



COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

CITY OF GALVESTON, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2002



**PREPARED BY
FINANCE DEPARTMENT**

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INTRODUCTORY

City of Galveston



P. O. Box 779 / Galveston, Texas 77553

March 5, 2003

Honorable Mayor and Members of the City Council
City of Galveston, Texas

The comprehensive annual financial report of the City of Galveston, Texas for the year ended September 30, 2002, is hereby submitted as mandated by both local ordinances and state statutes. These ordinances and statutes require that the City issues a report on its financial position and activities on an annual basis, and that an independent firm of certified public accountants audits this report. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge, 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 the operations of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial, and statistical. The introductory section, which is unaudited, includes this letter of transmittal, the City's organizational chart, and a list of the City's principal elected and appointed officials. The financial section includes: (1) the general purpose financial statements; (2) the combining of individual fund and account group financial statements and schedules; and (3) the auditors' report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

The City is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1996 and U. S. Office of Management and Budget Circular A-133, Audits of State and Local Governments. Information related to this single audit, including the schedule of federal financial assistance, and auditor's reports on the internal control structure and compliance with applicable laws and regulations, are included in a separate report.

Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. Accordingly, the Industrial Development Corporation, the City Employees' Retirement Fund, the Police Retirement Fund, the Firemen's Relief Retirement Fund are reported as Special Revenue funds and Trust funds of the City of Galveston.

Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial positions, results of operations and cash flows from those of the primary government. The Park Board of Trustees of the City of Galveston, The Tax Reinvestment Zone X, Galveston Housing Finance Corporation, City of Galveston Property Finance Authority, Inc. and Board of Trustees of the Galveston Wharves are reported as discretely presented component units.

Governmental Structure

Galveston is a home rule, full service city incorporated in 1839. Galveston has a Council-Manager form of government. The Council consists of the Mayor, who is elected at large, and six Council members elected to represent individual districts. Elections are held every two years. Council members, including the Mayor, are limited to serving three terms. Under City Charter, the Council enacts legislation, adopts budgets, determines policies, and appoints the City Manager who executes the laws and administers the Government of the City. The council also appoints the City Attorney, City Secretary, City Auditor, and Municipal Judge.

The City provides a full range of services including police and fire protection, parks, streets and storm sewers; refuse collection, and water and sewer services. Additional services include building inspection, planning, zoning, engineering, an airport, and general administration. The Galveston Park Board, a component unit, is responsible for City beaches.

Economic Conditions and Outlook

The City is located on the upper Texas coast of the Gulf of Mexico and occupies virtually all of a 32-mile long island located approximately two miles off the Texas mainland and 50 miles southwest of Houston, Texas. Galveston's year-round population is about 57,000, but swells to over 100,000 during its active summer months. Visitors come to enjoy the beaches, deep-sea fishing, tours of the historic Strand district, and a restored 19th century business area.

The University of Texas Medical Branch (UTMB) is the major employer on the island, providing over 9,000 jobs, or about one third of Galveston's total workforce. Texas A&M University at Galveston and Galveston College provide other jobs in the education sector. Tourism is a major industry with numerous smaller employers. Government, financial institutions, shrimping and fishing provide other employment opportunities.

The Port of Galveston, the University of Texas Medical Branch and other health institutions, financial institutions, tourism, shrimping, and fishing provide principal economic support. The Port of Galveston entered into a strategic partnership with the Port of Houston that should bring increased shipping to the City in the coming years.

The cruise ship industry has come to Galveston during the past two years, putting it among the nation's leading passenger ports.

Located on Galveston Island is exotic Moody Gardens, one of the principal educational and recreational facilities in the Southwest. Moody Gardens offers the spacious Moody Gardens Convention Center with 75,000 square feet of meeting space, a beautiful aquarium, the ten-story rainforest pyramid featuring African, Asian, and American rainforests, the amazing IMAX 3-D movie theaters, the discovery museum, a recreational beach, and a paddle wheel boat.

Beautiful Galveston Island has something to offer everyone, from its scenic coastline, semi-tropical climate affordable housing market, ethnic diversity, excellent schools, job opportunities, and programs combating youth violence (awarded the United States' Conference of Mayors' 1995 City Livability Award).

Major Projects and Achievements

Water supply: The City negotiated a water supply agreement in 1998, with Gulf Coast Water Authority that will ensure an economical water supply for 23 years. The City was able to sell its share in Houston Southwest Water Purification Plant to four other entities, allowing purchase of the new supply without an increase in rates.

Initiatives for the Future

The City Council set the following nine major goals, with 78 sub-goals, as priorities for the year 2002-2003:

1. Focus on improved customer service and community outreach
2. Improve the delivery system
3. Maintain focus on public safety
4. Enhance discretionary income by reducing costs, off-loading costs and implementing new fees and charges
5. Reverse perception of quality of life on the Island
6. Increase the tax base through economic development
7. Partner to get housing built
8. Develop and implement a strategic plan to rebuild the city's infrastructure
9. Increase communication and collaboration with "sister entities"

Financial Information

Internal Controls: Management of the City is responsible for establishing and maintaining an internal control structure designed to ensure that assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are 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 judgment by management.

Single Audit: As a recipient of federal and state financial assistance, the City is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. The internal control structure is subject to periodic evaluation by management and the internal auditor of the City.

As a part of the City's single audit, described earlier, tests are made to determine the adequacy of the internal control structure, including that portion related to financial assistance programs, as well, as to determine that the City has complied with applicable laws and regulations.

Budgeting Controls: The City maintains budgetary controls; the objective of these budgetary controls is to ensure compliance with legal provisions embodied in the appropriated budget approved by the City Council. Activities of the General, Special Revenue, Debt Service, and Enterprise funds are included in the appropriated budget. The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount) is established by department within an individual fund. The City also maintains an encumbrance accounting system as one technique of accomplishing budgetary control. Encumbered amounts lapse at year-end.

General Governmental Functions

The following schedules present a summary of the general governmental revenues and expenditures for the fiscal year ended September 30, 2002, with the amount and percent of change from the previous year. The information included the General Fund, Special Revenue funds, Debt Service fund and Capital Projects fund.

General Governmental Revenues

Revenue Source	FY 2002 Amount	% of Total FY 2002	Change from FY 2001	% Change
Property taxes	\$11,660,813	26.7%	\$ 1,024,333	9.6%
Sales and use taxes	12,757,466	29.2%	(44,725)	-0.4%
Franchise fees	4,680,348	10.7%	(791,692)	-14.5%
Licenses and permits	970,459	2.2%	509,329	110.5%
Intergovernmental	6,700,295	15.4%	243,568	3.8%
Charges for services	2,615,041	6.0%	(305,951)	-10.5%
Fines and forfeitures	1,919,173	4.4%	253,784	15.2%
Earnings on investments	654,674	1.5%	(180,980)	-21.7%
Other	1,696,143	3.9%	253,664	17.6%
Totals	<u>\$43,654,412</u>	<u>100.0%</u>	<u>\$ 961,330</u>	<u>2.3%</u>

Significant Changes (over \$250,000 and 5%)

Overall general government revenues increased by approximately \$961,000 or 2.3% over fiscal year 2001 revenues.

Property taxes increased by approximately \$1,024,000 or 9.6%. This increase was due primarily to increasing property values in the City.

Franchise fees decreased by approximately \$792,000 or 14.5% due largely to the change in electricity fee basis from dollar usage to kilowatt usage.

Licenses and permits increased by approximately \$509,000 or 110.4% primarily due to several large construction projects in the City during the year.

Charges for services decreased by approximately \$306,000 or 10.5% due primarily to a decrease in Mardi Gras permit fees of \$187,000 and Beach Party fees of \$90,000.

Fines and forfeitures increased by approximately \$254,000 or 15.2% due primarily to the reclassification of court technology receipts and building security receipts from the Trust and Agency Fund to the Special Revenue Fund.

General Governmental Expenditures

Expenditures	FY 2002 Amount	% of Total FY 2002	Change from FY 2001	% Change
General government	\$ 4,116,076	9.1%	\$ (383,597)	-8.5%
Public safety	20,249,092	44.6%	392,699	2.0%
Public works and streets	2,725,219	6.0%	(97,633)	-3.5%
Culture and recreation	2,498,976	5.5%	254,607	11.3%
Planning and community development	4,259,306	9.4%	1,882,572	79.2%
Transportation system	3,780,732	8.3%	(400,913)	-9.6%
Inter-governmental	776,488	1.7%	(4,880)	-0.6%
Capital outlay	4,457,737	9.8%	1,996,043	81.1%
Debt service	2,573,742	5.7%	199,731	8.4%
Total	<u>\$45,437,368</u>	<u>100.0%</u>	<u>\$ 3,838,629</u>	9.2%

Significant Changes (over \$250,000 and 5%)

Overall general governmental expenditures increased by approximately \$3.8 million or 9.2%.

The approximate \$384,000 decrease in general government expenditures was primarily due to Community Development Block Grant ("CDBG") administration expenditures being reported under planning and community development in the current year.

Expenditures for culture and recreation increased by approximately \$255,000 or 11.3% due to engineering expenditures of \$117,000 for Broadway Beautification and \$91,000 of expenditures incurred in the construction of the West Galveston Soccer Complex.

Expenditures for planning and community development increased \$1.9 million or 79.2% due to the reclassification of CDBG administration expense and approximately \$1.5 million of CDBG grant funds disbursed this year for various community projects.

Transportation system expenditures decreased approximately \$401,000 or 9.6% due to decreases in both the amount spent on capital projects and the amount contributed from the general fund.

Expenditures for capital outlay increased \$2.0 million or 81.1% primarily because of \$1.2 million spent for new buses and vans for Island Transit. In addition, approximately

\$381,000 was spent on traffic signals and approximately \$176,000 was spent on various park improvements.

General Fund Balance

The City's general fund balance grew to \$5.9 million during the year. Unreserved fund balance and the emergency reserve grew from \$4.5 to \$5.8 million during fiscal year 2002. A schedule of the City's general fund position at September 30 for the last three fiscal years follows:

	September 30,		
	2002	2001	2000
Fund Balance			
Reserved for:			
Emergencies	\$ 1,126,310	\$ 926,310	\$ 726,321
Other	108,412	189,068	427,423
Unreserved			
Undesignated	4,683,830	3,570,494	2,417,699
	<u>\$ 5,918,552</u>	<u>\$ 4,685,872</u>	<u>\$ 3,571,443</u>

Pension Trust Funds

The City has three separate pension plans administered by three independent boards of trustees – one for police officers, one for firefighters, and one for all other full time City employees. The City makes contributions to the plans based on contracts and actuarially calculated needs. The plans issue separate audited financial statements. At the most recent actuarial valuation the Employees' Retirement was funded at 140% of actuarial accrued liability; the Firemen's Retirement Plan was funded at 81%; and the Police Retirement Plan was funded at 94%.

Enterprise Funds

Water supply: The City negotiated a water supply agreement in 1998, with Gulf Coast Water Authority that will ensure an economical water supply for 23 years. The City was able to sell its share in Houston Southwest Water Purification Plant to four other entities.

Waterworks system operating revenues increased by 0.7% over the prior year, while operating expenses decreased by 2.0% over the prior fiscal year. Retained earnings decreased by \$445,000.

Sewer: Sewer operating revenues increased by 9.9% over last year, and operating expenses increased by 2.6%. There was a net increase of \$1.4 million in retained earnings.

Sanitation: Sanitation operating revenues increased by 5.6% over last year, and operating expenses decreased by 7.9%. There was a net increase of \$552,000 in retained earnings.

Drainage: Drainage charges began late in fiscal year 2001. Drainage services revenue increased to \$763,000 in fiscal year 2002. Operating expenses ran \$649,000. Retained earnings at the end of the year was \$193,000.

Airport: The municipal airport revenues increased by 1.2% and operating expenses decreased by 22.6%. Retained earnings increased approximately \$58,000 to \$673,000.

Golf Course: The golf course decreased revenues by 3.8% and operating expenses increased by 7.6%. Retained earnings decreased approximately \$197,000 to 1,800,000.

Comparative data for the Waterworks System and Sewer System for the past two years are presented in the following tabulation:

	Waterworks System			Sewer System		
	2002	2001	% Change	2002	2001	% Change
Operating revenues	\$ 9,719,618	\$ 9,648,928	0.7%	\$ 7,186,419	\$ 6,541,246	9.9%
Operating expenditures	9,947,419	10,152,062	-2.0%	6,038,289	5,886,005	2.6%
Operating Income	(227,801)	(503,134)	-54.7%	1,148,130	655,241	75.2%
Net revenues available for debt service	2,303,789	1,404,423	64.0%	2,877,995	2,793,985	3.0%
Average annual debt service	404,537	404,537		1,364,617	1,364,617	
Coverage	5.69	3.47	64.0%	2.11	2.05	3.0%
Required debt coverage	1.25	1.25		1.25	1.25	

Risk Management

The City is exposed to various risks related to torts, thefts, damage and destruction of assets, injuries to employees, and natural disasters. The City holds commercial insurance policies for liability and property insurance coverage's with various deductibles. From October 1 through October 31, 2001, the City offered health insurance through Aetna. Beginning November 1, 2001, the City was self-insured for health insurance with a stop loss policy. The City is also self-insured for workers' compensation. Both the health insurance and the workers' compensation programs have specific and aggregate stop loss limit coverage purchased separately. The City pays for all insurance claims and policies, except for workers' compensation costs, from the internal service fund and allocates costs to each fund based on estimates of actual costs incurred.

Cash Management

Available cash during the year was invested in treasury bills, treasury notes, agency notes, repurchase agreements, and money market funds for various periods from 1 day to 2 years.

The City held an average daily balance of \$40.6 million in pooled investments (not including cash in bank) during the year. The average yield on investments was approximately 2.56% compared to 5.79% for the previous year. Interest rates ranged from 1.75% to 2.50% during fiscal year 2002 while they ranged from 3.00% to 6.50% in fiscal year 2001.

Debt Administration

As of September 30, 2002, the City's debt consisted of \$18.3 million in general obligation bonds, of which \$3.1 million is interest accretion, and is recorded in the long-term debt group. The Industrial Development Corporation's debt consisted of \$11.3 million in special obligation bonds and is recorded in the long-term debt group. In September, 2002, hotel/motel tax revenue bonds were issued for a total of \$31.85 million. In the enterprise funds, there is approximately \$12.6 million in revenue bonds and \$46.5 million in long-term contracts with Gulf Coast Water Authority.

The City's general obligation bond rating during the most recent review was A3 by Moody Bond Rating and A- by Standard and Poors Bond Rating.

Annual Audit

The City Charter requires an annual audit of the books of account, financial records, and transactions of all departments of the City by independent certified public accountants selected by the City Council. This requirement has been complied with and the auditors' opinion has been included in this report.

Acknowledgments

The preparation of this report is due to the efficient and dedicated service of the Finance Department staff. I express my appreciation to all members of the department, and especially to Susan Cutchin, Controller for the City.

My thanks also go to Christopher Breaux, Lydia Cook, Amanda Eaves, Jennifer Walker and Melissa McGarvey of Null-Lairson for their advice and support throughout the audit and during the year.

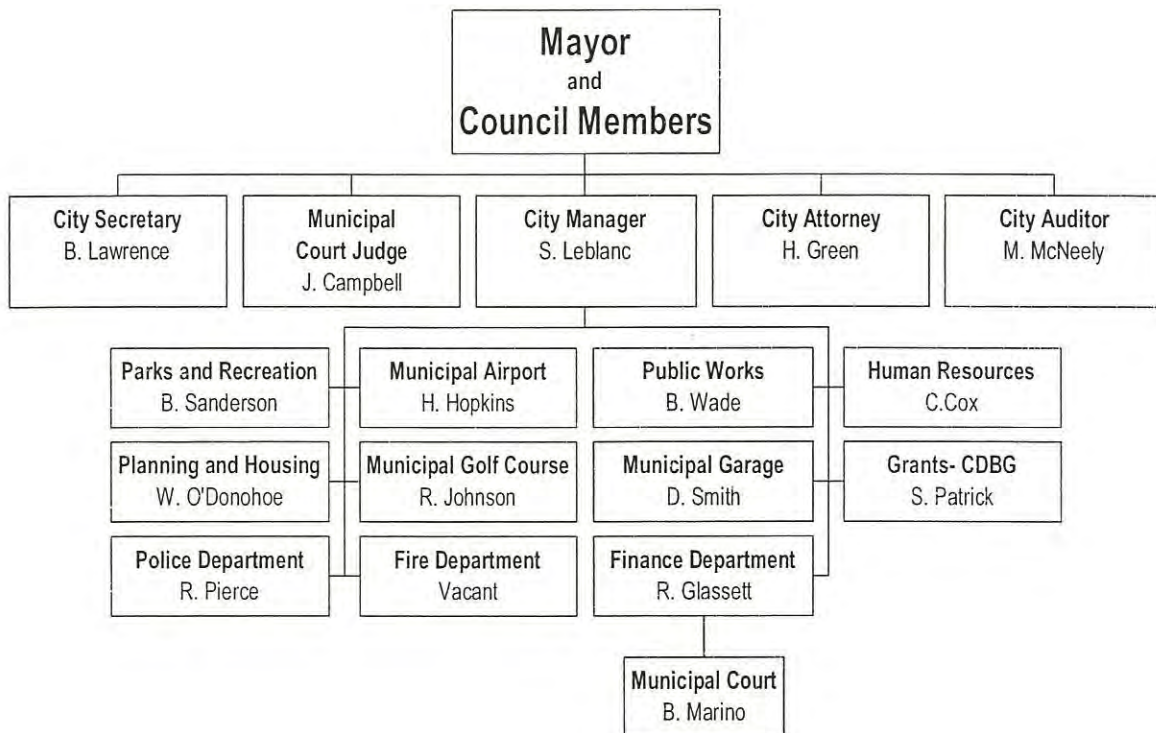
I also wish to express my appreciation to the Mayor and City Council, who conduct the financial affairs for the City in an open and responsible manner, to the members of the Finance Committee for their interest, guidance and recommendations, and especially to City Manager, Steve LeBlanc, who responsibly manages City finances on a daily basis.

