinking Water Act regulations and completed a new Monitoring Plan for quality assurance for its three wholesale customers; installed new transfer pump piping to regain pump efficiency; completed a bond refinancing project to take advantage of lower interest rates for the bonds sold to finance the expansion of the WTP in 1990; completed a changeover to Liquid Ammonium Sulfate, which is used in forming the chlorine compound needed to disinfect the final treated water product.

San Marcos WTP - installed radio equipment to transmit data from the water treatment plant to the City's wastewater plant; completed a Raw Water Delivery System SCADA installation so plant personnel can control water delivery to the ANP/HELP power plant and the San Marcos WTP; installed a chlorine monitor on the filtered water line to assist in maintaining chlorine residuals throughout the plant; and assisted with the Western Canyon Pilot Plant study by monitoring the two test membrane plants placed at the Canyon Lake WSC Triple Peaks Water Plant.

Highlights, cont.

Lockhart WWTP - Implemented a cross-training program to enhance service and technical capabilities of all employees, because GBRA operates both water and wastewater facilities for the City of Lockhart.

Wastewater Treatment:

Rural Utilities Division - Canyon Park Estates WWTP met increased growth in the area by working with engineers to determine capacity and treatment issues. Maintenance work was performed on the pH control system and the sludge splitter box. The Dunlap WWTP, following completion of the GPP power plant outside Marion, began delivery of treated effluent for reuse in the power plant's cooling system. The Northcliffe WWTP received authorization from GUADCO MUD #1 to work with the City of Schertz to plan an Inflow and Infiltration study for the Northcliffe collection system and met with GUADCO MUD #1 AND GUADCO MUD #2 Board members to plan future development requirements. Springs Hill WWTP personnel assisted area developers regarding several proposed subdivisions in the service area needed to address growth and housing requirements. The TxDOT Guadalupe County WWTP and Drinking Water System, the East and West bound lane water systems, received maintenance on the pressure system and the effluent irrigation system.

Victoria WWRD - renovated structures and equipment damaged by the flood of October 1998, including the installation of SCADA equipment to monitor plant alarm conditions, the complete renovation of the laboratory, and modification to the levee around the plant to raise it above the 1998 flood elevation. Plant employees also worked closely with the City of Victoria on the installation of a sixty-inch sewer line expansion project.

Buda WWTP - In October 2001, the City of Buda's wastewater treatment plant became the newest addition to the facilities we operate for various customers. The contract provides for GBRA to operate the existing plant and, at the request of the city, to finance, construct and operate any expansions or major modifications. We are proud to have been selected by the City of Buda to provide this important service to their community.

Water Resources:

Water Resource Division - worked closely with the Victoria Economic Development Corporation, the Port of Victoria and consultants regarding water and wastewater services for anticipated development near the Victoria Barge Canal.

Calhoun Canal Division - installed new SCADA system hardware and software to upgrade control and monitoring of local and remote GBRA facilities in Calhoun County; installed a new liquid bleach system for chlorination of the raw water pipeline; made significant upgrades to the Main Canal with the installation of 100 feet of 72-inch pipe at a major crossing and removal of an old timber bridge; removed several large logjams following Fall 2000 flooding in both the San Antonio and Guadalupe rivers; and delivered irrigation water to supply a large increase in cotton crop acreage.

Coletto Creek Division:

The entire division completed 14 years without a lost time accident.

Reservoir Operations revised and began computerizing the Coletto Flood Release Program; conducted the bi-annual dam safety inspection in cooperation with PBS&J of Austin; completed a major erosion control project on the south slope of the Main Spillway discharge channel utilizing the construction and heavy equipment operation skills of GBRA employees; and built an all-weather structure on the Main Spillway end pier for use during flood release events and to house all USGS and Coletto Creek lake monitoring equipment.

Recreation Operations constructed a new 40'x 40' group pavilion and an additional camping cabin; hosted numerous fishing tournaments for adults and a KIDFISH event for children; utilized knowledge and skills of park rangers to implement new educational offerings for park guests including a weekend stargazing program and boater education courses.

Lake Wood Recreation Area - participated in the TP&WD's hearing on the Aquatic Plant Management State Guidance Plan; completed refurbishing of new park headquarters damaged after the 1998 flood; developed a nature trail; hosted annual KIDFISH event for 240 children.

Regional Laboratory - contracted with TNRCC for GBRA's participation in the 2002-2003 Clean Rivers Program; held 2001 annual CRP Basin Steering Committee meeting in May with members and representatives from state agencies; performed site water quality monitoring for the Instream Flow Incremental Methodology (IFIM) Study in cooperation with TP&WD, TNRCC and the TWDB that was completed in December 2000; assisted the City of Buda with special investigations and wastewater treatment plant modifications; trained new Texas Watch volunteers who will monitor five new sites on the Guadalupe River including one at Cuero, in Seguin on Geronimo Creek, upper Lake Placid and on Walnut Branch, and on the San Marcos River at Luling; installed a new Dionex ion chromatograph to provide automated analyses for various components plus the capability to now test for bromide; added water quality monitoring site information and data, the Clean Rivers Program work plan, highlights and public participation information, and laboratory reports and services to the GBRA website.

REGIONAL RESOURCE AND WATER PLANNING

Received approval from the TNRCC of an amendment to GBRA's Canyon Reservoir Certificate of Adjudication 18-2074. This amendment increases the authorized reservoir water deliveries from 50,000 to 90,000 acre-feet per year (ac-ft/year). A subsequent lawsuit filed by Friends of Canyon Lake remains to be heard in court.

Approved a Water Supply and Delivery Agreement with the San Antonio Water System and the San Antonio River Authority. Water rights owned by GBRA in the lower Guadalupe River basin that are not fully utilized at this time will provide an interim water supply to the

San Antonio metropolitan area. GBRA will build and own the pumping facilities, and SAWS and SARA will be responsible for treatment and distribution.

Entered into an Interlocal Cooperative Agreement with the City of Corpus Christi, the SARA, the SAWS, the Nueces River Authority and the Lavaca-Navidad River Authority, to create and participate in the South Texas Water Alliance. This regional program will work toward the optimal development, conservation and use of the region's water resources, help the region attract and develop economic benefits, and serve as a conduit in the competition for state and federal funding.

The GBRA Board approved contracts with Water Services, Inc., Kendall County Utility Company and Tapatio Springs Service Company, Cordillera Ranch, LTD, and the City of Bulverde as part of the Western Canyon Regional Treated Water Supply Project. Agreements were previously approved with the SAWS, the SARA, the Bexar Metropolitan Water District (BMWD), the City of Boerne and the City of Fair Oaks Ranch. GBRA is working to finalize contracts with in-district and non-municipal customers. GBRA has also obtained Certificates of Convenience and Necessity (CCN's) to provide retail water and wastewater service to three locations in the vicinity of the project delivery system. All contracts are contingent upon final issue of an amendment to the Canyon Reservoir Certificate of Adjudication. The Board also approved selection of a primary water treatment plant site alternative, routes for raw and treated water lines, customer delivery points, and other design criteria.

Continued planning for the San Marcos Regional Project that, in conjunction with an expansion of the San Marcos Regional Water Treatment Plant, will deliver up to 6 million gallons per day (mgd) of treated surface water to rapidly-growing areas along IH-35 in northern Hays County. A pump station at the SMWTP will transport water to each customer on a wholesale basis, through a pipeline paralleling IH-35 through Kyle, Buda and the area of the Creedmor-Maha Water Supply Corporation. In preparation for this project, GBRA negotiated a water supply agreement with the City of Buda in November 2000. This agreement is in addition to an existing agreement with the City of Kyle. GBRA also approved a resolution to reimburse with tax-exempt obligation bonds the costs associated with the regional project.

Negotiated an agreement for raw water service between GBRA and the City of Blanco. The city owns and operates a surface water plant that treats water from a small reservoir on the Blanco River. When the river flow stops, the city is dependent on the water left in the reservoir. To provide a critical supplemental supply, GBRA will furnish up to 600 acre feet/year of stored water from Canyon Reservoir through the year 2050.

Contracted with Canyon Lake Water Supply Corporation to supply 2,000 acre/feet per year of stored water from Canyon Reservoir, predicated on GBRA obtaining its amendment to the Canyon Reservoir Certificate of Adjudication. CLWSC currently operates one water treatment plant at Canyon Lake and has an existing contract for 2,000 ac/ft/year for direct diversion from the Reservoir. The additional water will be used for CLWSC retail customers within GBRA's district due to increased growth and development in its service area.

Received a grant from the (TWDB) to perform a water quality and regional wastewater feasibility study on the area surrounding Canyon Reservoir in Comal County. The water in Canyon Reservoir is of high quality and is the source of water for numerous municipal and industrial users. The study will ascertain the current land use and development, assess potential water quality impacts (related to Canyon Reservoir) of future growth and development in the watershed, investigate the potential for regionalization of wastewater utilities in the area, and recommend management practices that offer source water protection for the water supplies relying on the reservoir. Study participants include GBRA, the Comal County Commissioners Court and the TWDB.

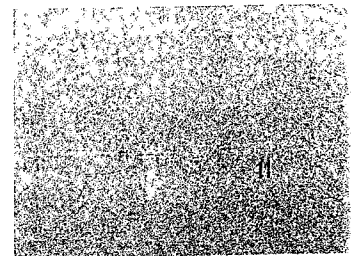
Authorized the Canyon Reservoir Economic Benefit Study to develop comprehensive data about the economic impact and benefits of all aspects of the reservoir. Areas to be studied include flood control and water supply functions, upstream and downstream recreation, public safety, public access and economic issues.

Participated in a Clean Rivers Program Special Study "Predicting Effects of Urban Development on Water Quality in the Cities of New Braunfels, San Marcos, Seguin and Victoria." Study results will help protect water quality by providing guidelines to assess the impacts of development, runoff ratios, increases in impervious cover, low-impact development and runoff control measures.

Negotiated a Memorandum of Understanding with the Natural Resources Conservation Service (NRCS) to conduct a study of the Honey Creek Watershed. This local demonstration project will illustrate how watershed management in the Texas Hill Country, including the reduction of ash juniper, can enhance water resource management and supply.

Produced an Interim Flood Preparedness Plan in cooperation with Preserve Lake Dunlap Association, Friends of Lake McQueeney, Citizens United for Lake Placid, Meadow Lake Homeowners, the City of Seguin, Guadalupe County, Comal County and KWED Radio Station in Seguin. Public plan presentations taught residents how to develop a personal flood response plan, how emergency information will be communicated, and how to interpret flood warning data for each area lake.