Respectfully submitted



Rick Glassett, CPA
Director of Finance

CITY OF GALVESTON, TEXAS
ORGANIZATION CHART



City of Galveston, Texas

Incorporated March 1939

Charter Adopted April 19, 1960

Council – Manager Form of Government

City Council		City Council Appointees	
Mayor	Roger “Bo” Quiroga	City Manager	Steven J. LeBlanc
Mayor Pro Tem	Cornelia Harris Banks	City Secretary	Barbara S. Lawrence
Councilman	Joe Jaworski	City Attorney	Harriet S. Green
Councilman	Booker T. Price, Sr.	Court Judge	John Campbell
Councilman	Dianna D. Puccetti	Tax Collector	Trish Gibbons
Councilman	Johnny Smecca		
Councilman	Lyda Ann Thomas		

Departmental Directors (City Manager Appointees)

Airport
Emergency Management
Finance
Fire
Grants
Municipal Court
Municipal Garage
Municipal Golf Course
Parks and Recreation
Personnel
Planning and Housing
Police
Public Works

Hud N. Hopkins
Eliot A. Jennings
Rick Glassett
Vacant
Sterling W. Patrick
Beckie A. Marino
David A. Smith
Roger D. Johnson
Barbara E. Sanderson
Carolyn R. Cox
Wendy O’Donohoe
Robert V. Pierce
Brandon E. Wade

FINANCIAL SECTION

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Galveston, TX 77550
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Fax: (409) 762-1749

Independent Auditors' Report

To the Honorable Mayor and Members
of the City Council
City of Galveston, Texas

We have audited the accompanying general purpose financial statements of the City of Galveston, Texas, as of and for the year ended September 30, 2002. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the City of Galveston Employees' Retirement Plan for City Employees, the Fireman's Relief and Retirement Fund, and the Park Board of Trustees of the City of Galveston, component units of the City, of which, in aggregate reflect 73% of total assets and 100% of total revenues of the Fiduciary Fund Type and 73% of total assets and 41% of total revenues of discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for those blended component units, is based solely on the reports of the other auditors.

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

In our opinion, based on our audit and the reports of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Galveston, Texas, as of September 30, 2002, and the results of its operations and the cash flows of its proprietary fund types for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 21, 2003, on our consideration of City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the City's general purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

The Required Pension System Supplementary Information listed in the table of contents is not a required part of the general purpose financial statements but is supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the additional information. However, we did not audit the information and express no opinion on it.

Null Laism, P.C.

February 21, 2003
Houston, Texas

GENERAL PURPOSE FINANCIAL STATEMENTS

CITY OF GALVESTON, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2002

<u>Assets and other debits</u>	<u>Governmental Fund Types</u>				<u>Proprietary</u>
	<u>General</u>	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Enterprise</u>
Cash and temporary investments	\$ 1,164,635	\$ 5,008,624	\$ 4,501,749	\$ 44,117,545	\$ 10,185,513
Receivables (net of allowance for estimated uncollectibles):					
Taxes	2,850,214	634,533	127,238		
Fines - municipal court assessed	286,948				
Accounts	1,356,658	905,159			4,459,562
Notes		70,433			
Interest and dividends	10,895	12,231	2,826	21,624	17,127
Loans to participants					
Contributions					
Due from other funds	2,377,525				863,282
Due from other governments	203,507	2,915,389			29,972
Advance deposit					
Inventory, at cost		133,983			273,487
Prepaid items	8,952				219,245
Restricted assets:					
Cash and temporary investments					5,188,014
Investments held for pension benefits					
Interest receivable					
Net investment in direct financing and capital lease					
Other assets with trustee					15,568,292
Deferred charges					2,066,625
Contractual rights to water supply					19,706,929
Property and equipment (net, where applicable, of accumulated depreciation)					72,773,967
Other debits:					
Amount available for debt service					
Amount to be provided for long-term debt group					
Total assets and other debits	\$ 8,259,334	\$ 9,680,352	\$ 4,631,813	\$ 44,139,169	\$ 131,352,015

See Notes to Financial Statements.

Fund Types	Fiduciary Fund Type	Account Groups		Totals Primary Government (Memorandum Only)	Discretely Presented Component Units	Totals Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Debt			
Internal Service	Trust and Agency					
\$ 546,059	\$ 6,124,847	\$	\$	\$ 71,648,972	\$ 12,604,975	\$ 84,253,947
				3,611,985		3,611,985
				286,948		286,948
169,462				6,890,841	2,556,949	9,447,790
				70,433	1,869,917	1,940,350
273	315,504			380,480	97,740	478,220
	35,547			35,547		35,547
	127,373			127,373		127,373
227,839				3,468,646		3,468,646
				3,148,868	85,990	3,234,858
81,513				81,513		81,513
102,092				509,562	13,583	523,145
123,807	367,131			719,135	485,150	1,204,285
				5,188,014	4,949,052	10,137,066
	84,268,551			84,268,551		84,268,551
					26,544,218	26,544,218
				15,568,292		15,568,292
				2,066,625	2,533,040	4,599,665
				19,706,929		19,706,929
677,956		101,295,957		174,747,880	320,739,860	495,487,740
			4,686,116	4,686,116	574,765	5,260,881
			66,056,189	66,056,189	2,873,989	68,930,178
<u>\$ 1,929,001</u>	<u>\$ 91,238,953</u>	<u>\$ 101,295,957</u>	<u>\$ 70,742,305</u>	<u>\$ 463,268,899</u>	<u>\$ 375,929,228</u>	<u>\$ 839,198,127</u>

CITY OF GALVESTON, TEXAS
COMBINED BALANCE SHEET - ALL FUND TYPES, ACCOUNT GROUPS
AND DISCRETELY PRESENTED COMPONENT UNITS
September 30, 2002

	Governmental Fund Types				Proprietary
	General	Special Revenue	Debt Service	Capital Projects	Enterprise
<u>Liabilities, equity and other credits</u>					
Liabilities:					
Salaries and benefits payable	\$ 446,591	\$ 55,682	\$	\$	\$ 158,054
Accrued compensated absences	177,425	1,193			142,545
Accounts payable	230,993	1,097,608		429,480	1,877,388
Other current liabilities			56,409		
Due to other funds		1,813,718			1,427,089
Due to other governments	211,223	3,072,237	29,525		
Capital leases payable - current					285,823
Estimated liability claims - current	31,256	5,564			49,759
Liabilities payable from restricted assets:					
Current portion of contracts payable					1,028,129
Revenue bonds payable - current					1,511,737
Accrued revenue bond interest					670,051
Deposits		77,965			1,978,097
Deferred revenues	1,243,294	1,091,571	127,237		12,125
Compensated absences payable - noncurrent					737,034
Advances payable					
General obligation debt payable					
Special obligation bonds payable					
Revenue bonds payable					11,075,470
Capital leases payable - long-term					362,630
Contracts payable - long-term					45,470,981
Estimated liability claims -long term					220,182
Total liabilities	<u>2,340,782</u>	<u>7,215,538</u>	<u>213,171</u>	<u>429,480</u>	<u>67,007,094</u>
Equities and other credits:					
Investment in general fixed assets					
Contributed capital					24,421,855
Retained earnings					39,923,066
Fund balances:					
Reserved - pension benefits					
Reserved - other	1,234,722	267,474	4,418,642		
Unreserved:					
Designated		2,252,377		43,709,689	
Undesignated	4,683,830	(55,037)			
Total fund equity and other credits	<u>5,918,552</u>	<u>2,464,814</u>	<u>4,418,642</u>	<u>43,709,689</u>	<u>64,344,921</u>
Total liabilities, equities and other credits	<u>\$ 8,259,334</u>	<u>\$ 9,680,352</u>	<u>\$ 4,631,813</u>	<u>\$ 44,139,169</u>	<u>\$ 131,352,015</u>

See Notes to Financial Statements.

Fund Types Internal Service	Fiduciary Fund Type Trust and Agency	Account Groups		Totals Primary Government (Memorandum Only)	Discretely Presented Component Units	Totals Reporting Entity (Memorandum Only)
		General Fixed Assets	General Long-Term Debt			
\$ 30,682	\$	\$	\$	\$ 691,009	\$ 44,549	\$ 735,558
23,903				345,066	259,165	604,231
398,469	2,322,737			6,356,675	1,412,682	7,769,357
				56,409	35,992	92,401
227,839				3,468,646		3,468,646
	335,365			3,648,350		3,648,350
53,006				338,829	93,754	432,583
24,299				110,878		110,878
				1,028,129		1,028,129
				1,511,737		1,511,737
				670,051	704,217	1,374,268
				2,056,062		2,056,062
173,641			5,575,671	2,474,227	6,193,674	8,667,901
				6,486,346		6,486,346
			18,334,425	18,334,425		18,334,425
			43,170,000	43,170,000		43,170,000
80,784			3,072,890	11,075,470	43,687,457	54,762,927
			71,210	3,516,304		3,516,304
652,806			518,109	45,542,191	171,720	45,713,911
1,665,429	2,658,102			1,391,097		1,391,097
			70,742,305	152,271,901	52,603,210	204,875,111
		101,295,957		101,295,957	267,759,890	369,055,847
263,572				24,421,855	9,480,119	33,901,974
				40,186,638	40,736,431	80,923,069
	88,580,851			88,580,851		88,580,851
				5,920,838	1,071,008	6,991,846
				45,962,066		45,962,066
263,572	88,580,851	101,295,957		4,628,793	4,278,570	8,907,363
				310,996,998	323,326,018	634,323,016
\$ 1,929,001	\$ 91,238,953	\$ 101,295,957	\$ 70,742,305	\$ 463,268,899	\$ 375,929,228	\$ 839,198,127

CITY OF GALVESTON, TEXAS

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
ALL GOVERNMENTAL FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

	Governmental Fund Types			
	General	Special Revenue	Debt Service	Capital Projects
Revenues:				
Property taxes	\$ 9,090,418	\$ 1,021,426	\$ 1,548,969	\$
Sales and use taxes	9,651,515	3,105,951		
Franchise fees	4,680,348			
Licenses and permits	970,459			
Intergovernmental	1,215,721	5,484,574		
Charges for services	2,006,800	608,241		
Fines and forfeitures	1,727,668	191,505		
Earnings on investments	170,227	65,140	69,894	349,413
Other	1,097,767	568,608	101	29,667
Total revenues	30,610,923	11,045,445	1,618,964	379,080
Expenditures:				
Current:				
General government	3,986,622	129,454		
Public safety	19,729,617	519,475		
Public works and streets	2,725,219			
Culture and recreation	1,271,256	1,227,720		
Planning and community development	1,015,529	3,243,777		
Transportation system	650,000	3,130,732		
Intergovernmental		776,488		
Capital outlay	1,154,316			3,303,421
Debt service:				
Principal			1,415,252	
Interest and fiscal agent fees			1,158,490	
Total expenditures	30,532,559	9,027,646	2,573,742	3,303,421
Revenues over (under) expenditures	78,364	2,017,799	(954,778)	(2,924,341)
Other financing sources (uses):				
Operating transfers in			1,373,409	3,670,542
Operating transfers out		(4,379,667)	(664,284)	
Proceeds issuance of long-term debt	1,154,316		11,195,662	29,990,107
Payment to refunded bonds escrow agent			(9,610,618)	
Total other financing sources (uses)	1,154,316	(4,379,667)	2,294,169	33,660,649
Revenues and other financing sources over (under) expenditures and other financing (uses)	1,232,680	(2,361,868)	1,339,391	30,736,308
Net (loss) from proprietary fund				
Increase (decrease) in fund equity	1,232,680	(2,361,868)	1,339,391	30,736,308
Fund balances at beginning of year (as restated)	4,685,872	4,826,682	3,079,251	12,973,381
Fund balances at end of year	\$ 5,918,552	\$ 2,464,814	\$ 4,418,642	\$ 43,709,689

See Notes to Financial Statements.

Exhibit 2

Totals Primary Government (Memorandum Only)	Discretely Presented Component Units	Totals Reporting Entity (Memorandum Only)
\$ 11,660,813	\$ 390,068	\$ 12,050,881
12,757,466	4,984,638	17,742,104
4,680,348		4,680,348
970,459		970,459
6,700,295	340,381	7,040,676
2,615,041	1,246,933	3,861,974
1,919,173		1,919,173
654,674	73,443	728,117
1,696,143	135,229	1,831,372
<u>43,654,412</u>	<u>7,170,692</u>	<u>50,825,104</u>
4,116,076		4,116,076
20,249,092		20,249,092
2,725,219		2,725,219
2,498,976	6,634,808	9,133,784
4,259,306		4,259,306
3,780,732		3,780,732
776,488		776,488
4,457,737		4,457,737
1,415,252	1,063,734	2,478,986
1,158,490	188,180	1,346,670
<u>45,437,368</u>	<u>7,886,722</u>	<u>53,324,090</u>
(1,782,956)	(716,030)	(2,498,986)
5,043,951		5,043,951
(5,043,951)		(5,043,951)
42,340,085		42,340,085
(9,610,618)		(9,610,618)
<u>32,729,467</u>		<u>42,340,085</u>
30,946,511	(716,030)	30,230,481
	(519,079)	(519,079)
<u>30,946,511</u>	<u>(1,235,109)</u>	<u>29,711,402</u>
25,565,186	9,667,758	35,232,944
<u>\$ 56,511,697</u>	<u>\$ 8,432,649</u>	<u>\$ 64,944,346</u>

CITY OF GALVESTON, TEXAS

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL (BUDGETARY BASIS)
GENERAL, BUDGETED SPECIAL REVENUE, AND DEBT SERVICE FUNDS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

	General Fund		
	Budget	Actual (Budgetary Basis)	Variance favorable (unfavorable)
Revenues:			
Property taxes	\$ 8,670,204	\$ 9,090,418	\$ 420,214
Sales and use taxes	9,650,000	9,651,515	1,515
Franchise fees	4,936,000	4,680,348	(255,652)
Licenses and permits	633,500	970,459	336,959
Intergovernmental	1,196,869	1,215,721	18,852
Charges for services	2,069,000	2,006,800	(62,200)
Fines and forfeitures	1,717,536	1,727,668	10,132
Earnings on investments	95,000	170,227	75,227
Other	924,165	1,097,767	173,602
Total revenues	<u>29,892,274</u>	<u>30,610,923</u>	<u>718,649</u>
Expenditures:			
Current:			
General government	4,123,735	3,986,622	137,113
Public safety	19,288,766	19,729,617	(440,851)
Public works and streets	3,198,609	2,725,219	473,390
Culture and recreation	1,441,049	1,271,256	169,793
Planning and community development	1,054,788	1,015,529	39,259
Transportation system	650,000	650,000	
Debt service:			
Principal			
Interest and fiscal charges			
Total expenditures	<u>29,756,947</u>	<u>29,378,243</u>	<u>378,704</u>
Revenues over (under) expenditures	135,327	1,232,680	1,097,353
Other financing sources (uses):			
Operating transfers in			
Operating transfers out			
Proceeds from issuance of debt			
Payment to refunded bonds escrow agent			
Total other financing sources (uses)			
Revenues and other financing sources over (under) expenditures and other financing (uses)	135,327	1,232,680	1,097,353
Fund balances at beginning of year (as restated)	4,685,872	4,685,872	
Fund balances at end of year	<u>\$ 4,821,199</u>	<u>\$ 5,918,552</u>	<u>\$ 1,097,353</u>

See Notes to Financial Statements.

Exhibit 3

Budgeted Special Revenue Funds			Debt Service Fund		
Budget	Actual (Budgetary Basis)	Variance favorable (unfavorable)	Budget	Actual	Variance favorable (unfavorable)
\$ 1,017,555	\$ 1,021,426	\$ 3,871	\$ 1,290,389	\$ 1,548,969	\$ 258,580
2,215,000	2,271,739	56,739			
563,860	588,241	24,381			
205,140	201,317	(3,823)	108,692	69,894	(38,798)
4,001,555	4,082,723	81,168	1,399,081	1,618,964	219,883
1,017,555	1,017,555				
2,966,974	2,965,145	1,829			
			1,211,632	1,415,252	(203,620)
			1,498,923	1,158,490	340,433
3,984,529	3,982,700	1,829	2,710,555	2,573,742	136,813
17,026	100,023	82,997	(1,311,474)	(954,778)	356,696
			1,368,907	1,373,409	4,502
				(664,284)	(664,284)
			9,524,684	11,195,662	1,670,978
			(9,610,618)	(9,610,618)	
			1,282,973	2,294,169	1,011,196
17,026	100,023	82,997	(28,501)	1,339,391	1,367,892
(95,316)	(95,316)		3,079,251	3,079,251	
\$ (78,290)	\$ 4,707	\$ 82,997	\$ 3,050,750	\$ 4,418,642	\$ 1,367,892

CITY OF GALVESTON, TEXAS

**COMBINED STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS
ALL PROPRIETARY FUND TYPES AND DISCRETELY PRESENTED COMPONENT UNITS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

	Proprietary Fund Types		Totals Primary Government (Memorandum Only)
	Enterprise	Internal Service	
Operating revenues:			
Charges for services	\$ 22,661,373	\$ 8,750,104	\$ 31,411,477
Other	320,074	260,734	580,808
Total operating revenues	<u>22,981,447</u>	<u>9,010,838</u>	<u>31,992,285</u>
Operating expenses:			
Personal services	6,864,243	1,643,024	8,507,267
Materials and supplies	2,111,754	1,285,469	3,397,223
Contractual services	3,042,924	6,219,927	9,262,851
Surface water contract	3,572,042		3,572,042
Other charges	614,189	943,992	1,558,181
Administrative service charge	835,000		835,000
Payment in lieu of taxes	600,000		600,000
Depreciation	3,914,313	126,944	4,041,257
Total operating expenses	<u>21,554,465</u>	<u>10,219,356</u>	<u>31,773,821</u>
Operating income (loss)	1,426,982	(1,208,518)	218,464
Nonoperating revenues (expenses):			
Income from capital and financing leases			
Earnings on investments	596,502	18,907	615,409
Interest expense	(895,156)	(9,745)	(904,901)
Amortization of bond issuance cost	(134,482)		(134,482)
Loss on retirement of fixed assets	(49,181)		
Total nonoperating revenues (expenses)	<u>(482,317)</u>	<u>9,162</u>	<u>(473,155)</u>
Net income (loss) before operating transfers	944,665	(1,199,356)	(254,691)
Operating transfers			
Operating transfers in	409,443		409,443
Operating transfers (out)	<u>(409,443)</u>		<u>(409,443)</u>
Net income (loss)	944,665	(1,199,356)	(254,691)
Add depreciation on fixed assets acquired by grant externally for capital construction	<u>586,237</u>		<u>586,237</u>
Increase in retained earnings	1,530,902	(1,199,356)	331,546
Retained earnings at beginning of year	<u>38,392,164</u>	<u>1,462,928</u>	<u>39,855,092</u>
Retained earnings at end of year	<u>\$ 39,923,066</u>	<u>\$ 263,572</u>	<u>\$ 40,186,638</u>

See Notes to Financial Statements.