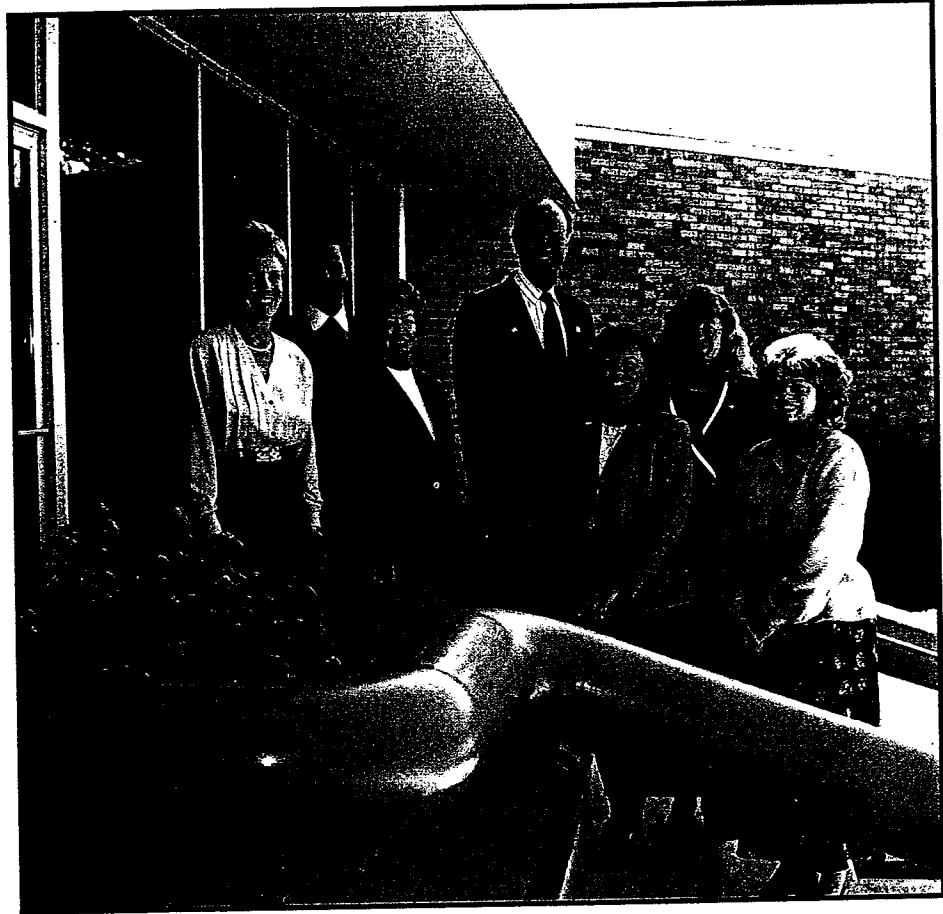
Completed the installation/refurbishment of automated rainfall gauges in Comal, Kendall and Kerr Counties. The network data is collected and placed on a non-public internet page to allow emergency management personnel and the National Weather Service access to the data.



General Division

Employees in this division, based in Seguin, furnish administrative, technical and support services to GBRA operating divisions under the direction of the General Manager.

Areas of responsibility include water policy, internal and external communications, public relations, education programs, accounting and finance, human resources, network administration and project engineering.



GBRA's general manager and his administrative staff, who carry out a variety of management and support responsibilities, are Connie Rothe, Board Relations; Todd Votteler, Director of Water Policy; Judy Gardner, Manager of Communications and Education; W. E. "Bill" West, Jr., General Manager; Cricket Dietert, Executive Assistant; Janet Thome, Administrative Assistant; and Tammy Beutnaegel, Public Communications Assistant.



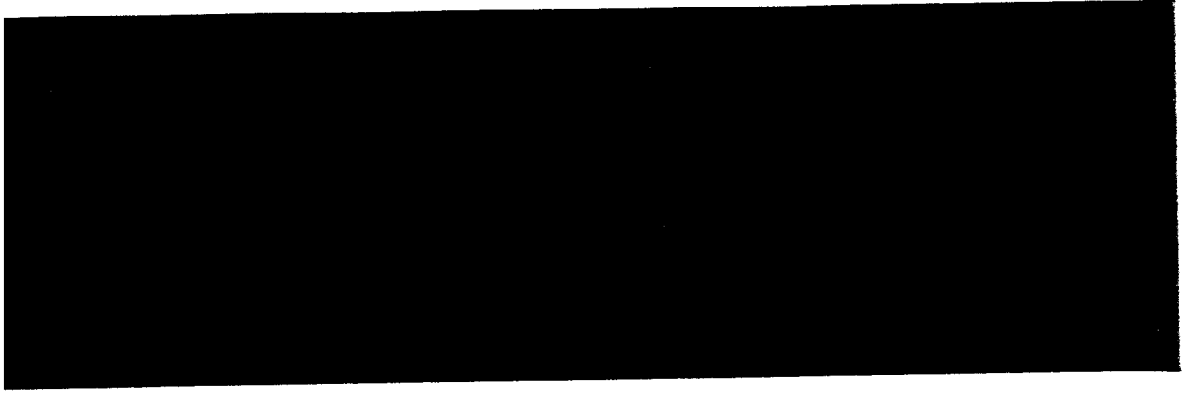
Liz Sedlacek, Office Assistant; Sandra Terry, Accountant; Marella Dalme, Records Manager; Barbara Gunn, Personnel Administration Coordinator; Alvin Schuerg, Director of Accounting and Finance; and Angela Baxley, Network Administrator are responsible for overall accounting administration.

Accounting and Finance, Payroll, accounts payable and receivable, personnel and network administration, and other financial services are provided to all divisions by this department's staff. In addition, low-interest loans are made available to outside entities through GBRA's Industrial Development Corporation.

General Division revenues are generated from administrative and general charges to operating divisions, investments in eligible securities and rental income.



Accounting Assistants Cheryl Gorden, Jeannine Herrmann, Sarah Gregg and Sally Greear handle accounts payable, receivable and payroll.



Operations administration is the responsibility of Susan Cochran, Operations Secretary; Sue Brush, Operations Assistant; and Fred Blumberg, Deputy General Manager.

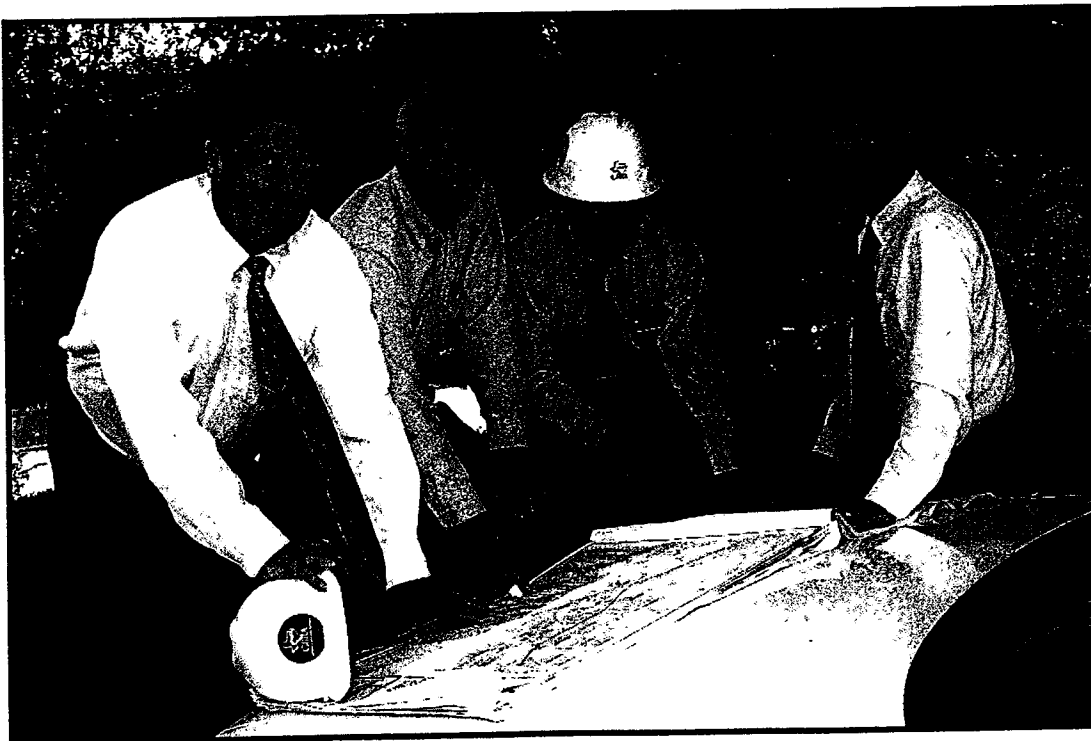




GBRA's Engineering Department is staffed by Tommy Hill, Chief Engineer; Wayne Tschirhart, Engineer and Hydrologist, and Kathy Rutledge, Engineering/Water Quality Assistant.

Engineering employees provide system design services for water and wastewater plants; monitor rainfall events and river conditions through the National Weather Service River Forecast Center in Fort Worth; and provide assistance to emergency management coordinators during severe weather events.

Project Development and Project Engineering conduct broad project planning, including permits and rights of way acquisition; supply resources for construction and project supervision; contract for services; consult with entities interested in water and wastewater projects, and facilitate community interface.



Taking a project from its planning and construction stages to a successful operation is the responsibility of Gary Asbury, Manager of Project Engineering; Larry Moltz, Technical Consultant; John Smith, Operations Manager - Upper Basin; and David Welsch, Director of Project Development.

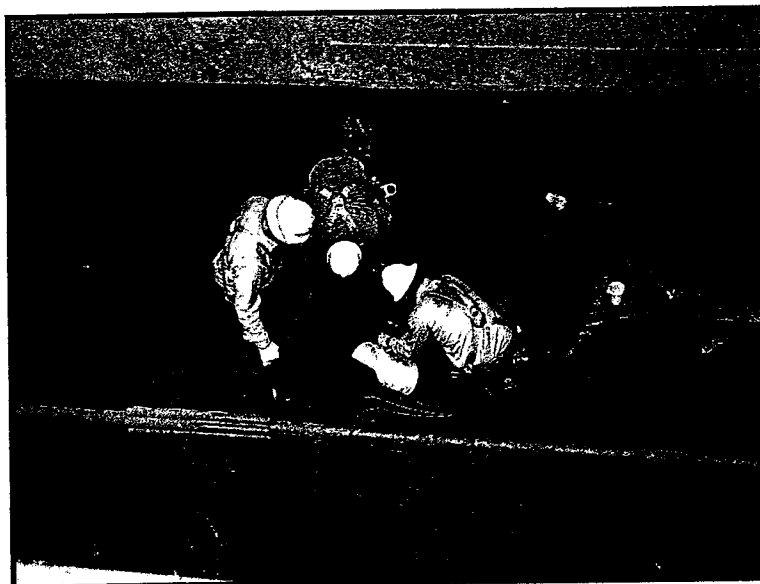
Hydroelectric Divisions

GBRA's Hydroelectric Divisions use the natural flows of the Guadalupe River to generate clean, renewable electric power for communities in the Guadalupe River Basin.

The Guadalupe Valley Hydroelectric Division operates six dams and powerhouses in Comal and Guadalupe Counties built in the late 1920's and purchased by GBRA in 1963. The Division's 24 highly-trained employees have a combined experience of 397 years maintaining the hydro system. Their specialized skills enable them to operate as both a plant and grounds crew, responsible for maintaining each facility and providing electrical, steel fabrication, equipment repair and technical support services to other divisions. This year, the division generated 74,338,600 kWh of electricity that is purchased by the Guadalupe Valley Electric Cooperative (GVEC) for distribution to its customers.

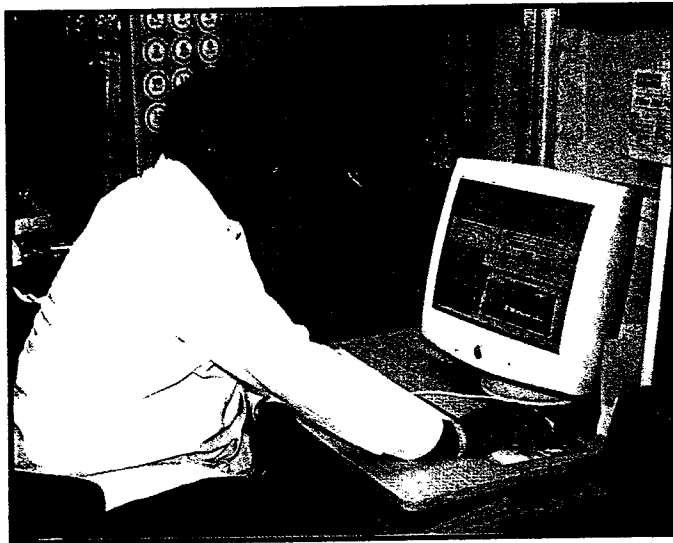
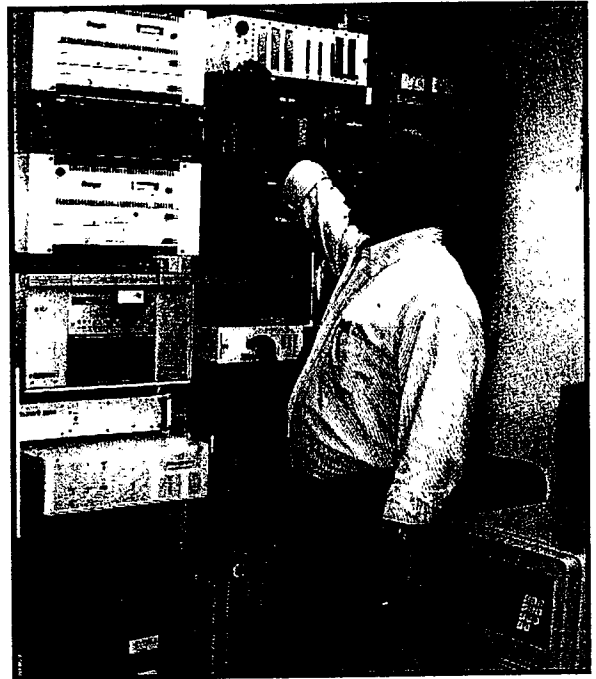
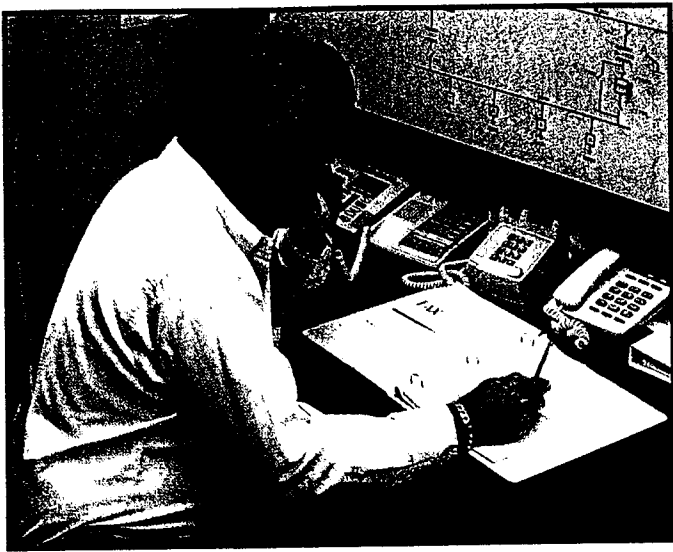


Hydro crew members must possess a wide variety of skills and experience to care for GBRA's seven hydroelectric dams and powerhouses. Charles Durst, Plant Maintenance Crew; Connie Molina, Grounds Maintenance Crew; Robert Nieto, Electric Maintenance Chief; and David Kenda, Plant Crew, perform maintenance on generator brakes.

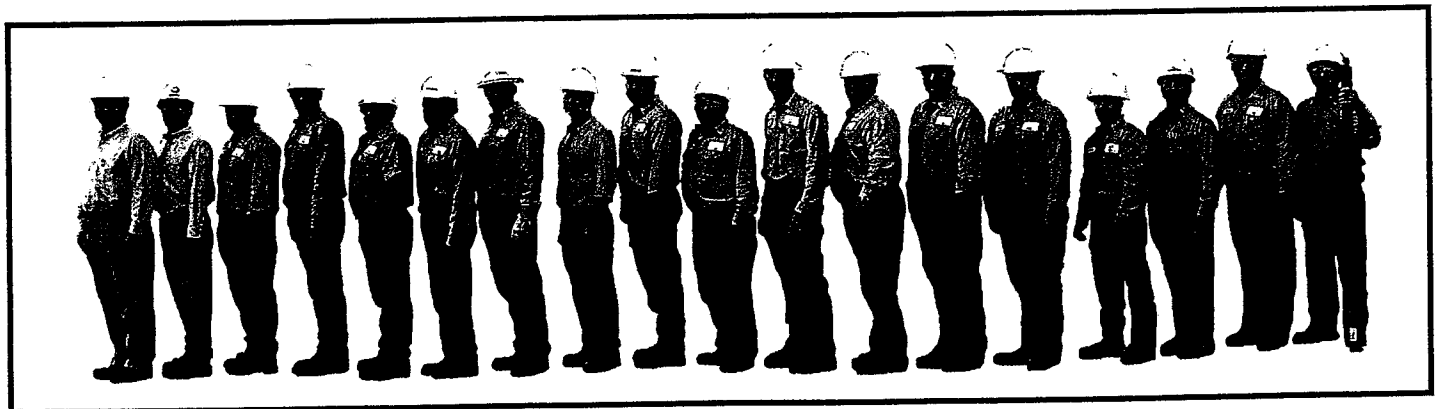


Deep inside a hydroelectric powerhouse, crew members conduct a turbine inspection in preparation to adjusting the bearing blocks.

The Canyon Hydroelectric Division operates and maintains the generating plant built in 1989 at the base of Canyon Dam in Comal County. Natural flows of the Guadalupe River are passed through Canyon Dam at rates between 300 and 600 cubic feet per second (cfs), to generate 25,000,000 kWh of electricity on an average annual basis. This 'green power' from a renewable resource does not interfere with the reservoir's primary purposes of flood control and storage. This year, the division generated 25,930,989 kWh, which is sold to New Braunfels Utilities.

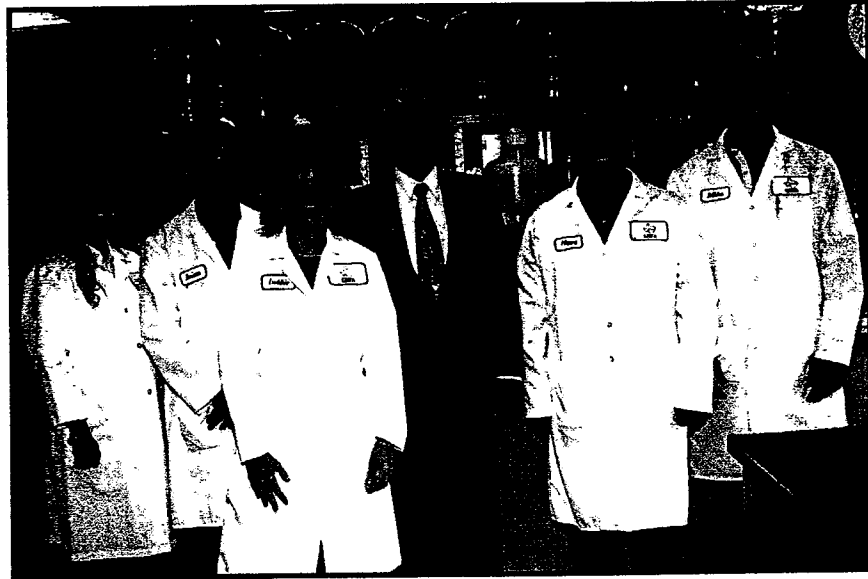


The Control Room, located in Seguin, is staffed 24-hours a day to monitor each hydroelectric dam and power plant, coordinate communications and assist with weather-related and flood events. System Operators include (top row) Kenney Rothe and James King and (bottom row) Charles Fennell and Roy Odom.

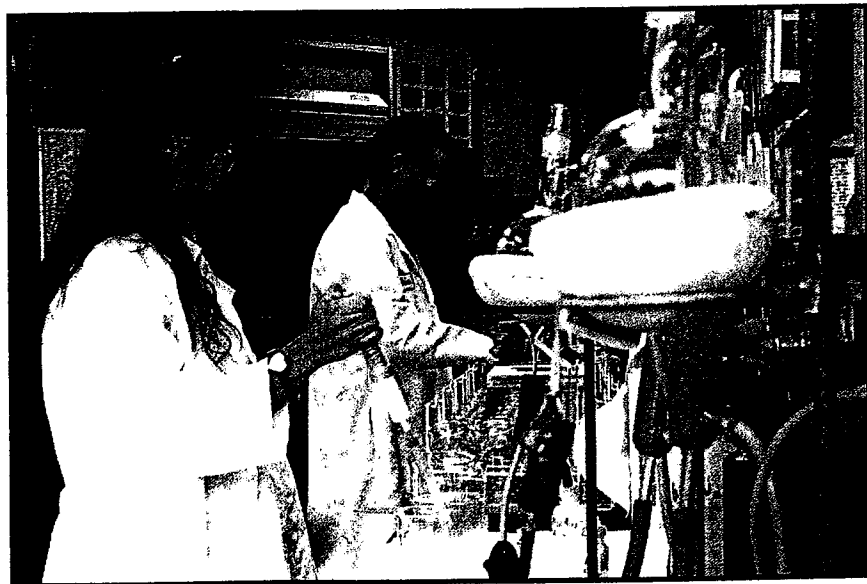


GBRA's hydroelectric team includes Allen Ognoskie, System Manager; Jeff McKee, Purchasing Agent; Wallis Gudgell, Electrician; David Maltory, Grounds Maintenance; Juan Juarez, Plant Maintenance Crew; Charles Durst, Plant Maintenance Crew; Reagan Ploetz, Plant Maintenance Crew; Rod Voss, Maintenance Crew Chief; James Medrano, Maintenance Crew; Connie Molina, Grounds Maintenance Crew; Darryl Jandt, Plant Maintenance Crew; Ricky Abrameit, Maintenance Crew; David Kenda, Plant Crew; Scott Kolbe, Electrician; John Manchack, Plant Attendant; Michael Schultze, Grounds Maintenance Chief; Dicky Maxwell, Senior Electrician; and Robert Nieto, Electric Maintenance Chief.

Water Resource Management



Regional Laboratory staff members Chanda Burgoon, Lab Technician; Brian Lyssy, Lab Technician/Maintenance Crew; Debbie Magin, Director of Water Quality Services; Jim Arnst, Technical Consultant; Hoppy Haden, Regional Lab Director; and Mike McCall, Laboratory Analyst are responsible for all lab services and affiliated programs.



Chanda Burgoon conducts ammonia distillations while Brian Lyssy performs biological

The Coletto Creek Division, opened in June 1980, consists of two distinct operations: The Reservoir System and the Recreation System.