Exhibit 4

Discretely Presented Component Units	Totals Reporting Entity (Memorandum Only)
\$ 10,882,916	\$ 42,294,393
68,633	649,441
<u>10,951,549</u>	<u>42,943,834</u>
3,077,666	11,584,933
295,291	3,692,514
2,213,073	11,475,924
	3,572,042
1,586,272	3,144,453
	835,000
	600,000
2,281,411	6,322,668
<u>9,453,713</u>	<u>41,227,534</u>
1,497,836	1,716,300
1,294,854	1,294,854
737,511	1,352,920
(2,668,420)	(3,573,321)
	(134,482)
<u>(636,055)</u>	<u>(1,109,210)</u>
861,781	607,090
	409,443
	<u>(409,443)</u>
248,022	(6,669)
145,280	731,517
393,302	724,848
41,316,304	81,171,396
<u>\$ 41,709,606</u>	<u>\$ 81,896,244</u>

CITY OF GALVESTON, TEXAS
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Proprietary Fund Types		Totals Primary Government (Memorandum Only)
	Enterprise	Internal Service	
Cash flows from operating activities:			
Cash received from customers	\$ 21,994,526	\$ 8,921,578	\$ 30,916,104
Cash payments to suppliers for goods and services	(13,614,348)	(7,549,145)	(21,163,493)
Cash payments to employees	(6,463,669)	(1,532,062)	(7,995,731)
Payment in lieu of taxes	(600,000)		(600,000)
Net cash provided by operating activities	<u>1,636,583</u>	<u>(159,629)</u>	<u>1,476,954</u>
Cash flows from noncapital and related financing activities:			
Interfund transfers	<u>2,772,382</u>	<u>(38,031)</u>	<u>2,734,351</u>
Cash flows from capital and related financing activities:			
Payments received on capital leases			
Proceeds from issuance of debt	11,315,000		11,315,000
Payment for capital acquisitions	(5,121,322)	(425,823)	(5,547,145)
Principal paid on contracts payable	(10,093,039)		(10,093,039)
Principal paid on revenue bonds	(1,311,011)		(1,311,011)
Principal paid on capital leases	(464,338)	(49,840)	(514,178)
Interest paid on revenue bonds	(690,667)		(690,667)
Interest paid on capital leases	(58,955)	(9,745)	(68,700)
Interest paid on interfund loans	(8,231)		(8,231)
Contributed capital	348,032		348,032
Net cash provided by (used for) capital and related financing activities	<u>(6,084,531)</u>	<u>(485,408)</u>	<u>(6,569,939)</u>
Cash flows provided by investing activities:			
Cash received from mortgage loan operations			
Interest on investments	580,113	19,220	599,333
Net cash flows provided by investing activities:	<u>580,113</u>	<u>19,220</u>	<u>599,333</u>
Net (decrease) in equity in pooled cash and investments	(1,095,453)	(663,848)	(1,759,301)
Cash and temporary investments, beginning of year	16,468,980	1,209,907	17,678,887
Cash and temporary investments, end of year	<u>\$ 15,373,527</u>	<u>\$ 546,059</u>	<u>\$ 15,919,586</u>
Cash and temporary investments per balance sheet			
Unrestricted	\$ 10,185,513	\$ 546,059	\$ 10,731,572
Restricted	5,188,014		5,188,014
Cash and temporary investments, end of year	<u>\$ 15,373,527</u>	<u>\$ 546,059</u>	<u>\$ 15,919,586</u>

See Notes to Financial Statements.

Exhibit 5
Page 1 of 2

Discretely Presented Component Units	Totals Reporting Entity (Memorandum Only)
\$ 10,456,514	\$ 41,372,618
(4,633,537)	(25,797,030)
(3,149,066)	(11,144,797)
	(600,000)
<u>2,673,911</u>	<u>4,150,865</u>
	<u>2,734,351</u>
1,294,854	1,294,854
(2,053,799)	11,315,000
(2,020,000)	(7,600,944)
(2,410,128)	(10,093,039)
	(3,331,011)
	(514,178)
	(3,100,795)
	(68,700)
	(8,231)
	<u>348,032</u>
<u>(5,189,073)</u>	<u>(11,759,012)</u>
598,699	598,699
584,353	1,183,686
<u>1,183,052</u>	<u>1,782,385</u>
(1,332,110)	(3,091,411)
<u>13,752,959</u>	<u>31,431,846</u>
<u>\$ 12,420,849</u>	<u>\$ 28,340,435</u>
\$ 8,093,569	\$ 18,825,141
4,327,280	9,515,294
<u>\$ 12,420,849</u>	<u>\$ 28,340,435</u>

CITY OF GALVESTON, TEXAS
COMBINED STATEMENT OF CASH FLOWS -
ALL PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	<u>Proprietary Fund Types</u>		<u>Totals</u>
	<u>Enterprise</u>	<u>Internal Service</u>	<u>Primary Government (Memorandum Only)</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities			
Operating income (loss)	\$ 1,426,982	\$ (1,208,518)	\$ 218,464
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation and amortization expense	3,914,313	126,944	4,041,257
(Increase) decrease in accounts receivable	(666,847)	(89,260)	(756,107)
(Increase) decrease in deferred charges	(1,429,254)		(1,429,254)
(Increase) decrease in inventory and prepaid items	(463,209)	46,807	(416,402)
Increase (decrease) in salaries and benefits payable	(20,917)	(8,344)	(29,261)
Increase (decrease) in accounts payable	(1,195,454)	168,074	(1,027,380)
Increase (decrease) in interfund payable	20,859		20,859
Increase (decrease) in in customer deposits	228,619	46,487	275,106
Increase (decrease) in estimated liability claims	(280,732)		(280,732)
Increase (decrease) in compensated absences payable	102,223	119,306	221,529
Increase (decrease) in contracts payable		638,875	638,875
Total adjustments	<u>209,601</u>	<u>1,048,889</u>	<u>1,258,490</u>
Net cash provided by operating activities	<u>\$ 1,636,583</u>	<u>\$ (159,629)</u>	<u>\$ 1,476,954</u>

See Notes to Financial Statements.

Exhibit 5
Page 2 of 2

Discretely Presented Component Units	Totals Reporting Entity (Memorandum Only)
\$ 1,497,836	\$ 1,716,300
2,281,411	6,322,668
(469,965)	(1,226,072)
	(1,429,254)
(245,560)	(661,962)
(71,400)	(100,661)
(300,496)	(1,327,876)
	20,859
(17,915)	257,191
	(280,732)
	221,529
	638,875
1,176,075	2,434,565
\$ 2,673,911	\$ 4,150,865



CITY OF GALVESTON, TEXAS**COMBINED STATEMENT OF CHANGES IN PLAN NET ASSETS -
PENSION TRUST FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2001***Exhibit 6*

Additions	
Contributions:	
Employer	\$ 1,531,243
Plan members	1,683,462
Total contributions	<u>3,214,705</u>
Investment income:	
Net (depreciation) in fair value of investments	(5,233,031)
Interest	2,132,575
Dividends	635,713
	<u>(2,464,743)</u>
Less investment expense	527,419
Net investment income	<u>(1,937,324)</u>
Total additions	<u>1,277,381</u>
Deductions	
Benefits paid	4,819,299
Refunds of contributions	292,079
Administrative expenses	482,716
Total deductions	<u>5,594,094</u>
Net increase (decrease) in net assets	(4,316,713)
Net assets held in trust for pension benefits, beginning of year	<u>93,906,457</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 89,589,744</u>

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

COMBINING BALANCE SHEET - DISCRETELY PRESENTED COMPONENT UNITS

September 30, 2002

	Park Board of Trustees	Tax Increment Reinvestment Zone No. Ten Downtown	Galveston Housing Finance Corporation*
<u>Assets and Other Debits</u>			
Cash and temporary investments	\$ 4,511,404	\$ 2	\$ 205,631
Receivables (net of allowance for estimated uncollectibles):			
Accounts	902,992		
Mortgage related assets (net)			
Interest and dividends			
Intergovernmental		35,990	
Inventory, at cost	7,142		
Prepaid items	32,179		
Restricted assets:			
Cash and temporary investments	621,772		
Net investment in direct financing and capital leases			
Unamortized debt expense	15,347		
Property and equipment (net, where applicable, of accumulated depreciation)	270,568,122		
Other debits:			
Amount available for debt service	574,765		
Amount to be provided for retirement of general long-term debt	2,873,989		
Total assets and other debits	<u>\$ 280,107,712</u>	<u>\$ 35,992</u>	<u>\$ 205,631</u>
<u>Liabilities, Fund Equities, and Other Credits</u>			
Liabilities:			
Salaries and benefits payable	\$	\$	\$
Accrued compensated absences	4,272		
Accounts payable	462,147		20,125
Due to other governments		35,992	
Accrued interest			
Deferred revenue			
Capital lease payable	93,754		
Bonds payable	3,355,000		
Note payable			
Total liabilities	<u>3,915,173</u>	<u>35,992</u>	<u>20,125</u>
Equities and other credits:			
Investment in general fixed assets	267,759,890		
Contributed capital	4,056,246		
Retained earnings (deficit)	(973,175)		185,506
Fund balances:			
Reserved for encumbrances	164,564		
Reserved for replenishment	331,679		
Reserved for debt service	574,765		
Unreserved - undesignated	4,278,570		
Total fund equity	<u>8,432,649</u>		<u>185,506</u>
Total fund equity and other credits	<u>276,192,539</u>		<u>185,506</u>
Total liabilities, equities and other credits	<u>\$ 280,107,712</u>	<u>\$ 35,992</u>	<u>\$ 205,631</u>

* Reported as of December 31, 2001

See Notes to Financial Statements.

Exhibit 7

City of Galveston Property Finance Authority Inc.*	Board of Trustees of the Galveston Wharves*	Totals
\$ 678,286	\$ 7,209,652	\$ 12,604,975
	1,653,957	2,556,949
1,869,917		1,869,917
28,550	69,190	97,740
50,000		85,990
	6,441	13,583
	452,971	485,150
	4,327,280	4,949,052
	26,544,218	26,544,218
	2,517,693	2,533,040
853,829	49,317,909	320,739,860
		574,765
		2,873,989
<u>\$ 3,480,582</u>	<u>\$ 92,099,311</u>	<u>\$ 375,929,228</u>
\$	\$ 44,549	\$ 44,549
	254,893	259,165
27,224	903,186	1,412,682
		35,992
64,600	639,617	704,217
	6,193,674	6,193,674
		93,754
2,280,000	38,052,457	43,687,457
	171,720	171,720
<u>2,371,824</u>	<u>46,260,096</u>	<u>52,603,210</u>
		267,759,890
	5,423,873	9,480,119
1,108,758	40,415,342	40,736,431
		164,564
		331,679
		574,765
		4,278,570
<u>1,108,758</u>	<u>45,839,215</u>	<u>55,566,128</u>
<u>1,108,758</u>	<u>45,839,215</u>	<u>323,326,018</u>
<u>\$ 3,480,582</u>	<u>\$ 92,099,311</u>	<u>\$ 375,929,228</u>

CITY OF GALVESTON, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
DISCRETELY PRESENTED COMPONENT UNITS- GOVERNMENTAL FUND TYPES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

Exhibit 8

	Park Board of Trustees	Tax Increment Reinvestment Zone No. Ten Downtown	Totals
Revenues:			
Property taxes-incremental	\$	\$ 390,068	\$ 390,068
Sales and use taxes	4,984,638		4,984,638
Intergovernmental	340,381		340,381
Charges for services	1,246,933		1,246,933
Earnings on investments	67,024	6,419	73,443
Other revenue	135,229		135,229
Total revenues	6,774,205	396,487	7,170,692
Expenditures:			
Current:			
Culture and recreation	6,634,808		6,634,808
Debt service			
Principal	400,000	663,734	1,063,734
Interest	165,485	22,695	188,180
Total expenditures	7,200,293	686,429	7,886,722
Revenues over (under) expenditures	(426,088)	(289,942)	(716,030)
Net loss from proprietary funds	(519,079)		(519,079)
Increase (decrease) in fund balance	(945,167)	(289,942)	(1,235,109)
Total equity at beginning of year	9,377,816	289,942	9,667,758
Total equity at end of year	\$ 8,432,649	\$	\$ 8,432,649

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

**COMBINING STATEMENT OF REVENUES, EXPENSES,
AND CHANGES IN RETAINED EARNINGS**

**DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY FUND TYPES
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001**

Exhibit 9

	Galveston Housing Finance Corporation	City of Galveston Property Finance Authority Inc.	Board of Trustees of the Galveston Wharves	Totals
Operating revenues:				
Charges for services	\$	\$	\$ 10,882,916	\$ 10,882,916
Other	6,678		61,955	68,633
Total revenues	6,678		10,944,871	10,951,549
Operating expenses:				
Personal services			3,077,666	3,077,666
Materials and supplies			295,291	295,291
Contractual services	30,318	42,571	2,140,184	2,213,073
Other charges	17,500	5,133	1,563,639	1,586,272
Depreciation and amortization			2,281,411	2,281,411
Total expenses	47,818	47,704	9,358,191	9,453,713
Net operating income (loss)	(41,140)	(47,704)	1,586,680	1,497,836
Non-operating revenues (expenses):				
Income from capital and financing leases			1,294,854	1,294,854
Earnings on investments	6,608	251,495	479,408	737,511
Interest expense		(206,473)	(2,461,947)	(2,668,420)
Gain (Loss) on sale of property			25,853	25,853
Port regionalization expenses			(639,612)	(639,612)
Total non-operating revenues (expenses)	6,608	45,022	(1,301,444)	(1,249,814)
Net income (loss)	(34,532)	(2,682)	285,236	248,022
Add depreciation on fixed assets acquired by contribution			145,280	145,280
Increase (decrease) in retained earnings	(34,532)	(2,682)	430,516	393,302
Retained earnings at beginning of year	220,038	1,111,440	39,984,826	41,316,304
Retained earnings at end of year	\$ 185,506	\$ 1,108,758	\$ 40,415,342	\$ 41,709,606

See Notes to Financial Statements.

CITY OF GALVESTON, TEXAS

COMBINED STATEMENT OF CASH FLOWS -

DISCRETELY PRESENTED COMPONENT UNITS - PROPRIETARY FUND TYPES

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2001

	<u>Galveston Housing Finance Corporation</u>	<u>City of Galveston Property Finance Authority Inc.</u>
Cash flows from operating activities:		
Cash received from customers	\$ 6,608	\$
Cash payments to suppliers for goods and services	(2,623)	(63,424)
Cash payments to employees		
Net cash provided by operating activities	<u>3,985</u>	<u>(63,424)</u>
Cash flows from capital and related financing activities:		
Payments received on capital leases		
Payment for capital acquisitions		(263,498)
Principal paid on revenue bonds		(400,000)
Interest paid on revenue bonds		(217,813)
Net cash provided by (used for) capital and related financing activities		<u>(881,311)</u>
Cash flows provided by investing activities:		
Cash received from mortgage loan operations		598,699
Interest on investments	6,678	39,392
Net cash flows provided by investing activities:	<u>6,678</u>	<u>638,091</u>
Net (decrease) in equity in pooled cash and investments	10,663	(306,644)
Cash and temporary investments, beginning of year	194,968	984,930
Cash and temporary investments, end of year	<u>\$ 205,631</u>	<u>\$ 678,286</u>
Cash and temporary investments per balance sheet		
Unrestricted	\$ 205,631	\$ 678,286
Restricted		
Cash and temporary investments, end of year	<u>\$ 205,631</u>	<u>\$ 678,286</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	\$ (41,140)	\$ (47,704)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:		
Depreciation expense		
(Increase) decrease in accounts receivable	25,000	
(Increase) decrease in inventory and prepaid items		
Increase (decrease) in salaries and benefits payable		
Increase (decrease) in accounts payable	20,125	(15,720)
Increase (decrease) in in customer deposits		
Total adjustments	<u>45,125</u>	<u>(15,720)</u>
Net cash provided (used) by operating activities	<u>\$ 3,985</u>	<u>\$ (63,424)</u>

See Notes to Financial Statements.

Exhibit 10

Board of Trustees of the Galveston Wharves	Total
\$ 10,449,906	\$ 10,456,514
(4,567,490)	(4,633,537)
(3,149,066)	(3,149,066)
<u>2,733,350</u>	<u>2,673,911</u>
1,294,854	1,294,854
(1,790,301)	(2,053,799)
(1,620,000)	(2,020,000)
(2,192,315)	(2,410,128)
<u>(4,307,762)</u>	<u>(5,189,073)</u>
538,283	598,699
<u>538,283</u>	<u>584,353</u>
	<u>1,183,052</u>
(1,036,129)	(1,332,110)
12,573,061	13,752,959
<u>\$ 11,536,932</u>	<u>\$ 12,420,849</u>
\$ 7,209,652	\$ 8,093,569
4,327,280	4,327,280
<u>\$ 11,536,932</u>	<u>\$ 12,420,849</u>
\$ 1,586,680	\$ 1,497,836
2,281,411	2,281,411
(494,965)	(469,965)
(245,560)	(245,560)
(71,400)	(71,400)
(304,901)	(300,496)
(17,915)	(17,915)
<u>1,146,670</u>	<u>1,176,075</u>
<u>\$ 2,733,350</u>	<u>\$ 2,673,911</u>



NOTE TO FINANCIAL SECTION

1 REPORTING ENTITY AND BASIS OF PRESENTATION

The City of Galveston, Texas (the City) was incorporated in March 1839, and presently is a Home Rule City under statutes of the State of Texas. The current city charter was adopted April 19, 1960, and initiated the Council-Manager form of government. The City provides the following services: public safety (police and fire), utilities (water, sewer, and sanitation), streets and storm sewers, health and social services, culture, recreation, public improvements, planning and zoning, airport, and general administrative services.

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. Reporting Entity

As required by GAAP, these financial present the City and its component units. The component units are included in the reporting entity because of the City's financial accountability over their operations. Blended component units, although legally separate entities are, in substance, part of the City's operations and so data from these units are combined with data of the primary government.

Blended Component Units

Blended component units provide services exclusively or almost exclusively for the City, or their Boards of Directors are substantially the same as City Council. All blended component units are reported as of September 30, 2002.

The Industrial Development Corporation (the IDC) was formed in 1993 to provide for street repairs, beach re-nourishment and sewer improvements. The IDC Board of Directors is appointed by City Council. Its Board of Directors is substantially the same as the City Council. Its activities are funded by a special local sales tax. The City manages the fiscal affairs of the IDC. The IDC operations are devoted to providing services for the City.

The City of Galveston Employee's Retirement Plan for City Employees, Firemen's Relief and Retirement Fund, and the City of Galveston Employee's Retirement Plan for Police (the Pension funds) were created in accordance with State Statutes to provide benefits to non-civil service, firemen, police, and city employees. The responsibility for administration and operation of the plan rests with each plan's board. Each pension plan is funded by a contribution mix from employees and the City. The Pension funds are included in the City's pension trust funds as of December 31, 2001.

Discretely Presented Component Units

Discretely presented component units are legally separate entities whose governing body is appointed by City council and, in management's opinion, whose exclusion would render the reporting entity's financial statements incomplete or misleading.