Coletto Creek headquarters building are Curtis Seiler, Chief Operator; John Urban, Maintenance Crew; Marlon Serold, Operations Manager-Lower Basin; Carl Serold, Reservoir Ranger; Wilfred Korth, Chief Ranger; and Dianne Cospo, Administrative Assistant. Not shown are Reservoir Rangers Russell Jackson, Jason Lewis and

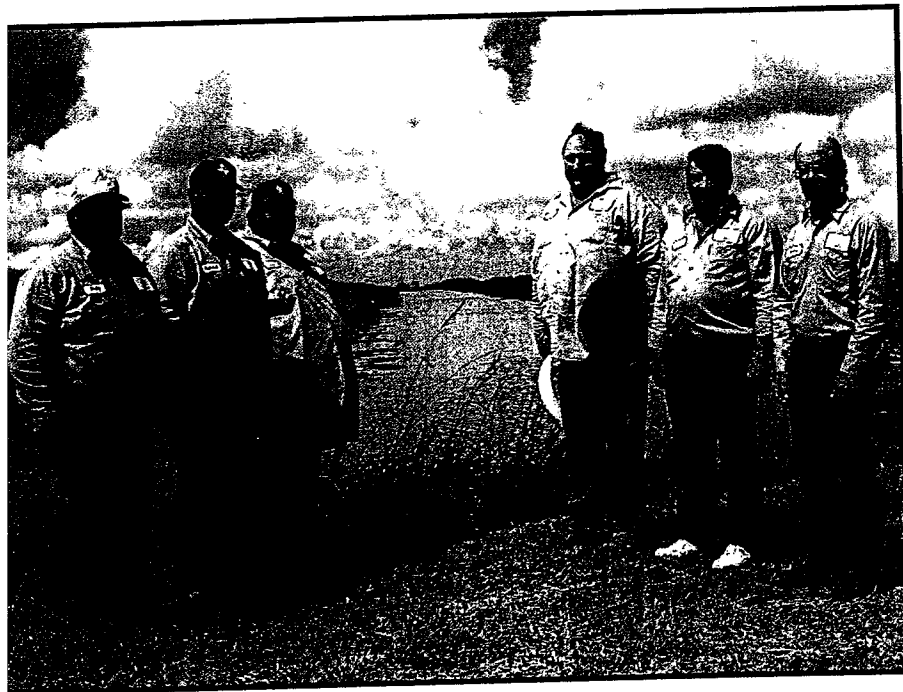


Coletto Reservoir employees conduct routine maintenance and inspection of equipment at the main dam and spillway.

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Curtis Seiler, Reservoir Ranger; Sam Widmer, Reservoir Ranger; and Wilfred Korth, Chief Ranger check for the presence of nuisance aquatic vegetation at the Coletto Reservoir fishing pier.



Wally Aguilon, Water Tender; Richard Gaona, Heavy Equipment Operator; Rusty Garcia, Water Tender; Jim Lumley, Senior Water Tender; David Dodd, Chief Water Tender; and Mike Tompkins, Maintenance Chief, are responsible for the maintenance of the canal system and delivery of water to GBRA's customers.

The Calhoun Canal System provides raw water for industrial, municipal and agricultural uses and includes the Lower Guadalupe Diversion Dam and Salt Water Barrier located at river mile 10 near Tivoli, a pump station, two bays, salt water barriers, 80 miles of delivery canals and approximately eight miles of water supply pipeline.

Operating and maintaining these structures along with removing log jams in the lower reach of the Guadalupe River, is the responsibility of Calhoun System employees.

Canyon Dam and Reservoir is a multi-purpose project that provides flood control protection and a dependable source of water to the Guadalupe River Basin. The flood control pool and its releases (elevation 909 to 943 feet mean sea level - msl) are managed by the Corps of Engineers. This portion of the reservoir is normally kept empty to capture flows from heavy rainfall events. Releases are made as soon as possible at rates that will not contribute to downstream flooding.

The conservation pool (elevation 909 msl and below) is managed by GBRA. This water is the sole source of supply for many cities, industries and agricultural producers and provides others with a firm water source during drought.

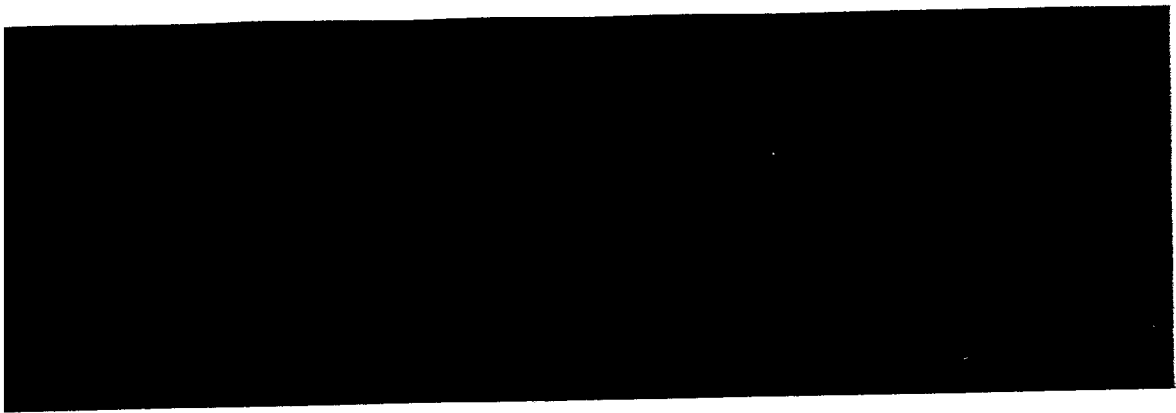


Canyon Dam and Reservoir were completed in 1964 as a cooperative project between the U.S. Army Corps of Engineers and GBRA with joint financing between the federal government and GBRA. This fiscal year, the GBRA Water Resources Division made annual payments of \$162,550 in principal and \$146,340 in interest for debt service on Canyon Reservoir.



Mark Henneke, Assistant Chief Ranger and Gerardo Rodriguez, Park Ranger take pride in keeping the park facilities at Lake Wood, including the children's playground area, in first-class condition for their visitors

The Lake Wood Recreation Area near Gonzales is the responsibility of two park rangers assisted by volunteer park hosts. The 488-acre Lake Wood is a natural impoundment created behind GBRA's H-5 hydroelectric dam that features fishing and boating opportunities. Adjacent to the lake are 35 acres of quiet park grounds, RV campsites, tent camping areas, picnic sites, boat docks and a park store that stocks food, fishing and camping equipment.



Lockhart Water Treatment Plant employees who ensure the efficient management and water quality of this GBRA-operated facility are Bill Zaskoda, Operator; Rick Cortez, Operator; Luis Garcia, Operator; Shannon Warren, Chief Operator; and Robert Delgado, Operator.



Joe Downey, Chief Operator; Tom McNeal, Operator; Sam Salas, Operator; and Felix Cortinas, Operator, are responsible for all operations at the Luling Water Treatment Plant, including water treatment, lab testing and plant maintenance.

The Lockhart Water Treatment Plant Division is the newest addition to the GBRA water treatment family. On October 1, 2001, the City of Lockhart selected GBRA to be the contract operator of this 4 mgd plant. The facility is operated by GBRA employees who are also responsible for the city's well system, which is located in the Carrizo Aquifer and furnishes 100% of the city's water supply. The plant is designed to treat the high concentrations of iron that are characteristic of Carrizo water and uses a sequestering agent and special filters to increase the efficiency of iron reduction.

The Luling Water Treatment Plant Division is permitted by TNRCC to divert up to 2,800 acre feet of water annually from the San Marcos River for municipal purposes. Since 1978, this 2.5 mgd plant has supplied the City of Luling with treated drinking water to which fluoride is added to promote dental health. The plant is a past winner of the Region 6 Environmental Excellence Award for Public Water



Taking care of the numerous details involved in running the Port Lavaca Water Treatment Plant, Calhoun County Rural Water Supply System and the Calhoun Canal System is the responsibility of Kathy Higgins, Assistant Secretary; Linda McPherson, Secretary; and Herb Wittliff, Manager-Port Lavaca Operations.

The Port Lavaca Water Treatment Plant Division has supplied treated drinking water to the City of Port Lavaca and the Calhoun County Rural Water Supply System since 1990. In October 2000, the Municipal Utility District of Port O'Connor became the division's third wholesale customer when the new water main from the plant to Port O'Connor was placed into service. This main is owned by the M.U.D.

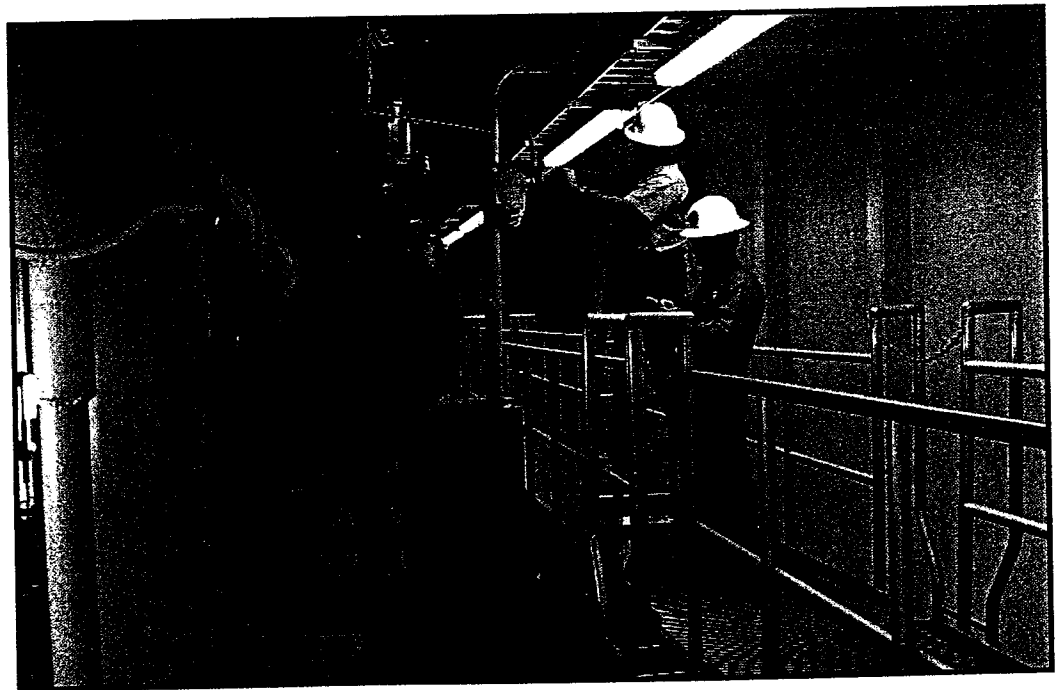
Utilizing a TNRCC permit, GBRA's Water Supply Division diverts and delivers Guadalupe River water through 20 miles of canals to the 6 mgd plant, where it is treated to drinking water quality.



Port Lavaca Water Treatment Plant employees David Lundin, Maintenance Chief; Tom Price, Operator; Ronnie Parenica, Operator; Beverly Rodriguez, Plant Operator; Stephanie Shelly, Chief Operator; and Gary Kemper, P/T Maintenance Technician. Not pictured is Greg Orta, Maintenance Technician.



The San Marcos Regional Water Treatment Plant is operated by GBRA under contract with the City of San Marcos. Employees Willie Harris, Plant Operator; Jerry Sharp, Plant Operator; James Bolton, Plant Operator; Dan Drugan, Plant Operator; Garry McAlpin, Plant Operator; and Plant Manager Darel Ball are responsible for the maintenance and treatment processes of this 6 mgd regional facility.