Tax Reinvestment Zones (the Tax Zones) were established from 1980 through 1983 to provide funds for development and improvement projects within specific geographic areas of the City. Property tax receipts over undeveloped assessments (base value) provide funding for the projects. The City appoints the Board members who operate and account for the Tax Zone activity consistent with the State Statute for the economic benefit of the City. The City accounts for the Tax Zones and separate audited reports are not available.

The Park Board of Trustees of the City of Galveston (the Park Board) was created by the State Statute to provide improvements and maintenance to city waterfront parks and beaches. The Park Board, funded primarily by Hotel Occupancy Tax and beach parking receipts, is legally separate from the City. The Park Board, which is appointed by the City Council, has a seven-member board responsible for operations. The Park Board financial records are the Board's responsibility.

Complete financial statements for the Park Board may be obtained at the following address:

Park Board of Trustees of the City of Galveston
2504 Church
Galveston, Texas 77550

The Galveston Housing Finance Corporation was created by State Statute to provide the making of home mortgages and the making of loans to lending institutions for the purpose of making home mortgages. The City of Galveston Property Finance Authority, Inc. was created by State Statute for the purpose of acquiring, owing, holding, leasing, and selling real or personal property to or for the benefit of the City of Galveston for the furtherance of its public purposes, and collecting, receiving, borrowing, lending, or otherwise obtaining and lending funds to or for the use of the City or to others for the City's public purposes. These corporations are managed by the identical seven-member board, which is appointed by the City Council. The Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority, Inc. financial records are each corporation's responsibility.

Complete financial statements for the Galveston Housing Finance Corporation and the City of Galveston Property Finance Authority, Inc. may be obtained at the following address:

The Galveston Housing Finance Corporation/
The City of Galveston Property Finance Authority, Inc.
2127 Broadway
Galveston, Texas 77550

The Board of Trustees of the Galveston Wharves was created by the City Charter on October 17, 1940 to manage, control, and maintain the Galveston Wharves. The Board of Trustees of the Galveston Wharves, which is appointed by City Council, is a seven-member board, which is responsible for operating the Galveston Wharves. The Board of Trustees of the Galveston Wharves financial records is the Board's responsibility.

Complete financial statements for the Board of Trustees of the Galveston Wharves may be obtained at the following address:

Board of Trustees of the Galveston Wharves
123 Rosenberg
Galveston, Texas 77550

Related Organizations and Jointly Governed Organizations

The City is not legally or financially accountable for certain entities even though the City may appoint a majority of the organizations' boards; therefore the financial statements of the Galveston Housing Authority and the Rosenberg Library not included in these statements.

B. Fund Accounting

The government uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fund is a separate accounting entity with a self-balancing set of accounts. An account group, on the other hand, is a financial reporting device designed to provide accountability for certain assets and liabilities that are not recorded in the funds because they do not directly affect net expendable available financial resources. Funds are classified into three categories: governmental, proprietary and fiduciary.

Governmental funds are used to account for all or most of a government's general activities, including the collection and disbursement of earmarked money (Special Revenue Funds), the acquisition or construction of general fixed assets (Capital Projects Funds), and the servicing of general long-term debt (Debt Service Funds). The General Fund is used to account for all activities of the general government not accounted for in some other fund.

Proprietary funds are used to account for activities similar to those found in the private sector, where the determination of net income is necessary or useful for sound financial administration. Goods or services from such activities can be provided either to outside parties (Enterprise Funds) or to other departments or agencies primarily within the government (Internal Service Funds).

Fiduciary funds are used to account for assets held on behalf of outside parties, including other governments, or on behalf of other funds within the government. When these assets are held under the terms of a formal trust agreement, either a pension trust fund, a nonexpendable trust fund, or an expendable trust fund is used. The terms "nonexpendable" and "expendable" refer to whether or not the government is under an obligation to maintain the trust principal. Agency funds generally are used to account for assets that the government holds on behalf of others as their agent.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (e.g., revenues and other financing sources) and decreases (e.g., expenditures and other financing uses) in net current assets. All proprietary funds and pension trust funds are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Fund equity (e.g., net total assets) is segregated into contributed capital and retained earnings components.

The modified accrual basis of accounting is used by all governmental fund types, and agency funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "*Measurable*" means the amount of the transaction can be determined and "*available*" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The government considers property taxes as available if they are collected within 60 days after the year-end. A 60-day availability period is used for revenue recognition for all other governmental fund revenues.

Those revenues susceptible to accrual are property taxes, sales taxes, franchise taxes, special assessments, licenses, interest revenue, charge for services, permits, and parking meter revenues.

The government reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant money are received prior to incurring of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized. Expenditures are recorded when the related fund liability is incurred.

Principal and interest on general long-term debt are recorded as fund liabilities when paid in the debt service fund. The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

B. Proprietary Fund Accounting

GASB Statement No. 20 states that for proprietary activities, management may elect to apply all Financial Accounting Standards Board ("FASB") Statements and Interpretations issued after November 30, 1989, including FASB 71, except for those that conflict with or contradict GASB pronouncements. The City has elected to not apply FASB Statements and Interpretations issued after November 30, 1989, unless they are adopted by GASB.

C. Budgets and Encumbrances

Budgets are adopted on a basis consistent with GAAP, except lease transactions and bad debt expense are not budgeted. Annual appropriated budgets are adopted for the general, special revenue, (except for Industrial Development Corporation Revenue Fund, Project Specific Funds and Special Revenue Funds), debt service funds and enterprise funds. All annual appropriations lapse at fiscal year end. Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting—under which purchase orders, contracts and other commitments for the expenditure of resources are recorded to reserve that portion of the applicable appropriation—is utilized in the governmental funds. Encumbrances outstanding at yearend are reported as reservations of fund balances because the commitments will be honored during the subsequent year, but they do not constitute expenditures or liabilities.

D. Cash and Investments

Cash includes amounts in demand deposits as well as short-term highly liquid investments with original maturities of three months or less. State Statutes and the City's investment policy authorize the City to invest in obligations of the U. S. Government and its agencies or instrumentalities and state obligations, certificates of deposit, and repurchase agreements. All investments are recorded at fair value.

E. Inter-fund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds," respectively, on the balance sheet.

F. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond September 30, 2002, are recorded as prepaid items.

H. Restricted Assets

Certain proceeds of Enterprise Fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants. The "revenue bond construction" account is used to report those proceeds of revenue bond issuances that are restricted for use in construction. The "revenue bond current debt service" account is used to segregate resources accumulated for debt service payments over the next twelve months. The "revenue bond future debt service" account is used to report resources set aside to make up potential future deficiencies in the revenue bond current debt service account. Other restricted accounts reflect money set aside by City Council action for improvements or to meet contractual obligations.

I. Fixed Assets

All fixed assets are valued at historical or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date donated.

General fixed assets are not capitalized in the funds used to acquire or construct them. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the general fixed assets account group.

Effective October 1, 2000, public domain ("infrastructure") general fixed assets consisting of roads, bridges, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems are capitalized by the City.

Assets in the general fixed assets account group are not depreciated.

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against their operations. Depreciation has been provided over the following estimated useful lives, using the straight-line method:

Property or equipment type	Estimated Useful lives
Buildings	20 – 50 years
Improvements	10 – 50 years
Equipment	3 – 10 years
Sewer Plants	20 – 50 years
Sewer Lines	50 years
Water Plants, Lines, Wells, and Hydrants	75 years
Water Tanks, and Valves	50 years
Water Meters	25 years

The City closes depreciation expense on fixed assets, which were financed through intergovernmental grants, to contributed capital rather than to retained earnings. This depreciation is presented as a separate account after net income in the statement of revenues, expenses, and changes in retained earnings.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

J. Compensated Absences

Vested or accumulated unpaid compensated absences for vacation and sick leave that are expected to be liquidated with expendable available financial resources are reported as expenditures and a fund liability of the governmental fund that benefited from the respective employee's service. Amounts of vested or accumulated unpaid compensated absences for vacation and sick leave of governmental fund employees that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. In the proprietary funds, the City records the current year's cost of vacation and sick leave as it is earned by its employees. Accumulated vacation and sick leave is recorded as a liability.

K. Long-term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be paid from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be paid from proprietary fund operations are accounted for in those funds.

L. Fund Equity

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers, or other funds. Reserves represent those portions of fund equity not appropriable for expenditure or legally segregated for a specific future use. Designated fund balances represent tentative plans for future use of financial resources.

M. Inter-fund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other Inter fund transfers are reported as operating transfers.

N. Memorandum Only – Total Columns

Total columns on the general purpose financial statements are captioned "memorandum only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or cash flows in conformity with generally accepted accounting principles. Neither are such data comparable to a consolidation. Inter fund eliminations have not been made in the aggregation of this data.

3 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Legal Compliance – Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. At least thirty days prior to October 1, the City Manager submits to the City Council a proposed operating and capital projects budget for the fiscal year commencing October 1. The proposed budget includes proposed expenditures and the means of financing them. A statement of capital projects planned for the next succeeding five fiscal years, with estimates of their costs is also submitted at this time.
2. One or more public hearings are held by the City Council to obtain citizen comments.
3. Prior to October 1, the budget is legally enacted by formal approval of the City Council.
4. The City Charter requires that no funds shall be expended nor shall any obligation for the expenditure of money be incurred unless an appropriation exists in the duly adopted budget. Annual appropriations style budgets are adopted for the General Fund, the Island Transit and Rosenberg Library Special Revenue Funds, the Debt Service Fund, and all Enterprise Fund.

5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Fund and Enterprise Funds.
6. Budgets are adopted and accounted for on a basis consistent with generally accepted accounting principles (GAAP), with the following exceptions:
 - a. Initial proceeds and capital outlay amounts related to capital lease purchases are not presented for budgeting purposes. Subsequent lease payments are included in the budgetary process.
 - b. Annual budgets are not adopted for certain Special Revenue Funds, primarily relating to grant based projects. These grant projects are controlled through project length budgets that may span multiple fiscal years.
 - c. Capital and planning grant activities in the Island Transit Special Revenue Fund are not budgeted on an annual basis and are controlled in a manner similar to the grant project funds noted above.
7. Budgeted amounts are reported herein as amended through out the year. Individual amendments were not material in relation to the original appropriations. There were no amendments to the budget during fiscal year 2001.
8. Appropriation balances lapse at yearend and may be re-appropriated by City Council. Obligations outstanding at yearend through purchase orders, contracts and other commitments are re-appropriated in the subsequent year.
9. During the fiscal year the City Council may transfer any unencumbered appropriation balance or portion thereof from one department to another at any time. The City Manager shall have authority, without Council approval, to transfer appropriation balances from one expenditure account to another, inclusive within a single office, department or agency of the City. Expenditures may not exceed appropriations at the department category level, as established by policy of the City Council. The legal level of control is at the department category level. Details of expenditures exceeding appropriations follow:

General Fund

The Legislative Department was over budget by \$15,342 due to costs associated with imaging City Records. No provision was made in the budget for this expenditure.

The Finance Department was over budget by \$66,651 primarily due to an increase in contractual services of \$102,492 offset by savings in personal services of \$36,332. The increase in contractual services was due to temporary employment services of \$77,200 that included two temporary personnel and an interim Finance Director. The City also incurred consulting fees of \$21,300 relating to the hiring of a new Finance Director.

Taxation was over budget by \$10,077. This amount represents increased collection fees resulting from an amendment to the contract with the County Tax-Assessor Collector.

Special Events-Mardi Gras was over budget by \$343,150 because only the amount of reimbursement from the Park Board was budgeted for expenditures. Mardi Gras total revenue was \$510,975, resulting in a net loss of \$182,175.

The Fire Department was over budget by \$430,277 primarily due to the following:

- Fringe benefits were not budgeted correctly resulting in an \$117,120 deficit.
- Three additional firefighters were hired at a cost of \$80,000. Vacancy lapse funds were used.
- Worker's compensation claims of \$30,100 were incurred.
- Two resignations resulted in separation pay of \$81,000.
- A lawsuit against the department was settled resulting in a payment of \$112,530.
- \$71,336 in additional garage charges for older vehicles was incurred.

Waterworks System Enterprise Fund

The Waterworks system was over budget by \$1,599,057 due to depreciation and amortization charges.

Municipal Airport Enterprise Fund

The Airport fund was over budget by \$10,521 due to legal fees incurred in the settlement of a lawsuit.

B. Revenue and Expenditure/Expenses Analysis in Comparison to Budget

A reconciliation of Budgetary basis activities and GAAP basis activities follows:

	General Fund		
	Budgetary Basis	Unbudgeted Activities	GAAP Basis
Revenues	\$ 30,610,923	\$	\$ 30,610,923
Expenditures	29,378,243	1,154,316	30,532,559
Revenues over (under) expenditures	1,232,680	(1,154,316)	78,364
Other financing sources (uses)		1,154,316	1,154,316
Revenues and other financing sources over (under) expenditures and other financing (uses)	1,232,680		1,232,680
Fund balance at beginning of year	4,685,872		4,685,872
Fund balance at end of year	<u>\$ 5,918,552</u>	<u>\$</u>	<u>\$ 5,918,552</u>

	Special Revenue Funds			
	Budgeted Funds		Unbudgeted Funds	GAAP Basis
	Budgeted Activities	Unbudgeted Activities		
Revenues	\$ 4,082,723	\$ 100,000	\$ 6,862,722	\$ 11,045,445
Expenditures	3,982,700	100,000	4,944,946	9,027,646
Revenues over (under) expenditures	100,023		1,917,776	2,017,799
Other financing sources (uses)			(4,379,667)	(4,379,667)
Revenues and other financing sources over (under) expenditures and other financing (uses)	100,023		(2,461,891)	(2,361,868)
Fund balance at beginning of year	(95,316)		4,921,998	4,826,682
Fund balance at end of year	<u>\$ 4,707</u>	<u>\$</u>	<u>\$ 2,460,107</u>	<u>\$ 2,464,814</u>

4 EQUITY IN POOLED CASH AND INVESTMENTS

The City utilizes GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investments Pools*, and reports all investments that have a remaining maturity at time of purchase of more than one year, as provided in the statement, at fair market value, as defined in the statement. Investments, which do not have an established market value, are reported at estimated fair value. All assets at September 30, 2002 and 2000 had established market values and no estimated values had to be applied to any investment at September 30, 2002 and 2000. Investments that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost as provided in GASB Statement No. 31.

A. Deposits

The City's deposits are categorized to give an indication of the level of risk assumed by the City at year-end as follows:

- Category 1 Insured or collateralized with securities held by the City or by its agent in the City's name.
- Category 2 Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name.
- Category 3 Un-collateralized or collateralized with securities held by the pledging financial institution or its trust department or agent, but not in the City's name.

At September 30, 2002, the City's deposits categorized by level of risk are (in thousands):

	Category 1 Carrying Value
City of Galveston	\$ 29,211
Blended component units (1)	5,677
Total Primary Government	<u>34,888</u>
Discretely presented component units	
Park Board of Trustees	5,128
Galveston Housing Finance Corporation and City of Galveston Property Finance Authority, Inc. (1)	388
Board of Trustees of the Galveston Wharves (1)	7,425
Total Discretely Presented Component Units	<u>12,941</u>
Total Reporting Entity	<u>\$ 47,829</u>

(1) Reported as of December 31, 2001.

B. Investments

The City's investments are categorized to give an indication of the level of risk assumed by the City at year-end as follows:

- Category 1 includes investments that are insured or registered or for which the securities are held by the City's agent in the City's name.
- Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer banks' trust department or agent in the City's name.
- Category 3 includes uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the City's name.

A summary of investments by risk category as of September 30, 2002 follows (in thousands):

INVESTMENTS	Category 1	Total Fair Value
City of Galveston		
United States Government and Agency Securities	\$ 41,950	\$ 41,950
Pension Trust Funds (1)		
United States Government Securities	23,338	23,338
Corporate Bonds	4,124	4,124
Common stock	56,806	56,806
	<u>84,269</u>	<u>84,268</u>
Total Primary Government	<u>126,219</u>	<u>126,218</u>
 Park Board of Trustees		
Gold	5	5
Galveston Housing Finance Corporation and City of Galveston Property Finance Authority, Inc. (1)		
Berkshire Hathaway Guaranteed Invest. Certificate	419	419
Fidelity Treasury	77	77
Board of Trustees of the Galveston Wharves (1)	4,111	4,111
Total Discretely Presented Component Units	<u>4,612</u>	<u>4,612</u>
Total Reporting Entity	<u>\$ 130,831</u>	<u>\$ 130,830</u>

(1) Reported as of December 31, 2001

C. Reconciliation of Deposits And Investments To Combined Balance Sheet

**Total for the Reporting Entity,
thousands, as categorized above:**

Deposits , Book Value	\$	47,829
Investments, Carrying Amount		130,831
Total	\$	<u>178,660</u>

**Total for the Reporting Entity,
in thousands, as reported on Combine Balance Sheet**

Cash and temporary investments	\$	84,254
Investments held for pension benefits		84,269
Restricted cash and temporary investments		10,137
Total	\$	<u>178,660</u>

5 PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on October 1 and are payable one-half on or before December 1, and the balance by the following July 1. No penalties or interest shall be collected if payment in full is made by January 31. City property taxes are recognized as current receivables when levied, however such amounts are deferred and not reported as revenues until collections are received. At year end all property taxes receivable are classified as delinquent. Penalties and interest accrued at September 30 are also recognized as receivable-delinquent reported as revenue.

The City may levy taxes up to \$2.50 per \$100.00 of assessed value under state law, however, by amendment to the City Charter resulting from election held January 20, 1979, the following limits on taxes were placed in effect:

- A.** A maximum tax rate of 70 cents per \$100 of assessed valuation less Debt service and Rosenberg Library for general operating expenses, before any adjustments for sales tax (see Note 5).
- B.** A limit on the annual increase in ad valorem taxes on any property to 5% over the prior year's taxes, except for increases due to increases in market value and improvements made.

In conjunction with limits placed on taxes, the annual increase in total budgeted expenditures for all purposes was limited to 7% over the prior year's total budgeted expenditures.

Within these guidelines, the maximum tax rate per \$100 of assessed valuation for the year ended September 30, 2002 was 55.59 cents. The tax rate to finance general governmental services was set at 44.21 cents, and the tax rate for all other purposes, including debt service, was set at 11.38 cents per \$100 of assessed valuation.

6 SALES TAX

The City's sales tax rate is 2 cents for the year ended September 30, 2002. A City Charter amendment was passed by the voters on January 21, 1989, whereby the City is required to offset ad valorem taxes each year with the amount of additional (½ cent) sales tax collected in the prior year. The ½ cent offset was calculated using a calendar year formula provided by the State of Texas, resulting in ad-valorem taxes offset by actual sales tax revenue of \$2,867,471 in fiscal year 2002. The total maximum allowable tax rate of 70 cents was thus limited to 55.59 cents for the current fiscal year. It is the City Attorney's opinion that this amendment does not create a new tax cap and it would not restrict the City's ability to meet bond obligations.