Plant Operators Dan Drugan and Garry McAlpin calibrate a filter valve in the filter gallery beneath the San Marcos Regional Water Treatment Plant



Ron Gosnell, Chief Operator; Don Koble, Senior Operator; and Ryan Boedeker, Maintenance Operator relocate water lines at the intersection of FM 1090 and Royal Road due to a state highway expansion project.

The Calhoun County Rural Water Supply System is a retail distribution system that purchases treated water from GBRA's Port Lavaca Water Treatment Plant and delivers it to many of the unincorporated areas of Calhoun County.

The water is delivered through approximately 60 miles of pipeline and pumping facilities to the Six-Mile Community, Indianola, Magnolia Beach and the Highway 35 area. Customers are members of the Calhoun County Rural Water Supply Corporation and elect a Board of Directors who work closely with GBRA to develop goals and review operations.

Wastewater Treatment

The people of GBRA have been operating WASTEWATER TREATMENT plants for more than 30 years. We currently manage 11 facilities in six counties in the Guadalupe River Basin. Properly operated wastewater plants protect the environment and reduce the possibility of ground and surface water contamination from septic tanks.

All GBRA-operated facilities meet or exceed federal and state requirements, including required plant inspections by TNRCC and the EPA. They also meet mandatory 'Acute Biomonitoring' tests, which ensure that treated wastewater effluent will not harm the aquatic life or environment of the Guadalupe River. In many cases, this treated wastewater may actually surpass the condition of the receiving stream.



Administration of the Victoria Regional Wastewater Reclamation Division is conducted by Gene Brown, Supply Chief; Sara Vazquez, Administrative Assistant; Sally Deming, Lab Technician; and David Weaver, Plant Manager.



Ensuring that wastewater treatment equipment and processes run efficiently are Frank Ceballos, Sludge Press Operator; Robert Foley, Press Operator; Bill Young, System Operator; and Curtis Davis, System Operator.



Frank Tompkins, Maintenance Crew; Ross Chapman, Maintenance Crew; Dennis Guntter, System Operator; Lorenzo Gonzales, Senior Maintenance Crew; and Jim Wyatt, Electrician are responsible for maintaining and repairing all equipment at the Victoria and Willow Street wastewater treatment plants. Not pictured are Joe Gonzales, System Operator and Cliff Prout, System Operator.



ator; Angel Castillo, System Operator; Eduardo Montana, ason Eeds, System Operator check chemical supplies and operating chart Wastewater Treatment Plant.

The Lockhart Wastewater Reclamation Division is also responsible for managing and maintaining two facilities. GBRA has operated the original 1.1 mgd Larremore Street plant since 1994 under contract for the City of Lockhart. GBRA was asked to help develop, design, finance, construct and operate a new 1.5 mgd plant located on FM 20 in Lockhart. This facility was placed on line in February 1999.

Together, these two plants meet the City of Lockhart's current wastewater treatment needs and also provide additional capacity for this growing community.



Rural Utilities Manager Mike Urrutia inspects a jetting machine that is used to clean out sewer lines.



Supervisor, Mike Gerdes, Operator; Willie Walker, Operator; and [Name], Operator, maintain the four plants in GBRA's Rural Utilities Division, including [Name].

Financing for these facilities was provided by private developers, Environmental Protection Agency (EPA) grants, and a community development block grant from the Department of Housing and Urban Development (HUD): The Canyon Park Wastewater Reclamation System serves a number of condominiums and vacation units at Canyon Lake.

The Dunlap Wastewater Reclamation System serves the Southbank subdivision near New Braunfels and the River Bend and Longcreek subdivisions.

The Northcliffe Wastewater Reclamation System provides wastewater treatment to this residential community near New Braunfels. Its highly-treated effluent is recycled as irrigation water for the adjacent golf course.

The Springs Hill Wastewater Reclamation System primary customers are the Nob Hill and Country Club Estates neighborhoods in Seguin.

The division also provides water and wastewater service for the Texas Department of Transportation's Guadalupe County Rest Area on IH-10.



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, 2000

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.



Imelda Brewer
President

Jeffrey L. Esler
Executive Director



GUADALUPE-BLANCO RIVER AUTHORITY

November 29, 2001

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

Dear Chair Hodges and Directors,

The Comprehensive Annual Financial Report (CAFR) of the Guadalupe-Blanco River Authority (GBRA) for the fiscal year ended August 31, 2001, is hereby submitted. Responsibility for both the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with GBRA. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds (divisions) of GBRA. All disclosures necessary to enable the reader to gain an understanding of GBRA's financial activities have been included.

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

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

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

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

The *Rural Utilities Division* operates and maintains five wastewater treatment plants in Comal and Guadalupe counties. These small plants serve housing subdivisions in areas where septic tanks do not provide proper or safe wastewater disposal and the extension of municipal services is not cost effective. Financing for these facilities was provided by private developers, Environmental Protection Agency (EPA) grants, and a community development block grant from the Department of Housing and Urban Development (HUD).

The development and operation of water supply sources and raw water delivery systems is the responsibility of the *Water Resource Division*. The division contracts with municipal, industrial and agricultural users throughout the river basin to provide a dependable supply of surface water. This division is anchored in the upper reaches of the river basin by Canyon Reservoir and in the lower reaches of the basin by the Guadalupe River Diversion Dam and Salt Water Barrier. This division is also responsible for GBRA's water quality program as well as the operation of a regional water quality laboratory located at the general office in Seguin. The regional water quality laboratory provides services to GBRA's other operations in addition to individuals, municipalities and private entities. Additional operations recognized within the Water Resource Division are the Calhoun Canal System and the San Marcos Water Treatment Plant. Although the City of San Marcos built and owns the water plant, the City decided to contract with GBRA for the plant's start-up and day to day operation. The May 11, 1999 agreement between GBRA and the City calls for GBRA to operate the plant for an initial five-year period with possible extensions beyond that period.

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

The *Calhoun County Rural Water Supply Division* operates and maintains a treated water distribution system to supply most of the unincorporated areas of Calhoun County.

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

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

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

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

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

ECONOMIC CONDITION AND OUTLOOK

The Texas Economy. According to the September 2001 "Fiscal Notes", published by the Texas Comptroller of Public Accounts, Texas' economic growth will be more subdued. The Comptroller further stated, "The Texas Economy will remain moderately vigorous but after years of better-than-average growth, it will seem a bit anemic." Indicative of this projection is a consumer confidence index that reached its highest level in 30 years during January 2000 but fell 14% during the last year. Statistically during the last year, nonfarm employment has increased 2.2% while industrial production increased 1.2%. Retail sales have increased 8.0%, while the consumer price index has increased 3.5%. The outlook for the Texas economy over the next year remains positive although cautiously so due to the uncertainty of the global economy, its effect on the domestic economy, and the possibility of continued consumer confidence contraction in reaction to global events.

The Local Economy. GBRA's service area is geographically part of south central Texas. It stretches from the Hill Country through the I-35 Corridor and onto the Gulf Coast. This geographic diversity in turn provides economic diversity with a unique combination of agriculture, oil and gas, defense, high tech, and heavy industry. This diversity allows the local economy to be among the State's growth leaders and outpace the national economy as well as weather the effects of any global economic problems better than other areas may. Evidence of a healthy local economy is the fact that the Austin-San Marcos metropolitan statistical area (MSA), part of which is in the GBRA service area, rated number one nationally for personal income growth. 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 among the fastest growing metropolitan areas in the state. The population and personal income growth in Texas and in particular GBRA's service area, should provide increased opportunities for GBRA to provide additional water and wastewater services to our constituents.

MAJOR INITIATIVES

For the Year. GBRA's major initiative for Fiscal Year 2001 was the continuation of an effort to amend the water right associated with Canyon Reservoir. Previously, GBRA could deliver an average of 50,000 acre-feet of water each year from the reservoir. However during the last several years, GBRA has worked with the Texas Natural Resource Conservation Commission (TNRCC) to amend this water right to allow an average of 90,000 acre-feet of water to be sold and delivered each year. This amendment was granted by the TNRCC on August 9, 2001 and later reaffirmed following an appeal by some citizen groups. These citizens groups subsequently filed a lawsuit in State District Court against the TNRCC and GBRA seeking to rescind the new permit. A positive outcome to this court case will allow GBRA to construct projects identified in the Texas State Water Plan and meet the growing water supply needs of the residents of the Guadalupe River Basin.

Once GBRA and the TNRCC are successful in defending the water permit amendment, GBRA will commence two major water supply projects. These projects, which will initially deliver about 15,000 acre-feet of water per year, will provide treated water to portions of Comal, Kendall, Hays, and Bexar counties. The larger of the two projects, the Western Canyon Project, will include a new 10 MGD water treatment plant and 40 miles of transmission pipeline. These facilities will deliver up to 12,000 acre-feet of water to the cities of Boerne, Fair Oaks Ranch, and Bulverde. Water will also be provided to the San Antonio Water System, Bexar Metropolitan Water District, San Antonio River Authority, and several developments in unincorporated areas of Comal and Kendall counties. The second project, the Interstate 35 Project will require an expansion of the San Marcos Water Treatment Plant and the construction of a pipeline along IH35 to the Cities of Buda and Kyle.

In addition to the effort focused on amending the Canyon Reservoir permit, GBRA also worked to insure existing water supplies are used efficiently and wisely. GBRA actively worked with water users and local governments located within the Guadalupe River basin to educate them on water conservation efforts. GBRA also worked closely with the Edwards Aquifer Authority to insure the aquifer was managed effectively and in accordance with state law thereby insuring adequate springflow into the Guadalupe and San Marcos Rivers.

Construction activity during fiscal year 2001 allowed GBRA to complete expansions of two raw water distribution systems. Beginning in 1998, GBRA began various components of constructing two raw water pump stations and pipelines for users in Guadalupe and Hays counties. One of the projects diverts Canyon Reservoir water from Lake Dunlap on the Guadalupe River and transmits it via a 22-mile long pipeline. This project is capable of delivering up to 16 MGD of water for the cities of San Marcos, Kyle and Buda as well as the Hays Energy Limited Partnership electric generating plant and the Canyon Regional Water Authority. The second project also diverts Canyon Reservoir water from Lake Dunlap and delivers that raw water through an 8-mile pipeline to the Guadalupe Power Partners new 1,100-megawatt electric generating plant located in Guadalupe County.

GBRA's operating divisions experienced relatively normal conditions during most of fiscal year 2001. However, one extraordinary project that was initiated during fiscal year 2000 was completed during 2001. That project was an overhaul of the hydroelectric turbine at the H-5 power plant. This turbine, which had been in operation since the early 1930's, was dismantled and shipped to York, Pennsylvania for an overhaul. The turbine was reinstalled by personnel from GBRA's hydroelectric divisions and was placed back into operation during April 2001. Another noteworthy operational event that occurred during this past fiscal year was GBRA's agreement with the City of Lockhart for GBRA to assume operation of the City's water well system and water treatment plant. This new operating agreement is in many respects due to the dedicated efforts of the GBRA employees who have operated the City of Lockhart wastewater treatment plant since 1994.

For the Future. GBRA efforts to insure adequate water supplies have complemented the work of the Texas State Legislature. Emanating from the 1997 legislative session was a new State Water Policy labeled Senate Bill One. One of the principal provisions of this new water plan was the establishment of regional water planning areas. GBRA has been actively involved in the South Central Texas Regional Water Planning Group that was charged with developing a water plan for this area of Texas. This new water plan was recently completed and delivered to the Texas Water Development Board for approval. The plan includes several major water supply projects within the Guadalupe River Basin that will require GBRA's future participation.