Of the 2 cents tax, 1.5 cents is allocated to the General Fund and ½ cent is for Industrial Development Corporation (IDC) Projects. Of the IDC ½ cent, 1/8 cent is for the purpose of beach re-nourishment, 1/8 cent is for street drainage and improvement projects and ¼ cent is for sanitary sewer projects.

7 NOTES AND INTEREST RECEIVABLE

Notes and interest receivable balances for the primary government are as follows:

<u>Description</u>	<u>Effective Date</u>	<u>Life (years)</u>	<u>Original Loan Amount</u>	<u>Monthly Installment</u>	<u>Balance at September 30, 2002</u>	
					<u>Current</u>	<u>Total</u>
Parking Garage – George P. Mitchell & U. S. National Bank	4/15/1985	20	\$ 275,970	\$ 2,663	\$ 26,088	\$ 70,433
TOTALS					<u>\$ 26,088</u>	<u>\$ 70,433</u>

Galveston Housing Finance Corporation and City of Galveston Property Finance Authority, Inc.

Mortgage related assets consist of the Authority's investment in mortgage loans secured by first liens on single-family residential properties and loans, in the process of foreclosure or foreclosed, for which the Authority has title to the underlying property. Single-family residences within the limits of the City of Galveston collateralized these loans.

7 NOTES AND INTEREST RECEIVABLE (continued)

The mortgage loans have a fixed interest rate of 10%. Certain designated loan servicers service the loans, which have estimated remaining maturities of ten years. These loan servicers are responsible for collecting the loan payments from the borrowers and remitting these payments to the Trustee. The loan servicers are compensated monthly from collections in an amount equal to 1/12 of 1/6 of 1% of the unpaid principal balance on each mortgage loan. The Administrator supervises the purchase of the mortgage loans and the monthly collection of principal and interest.

Most individual mortgage loans are insured by primary mortgage insurance, FHA insurance, or VA guarantees. At December 31, 2000 the remaining aggregate coverage available under the mortgage pool insurance was approximately \$2 million.

As of December 31, 2001 approximately \$274,145 of the mortgage loans outstanding were one or more months delinquent. Additionally, at December 31, 2001 there were loans of \$18,730 in foreclosure. For any loans that have been foreclosed, the Corporation holds the collateralized property for sale and applies the proceeds of such sale to the remaining principal of the foreclosed accounts.

At December 31, 2001 an allowance of \$30,000 for anticipated losses are not recoverable from mortgage loan insurance and possible uninsured losses are not recoverable from mortgage loan insurance and possible uninsured losses on mortgage-related assets were recorded.

8 INTERFUND ACTIVITIES

The following is a detail of interfund receivables / payables for the City of Galveston at September 30, 2002:

Payable Funds: Due From	Receivable Funds: Due to			Totals
	General Fund	Waterworks System Fund	Central Garage Internal Service Fund	
Special Revenue Funds				
Island Transit Fund	\$1,813,718	\$	\$	\$1,813,718
	<u>1,813,718</u>			<u>1,813,718</u>
Enterprise Funds				
Golf Course		842,423		842,423
Drainage system		20,859		20,859
Sanitation Services	563,807			563,807
	<u>563,807</u>	<u>863,282</u>		<u>1,427,089</u>
Internal Service Funds				
Insurance			227,839	227,839
			<u>227,839</u>	<u>227,839</u>
Totals	<u>\$2,377,525</u>	<u>\$ 863,282</u>	<u>\$ 227,839</u>	<u>\$3,468,646</u>

Operating transfers for the year ended September 30, 2002 are as follows for the primary government:

Transfer In Fund	Transfer Out Fund			Totals
	Industrial Development Corporation	Debt Service Fund	Waterworks System Fund	
Debt Service Fund	\$1,373,409	\$	\$	\$1,373,409
Capital Projects Fund				
Drainage and Street Improvements	54,204	664,284		718,488
Sewer Improvements	2,952,054			2,952,054
Sewer Fund			409,443	409,443
Totals	<u>\$4,379,667</u>	<u>\$ 664,284</u>	<u>\$ 409,443</u>	<u>\$5,453,394</u>

9 CHANGES IN FIXED ASSETS

A summary of changes in general fixed assets follows:

Classification	Balance at 9/30/01	Additions	Deletions and Adjustments	Balance at 9/30/02
Land & Buildings	\$ 9,722,988			\$ 9,722,988
Improvements other than buildings	3,480,662	27,162		3,507,824
Infrastructure	66,366,023	54,833		66,420,856
Equipment	5,912,631	370,588	(79,760)	6,203,459
Licensed Vehicles	13,741,968	1,657,100	(405,153)	14,993,915
Construction in progress		446,915		446,915
TOTAL	\$ 99,224,272	\$ 2,556,598	\$ (484,913)	\$ 101,295,957

A summary of changes in fixed assets in the proprietary funds follows:

Classification	Balance at 9/30/01	Additions	Deletions and Adjustments	Balance at 9/30/02
Land	\$ 1,859,224	\$ 33,769	\$ 22,882	\$ 1,915,875
Buildings	26,769,141	250,748	(267,324)	26,752,565
Improvements other than buildings	62,275,242	5,127,061	(432,453)	66,969,850
Equipment	10,063,377	1,067,375	(346,219)	10,784,533
Construction in progress	12,852,443	3,587,820	(4,455,333)	11,984,930
	113,819,427	10,066,773	(5,478,447)	118,407,753
Less: accumulated depreciation	(42,878,193)	(3,068,831)	991,194	(44,955,830)
Net Fixed Assets	\$ 70,941,234	\$ 6,997,942	\$ (4,487,253)	\$ 73,451,923

9 CHANGES IN FIXED ASSETS (continued)

A summary of changes in fixed assets for discretely presented component units follows:

Component Unit	Balance 9/30/2001	Additions	Retirements	Balance 9/30/2002
Park Board of Trustees	\$ 253,932,881	\$ 746,837	\$	\$254,679,718
Galveston Property Finance Authority, Inc. (1)		590,331		590,331
Board of Trustees of the Galveston Wharves (1)	40,072,990	9,544,485	9,060	49,608,415
Total Fixed Assets (net)	<u>\$ 294,005,871</u>	<u>\$ 10,881,653</u>	<u>\$ 9,060</u>	<u>\$304,878,464</u>

(1) Presented for calendar year 2001

Construction in progress included in the City's proprietary fund and general fixed assets account group consists of the following, all of which were financed from operations or long term debt.

General Fixed Asset Account Group

Construction in Progress	Project Authorization	Project Cost to date	Remaining Commitment
Traffic Signalization	\$ 4,350,000	\$ 371,409	\$ 3,978,591
Park Projects	167,567	75,506	92,061
Totals	<u>\$ 4,517,567</u>	<u>\$ 446,915</u>	<u>\$ 4,070,652</u>

Enterprise Funds

Construction in Progress	Project Authorization	Project Cost to date	Remaining Commitment
Waterworks System Fund Projects			
GCWA-Water Plant Facility	\$ 11,000,000	\$ 8,255,485	\$ 2,744,515
Various Water Projects	437,548	134,323	303,225
Sewer System Fund Projects			
Various Sewer Projects	5,892,086	3,595,122	2,296,964
Totals	<u>\$ 17,942,231</u>	<u>\$ 11,984,930</u>	<u>\$ 5,089,788</u>

10 LONG-TERM DEBT

A. Changes In Long-Term Debt

The following is a summary of General Long-Term Debt transactions of the City for the year ended September 30, 2002:

Description	Balance at 9/30/01	Additions	Retirements	Balance at 9/30/02
General Obligation Bonds	\$ 18,701,931	\$	\$ (367,506)	\$ 18,334,425
Special Obligation Bonds	11,615,000	41,230,000	(9,675,000)	43,170,000
Capital Lease	2,633,990	1,154,316	(715,416)	3,072,890
Contracts Payable	190,030		(118,820)	71,210
Accrued Compensated Absences	4,946,809	973,738	(344,876)	5,575,671
Workers compensation claims payable	978,925	(111,427)	(349,389)	518,109
	<u>\$ 39,066,685</u>	<u>\$ 43,246,627</u>	<u>\$ (11,571,007)</u>	<u>\$ 70,742,305</u>

Following is a summary of changes in enterprise fund bonds and long-term contracts outstanding for the year:

Description	Balance at 9/30/01	Additions	Retirements	Balance at 9/30/02
Contracts (Gulf Coast Water Authority)	\$ 47,049,618	\$ 11,315,000	\$ (11,865,508)	\$ 46,499,110
Revenue Bonds	14,053,855		(1,448,032)	12,587,207
Unamortized Bond Discount	(21,156)		2,540	(18,616)
TOTAL	<u>\$ 61,082,317</u>	<u>\$ 11,315,000</u>	<u>\$ (13,311,000)</u>	<u>\$ 59,086,317</u>

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

Exhibit 11

Following is a summary of changes in component unit long-term debt for the year:

<u>Description</u>	<u>Balance 9/30/2001</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/2002</u>
Park Board of Trustees				
Special Obligation Bonds	\$ 3,755,000	\$	\$ (400,000)	\$ 3,355,000
Capital lease payable		93,754		93,754
Tax Zone Ten:				
Special Obligation Bonds	270,000		(270,000)	
Note Payable	1,702,914		(1,702,914)	-
City of Galveston Property Finance Authority, Inc. (1)				
Revenue Bonds	2,680,000		(400,000)	2,280,000
Board of Trustees of the Galveston Wharves (1)				
Note Payable		171,720		171,720
Revenue Bonds	39,510,000		(1,370,000)	38,140,000
Unamortized bond discount	(19,296)	(68,247)		(87,543)
Totals	\$ 47,898,618	\$ 197,227	\$ (4,142,914)	\$ 43,952,931

(1) Presented for calendar year 2001

B Description of Long-term Bonds, Contracts and Notes Payable

Long-term debt payable at September 30, 2002 is comprised of the following individual issues:

General Obligation Debt Bonds

\$3,741,630 1990 Public Improvements Bonds due in annual installments of \$322,781 to \$399,690 through May 1, 2009; interest at 7.38% to 7.44%. Includes interest accretion of \$2,926,937. \$ 4,880,755

\$13,275,102 2001 Obligation and Refunding Bonds due in annual installments of \$568,993 to \$710,000 May 1, 2010 through May 1, 2023; interest at 4.8% to 5.25%. Includes interest accretion of \$178,568. 13,453,670

Total General Obligation Bonds \$ 18,334,425

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

Exhibit 11

Special Obligation Bonds

\$4,560,000 1994 Industrial Development Corporation (IDC) Sales Tax Revenue Bonds due in annual installments of \$310,000 to \$325,000 through March 1, 2004; interest at 5.1% to 5.5% (this debt is being serviced, principal and interest, by Industrial Development Corporation)	\$ 635,000
\$10,900,000 1995 Industrial Development Corporation (IDC) Sales Tax Revenue Bonds due in annual installments of \$460,000 to \$875,000 through September 1, 2015; interest at 5.0% to 5.75% (this debt is being serviced, principal and interest, by Industrial Development Corporation)	1,445,000
\$1,925,000 2001A Industrial Development Corporation Refunding Bonds due in annual installments of \$350,000 to \$410,000 through March 1, 2009; interest at 3.75% to 4.0% (this debt is being serviced, principal and interest, by Industrial Development Corporation)	1,900,000
\$7,455,000 2001B Industrial Development Corporation Refunding Bonds due in annual installments of \$55,000 to \$865,000 through September 1, 2015; interest at 4.0% to 5.0% (this debt is being serviced, principal and interest, by Industrial Development Corporation)	7,340,000
\$16,150,000 2002A Hotel Occupancy Tax Bonds due in annual installments of \$120,000 to \$1,165,000 through September 1, 2034; interest at 3.0% to 5.0%	16,150,000
\$15,700,000 2002B Hotel Occupancy Tax Bonds due in annual installments of \$150,000 to \$1,165,000 through September 1, 2032; interest at 3.0% to 5.0%	15,700,000
Total Special Obligation Bonds	<u>\$ 43,170,000</u>

Capital Leases - General Long Term Debt

\$372,067 1999 Capital Lease purchase due in annual installments of \$84,937 through October 15, 2003; interest at 5.58%.	\$ 157,402
\$1,200,276 1999 Capital Lease purchase due in annual installments of \$264,908 through February 1, 2004; interest at 5.37%.	511,452
\$231,455 2000 Capital Lease purchase due in annual installments of \$54,767 through January 25, 2005; interest at 5%.	146,325
\$900,000 2000 Capital Lease purchase due in semi-annual installments of \$107,387 through October 1, 2005; interest at 6.695%.	575,095
\$584,816 2001 Capital lease purchase due in semi-annual installments of \$66,441 through June 20, 2006; interest at 4.76%.	478,634
\$157,837 2001 Capital lease purchase due in semi-annual installments of \$17,816 through September 17, 2006; interest at 4.53%.	129,032
\$434,316 2002 Capital lease purchase due in semi-annual installments of \$48,941 through August 20, 2006; interest at 4.465%	354,950
\$720,000 2002 Capital lease purchase due in annual installments of \$158,993 through November 28, 2006; interest at 3.395%	720,000
Total Capital Leases	<u>\$ 3,072,890</u>

CITY OF GALVESTON, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2002

Exhibit 11

Contracts Payable – General Long Term Debt

\$1,363,140 Contract dated August 1982 for pier repairs at Flagship Hotel, payable only from Flagship Hotel room rentals income in excess of \$200,000 per year

\$	71,210
\$	<u>71,210</u>

Contracts Payable – Enterprise Funds

\$11,315,000 Gulf Coast Water Authority Contract Revenue Bonds, Series 2002, due in annual installments of \$425,000 to \$595,000 through August 15, 2013; interest at 4.0% to 4.5%

\$ 11,315,000

\$11,000,000 Gulf Coast Water Authority Contract Revenue Bonds, Series 1997, due in annual installments of \$325,000 to \$925,000 through August 15, 2017; interest at 4.1% to 5.1%.

10,140,000

\$24,640,000 Gulf Coast Water Authority Contract Revenue Bonds, Series 1998A, due in annual installments of \$1,950,000 to \$2,595,000 through August 15, 2022; interest at 4.15% to 5%. (Liability represents the City's 98.693% share of the remaining balance due on these bonds)

22,393,442

\$2,934,618 Gulf Coast Water Authority Contract Revenue and Refunding Bonds, Series 1981 and 1985, due in monthly installments of \$39,963 to \$41,254 July 2009.

2,650,668

Total Contracts Payable – Enterprise Funds

\$ 46,499,110

Revenue Bonds – Enterprise Funds

\$2,780,000 1993 Waterworks System Revenue Refunding Bonds due in annual installments of \$315,000 to \$330,000 through May 1, 2003; interest at 4.4% to 4.625%

\$ 330,000

\$1,486,683 1989A Sewer System Revenue Refunding Bonds due in annual installments of \$31,124 to \$58,032 through May 1, 2005; interest at 7.8%.

130,823

\$6,155,000 1993 Sewer System Revenue Refunding Bonds due in annual installments of \$785,000 to \$945,000 through May 1, 2005; interest at 4.4% to 5%.

2,630,000

\$9,995,000 2000 Waterworks and Sewer System Revenue Bonds due in annual installments of \$290,000 to \$810,000 through May 1, 2020; interest at 5.3% to 3.3%

9,515,000

Total Revenue Bonds, Face Value

12,605,823

Less: Un-amortized Discount

(18,616)

Total Revenue Bonds – Enterprise Funds, Net

\$ 12,587,207

CITY OF GALVESTON, TEXAS
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SEPTEMBER 30, 2002

Exhibit 11

Discretely Presented Component Units

Park Board of Trustees - Special Obligation Bonds

\$4,500,000 Industrial Development Corporation Bonds, Series 1999 due in annual installments of \$415,000 to \$545,000; average interest 4.3%.	\$ 3,355,000
Total Special Obligation Bonds	<u>\$ 3,355,000</u>

City of Galveston Property Finance Authority, Inc. - Revenue Bonds

\$13,700,000 Single Family Mortgage Revenue Bonds, Series 1991A due in annual installments of \$100,000 to \$355,000; interest at 8.5%.	\$ 2,280,000
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Board of Trustees of the Galveston Wharves

\$8,500,000 City of Galveston, Texas Wharves and Terminal Revenue Bonds, Series 1977 due in annual installments; interest at 6.75%.	8,500,000
\$5,235,000 City of Galveston, Texas Wharves and Terminal Revenue Refunding Bonds, Series 1998A due in annual installments; interest at 3.20% to 4.30%.	5,085,000
\$14,685,000 City of Galveston, Texas Wharves and Terminal Revenue Refunding Bonds, Series 1998B due in annual installments; interest at 5.33% to 5.87%.	11,470,000
\$8,500,000 City of Galveston, Texas Wharves and Terminal Special Contract Revenue Refunding Bonds, Series 1998 due in annual installments; interest at 5.50%.	8,500,000
\$4,895,000 City of Galveston, Texas Wharves and Terminal Revenue Bonds, Series 1999 due in annual installments; interest at 4.35% to 5.50%.	<u>4,585,000</u>
Total Revenue Bonds, Face Value	38,140,000
Less: Un-amortized Discount	<u>(87,543)</u>
Total Revenue Bonds, Net	<u>\$ 38,052,457</u>

There are a number of limitations and restrictions contained in the various bond indentures. The City is in compliance with all significant limitations and restrictions.

C. Long Term Contracts - Waterworks System

On April 15, 2002, the City entered into a contract with Gulf Coast Water Authority ("GCWA") whereby GCWA issued \$11,315,000 of Water System Contract Revenue Bonds, Series 2002 to be used to build and improve facilities for potable water transportation to and within the City. The bonds will be repaid with pledged revenues from the City's Waterworks Fund. The interest rate for the bonds ranges from 4.00% to 5.13%. Interest is payable February 15 and August 15 each year. The bonds mature between August 15, 2005 and August 15, 2022.

On May 1, 1998, the City signed a new contract with GCWA that would allow Galveston to begin receiving treated water from the Texas City plant upon completion of its expansion, which took place in August 2001. Terms of the contract included issuance of \$24,640,000 in GCWA Series 1998A revenue bonds dated July 1, 1998. The City pledged Waterworks Fund receipts to repay the bonds. The interest rate for the bonds ranges from 4.15% to 5.00%. Interest is payable February 15 and August 15 of each year. The bonds mature between August 15, 2002 and August 15, 2022. Until the delivery date, the City will pay only its share of the interest on these bonds. After delivery date, the City will pay its prorated share of interest and principal, as well as its share of raw water and operating costs of the Texas City plant. The City will also continue to pay a prorated share of interest and principal on series 1981a and Series 1991 Mainland project Bonds used to finance earlier improvements at the Texas City plant.

On July 15, 1997, the City entered into a contract with GCWA whereby GCWA issued \$11,000,000 of Water System Contract Revenue Bonds, Series 1997 to be used on Galveston's behalf to build a new two mile pipeline to transport water across Galveston Bay to the City, to repair an 80 year old pipeline already being used for that purpose, and to build a pipeline between Galveston Island and Pelican Island or to do certain improvements in other waterlines on the Island. The bonds will be repaid with pledged revenues from the City's Waterworks Fund. The interest rate for the bonds ranges from 4.10% to 5.10%. Interest is payable February 15 and August 15 each year. The bonds mature between August 15, 2000 and August 15, 2017.

The City has three prior agreements with GCWA that pledge the City's waterworks revenues for payment of long term bonds. All payments to GCWA under these contracts are designated maintenance and operating expense.

On July 10, 1987, GCWA issued bonds in the amount of \$25.8 million to design and construct the Ellington Plant, which was completed and placed in operation September 1990. The City's percentage share of the total debt is 76.08% with League City's share being the remainder 23.92%. Until July 10, 2012, the City's annual debt service payment, which includes interest, is approximately \$1.7 million. The interest rate on the bonds varies from 5.95% to 7.0%. By amendment to the 1971 contract, on July 10, 1987, the City received from GCWA an ownership interest in water production facilities.

On April 30, 1976, the City and GCWA entered into a contract whereby GCWA issued \$46,610,000 in Water Contract Revenue Bonds to finance major improvements to the City's Waterworks System.

On January 15, 1971, the City entered into a surface water contract. The City pays GCWA its proportionate share (89.87%) of the debt service on the bonds financing the construction of the Southeast Water Purification facilities, and operating expenses incurred in maintenance of the plant and providing water to the City.

D. Capital Leases

Sanitation

On April 25, 1997 the City entered into a lease purchase agreement with Government Capital Corporation for a lease in the amount of \$1,671,375 with the proceeds to be used for six automated garbage trucks and 22,000 Total garbage containers. The lease will be repaid at a rate of \$379,758 yearly for five years. The net carrying value of the garbage trucks & the garbage containers at September 30, 2002 was \$920,060.

On December 1998, the City entered into a lease purchase agreement with Banc One Leasing Corporation for a lease in the amount of \$1,012,493.76 with proceeds to be used for garbage trucks, pick Ups, pickers. The net carrying value of the garbage trucks at September 30, 2002 was \$522,958.

Municipal Airport

The City of Galveston entered into a 20 year equipment lease-purchase agreement with Security Pacific National Bank-Security Pacific Equipment Leasing, Inc. on March 7, 1988, to cover the cost of constructing 21 new re-locatable airport hangars and an administration building. On May 1, 1990, the agreement was transferred and reassigned to General Electric Capital Public Finance Company through a refinancing agreement. The net carrying value of the building is \$418,492 at September 30, 2002.

Golf Course

The City of Galveston entered into a 12 year lease-purchase agreement with Security Pacific National Bank--Security Pacific Equipment Leasing, Inc. on August 1, 1989 to cover the cost of reconstructing the Golf Course. The total amount of the lease was \$1,600,000. As of September 30, 2002, the current net carrying value of the Golf Course improvements was \$963,017.

On August 27, 1992, City Council approved a refinancing arrangement with AT&T Credit Corporation in the amount of \$1,200,438. The new lease-purchase agreement is to be repaid quarterly, at a rate of \$43,595 over a period of 10 years.

Central Services

On February 9, 2000, the City entered into a lease agreement, which includes the Fujitsu F9600 PBX Business Communications Systems for \$256,793. This system will be for telephone communications for the City Hall, Traffic, Garage, Island Transit and the 53rd Street Police Subdivision. The lease will be paid at rate of \$59,646 per year for five years until February 28, 2005. The net carrying value of the new Fujitsu equipment as of September 30, 2002 is \$171,195.

General Long Term Debt Group

On January 6, 1999, the City of Galveston entered into a \$1,200,276 five-year lease purchase agreement to purchase communication equipment for Emergency Management with Motorola. The lease is paid in annual payment of \$264,908. The net carrying value of the equipment at September 30, 2002 is \$1,200,276.

CITY OF GALVESTON, TEXAS
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Exhibit 11

On February 17, 1999, the City of Galveston entered into a \$372,067 five-year lease purchase agreement with the Kansas State Bank to purchase two pumpers for the Fire department. The lease is paid in annual payment of \$84,937. The net carrying value of the pumpers at September 30, 2002 is \$372,067.

On February 25, 2000, the City entered into a \$231,455 five year lease with option to purchase agreement with the Kansas State Bank of Manhattan for the purchase of one fire pumper. The lease payment is being paid once a year at \$54,767. The carrying value of the pumpers at September 30, 2002 is \$231,455.

On October 1, 2001 the City entered into a \$900,000 five-year lease agreement with the Government Capital Corporation to purchase a computer system for the Police Department. The lease payment is being paid semi-annually at \$107,367. The net carrying value of the computer system at September 30, 2002 is \$900,000.

On June 15, 2001, the City entered into a \$584,816 five-year lease purchase agreement with LaSalle Bank to purchase display parking meters. The lease payment is being paid semi-annually at \$66,411. The carrying value of the parking meters is \$664,411.

On September 14, 2001, the city entered into a \$157,837 five-year lease purchase agreement with Banc One Leasing Corporation to purchase a gradall. The lease payments is being paid semi-annually at \$17,816. The carrying value of the gradall is \$157,837.

On October 5, 2001, the City entered into a \$434,316 five-year lease purchase agreement with Suntrust Bank to purchase various equipment items. The lease payment is being paid semi-annually at \$48,941. The carrying value of the equipment is \$434,316.

On November 28, 2001, the City entered into a \$720,000 five-year lease purchase agreement with Suntrust Bank to purchase a ladder truck. The lease payment is being made annually at \$158,993. The carrying value of the equipment is \$720,000.

E. Debt Service Requirements To Maturity

The annual requirements to amortize all debt outstanding as of September 30, 2002, including interest payments are as follows:

General Long-Term Debt

Fiscal Year ending 9/30	General Obligation Bonds		Special Obligation Bonds		Contracts Payable
	Principal	Interest	Principal	Interest	Principal
2003	\$ 329,501	\$ 1,054,299	\$ 1,095,000	\$ 2,509,971	\$ 71,210
2004	308,320	1,080,478	1,165,000	2,460,316	
2005	284,573	1,104,227	1,240,000	2,304,711	
2006	264,454	1,124,346	1,310,000	2,252,001	
2007	252,912	1,160,888	1,375,000	2,173,911	
2008	234,896	1,178,904	1,450,000	2,090,661	
2009	279,162	1,379,638	1,525,000	2,002,434	
2010	568,993	829,807	1,175,000	1,913,679	
2011	552,612	871,188	1,240,000	1,839,529	
2012	536,391	917,409	1,305,000	1,744,241	
2013	503,351	950,449	1,380,000	1,648,669	
2014	471,829	981,971	1,465,000	1,540,769	
2015	441,927	1,011,873	1,550,000	1,425,725	
2016	915,000	538,800	740,000	1,303,050	
2017	960,000	493,050	795,000	1,270,675	
2018	1,010,000	445,050	860,000	1,226,950	
2019	1,065,000	389,500	930,000	1,179,650	
2020	1,120,000	330,925	1,005,000	1,128,500	
2021	3,745,000	269,325	1,085,000	1,078,250	
2022	675,000	72,713	1,160,000	1,024,000	
2023	710,000	37,275	1,245,000	966,000	
2024			1,335,000	903,750	
2025			1,425,000	837,000	
2026			1,525,000	765,750	
2027			1,630,000	689,500	
2028			1,735,000	608,000	
2029			1,850,000	521,250	
2030			1,975,000	425,750	
2031			2,105,000	330,000	
2032			2,220,000	224,750	
2033			1,110,000	113,750	
2034			1,165,000	58,250	
	<u>\$15,228,921</u>	<u>\$ 16,222,115</u>	<u>\$ 43,170,000</u>	<u>\$ 40,561,443</u>	<u>\$ 71,210</u>

Debt Service Requirements To Maturity (continued)
 Enterprise Debt - Revenue Bonds

Fiscal Year Ending 9/30	Waterworks Revenue Bonds		Waterworks Long Term Contracts		Sewer System Revenue Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2003	\$ 428,820	\$ 191,625	\$ 1,028,129	\$ 2,464,810	\$ 1,082,917	\$ 592,917
2004	105,300	170,138	1,082,516	2,235,791	1,127,662	545,546
2005	113,400	163,504	1,558,431	2,181,429	1,212,724	462,263
2006	119,880	156,360	1,634,877	2,105,924	250,120	326,231
2007	127,980	148,807	1,714,186	2,026,410	267,020	310,474
2008	136,080	140,744	1,796,965	1,941,906	283,920	293,652
2009	145,800	132,171	2,354,262	1,845,420	304,200	275,765
2010	155,520	123,423	1,954,675	1,728,192	324,480	257,513
2011	162,000	115,181	2,054,152	1,633,036	338,000	240,315
2012	171,720	106,595	2,153,629	1,534,285	358,280	222,401
2013	179,820	97,494	2,253,106	1,430,347	375,180	203,412
2014	189,540	87,783	2,362,518	1,319,913	395,460	183,153
2015	199,260	77,548	2,481,865	1,204,083	415,740	161,798
2016	210,600	66,689	2,601,211	1,081,618	439,400	139,140
2017	221,940	55,106	3,692,749	939,800	463,060	114,973
2018	234,900	42,621	2,857,096	755,864	490,100	88,927
2019	247,860	29,350	2,995,723	613,030	517,140	61,235
2020	262,440	15,222	3,149,220	463,206	547,560	31,758
2021			3,302,717	305,781		
2022			3,471,083	139,545		
Totals	<u>\$ 3,412,860</u>	<u>\$ 1,920,361</u>	<u>\$ 46,499,110</u>	<u>\$ 27,950,390</u>	<u>\$ 9,192,963</u>	<u>\$ 4,511,473</u>

Capital Lease Payments

Fiscal year ending September 30	General Long Term Debt	Sanitation	Municipal Airport	Central Services	Total
2003	\$ 1,056,424	\$ 253,123	\$ 70,631	\$ 59,646	\$ 1,439,824
2004	1,056,423		70,631	59,646	1,186,700
2005	694,930		70,631	24,853	790,414
2006	425,389		70,631		496,020
2007	158,992		70,631		229,623
Later years			170,691		170,691
Total					
minimum					
payments	3,392,158	253,123	523,846	144,145	4,313,272
Less: Interest	(319,268)	(10,319)	(118,197)	(10,355)	(458,139)
Present					
value of					
minimum					
lease					
payments	3,072,890	242,804	405,649	133,790	3,855,133
Current					
Portion	800,000	242,804	43,019	53,006	1,138,829
Long Term					
Portion	<u>\$ 2,272,890</u>	<u>\$</u>	<u>\$ 362,630</u>	<u>\$ 80,784</u>	<u>\$ 2,716,304</u>

Discretely Presented Component Units

Special Obligation Bonds

Fiscal Year Ending 9/03	Park Board of Trustees Special Obligation Bonds	
	Principal	Interest
2003	\$ 415,000	\$ 149,085
2004	435,000	131,655
2005	455,000	122,950
2006	480,000	93,385
2007	500,000	72,265
Later Years	1,070,000	75,380
Totals	<u>\$ 3,355,000</u>	<u>\$ 644,720</u>

Revenue Bonds

Fiscal Year ending 12/31	City of Galveston Property Finance Authority, Inc.		Board of Trustees of the Galveston Wharves	
	Principal	Interest	Principal	Interest
2002	\$ 135,000	\$ 193,800	\$ 1,440,000	\$ 2,122,568
2003	150,000	182,325	2,615,000	2,007,987
2004	170,000	169,575	3,305,000	1,829,926
2005	205,000	155,125	3,390,000	1,624,900
2006	210,000	137,700	3,790,000	1,402,754
Later Years	1,410,000	367,625	23,600,000	6,075,731
Total	<u>\$ 2,280,000</u>	<u>\$ 1,206,150</u>	<u>\$ 38,140,000</u>	<u>\$ 15,063,866</u>

F. Prior Year Refunding of Debt

In prior years, the City defeased certain public improvement bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the respective trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At September 30, 2002, approximately \$1 million previously refunded Series 1990 Public Improvement Bonds outstanding are considered defeased.

G. Current Year Refunding of Long-Term Debt

On November 8, 2001, the City issued Industrial Development Corporation of the City of Galveston Sales Tax Revenue Refunding Bonds, Series 2001A, of \$1,925,000 with an effective interest rate of 3.83 percent to refund a portion of the City's Industrial Development Corporation of the City of Galveston Sales Tax Revenue Bonds, Series 1994 in the amount of \$1,915,000 with an effective interest rate of 3.55 percent in order to lower the overall debt service requirements of the City, and to pay the costs associated with the issuance of the Bonds. The net proceeds of the Series 2001A refunding bonds were placed in an irrevocable trust together with an initial cash deposit to be used solely to refund that portion of the Series 1994 bonds on March 1, 2004. As a result of the refunding, the City reduced its total debt service requirements by \$158,470 that resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$43,331.

On November 8, 2001, the City issued Industrial Development Corporation of the City of Galveston Sales Tax Revenue Refunding Bonds, Series 2001B, of \$7,455,000 with an effective interest rate of 4.37 percent to refund a portion of the City's Industrial Development Corporation of the City of Galveston Sales Tax Revenue Bonds, Series 1995 in the amount of \$6,890,000 with an effective interest rate of 3.99 percent in order to lower the overall debt service requirements of the City, and to pay the costs associated with the issuance of the Bonds. The net proceeds of the Series 2001A refunding bonds were placed in an irrevocable trust together with an initial cash deposit to be used solely to refund that portion of the Series 1995 bonds on September 1, 2005. As a result of the refunding, the City reduced its total debt service requirements by \$220,878 that resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$189,153.

11 FUND EQUITY

A. Reservations and Designations

Governmental fund balances were comprised of the following Reservations and Designations as of September 30, 2002:

	General	Special Revenue	Debt Service	Capital Projects
Fund Balance				
Reserved for:				
Encumbrances	\$ 55,546	\$	\$	\$
Long-term advances				
Prepaid items	8,952			
Inventory				
Flagship hotel	43,914			
Emergencies *	1,126,310			
Retirement of long term debt		267,474	4,418,642	
	<u>1,234,722</u>	<u>267,474</u>	<u>4,418,642</u>	
Unreserved				
Designated for				
Construction				43,709,689
Specific Projects		2,252,377		
		<u>2,252,377</u>		<u>43,709,689</u>
Undesignated	4,683,830	(55,037)		
	<u>\$ 5,918,552</u>	<u>\$ 2,464,814</u>	<u>\$ 4,418,642</u>	<u>\$ 43,709,689</u>

* City Ordinance established the reserve for emergencies in the General Fund in fiscal year 1997.

Fund balance reservations and designations for discretely presented component units are as follows:

	Park Board of Trustees
Fund Balances:	
Reserved for:	
Encumbrances	\$ 164,564
Replenishment	331,679
Debt service	574,765
Unreserved:	
Undesignated	<u>4,278,570</u>
	<u>\$ 5,349,578</u>

B. Contributed Capital

Changes to contributed capital in the proprietary fund types for the year ended September 30, 2002 are as follows:

	<u>Enterprise</u>
Balance at September 30, 2001	\$ 24,460,294
Additions, Contributions of capital assets by governmental funds	547,798
Reductions, Depreciation	<u>(586,237)</u>
Balance at September 30, 2002	<u>\$ 24,421,855</u>

Changes to contributed capital in the Board of Trustees of the Galveston Wharves for the year ended December 31, 2001 are as follows:

Board of the Trustees of the Galveston Wharves

Balance as of December 31, 2000	\$ 5,569,153
Reductions: Depreciation on contributed assets	<u>(145,280)</u>
Balance as of December 31, 2001	<u>\$ 5,423,873</u>

C. Restatement of Fund Equity

Beginning fund equity in the general and internal service funds has been restated to reflect a change in the way the City accounts for central garage operations. The City has begun to report central garage activities in an internal service fund. Beginning fund equities in both funds has been restated balance for beginning net assets of central garage activities as follows:

	<u>General</u>	<u>Internal Service Fund</u>
Fund equity as originally reported	\$ 5,464,553	\$ 684,247
Reclassification of garage fund activities	<u>(778,681)</u>	<u>778,681</u>
Fund equity as restated	<u>\$ 4,685,872</u>	<u>\$ 1,462,928</u>

D. Deficit Fund Balance

The following special revenue funds fund were in a deficit fund balance position as of September 30, 2002:

<u>Fund Type</u> <u>Fund Name</u>	<u>Deficit</u> <u>Balance</u>
Special Revenue Fund	
Island Transit	\$ 836
Grants and Government Contracts (HUD)	\$ (59,744)

12 SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The City maintains six Enterprise Funds, which provide water, sewer, sanitation, drainage, airport and golf course services. Segment information on these funds follows (in thousands):

<u>Description</u>	<u>Waterworks</u>	<u>Sewer</u>	<u>Sanitation</u>	<u>Drainage</u>	<u>Airport</u>	<u>Golf Course</u>	<u>Totals</u>
Operating revenues	\$ 9,720	\$ 7,186	\$ 3,641	\$ 763	\$ 759	\$ 913	\$ 22,981
Depreciation	2,043	1,243	373	-	183	73	3,914
Operating income (loss)	(228)	1,148	549	114	(4)	(152)	1,427
Net income (loss)	(653)	1,187	521	118	(19)	(210)	945
Fixed asset additions (net)	881	3,482	(249)	324	(262)	(318)	3,858
Operating transfers in (out)	(409)	409	-	-	-	-	-
Net working capital	18,348	9,899	(477)	85	657	(849)	27,664
Total assets	76,730	46,514	2,191	453	2,949	2,516	131,352
Bond and other long- term liabilities payable	48,816	8,345	171	37	399	99	57,866
Total equity	23,621	35,417	939	372	2,478	1,517	64,345

13 CONTINGENT LIABILITIES

Grants:

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures, which may be disallowed by the grantor, cannot be determined at this time, although the City expects that any such amounts will be immaterial.

Litigation:

The City is a defendant in various lawsuits and tort claims involving general liability, auto liability, civil rights actions, contractual and other matters. Insurance coverage appears adequate to provide for potential losses. It is the opinion of the City management that the outcome of any other pending litigation will not have a material effect on the City's financial position or operations.

Arbitrage:

The City may be contingently liable for rebates to the federal government for interest earned on proceeds of tax-exempt bonds received in 1989. Under the Tax Reform Act of 1986 rebates would not be payable for five years. Rebates may be offset with lowered interest earnings in subsequent years. The primary government owed no arbitrage as of September 30, 2002.