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 generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management.

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

Enterprise Operations. GBRA's enterprise operations are comprised of eleven divisions. The following table presents a summary of the operating revenues for the 2001 fiscal year as compared to the 2000 fiscal year:

<u>Revenues</u>	<u>Amount</u>	<u>% of Total</u>	<u>Change From 2000</u>	<u>% Change</u>
Power Sales	\$3,546,680	16.05%	\$581,536	19.62%
Water Sales	11,150,387	50.47%	2,588,556	30.24%
Waste Water Treatment	4,279,142	19.37%	283,942	7.11%
Admin. & General	1,450,843	6.57%	135,945	10.34%
Recreation & Rental	546,084	2.47%	14,289	2.69%
Financing	342,850	1.55%	23,366	7.32%
Laboratory Services	242,157	1.09%	-236	0.10%
Miscellaneous	<u>536,091</u>	<u>2.43%</u>	<u>-1,759,179</u>	<u>-76.65%</u>
Total	\$22,094,234	100.00%	\$1,868,219	9.24%

Miscellaneous Revenue decreased substantially due to declining grant funds received from the Federal Emergency Management Agency, National Resource Conservation Commission, and Texas Department of Emergency Management that were provided to assist with flood debris and damages. These grant funds were considerably higher during 2000 following the October 1998 flood than the grant funds that were received during 2001 since the flood recovery projects were winding down. A revenue source that did increase appreciably was Water Sales. The majority of this increase was from new contracts for water sales from Canyon Reservoir; an agreement with the San Antonio Water System and the San Antonio River Authority to commit run-of-the-river water rights near Tivoli, Texas; and the recognition of a new water treatment operation in the City of Lockhart. A second revenue source that increased substantially was Power Sales. GBRA's power sales revenue is from electricity produced at seven hydroelectric plants. Since flow in the Guadalupe River was higher than normal during fiscal year 2001, the amount of power that was generated and sold was also higher.

The following table shows a summary of the operating divisions' expenses for the 2001 fiscal year compared to the 2000 fiscal year:

<u>Expenses</u>	<u>Amount</u>	<u>% of Total</u>	<u>Change From 2000</u>	<u>% Change</u>
Personnel	\$5,698,017	33.16%	\$435,664	8.28%
Supplies & Services	4,785,074	27.84%	-659,018	-12.11%
Maintenance & Repairs	2,619,838	15.25%	406,759	18.38%
Deprec. & Amortization	2,736,406	15.92%	658,445	31.69%
Admin. & General	<u>1,346,058</u>	<u>7.83%</u>	<u>207,967</u>	<u>18.27%</u>
Total	\$17,185,393	100.00%	\$1,049,817	6.51%

The most significant change in GBRA's expenses during 2001 was a decrease in the amount of supplies and services costs. This decrease was the direct result of the flood recovery costs that were incurred after the October 1998 flood. These costs were primarily recognized in fiscal years 1999 and 2000, but much less during fiscal year 2001 since the recovery projects were being completed. Another significant change was the increase in depreciation and amortization costs. This increase was the direct result of GBRA completing two large raw water delivery projects and the initiation of depreciation on those capital costs.

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

Pension Plan Operations. The operations of the Retirement Plan for Employees of GBRA was favorable as plan assets increased from \$5,390,609 as of January 1, 2000 to \$6,040,155 as of January 1, 2001 or 12.05%. GBRA's annual contributions during fiscal year 2001 contributed to this increase in plan assets as well as considerable growth in the value of equities in the stock market. However, plan assets as a percentage of actuarial accrued liability decreased from 92% to 70% during the year. This decrease is primarily the result of an increase in the plan's retirement benefits from 1% of average compensation times the number of years of service to 1.3% of average compensation times the number of years of service. An amortization of the costs associated with this additional benefit will be included in each year's normal contribution until it is fully amortized.

Debt Administration. At August 31, 2001, GBRA had 8 bond issues outstanding. A schedule of these issues is included in Footnote B to the financial statements in this report. GBRA does not have the power of taxation nor does it derive any of its revenues from taxes; therefore, it issues no general obligation bonds. Outstanding revenue bonds as of August 31, 2001 were \$39,731,581 while outstanding long-term loans were \$8,817,233. No state law nor GBRA's enabling act requires debt service coverage greater than 1:1, thus a schedule of the revenue bond coverage is not included in the statistical section of this report. Debt service coverage is however required by GBRA to be greater than 1:1 if the size and complexity of the project financed necessitates it. Each revenue bond issue is insured or credit rated based on the financial strength of GBRA's service contracts. GBRA fully retired one revenue bond issue during fiscal year 2001 as shown in Footnote B by issuing a refunding bond issue. This refunding was completed to affect an interest rate savings from 7.35% to a net rate of 5.01%.

Cash Management. Cash not required for current operations, debt service payments or construction expenditures is invested in securities authorized by GBRA's investment policy that is approved annually by the Board of Directors. For the year, the average yield on restricted investments approximated 5.44% while the yield on unrestricted investments approximated 5.59%. These yields compare to an average one-year treasury yield of 4.48%. During most years, GBRA is able to equal or exceed the one-year treasury yield including this past year as short-term interest rates generally declined throughout the year. Interest earnings on investments were \$451,859 for the year.

GBRA's investment policy is to minimize credit and market risks while maintaining a competitive yield on its portfolio. Accordingly, deposits are either insured by federal depository insurance or collateralized with United States government securities. All collateral on deposits is held by GBRA, its agent, or the Federal Reserve Bank in GBRA's name. All investments held by GBRA at August 31, 2001 were classified in the category of lowest credit risk as defined by the Governmental Accounting Standards Board. The market value of GBRA's government securities investments was 101.06% of their historical costs as of August 31, 2001. A complete disclosure of GBRA's investments is found in Footnote D in the notes to the financial statements.

Risk Management. GBRA has implemented an intensive loss control program to minimize risk exposures. Employees are well trained in safety practices and maintain a constant vigil to correct safety hazards. A safety committee coordinates the overall program under the direction of the Deputy General Manager while monthly safety meetings are held by each of the operating divisions. During the fiscal year, GBRA attained a "no lost time accident" record; the safety manual was updated; employee health fairs were held in Seguin and Victoria; and GBRA's safety glasses and boots program continued. Part of

the success of GBRA's excellent safety record can be attributed to the support it gets from the Texas Water Conservation Association Risk Management Fund. A schedule of insurance coverage is included in the statistical section of this report.

OTHER INFORMATION

Independent Audit. Section 50.371 of the Texas Water Code requires an annual audit of the GBRA's accounting records by the state auditor or by an independent certified public accountant selected by the Board of Directors. The firm of Padgett, Stratemann & Co., LLP was selected by the Board for the 2001 fiscal year. We appreciate their professionalism, timeliness and assistance in completing this report. Copies of this report will be filed with the TNRCC, State Comptroller, State Auditor, as well as with the county clerk of each county within the GBRA service area.

Awards. The Government Finance Officers Association of the United States and Canada (GFOA) awarded the Certificate of Achievement for Excellence in Financial Reporting to GBRA for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2000. 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 generally accepted accounting principles and applicable legal requirements.

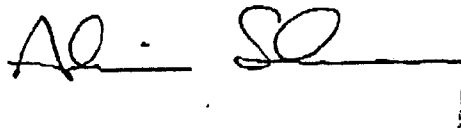
A Certificate of Achievement is valid for a period of one year only. GBRA has received a Certificate for the last 27 consecutive fiscal years (1973-2000). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to GFOA.

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

Sincerely,



W. E. West, Jr.
General Manager



Alvin Schuerg
Director of Accounting & Finance

Financial Section

Independent Auditors' Report



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

Certified Public Accountants and Business Advisors

Independent Auditors' Report

The Board of Directors
Guadalupe-Blanco River Authority

We have audited the accompanying combined balance sheets of Guadalupe-Blanco River Authority (GBRA) as of August 31, 2001 and 2000, and the related combined statements of revenue, expenses and changes in retained earnings and cash flows for the years then ended. These combined financial statements are the responsibility of the GBRA's management. Our responsibility is to express an opinion on these combined financial statements based on our audits.

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

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of the Guadalupe-Blanco River Authority as of August 31, 2001 and 2000, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

Certified Public Accountants
October 15, 2001

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

AUGUST 31, 2001 AND 2000

	2001	2000
ASSETS		
CURRENT ASSETS		
Cash and Cash Equivalents (Note D).....	\$565,014	\$761,334
Investments (Note D).....	5,436,028	2,808,690
Interest Receivable.....	43,705	35,185
Accounts Receivable-Operating (Note A4).....	1,194,890	3,264,319
Interfund (Note I).....	3,061,042	2,473,114
Other Current Assets.....	205,337	260,318
Total Current Assets.....	<u>10,506,016</u>	<u>9,602,960</u>
RESTRICTED ASSETS (Note A12)		
Cash and Cash Equivalents (Note D).....	522,358	481,003
Investments (Note D).....	4,091,291	4,436,109
Interest Receivable.....	56,636	71,238
Accounts Receivable (Notes A4 and H).....	102,617	102,617
Total Restricted Assets.....	<u>4,772,902</u>	<u>5,090,967</u>
FIXED ASSETS (Note A6)		
Land, Water and Storage Rights.....	16,829,880	16,824,880
Dams, Plants and Equipment.....	81,737,516	79,709,672
Construction In Progress (Note A14).....	1,426,303	911,088
Less Accumulated Depreciation.....	(30,161,405)	(27,728,468)
Total Fixed Assets.....	<u>69,832,294</u>	<u>69,717,172</u>
OTHER ASSETS (Note A7)		
Contract Development Costs (Net of Amortization).....	95,736	106,324
Debt Issuance Costs (Net of Amortization).....	980,977	950,501
Permits and Licenses (Net of Amortization).....	869,077	897,592
Project Development Costs.....	2,903,260	3,007,053
Interfund Loans Receivable (Notes B and I).....	9,218,511	12,606,383
Deferred Costs and Expenses (Note A16).....	5,911,321	5,598,749
Total Other Assets.....	<u>19,978,832</u>	<u>23,166,602</u>
Total Assets.....	<u>\$105,090,094</u>	<u>\$107,577,701</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES (Payable from Current Assets)		
Current Portion of Long-Term Loans Payable (Note B).....	\$215,958	\$208,112
Short-Term Loan Payable (Note H).....	--	600,000
Interest Payable.....	94,852	97,562
Accounts Payable-Operating.....	1,756,235	1,531,119
Interfund (Note I).....	3,061,042	2,473,114
Total.....	<u>5,128,087</u>	<u>4,909,907</u>
CURRENT LIABILITIES (Payable from Restricted Assets)		
Current Portion of Revenue Bonds (Note B).....	1,480,000	1,385,000
Interest Payable.....	420,251	447,048
Accounts Payable-Construction.....	15,127	534,472
Total.....	<u>1,915,378</u>	<u>2,366,520</u>
LONG-TERM LIABILITIES (Note B)		
Revenue Bonds Payable.....	39,731,581	41,143,344
Long-Term Loans Payable.....	8,817,233	9,025,369
Interfund Loans Payable (Notes B and I).....	9,218,511	12,606,383
Total.....	<u>57,767,325</u>	<u>62,775,096</u>
Less Current Portion.....	(1,695,958)	(1,593,112)
Total Long-Term Liabilities.....	<u>56,071,367</u>	<u>61,181,984</u>
OTHER LIABILITIES		
Advances for Operations.....	516,138	525,520
Total Other Liabilities.....	<u>516,138</u>	<u>525,520</u>
Total Liabilities.....	<u>63,630,970</u>	<u>68,983,931</u>
EQUITY		
Capital Contributed--By Grants, Customers and Corporations (Note F).....	10,148,057	10,689,963
By Other Divisions (Note F).....	304,408	304,408
Retained Earnings-Reserved (Note A13).....	3,132,932	1,603,840
Unreserved.....	27,873,727	25,995,559
Total Equity.....	<u>41,459,124</u>	<u>38,593,770</u>
Total Liabilities and Equity.....	<u>\$105,090,094</u>	<u>\$107,577,701</u>

The accompanying notes are an integral part of this statement.