Environmental Liability:

The City is aware of various sites contaminated by hazardous materials. The City purchased land in April 1995, which contained property that had been a City landfill at one time and other land adjacent to it that has been determined by the U.S. Environmental Protection Agency to be contaminated. The City is presently negotiating with the Texas Natural Resources Conservation Commission to determine the potential cost of cleaning up this property. Ultimately, the cost will depend on the use made of the property and estimates of liability for clean up could range from \$100,000 to several million dollars. The City is negotiating to use the land for a parking lot, in which case the liability should be approximately \$100,000. No amounts have been accrued for this potential liability as of September 30, 2002.

The City is under a U.S. Environmental Protection Agency mandate to repair or replace all substandard waste water system lines. The City has implemented a sanitary sewer overflow management program to achieve the goals of the mandate.

14 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts, damage and destruction of assets, errors and omissions, injuries to employees' and natural disasters. The City has commercial insurance policies for liability and property insurance. The major insurance policies have deductibles of \$5,000 per occurrence except for Law Enforcement and Public Officials policies, which have \$25,000 deductibles per occurrence.

The City purchases automobile and law enforcement liability insurance from the Texas Municipal League (TML) Intergovernmental Risk Pool, a self-insurance fund using members contributions to pay covered losses. Participation in the pool is affirmed when a City signs an inter-local agreement. There is no requirement for a municipality to invest funds into the risk pool other than by set insurance premiums for actual policies issued by TML.

There have been no significant reductions in insurance coverage from prior years. There have been no insurance settlements exceeding insurance coverage in the past four years.

The Internal Service Fund is used to account for the accumulation of assets charged to other funds of the City for health care and all other liabilities except for workers compensation.

Workers Compensation

The City is self-insured for workers compensation. A commercial policy issued by Midwest Employees Casualty Insurance Company pays for excess claims over \$100,000 per accident.

All funds of the City participate in the program and make payments to the Internal Service Fund based on estimates of the amounts needed to pay prior and current year claims. The claims liability is reported in the fund at September 30, 2002, and is based on requirements of Governmental Accounting Standards Board, Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. The liability in the Insurance fund is for the City's health plan.

The City's long- term worker's compensation liability is recorded in the General Long Term Debt Group for governmental funds and in the individual proprietary funds. Current liability amounts are recorded in all funds having incurred charges. The estimates of liability are based on current claims outstanding and the estimate of runoff based on industry experience.

Changes in the City's workers compensation claims liability amount in the past two fiscal years:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claim Payments</u>	<u>End of Year Accrual</u>
2001	\$ 1,753,579	\$ 740,920	\$ (900,840)	\$ 1,593,659
2002	1,593,659	(404,968)	(435,245)	753,446

Employee Health Insurance

Effective November 1, 2001 the City established a limited risk management program for Health Insurance by setting up an Internal Service Fund to account for its insured and self-insured risk of loss. The Internal Service insurance Fund is principally supported by contributions from the City and the employees. The city makes contributions to cover the employees and the employees are required to make contributions to cover their dependents. The Internal Service Fund charges the various funds premiums for the city's contribution. The city has obtained excess loss insurance that limits the city's claims paid to \$125,000 for individual and \$1,000,000 in aggregate claims on an annual basis from Standard Security Insurance Co.

Changes in the City's health claims liability amount for the past fiscal year:

<u>Fiscal Year</u>	<u>Beginning of Year Accrual</u>	<u>Current Year Estimates</u>	<u>Claim Payments</u>	<u>End of Year Accrual</u>
2002	\$	\$ 3,627,766	\$ (2,990,155)	\$ 637,611

Board of Trustees of the Galveston Wharves

The Galveston Wharves is exposed to various risks of loss related to torts: theft of; damage to and destruction of assets; errors and omissions; and natural disasters, for which the Galveston Wharves carries commercial insurance. The Galveston Wharves is also exposed to the risk of loss resulting from operation of equipment, general, professional and law enforcement liability and workers' liability for which it carries commercial insurance. For the amounts deductible from the loss coverage amounts, the Galveston Wharves is self-insured. The Galveston Wharves has not significantly reduced insurance coverage for the past two years or had settlements that exceeded coverage amounts for the past three fiscal years.

The Galveston Wharves also provides for losses ranging for \$1.0 to 100.0 million by carrying excess/umbrella liability insurance coverage.

15 MAJOR CONTRACTS AND COMMITMENTS

As of September 30, 2002, the City has the following major contracts and commitments in force. The following is a summary of these commitments.

GENERAL FUND:

Emergency Medical Services Contract:

Through agreement with the Galveston County Health District (the District), the District provides emergency medical services including trained personnel for treatment and dispatching, transport of victims to hospitals, ambulances and supplies, public education regarding medical emergencies, and management and system evaluation. Operation and management is under control of the Health District. The City is responsible for operating deficits of this entity.

Flagship Pier and Hotel Lease:

On January 18, 1990, the City Council agreed to an assignment of the lease with the current lessee to Daniel Yeh d/b/a Evergreen Lodging, Inc. On July 2, 1990, the City received an election from Evergreen Lodging, Inc. to renew and extend the terms of the Flagship Hotel lease for another five-year period (1996-2001). Lessee is entitled to additional options to extend the lease term to the year 2003.

Other pertinent terms of this lease are summarized as follows:

- A.** A minimum rental payment of \$200,000 per year shall be paid to the City as lessor, in equal monthly installments.
- B.** A percentage rental of 15% of total rental revenues received from the lodgings for hire is payable to the lessor, except that the lessee may retain the percentage rental in excess of \$200,000 for so long as is required in order to be reimbursed for expenses incurred under contract for repairs of the pier.
- C.** The lessee is required to maintain the hotel and the lessor shall maintain the pier. As additional rental for the lessor cost of pier repairs will be paid to the lessor in the amount of \$20,000 annually, beginning January 15, 1991. Such payments must be kept in an escrow account to be used solely for pier repairs. Funds used for repairs from the escrow account shall be replaced by the lessee, however, not to exceed payments of \$20,000 annually or \$200,000 in total.

One of the former lessees, Gulf Resorts, Ltd., made major repairs to the piers, which were completed during August 1982 at a total cost of \$1,363,140. The City obligated itself to continue to reimburse the previous and current lessees for this cost from room rentals in excess of the annual minimum payment of \$200,000. The balance outstanding is payable solely from Flagship Hotel excess room rentals under the lease and is not payable from ad-valorem taxes or any other City revenue. As of September 30, 2002 the balance remaining to be paid under the pier repair agreement was approximately \$71,208.

ENTERPRISE FUNDS:

Airport Fund Improvement Account:

An Airport Improvement Account has been established to account for the expenditure of proceeds from the sale of airport properties. Certain property has been sold upon release by the Federal Aviation Administration (FAA). Proceeds may be expended only upon approval from the FAA. Significant requirements governing the use of the sale proceeds are as follow:

- A.** An amount equal to the proceeds from each property sale must be expended on specific items of airport development within five years from the date of sale.
- B.** Proceeds must be held in a separate account to be invested for the production of income to be expended for airport purposes.
- C.** An annual accounting must be made to the FAA indicating income received and expenditures made.

Interest earned on the investment of sale proceeds has been used for airport operating expenses with the approval of the FAA. As of September 30, 2002, the balance of the reserve account for improvements was \$80,268.

PARK BOARD OF TRUSTEES

The Park Board is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Park Board's account groups.

The following is a schedule by years of future minimum rental payments required under operating leases that have been remaining non-cancelable lease term in excess of one year as of September 30, 2002.

Year Ending September 30	2504 Church	25th & Seawall	21st & Strand	Total
2003	\$ 87,600	\$ 36,000	\$ 33,750	\$ 123,600
2004	87,600	36,000	38,750	123,600
2005	87,600	9,000	41,250	96,600
2006	87,600	-	48,750	87,600
2007	87,600	-	12,500	87,600
Later years	175,200	-	-	175,200
Total	\$ 613,200	\$ 81,000	\$ 175,000	\$ 694,200

Settlement of Concessionaire Dispute

During the fiscal year ended September 30, 2001, the Park Board reached an agreement with an entity that contracted to manage and operate assets as a concessionaire of the Park Board. The agreement serves to settle a dispute between the Park Board and the contractor over the ownership and the inurnment of certain revenues from facilities operated by the contractor.

In exchange for the dismissal of certain legal actions against each other, the Park Board and the contractor agreed to enter into a new agreement which effectively negated the former agreement and created new and additional terms. Pursuant to the new agreement, the Park Board paid an initial one-time payment of \$70,000 and will pay annually commencing February 1, 2000 and continuing for ten years.

In addition the Park Board is required to budget \$60,000 annually for advertising and promotions to be used by the Director of Marketing for the contractor, subject to the approval of the Executive Director of the Park Board.

The Park Board will operate all parking at the facility and receive all related beach user fees, which will be subject to the provisions of the Texas Open Beaches and Dune Protection Act. In addition, the Park Board received all sales tax refunds associated with beach user fees of the contractor from 1995 to 1999, which totaled approximately \$156,000.

Pursuant to the new agreement, the Park Board will no longer collect or be entitled to minimum rental payments from the Contractor in the amount of \$75,100 per year or any additional rents as required by the previous agreements. Also, according to the new agreement, the contractor will no longer charge and collect beach user fees associated with the subject premises and will no longer be obligated to make improvements to the premises as required by the former agreement.

Year Ending September 30	Concession Contract	Advertising and Promotion	Total
2003	\$ 70,000	\$ 60,000	\$ 130,000
2004	70,000	60,000	130,000
2005	70,000	60,000	130,000
2006	70,000	60,000	130,000
2007	70,000	60,000	130,000
Later years	280,000	240,000	520,000
Total	\$ 630,000	\$ 540,000	\$ 1,170,000

Direct Financing Lease – Dockside Elevator

The Galveston Wharves acquired a dockside elevator in 1977 for \$36,085,730. The acquisition was financed by the issuance of \$26 million special revenue bonds and \$10,085,730 advanced rental from the lessee. During 1982, the Wharves issued \$27,420,000 special revenue bonds to finance additional improvements by the lessee that were redeemed on October 1, 1987.

Upon issuing Special Contract Revenue Refunding Bonds in the amount of \$8.5 million on April 15, 1998, the Galveston Wharves entered into an amended lease agreement, with its present lessee to amend the terms of the lease extending the initial lease period to November 1, 2015 (17 years) with options to extend the lease for four additional successive terms of three years each.

The Galveston Wharves accounts for the amended lease as a direct financing lease and reflects the following accounts:

Minimum Lease rental payments receivable	
Due within one year	\$ 1,458,687
Due after one year	36,369,238
	<u>37,827,925</u>
Unearned income, direct financing lease	
Due within one year	1,327,940
Due after one year	14,272,689
	<u>15,600,629</u>
Net investment in direct financing lease:	<u>\$ 22,227,296</u>

Unearned income is amortized and charged to operation over the initial and optional terms of the leases on a straight-line basis.

Combination Lease – Sales-Type/Operating

The Galveston Wharves leased its Container Terminal for an initial term of twenty years beginning July 21, 1997 and subject to certain conditions, the tenant has a right to extend the term of the lease for four additional consecutive renewal terms of five years each. Subject to certain lease conditions, the tenant has a right to purchase equipment specified in the lease at any time after the last day of the third lease year and before the last day of the fifteenth lease year.

The Galveston Wharves in accounting for the sales – type lease reflects the following accounts as of December 31, 2001:

Lease payments receivable, current	\$	739,304
Lease payments receivable, long-term		4,736,613
Total		<u>5,475,917</u>
Unrealized income		<u>(1,158,995)</u>
Net investment in sales-type lease	\$	<u>4,316,922</u>

Future Minimum Lease Payments Receivable

Fiscal Year	Future Minimum Lease Payments
2002	\$ 739,304
2003	673,854
2004	647,631
2005	598,737
2006	542,920
2007	488,081
2008	423,564
2009	404,576
2010	385,580
2011	366,588
2012	205,075
	<u>\$ 5,475,910</u>

RAILROAD FACILITIES

In 1987, the Galveston wharves contracted with a separate independent entity to provide all railroad services. In 1997, an amendment to the lease agreement extended the lease period to October 2027, increased the annual basic rental from \$79,112 to \$88,359 and increased the lessee's minimum gross volume required to obligate the lessee to pay the annual lease payment from \$2,250,000 to \$2,512, 987. For each year that the payment is suspended, the term of the lease is extended one year. Additionally, the lease amendment required the lessee to perform specific repairs and replacement to defined tracks and related facilities within thirty-six months of the effective date of the amendment.

ADVANCE FACILITY RENTAL

In 1977, the Galveston Wharves received approximately \$10 million in the form of advanced rental on the dockside elevator facility. It is being recognized over the initial and optional terms of the lease that aggregate fifty years. At December 31, 2001 the amount deferred to future years was approximately \$5.1 million. These amounts are presented as deferred revenues and rentals on the face of the financial statements.

OPERATING LEASES

The Galveston Wharves leases to other certain land and improvements. These leases are classified as operating leases. As of December 31, 2001, minimum lease payments under these operating leases that have non-cancelable lease terms in excess of one year are as follows:

Fiscal Year	Future Lease Payments
2002	\$ 1,982,892
2003	2,117,262
2004	2,103,643
2005	2,127,329
2006	2,060,674
After 2006	16,485,396
Total	<u>\$ 26,877,196</u>

EMPLOYEE RETIREMENT BENEFITS

A. Plan Descriptions

The City sponsors three single-employer defined benefit pension plans City Employees' Retirement Plan (CERF) which covers 423 employees, Firemen's Relief and Retirement Fund (FRRF) which covers 100 employees, and City Employees' Retirement Plan for Police (PERF) which covers 154 employees. The City Employees' Retirement Plan for City Employees and the City Employees' Retirement Plan for Police were created by ordinances dated 1949, and 1981, respectively. Subsequent ordinances assign the authority to establish and amend benefit provisions to the Board of Trustees of each plan.

The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer had made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

The benefit and contribution provisions of the Firemen's Relief and Retirement Fund are authorized by Texas Local Fire Fighter's Retirement Act (Article 624e Vernon's Texas Civil Statutes).

All plans provide retirement, disability and death benefits to members and beneficiaries. Cost-of-living adjustments (COLA) are provided at the discretion of the Board of Trustees for each plan respectively.

Financial reports that include financial statements and required supplementary information, including the ten-year trend information, for each retirement plan are publicly available. Complete financial statements for each of the plans units may be obtained at the following administrative offices:

The City of Galveston Employees' Retirement Plan for City Employees
4415 Avenue S
Galveston, Texas 77551

The Firemen's Relief and Retirement Fund
8610 Seawall Boulevard
Galveston, Texas 77554

The City of Galveston Employees' Retirement Plan For Police
4415 Avenue S
Galveston, Texas 77551

B. Funding Policy and Annual Pension Cost

The contribution requirements of plan members are established and may be amended by a majority vote of the membership. The contribution requirements of the City are established and may be amended by the City Council. All plans adopted GASB No. 25.

The City's annual pension cost for the current year and related information is as follows:

	Employees' Retirement Plan	Firemen's Retirement Plan	Police Retirement Plan
Contribution Rates:			
City	5.00%	13.50%	5.00%
Plan Members	4.75%	12.00%	10.00%
Annual Pension Costs (thousands)	\$567	\$577	\$326
Contributions made (thousands)	\$567	\$577	\$326
Actuarial valuation date	01/01/01	01/01/02	01/01/01
Actuarial cost method	Entry Age	Entry Age	Entry Age
Amortization method	Level dollar amount	Level percentage of payroll contributions based on payroll growth of 4.5%/year	Level dollar amount over a fixed period (30 years from 1982)
Remaining amortization period	0	31.9	12
Amortization period	closed	open	open
Asset valuation method	Market Value	Smoothed market value with a five year averaging period	Market Value
Actuarial assumptions:			
Investment rate of return	8.00%	8.00%	7.50%
Projected salary increase	5.25%	4.50%	3.00%
Inflation rate	3.25%	3.25%	3.00%

Board of Trustees of the Galveston Wharves

Plan Description

The Galveston Wharves Pension Plan ("The Plan") is a single-employer defined benefit pension plan administered by an administrative committee appointed by the board of Trustees of the Galveston Wharves. The Plan provides retirement, death, and disability benefits for all regular, full-time employees and employees surviving spouses, except those employees covered by a collective bargaining agreement, of the Galveston Wharves. The authority under which obligation to contribute to The Plan and any plan amendments is vested in the Board of Trustees of the Galveston Wharves by Article 12 of the Charter of the City of Galveston, Texas. The Galveston Wharves does not issue a financial report that includes financial statements and supplementary information for The Plan.

Funding Policy

Eligible employees are not permitted to make contribution to The Plan. When necessary to meet funding requirements of The Plan, the Galveston Wharves is required to contribute to The Plan at an actuarially determined rate. Due to the funding excess at January 1, 2000, funding considerations were unnecessary.

Annual Pension Cost

The Galveston Wharves has no annual pension cost and net pension obligation to the Galveston Wharves Pension Plan. Valuation elements at for the three preceding years are:

	<u>January 1, 2001</u>	<u>January 1, 2000</u>	<u>January 1, 1999</u>
Actuarial value of plan assets	\$ 7,793,714	\$ 7,739,768	\$ 9,113,453
Actuarial accrued liability	<u>5,543,445</u>	<u>5,270,816</u>	<u>6,024,440</u>
Total funding excess	<u>\$ 2,250,269</u>	<u>\$ 2,468,952</u>	<u>\$ 3,089,013</u>
Annual covered payroll	<u>\$ 2,562,341</u>	<u>\$ 2,402,305</u>	<u>\$ 2,317,666</u>
Ratio-over (under) funded to covered payroll	<u>88%</u>	<u>103%</u>	<u>133%</u>

Annual required contributions for years requiring contributions are determined as part of the year's end actuarial valuation using the entry age actuarial cost method. The actuarial assumptions include a seven percent per annum investment rate of return after administrative expenses and projected salary increases averaging 3.0 percent per year. The assumptions did not include post-retirement benefit increases. The actuarial value of assets was determined using techniques that smooth the effect of short-term volatility in the market value of investments over a four-year period. At December 31, 2001, The Plan had no unfunded actuarial liability.

Defined Contribution Plan

Park Board of Trustees

The Galveston Park Board contributes to the Galveston Park Board Defined Contribution Plan (PBDCP), which is a defined contribution plan.

The PBDCP provides an accumulation of each participant's account. For the year ended June 30, 2001, the Park Board's total payroll was \$2,659,987; the payroll for those covered by the plan was \$1,088,000. Contribution to PBDCP plan was \$54,000 or 5% of covered payroll. Employees' contributions to the PBDCP plan were \$38,587, which was 3% of covered payroll.