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

FISCAL YEARS ENDED AUGUST 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
REVENUE		
Power Sales.....	\$3,546,680	\$2,965,144
Water Sales and Lake Operations	11,150,387	8,561,831
Recreation and Land Use.....	413,294	411,460
Waste Water Treatment Services.....	4,279,142	3,995,200
Laboratory Services.....	242,157	242,393
Rental.....	132,790	120,335
Administrative and General (Note A8).....	1,450,843	1,314,898
Pollution and Industrial Financing (Note E).....	342,850	319,484
Miscellaneous (Note H)	536,091	2,295,270
Total Operating Revenue.....	<u>22,094,234</u>	<u>20,226,015</u>
EXPENSES		
Personnel Operating Costs.....	5,698,017	5,262,353
Operating Supplies and Services.....	4,785,074	5,444,092
Maintenance and Repairs (Note H).....	2,619,838	2,213,079
Administrative and General (Note A8).....	1,346,058	1,138,091
Depreciation and Amortization.....	2,736,406	2,077,961
Total Operating Expenses.....	<u>17,185,393</u>	<u>16,135,576</u>
Operating Income	4,908,841	4,090,439
Nonoperating Revenues (Expenses)		
Investment Income.....	451,859	340,257
Gain on the Disposal of Capital Assets.....	112,721	565,975
Interest Expense.....	(2,815,158)	(2,866,554)
Total Nonoperating Revenues (Expenses).....	<u>(2,250,578)</u>	<u>(1,960,322)</u>
Income Before Recognition of Deferrals.....	2,658,263	2,130,117
Costs to be Recovered in Future Years (Note A16).....	195,596	171,987
Net Income.....	<u>2,853,859</u>	<u>2,302,104</u>
Depreciation Taken on Contributions (Note F).....	553,401	293,362
Net Increase In Retained Earnings.....	<u>3,407,260</u>	<u>2,595,466</u>
Retained Earnings at August 31, 2000 and 1999.....	<u>27,599,399</u>	<u>25,003,933</u>
Retained Earnings at August 31, 2001 and 2000.....	<u>\$31,006,659</u>	<u>\$27,599,399</u>

The accompanying notes are an integral part of this statement.

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

FISCAL YEARS ENDED AUGUST 31, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash Received from Customers.....	\$22,254,336	\$18,303,894
Cash Received from Interfund Administrative Charges.....	1,085,666	1,244,642
Cash Received from Administration of Industrial Revenue Bonds.....	35,000	222,393
Cash Received from Customer Operating Advances.....	--	45,870
Cash Paid for Personnel Operating Costs.....	(5,698,017)	(5,262,353)
Cash Paid for Other Operating and Maintenance Costs.....	(6,652,057)	(8,551,637)
Cash Paid for Interfund Administrative Charges.....	(1,346,058)	(1,138,091)
Cash Paid for Operational Project Development Costs.....	(14,513)	(1,111,345)
Net Cash Flows From Operating Activities.....	<u>9,664,357</u>	<u>3,753,373</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Interfund Operating Loans Received.....	1,060,000	1,560,000
Interfund Operating Loans Made.....	(1,060,000)	(1,560,000)
Principal Payments Made on Interfund Operating Loans.....	(3,815,310)	(1,761,760)
Principal Payments Received on Interfund Operating Loans.....	3,815,310	1,761,760
Net Cash Flows From Noncapital Financing Activities.....	<u>--</u>	<u>--</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from Issuance of Revenue Bonds.....	3,146,442	--
Proceeds from Loans.....	--	3,200,000
Proceeds from Customer & Developer Capital Advances.....	11,496	6,923,099
Proceeds from Governmental Grants.....	--	98,938
Proceeds from Sale of Fixed Assets.....	167,289	1,530,508
Purchase of Fixed Assets.....	(2,263,697)	(9,563,623)
Cash Paid for Construction in Progress.....	(1,034,560)	(562,237)
Interest Paid.....	(2,294,911)	(2,381,022)
Principal Payments on Revenue Bonds.....	(4,895,000)	(2,027,215)
Principal Payments on Loans.....	(808,136)	(1,096,889)
Net Cash Flows Used by Capital and Related Financing Activities.....	<u>(7,971,077)</u>	<u>(3,878,441)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Cash Received from Net Investment Decrease.....	722,986	1,041,168
Investment Income Received.....	383,221	295,509
Cash Paid for Net Investment Increase.....	(2,954,452)	(2,634,913)
Net Cash Flows Used by Investing Activities.....	<u>(1,848,245)</u>	<u>(1,298,236)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	<u>(\$154,965)</u>	<u>(\$1,423,304)</u>
CURRENT CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	\$761,334	\$1,927,651
At End of Year.....	<u>565,014</u>	<u>761,334</u>
Net Decrease.....	<u>(196,320)</u>	<u>(1,166,317)</u>
RESTRICTED CASH AND CASH EQUIVALENTS:		
At Beginning of Year.....	481,003	737,989
At End of Year.....	<u>522,358</u>	<u>481,003</u>
Net Increase (Decrease).....	<u>41,355</u>	<u>(256,986)</u>
NET DECREASE IN CASH AND CASH EQUIVALENTS.....	<u>(\$154,965)</u>	<u>(\$1,423,303)</u>

	<u>2001</u>	<u>2000</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOWS FROM OPERATING ACTIVITIES:		
Operating Income	\$4,908,841	\$4,090,439
Adjustments to Reconcile Operating Income to Net Cash Flows		
From Operating Activities:		
Depreciation and Amortization.....	2,736,406	2,077,961
Non-Cash Pollution and Industrial Financing Income.....	(307,850)	(307,850)
Net Change in Assets and Liabilities from Operating Activities:		
Operating Accounts Receivable.....	1,476,244	299,203
Other Current Assets.....	54,981	(16,666)
Deferred Costs and Expenses.....	(111,720)	(705,517)
Contract Receivable.....	--	209,300
Project Development Costs.....	103,793	(1,111,345)
Operating Accounts Payable.....	813,044	(856,698)
Operating Advances.....	(9,382)	74,546
Total Adjustments.....	<u>4,755,516</u>	<u>(337,066)</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES.....	<u>\$9,664,357</u>	<u>\$3,753,373</u>

NON-CASH TRANSACTIONS SCHEDULE

1. During each fiscal year 2001 and 2000, \$307,850 of interest expense on the \$4,700,000 of Floating Rate Monthly Demand Water Supply Refunding Revenue Bonds (Footnote B) was paid by SOHIO Chemical Company directly to the Trustee, Chemical Bank.

2. During fiscal year 2001 and 2000, an adjustment of \$98,388 and \$13,655, respectively, was made to increase investments to fair market value.

The accompanying notes are an integral part of this statement.

**GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS
AUGUST 31, 2001 AND 2000**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following summary of Guadalupe-Blanco River Authority's (GBRA) more significant accounting policies is presented to assist the reader in interpreting the combined financial statements. These policies, as presented, should be viewed as an integral part of the accompanying combined financial statements.

1. **Reporting Entity.** Guadalupe-Blanco River Authority is a political subdivision of the State of Texas, created by the Texas Legislature in 1935 by Article 8280-106 Vernon's Texas Civil Statutes. GBRA is a separate self-supporting governmental unit serving a ten county area and is administered by a nine member board of directors who are appointed by the Governor of the State of Texas. The State of Texas does not have a financial accountability with GBRA; therefore, GBRA is not a part of the State's reporting entity. In evaluating the governmental activities and entities to be included in the Authority's financial statements, the management has considered all potential component units. According to the criteria as set forth by the Governmental Accounting Standards Board and based upon the significance of their operational or financial relationships with the Authority there are no separate component units included in the financial statements.
2. **Principles of Accounting.** The accompanying combined financial statements have been prepared on the full accrual basis of accounting as prescribed by the Governmental Accounting Standards Board (GASB). GBRA applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. GBRA consists of eleven non-homogeneous enterprises operating as separate funds or divisions.
3. **Fund Reporting.** GBRA's accounting system consists solely of eleven (11) enterprise funds of which there are no further divisible segments. These enterprise funds account for the acquisition, construction, operation and maintenance of GBRA's facilities and services which are entirely or predominately self-supporting through charges to customers.
4. **Accounts Receivable.** GBRA considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is required. If amounts become uncollectible, they will be charged to operating expenses when that determination is made.
5. **Unbilled Revenue.** Revenue relating to unbilled rural water and waste water treatment services has not been recognized since the amounts are immaterial.
6. **Fixed Assets.** Land is not depreciated since it is considered to have an indefinite useful life. Land rights, storage rights and water rights were primarily acquired prior to November 1, 1970. Since these assets have no evident limited life, no amortization is recognized. Property, plant and equipment are recorded at their historical cost except for contributed assets which are recorded at their fair market value at the time donated. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives as follows:

<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

7. **Other Assets.** Included within other assets are contract development costs, debt issuance costs, permits and licenses and project development costs. With the exception of project development costs, these assets are amortized on a straight-line basis over the life of the related contract, bond issue, or license. Project development costs represent the capitalization of expenditures during the initial stage of a new project. These costs are accumulated until the viability of the new project is determined. If a project is determined to be viable, the costs are either transferred to fixed or intangible assets. If a project is determined not to be viable, the costs are expensed.
8. **Administrative and General Charges.** The operating divisions of GBRA pay administrative and general charges to the General Division for the administrative oversight the General Division provides.
9. **Contributed Capital.** Contributed capital is comprised of contributions of fixed assets and donations restricted to the acquisition of fixed assets. Depreciation relating to fixed assets contributed or acquired with donations, is deducted from the applicable contributed account rather than included in retained earnings.
10. **Vacation and Sick Leave.** GBRA allows employees to accumulate vacation and sick leave within certain limitations. Pursuant to Governmental Accounting Standards Board pronouncements, GBRA does not accrue nor record as an expense non-vested sick leave rights. GBRA does record as an expense and liability the value of vested vacation rights which as of August 31, 2001 and 2000 amounted to \$283,557 and \$233,416, respectively.
11. **Budgets and Budgetary Accounting.** GBRA is not required under its enabling act to adopt a budget; therefore, comparative statements of actual expenses to budget expenses are not included within the combined financial statements.
12. **Restricted Assets.** Contractually restricted cash, investments, interest receivable and accounts receivable balances are reported in a separate restricted assets section of the balance sheet. Such amounts are physically segregated from other enterprise fund assets pursuant to provisions of the applicable bond indentures.
13. **Reserved Retained Earnings.** GBRA recognizes retained earnings reserved for future construction costs or debt service payments in divisions or funds in which restricted assets exceed the related liabilities.
14. **Capitalization of Interest.** In accordance with Financial Accounting Standards Board (FASB) Statement 62, GBRA's policy is to capitalize net interest costs on funds borrowed to finance the construction of fixed assets. GBRA recorded \$0 of interest expense and \$104,931 of interest income as construction in progress in 2001. GBRA recorded \$90,944 of interest expense and \$111,490 of interest income as construction in progress in 2000.
15. **Contingent Liabilities.** GBRA provides for contingent liabilities when it is probable a liability has been incurred and the amount of loss can be reasonably estimated. At August 31, 2001, GBRA had contractual commitments of \$10,000 for plant construction.
16. **Deferred Expenses.** Certain utility expenses that do not require funds currently are deferred to such periods as they are intended to be recovered in rates charged to customers. Likewise, certain utility revenue is deferred to such periods in which the costs related to that revenue is recognized. Deferred expenses and revenue will be recognized in future years by setting rates sufficient to provide funds for the related debt service requirements. GBRA adopted the provisions of Statement of Financial Accounting Standards No. 71 "Accounting for the Effects of Certain Types of Regulation" in 1992.

NOTE B - LONG TERM LIABILITIES

GBRA had the following changes in long-term liabilities for the fiscal years ended August 31, 2001 and 2000 (Exclusive of Interfund Loans Payable).

Series	Date of Issue	Final Maturity	Effective Interest Rate	Original Amount	Outstanding 8/31/99	Retired During FY 2000	Outstanding 8/31/00	Retired During FY 2001	Outstanding 8/31/01
GENERAL DIVISION									
Waste Disposal System Revenue Bonds (Kendall Co. WC&ID No.1 Project)									
1981	8/1/81	2021	5%	\$340,000	250,000	250,000	--	--	-- (1)
GUADALUPE VALLEY HYDROELECTRIC DIVISION									
Hydroelectric Bank Loan									
	9/25/97	2001	7.21%	1,025,000	134,071	134,071	--	--	--
WATER SUPPLY DIVISION									
U. S. Government Loan									
	1/1/77	2026	2.5%	8,979,862	6,012,243	158,584	5,853,659	162,549	5,691,110
Hays Energy Ltd. Loan									
	9/23/99	2024	8.0%	3,200,000	--	28,290	3,171,710	45,587	3,126,123
Water Supply Refunding Revenue Bonds (BP Chemical Company Project)									
1983	5/1/83	2013	6.55%	4,700,000	4,700,000	--	4,700,000	--	4,700,000 (2)
Regional Raw Water Delivery System Bonds (City of San Marcos Project)									
1998	10/31/99	2024	4.50-6.0%	9,735,000	9,735,000	205,000	9,530,000	220,000	9,310,000
PORT LAVACA WATER TREATMENT PLANT DIVISION									
Water Supply Revenue Bonds									
1991	1/24/91	2016	7.35%	3,915,000	3,730,000	115,000	3,615,000	3,615,000	--
Water Supply Revenue Refunding Bonds									
2000	12/15/00	2016	4.50-5.375%	3,265,000	--	--	--	--	3,265,000 (3)
CALHOUN COUNTY RURAL WATER SUPPLY DIVISION									
Rural Water Supply System Revenue Bonds									
1972	4/1/72	2012	5%	740,000	409,000	409,000	--	--	--
1973	10/1/73	2012	5%	60,000	31,000	31,000	--	--	--
VICTORIA REGIONAL WASTE DISPOSAL DIVISION									
Regional Waste Disposal Refunding and Improvement Revenue Bonds									
1989	12/15/89	2010	6.15-7.10%	5,520,000	2,810,000	200,000	2,610,000	--	2,610,000 (4)
Regional Waste Disposal Refunding Revenue Bonds									
1993	11/15/93	2004	2.75-4.60%	2,780,000	2,185,000	135,000	2,050,000	350,000	1,700,000 (5)
Regional Waste Disposal Revenue Bonds									
1996	7/18/96	2010	2.9-4.75%	3,750,000	3,325,000	220,000	3,105,000	230,000	2,875,000
CANYON HYDROELECTRIC DIVISION									
Hydroelectric Project Revenue Refunding Bonds									
1991	12/1/91	2016	3.5-6.30%	16,000,000	13,020,000	445,000	12,575,000	475,000	12,100,000 (6)
LOCKHART WASTEWATER RECLAMATION DIVISION									
Contract Revenue Bonds									
1996	4/2/96	2017	2.85%-4.55%	5,480,000	5,470,000	5,000	5,465,000	5,000	5,460,000
COMBINED EQUIPMENT LOANS									
	1994-1999	1998-2002	4.50%-6.0%	540,025	75,944	75,944	--	--	--
Total Revenue Bonds and Long-Term Loans Payable					\$51,887,258		\$52,675,369		\$50,837,233
Less Deferred Defeasance on Advance Refunding							(1,329,820)		(1,231,944)
Less Revenue Bond Discounts							(1,176,836)		(1,056,475)(4)(5)(6)
Net Revenue Bonds and Long-Term Loans Payable							50,168,713		48,548,814
Less Current Portion							(1,593,112)		(1,695,958)
							48,575,601		46,852,856
Long-term loans payable to the General Division are as follows:									
Guadalupe Valley Hydroelectric Division							490,000		--
Rural Utilities Division							149,241		189,241
Water Supply Division							9,407,743		8,456,743
Port Lavaca Water Treatment Plant Division							332,254		325,570
Calhoun County Rural Water Supply Division							--		16,000
Victoria Division							651,000		--
Coleto Creek Division							71,598		107,598
Lockhart Wastewater Reclamation Division							88,855		123,359
Total Long-term loans payable to the General Division							11,190,691		9,218,511
Long-term loans payable other GBRA Divisions are as follows:									
Water Supply Division							783,130		--
Victoria Division							632,562		--
Total Long-term loans payable to other GBRA Divisions							1,415,692		--
TOTAL LONG-TERM LIABILITIES							\$61,181,984		-\$56,071,367

GUADALUPE-BLANCO RIVER AUTHORITY
NOTES TO COMBINED FINANCIAL STATEMENTS, CONTINUED
AUGUST 31, 2001 AND 2000

NOTE B - LONG TERM LIABILITIES

1. GBRA entered into a contract with the Kendall County Water Control and Improvement District No. 1 in 1981 for the financing of pollution control facilities. To finance the facilities, GBRA issued revenue bonds in the original amount of \$340,000. These bonds were paid in full in July 2000.

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

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

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

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

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

4. GBRA issued in Fiscal Year 1990 Regional Waste Disposal Refunding and Improvement Revenue Bonds. These bonds included both current interest bonds and capital appreciation or deep-discount bonds. The original combined discount on these bonds was in the amount of \$1,879,910. GBRA is amortizing the discount over the life of the bonds using the effective interest method. The August 31, 2001 and 2000 discount balance was \$949,833 and \$1,062,350 respectively.

Part of the proceeds from these bonds were used to purchase U.S. Government securities which were placed in a separate irrevocable trust fund in order to defease a 1982 bond issue which was subsequently called on October 1, 1992.

5. GBRA issued in Fiscal Year 1994 Regional Waste Disposal Refunding Revenue Bonds. The original discount on these bonds was in the amount of \$9,453. GBRA is amortizing the discount over the life of the bonds using the effective interest method. The August 31, 2001 and 2000 discount balance was \$2,639 and \$3,518 respectively.

The proceeds from these bonds were used to purchase U.S. Government securities which were placed in a separate irrevocable trust fund in order to defease and subsequently call a 1970 bond issue and partially defease a 1989 bond issue which was subsequently called on October 1, 1999.

6. GBRA issued in fiscal year 1992, Hydroelectric Project Revenue Refunding Bonds. These bonds were sold with an original issue discount of \$169,460. GBRA is amortizing the discount over the life of the bonds using the effective interest method. The August 31, 2001 and 2000 discount balance was \$102,720 and \$109,684 respectively.

The proceeds from these bonds were used to purchase U.S. Government securities which were placed in a separate irrevocable trust fund in order to defease a 1987 bond issue which was subsequently called on June 1, 1997.

7. The various bond indentures, resolutions and agreements provide for the establishment of separate restricted accounts for debt service retirement, construction, contingencies, etc. These accounts are reported as restricted assets in the accompanying combined financial statements.

The bond indentures contain flow of funds requirements which generally provide the order in which funds are to be applied. These requirements have been met.

None of the bond indentures of GBRA contain bond coverage requirement provisions; therefore, coverage data is not applicable.

The revenue bonds and loans outstanding at August 31, 2001 mature serially through 2026:

LONG-TERM LOANS

REVENUE BONDS

Year Ending August 31	Total	Interest	Principal	Balance of Principal Outstanding	Total	Interest	Principal	Balance of Principal Outstanding
				\$8,817,233				\$42,020,000
2002	606,542	390,584	215,958	8,601,275	3,561,376	2,081,376	1,480,000	40,540,000
2003	606,542	382,323	224,219	8,377,056	3,536,936	1,996,936	1,540,000	39,000,000
2004	606,541	373,618	232,923	8,144,133	3,661,840	1,911,840	1,750,000	37,250,000
2005	606,542	364,439	242,103	7,902,030	3,521,142	1,821,142	1,700,000	35,550,000
2006	606,541	354,750	251,791	7,650,239	3,537,600	1,737,600	1,800,000	33,750,000
2007	606,542	344,518	262,024	7,388,215	3,864,702	1,654,702	2,210,000	31,540,000
2008	606,541	333,704	272,837	7,115,378	3,877,860	1,562,860	2,315,000	29,225,000
2009	606,542	322,265	284,277	6,831,101	3,886,208	1,466,208	2,420,000	26,805,000
2010	606,541	310,157	296,384	6,534,717	3,951,981	1,361,981	2,590,000	24,215,000
2011	606,541	297,331	309,210	6,225,507	3,974,612	1,249,612	2,725,000	21,490,000
2012	606,541	283,735	322,806	5,902,701	3,187,716	1,137,716	2,050,000	19,440,000
2013	606,542	269,313	337,229	5,565,472	7,743,309	873,309	6,870,000	12,570,000
2014	606,541	254,002	352,539	5,212,933	2,876,576	601,576	2,275,000	10,295,000
2015	606,542	237,738	368,804	4,844,129	2,906,385	476,385	2,430,000	7,865,000
2016	606,541	220,448	386,093	4,458,036	2,915,826	350,826	2,565,000	5,300,000
2017	606,541	202,056	404,485	4,053,551	1,321,079	226,079	1,095,000	4,205,000
2018	606,542	182,481	424,061	3,629,490	650,698	190,698	460,000	3,745,000
2019	606,542	161,629	444,913	3,184,577	653,963	168,963	485,000	3,260,000
2020	606,542	139,405	467,137	2,717,440	650,940	145,940	505,000	2,755,000
2021	606,542	115,705	490,837	2,226,603	651,618	121,618	530,000	2,225,000
2022	606,541	90,414	516,127	1,710,476	650,981	95,981	555,000	1,670,000
2023	606,542	63,411	543,131	1,167,345	654,638	69,638	585,000	1,085,000
2024	606,544	34,562	571,982	595,363	652,750	42,750	610,000	475,000
2025	308,890	14,884	294,006	301,357	489,513	14,513	475,000	--
2026	308,890	7,533	301,357					
	<u>\$14,568,238</u>	<u>\$5,751,005</u>	<u>\$8,817,233</u>		<u>\$63,380,249</u>	<u>\$21,360,249</u>	<u>\$42,020,000</u>	