No pension provision changes occurred during the year that affected required contributions to be made by the Park board or its employees. The PBDCP held no securities of the park Board or other related parties during the year.

Deferred Compensation Plan

The City of Galveston, The Parks Board and The Galveston Wharves offer employees deferred compensation plans created in accordance with Internal Revenue Code Section 457. The plans, available to all employees, are a tax deferred supplemental retirement program that allows employees to contribute a portion of their salary, before federal taxes, to a retirement account. The purpose for establishing these tax-favored plans was to encourage employees to build their own financial security. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. As a result of recent legislation these funds will be restricted from general creditors in the future. The funds are held in trusts for participating employees, and the City and its creditors have no rights to these funds. The funds held in trusts are not included in these financial statements.

CITY OF GALVESTON, TEXAS**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION**

December 31, 2001

Unaudited

Exhibit 12

Page 1 of 2

SCHEDULES OF FUNDING PROGRESS (dollar amounts in thousands) City Employees' Retirement Plan (Unaudited)						
Actuarial Valuation Data	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Fund Ratio (%) (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((a-b)/c)
1/1/1999	\$ 33,251	\$ 29,264	\$ (3,987)	113.6%	\$ 10,371	-38.4%
1/1/2000	\$ 38,640	\$ 32,431	\$ (6,209)	119.1%	\$ 11,214	-55.4%
1/1/2001	\$ 42,474	\$ 30,349	\$ (12,125)	140.0%	\$ 11,350	-106.8%

SCHEDULES OF FUNDING PROGRESS (dollar amounts in thousands) Firefighter's Retirement Plan (Unaudited)						
Actuarial Valuation Data	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Fund Ratio (%) (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((a-b)/c)
1/1/1998	\$ 21,843	\$ 24,050	\$ 2,207	90.8%	\$ 3,743	59.0%
1/1/2000	\$ 24,590	\$ 27,011	\$ 2,421	91.0%	\$ 4,181	57.9%
1/1/2002	\$ 26,400	\$ 32,527	\$ 6,127	81.2%	\$ 4,388	139.6%

SCHEDULES OF FUNDING PROGRESS (dollar amounts in thousands) Police Retirement Plan (Unaudited)						
Actuarial Valuation Data	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded Actuarial Accrued Liability (UAAL) (b-a)	Fund Ratio (%) (a/b)	Covered Payroll (c)	UAAL as % of Covered Payroll ((a-b)/c)
1/1/1999	\$ 23,910	\$ 23,622	\$ (288)	101.2%	\$ 5,954	-4.8%
1/1/2000	\$ 24,557	\$ 24,818	\$ 261	98.9%	\$ 6,233	4.2%
1/1/2001	\$ 25,427	\$ 27,024	\$ 1,597	94.1%	\$ 1,622	-98.5%

CITY OF GALVESTON, TEXAS**REQUIRED PENSION SYSTEM SUPPLEMENTARY INFORMATION****December 31, 2001****Unaudited****Exhibit 12****Page 2 of 2****THREE YEAR TREND INFORMATION****(dollar amounts in thousands)**

Retirement Plan	Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
Employees' Retirement Plan	12/31/1999	\$ 561	100%	\$ -
	12/31/2000	\$ 594	100%	\$ -
	12/31/2001	\$ 567	100%	\$ -
Firemen's Retirement Plan	12/31/1999	\$ 566	100%	\$ -
	12/31/2000	\$ 514	100%	\$ -
	12/31/2001	\$ 577	100%	\$ -
Police Retirement Plan	12/31/1999	\$ 302	100%	\$ -
	12/31/2000	\$ 324	100%	\$ -
	12/31/2001	\$ 326	100%	\$ -



***INDIVIDUAL AND COMBINING FUND
AND ACCOUNT GROUP
STATEMENTS AND SCHEDULES***



GENERAL FUND

GENERAL FUND

To account for resources traditionally associated with governments, which are not required to be accounted for in another fund.

CITY OF GALVESTON, TEXAS
GENERAL FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2002 AND 2001

Exhibit A-1

	<u>2002</u>	<u>2001</u>
<u>Assets</u>		
Cash and temporary investments	\$ 1,164,635	\$ 970,088
Receivables (net of allowance for estimated uncollectibles):		
Taxes:		
Property, including penalty and interest	1,227,704	1,309,659
Sales	1,622,510	1,780,332
Fines - municipal court assessed	286,948	257,611
Accounts	1,356,658	1,950,338
Interest and dividends	10,895	11,755
Due from other governments	203,507	720,649
Due from other funds	2,377,525	920,000
Prepaid items	8,952	10,970
Total assets	<u>\$ 8,259,334</u>	<u>\$ 7,931,402</u>
 <u>Liabilities and Fund Balances</u>		
<u>Liabilities:</u>		
Salaries and benefits payable	\$ 446,591	\$ 387,466
Accrued compensated absences	177,425	66,643
Accounts payable	230,993	448,798
Due to other governments	211,223	163,295
Deferred revenues	1,243,294	2,109,581
Estimated liability claims	31,256	69,747
Total liabilities	<u>2,340,782</u>	<u>3,245,530</u>
 <u>Fund balances:</u>		
Reserved for encumbrances	55,546	134,463
Reserved for prepaids	8,952	10,970
Reserved for Flagship Hotel repairs	43,914	43,635
Reserved for emergencies	1,126,310	926,310
	<u>1,234,722</u>	<u>1,115,378</u>
Unreserved - undesignated	4,683,830	3,570,494
Total fund balances	<u>5,918,552</u>	<u>4,685,872</u>
Total liabilities and fund balances	<u>\$ 8,259,334</u>	<u>\$ 7,931,402</u>

CITY OF GALVESTON, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURE, BUDGET

AND ACTUAL ON BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

Exhibit A-2

Page 1 of 4

	2002			2001
	Budget	Actual (Budgetary Basis)	Variance favorable (unfavorable)	Actual (Budgetary Basis)
General government:				
Legislative:				
Personal services	\$ 146,359	\$ 146,147	\$ 212	\$ 138,522
Materials and supplies	9,100	8,523	577	9,983
Contractual services	132,822	151,292	(18,470)	119,070
Other charges	32,198	29,859	2,339	(41,179)
	<u>320,479</u>	<u>335,821</u>	<u>(15,342)</u>	<u>226,396</u>
Judicial:				
Personal services	405,615	386,879	18,736	375,625
Materials and supplies	11,050	9,847	1,203	10,516
Contractual services	229,874	215,520	14,354	298,435
Other charges	500	2,281	(1,781)	499
Capital outlay	10,000	5,024	4,976	5,024
	<u>657,039</u>	<u>619,551</u>	<u>37,488</u>	<u>690,099</u>
Executive:				
Personal services	265,888	205,802	60,086	219,101
Materials and supplies	6,950	6,912	38	15,049
Contractual services	17,100	17,950	(850)	30,649
Other charges	639,700	566,066	73,634	700,190
	<u>929,638</u>	<u>796,730</u>	<u>132,908</u>	<u>964,989</u>
City Auditor:				
Personal services	35,542	24,184	11,358	32,905
Materials and supplies	650	11	639	144
Contractual services	660	791	(131)	1,982
	<u>36,852</u>	<u>24,986</u>	<u>11,866</u>	<u>35,031</u>
Finance:				
Personal services	618,157	581,825	36,332	569,486
Materials and supplies	18,779	22,639	(3,860)	31,579
Contractual services	264,235	366,727	(102,492)	280,306
Other charges	1,711	(1,658)	3,369	173
	<u>902,882</u>	<u>969,533</u>	<u>(66,651)</u>	<u>881,544</u>

CITY OF GALVESTON, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURE, BUDGET

AND ACTUAL ON BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

Exhibit A-2

Page 2 of 4

	2002			2001
	Budget	Actual (Budgetary Basis)	Variance favorable (unfavorable)	Actual (Budgetary Basis)
Legal:				
Personal services	213,968	215,381	(1,413)	202,717
Materials and supplies	19,000	13,790	5,210	17,625
Contractual services	92,190	69,081	23,109	87,872
Other charges		8	(8)	220,532
	<u>325,158</u>	<u>298,260</u>	<u>26,898</u>	<u>528,746</u>
Personnel:				
Personal services	158,292	143,130	15,162	133,264
Materials and supplies	12,500	11,716	784	17,786
Contractual services	34,944	32,900	2,044	101,189
Other charges	620,951	618,918	2,033	387,402
	<u>826,687</u>	<u>806,664</u>	<u>20,023</u>	<u>639,641</u>
Taxation:				
Tax collections				
Central Appraisal District	125,000	135,077	(10,077)	105,205
	<u>125,000</u>	<u>135,077</u>	<u>(10,077)</u>	<u>105,205</u>
Total general government	<u>4,123,735</u>	<u>3,986,622</u>	<u>137,113</u>	<u>4,071,651</u>
Public Safety:				
Police:				
Personal services	9,892,657	9,752,161	140,496	9,458,886
Materials and supplies	149,359	123,263	26,096	128,440
Contractual services	1,228,755	1,265,338	(36,583)	1,072,782
Other charges	3,800	4,830	(1,030)	261,545
Reimbursements				(274,435)
Capital outlay	516,043	522,625	(6,582)	567,964
	<u>11,790,614</u>	<u>11,668,217</u>	<u>122,397</u>	<u>11,215,182</u>
Special Events - Mardi Gras:				
Personal services		327,412	(327,412)	318,427
Materials and supplies		23,316	(23,316)	32,109
Contractual services	350,000	342,422	7,578	286,686
Other charges				2,830
	<u>350,000</u>	<u>693,150</u>	<u>(343,150)</u>	<u>640,052</u>

CITY OF GALVESTON, TEXAS

GENERAL FUND

SCHEDULE OF EXPENDITURE, BUDGET

AND ACTUAL ON BUDGETARY BASIS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

Exhibit A-2

Page 3 of 4

	2002			2001
	Budget	Actual (Budgetary Basis)	Variance favorable (unfavorable)	Actual (Budgetary Basis)
Special Events - Beach Party:				
Personal services	180,450	177,350	3,100	198,005
Materials and supplies	70,170	50,726	19,444	57,139
Contractual services	124,380	142,693	(18,313)	264,040
Other charges		20	(20)	1,474
	<u>375,000</u>	<u>370,789</u>	<u>4,211</u>	<u>520,658</u>
Fire:				
Personal services	5,598,829	5,907,981	(309,152)	5,290,545
Materials and supplies	118,500	74,678	43,822	135,271
Contractual services	179,382	250,718	(71,336)	230,404
Other charges		112,530	(112,530)	80,320
Reimbursements				(37,538)
Capital outlay	158,623	139,704	18,919	95,473
	<u>6,055,334</u>	<u>6,485,611</u>	<u>(430,277)</u>	<u>5,794,475</u>
Emergency medical service:				
Contractual services	150,000	150,000		275,992
	<u>150,000</u>	<u>150,000</u>		<u>275,992</u>
Emergency management:				
Personal services	64,473	61,828	2,645	51,417
Materials and supplies	5,100	4,774	326	7,237
Contractual services	221,510	18,055	203,455	22,861
Other Charges	35	636	(601)	
Capital outlay	276,700	276,557	143	276,556
	<u>567,818</u>	<u>361,850</u>	<u>205,968</u>	<u>358,071</u>
Total public safety	<u>19,288,766</u>	<u>19,729,617</u>	<u>(440,851)</u>	<u>18,804,430</u>
Public works and streets:				
Personal services	1,138,162	952,353	185,809	979,730
Materials and supplies	1,110,996	809,971	301,025	856,268
Contractual services	359,794	366,371	(6,577)	427,029
Other charges		18,252	(18,252)	141,380
Reimbursements				(157,768)
Capital outlay	589,657	578,272	11,385	
Total public works and streets	<u>3,198,609</u>	<u>2,725,219</u>	<u>473,390</u>	<u>2,246,639</u>

CITY OF GALVESTON, TEXAS**GENERAL FUND****SCHEDULE OF EXPENDITURE, BUDGET****AND ACTUAL ON BUDGETARY BASIS****FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002****WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001***Exhibit A-2**Page 4 of 4*

	2002			2001
	Budget	Actual (Budgetary Basis)	Variance favorable (unfavorable)	Actual (Budgetary Basis)
Parks and Recreation				
Personal services	1,009,678	862,951	146,727	686,171
Materials and supplies	152,259	120,480	31,779	137,587
Contractual services	178,112	166,460	11,652	224,208
Other	3,000	1,865	1,135	50,106
Reimbursements				(1,414)
Capital outlay	98,000	119,500	(21,500)	68,103
Total culture and recreation	1,441,049	1,271,256	169,793	1,164,761
Planning and community development				
Personal services	746,529	706,574	39,955	624,835
Materials and supplies	24,838	15,659	9,179	46,904
Contractual services	250,965	280,154	(29,189)	253,787
Other Charges	12,456	13,121	(665)	12,167
Capital outlay	20,000	21	19,979	(763)
Total planning and community development	1,054,788	1,015,529	39,259	936,930
Transportation system				
Materials and supplies		3,279	(3,279)	
Contractual services	550,000	550,000		
Capital outlay	100,000	96,721	3,279	125,000
Total transportation system	650,000	650,000		125,000
Total expenditures	\$ 29,756,947	\$ 29,378,243	\$ 378,704	\$ 27,349,411

**SPECIAL
REVENUE
FUND**

SPECIAL REVENUE FUNDS

To account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes.

Rosenberg Library – to account for ad valorem taxes collected and transferred to the Library, to be used for library purposes, as authorized by City Charter.

Island Transit – to account for receipt and expenditure of Federal, State and Local revenues designated for Transit and Livable Communities projects.

Industrial Development Corporation – to account for sales tax revenues collected for street and drainage, beach renourishment, and sewer projects.

Parks and Recreation Improvements – to account for revenues set aside for the purchase of parks and park improvements.

Moody Civic Center – to account for receipt and expenditures designated for special projects.

Street Improvements – to account for receipts and expenditures for street resurfacing projects.

Grants and Government Contracts – to account for receipt and expenditure of Federal and State revenues designated for special programs.

Project Specific Programs – to account for receipt and expenditures designated for governmental special projects.

CITY OF GALVESTON, TEXAS

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2002

WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2001

	<u>Rosenberg Library</u>	<u>Island Transit</u>	<u>Industrial Development Corporation</u>	<u>Parks and Recreation Improvements</u>
<u>Assets</u>				
Cash and temporary investments	\$ 23,319	\$	\$ 829,764	\$ 209,382
Receivables (net of allowance for estimated uncollectibles)				
Taxes:				
Property	93,231			
Sales			541,302	
Accounts		98,077		
Notes				
Interest and dividends			725	223
Due from other governments		1,689,739		
Inventory, at cost		133,983		
Prepaid items				
Total assets	<u>\$ 116,550</u>	<u>\$ 1,921,799</u>	<u>\$ 1,371,791</u>	<u>\$ 209,605</u>

Liabilities and Fund Balances (Deficits)

<u>Liabilities:</u>				
Salaries and benefits payable	\$	\$ 43,158	\$	\$
Accrued compensated absences		1,193		
Accounts payable		54,210	137,432	
Due to other funds		1,813,718		
Due to other governments	19,448			
Estimated liability claims		5,276		
Deposits				
Deferred revenues	93,231	3,408		
Advances payable				
Total liabilities	<u>112,679</u>	<u>1,920,963</u>	<u>137,432</u>	
<u>Fund balances (deficits):</u>				
Reserved for encumbrances				
Reserved for advances				
Reserved for debt service			267,474	
Unreserved				
Designated			966,885	209,605
Undesignated	3,871	836		
Total fund balances (deficits)	<u>3,871</u>	<u>836</u>	<u>1,234,359</u>	<u>209,605</u>
Total liabilities and fund balances (deficits)	<u>\$ 116,550</u>	<u>\$ 1,921,799</u>	<u>\$ 1,371,791</u>	<u>\$ 209,605</u>

Exhibit B-1

Moody Civic Center	Street Improvements	Grants and Government Contracts Programs	Project Specific Programs	Totals	
				2002	2001
\$ 13,563	\$ 18,734	\$ 423,978	\$ 3,489,884	\$ 5,008,624	\$ 4,717,329
				93,231	729,931
				541,302	
		763,676	43,406	905,159	753,077
		70,433		70,433	811,293
		8,342	2,941	12,231	25,279
		658,088	567,562	2,915,389	2,764,435
				133,983	105,629
					53,407
<u>\$ 13,563</u>	<u>\$ 18,734</u>	<u>\$ 1,924,517</u>	<u>\$ 4,103,793</u>	<u>\$ 9,680,352</u>	<u>\$ 9,960,380</u>
\$	\$	\$ 12,524	\$	\$ 55,682	\$ 54,095
				1,193	
		898,552	7,414	1,097,608	628,254
				1,813,718	2,191,403
			3,052,789	3,072,237	46,730
		288		5,564	
		77,965		77,965	86,009
		994,932		1,091,571	2,025,625
					101,582
		<u>1,984,261</u>	<u>3,060,203</u>	<u>7,215,538</u>	<u>5,133,698</u>
					4,964
					3,129
				267,474	261,577
13,563	18,734		1,043,590	2,252,377	4,666,997
		(59,744)		(55,037)	(109,985)
<u>13,563</u>	<u>18,734</u>	<u>(59,744)</u>	<u>1,043,590</u>	<u>2,464,814</u>	<u>4,826,682</u>
<u>\$ 13,563</u>	<u>\$ 18,734</u>	<u>\$ 1,924,517</u>	<u>\$ 4,103,793</u>	<u>\$ 9,680,352</u>	<u>\$ 9,960,380</u>

CITY OF GALVESTON, TEXAS

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES (DEFICITS)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	<u>Rosenberg Library</u>	<u>Island Transit</u>	<u>Industrial Development Corporation</u>	<u>Parks and Recreation Improvements</u>
Revenues:				
Taxes:				
Property	\$ 1,021,426	\$	\$	\$
Sales and use			3,105,951	
Intergovernmental		2,351,739		
Charges for services		608,241		
Fines and forfeitures				
Earnings on investments			16,728	3,967
Other		201,317		
Total revenues	<u>1,021,426</u>	<u>3,161,297</u>	<u>3,122,679</u>	<u>3,967</u>
Expenditures:				
Current:				
General government				
Public safety				
Public works and streets				
Culture and recreation	1,017,555			
Planning and community development				
Transportation system		3,065,145		
Intergovernmental			776,488	
Capital outlay				
Total expenditures	<u>1,017,555</u>	<u>3,065,145</u>	<u>776,488</u>	
Revenues over (under) expenditures	3,871	96,152	2,346,191	3,967
Other financing sources (uses):				
Proceeds from capital lease				
Operating transfers in				
Operating transfers out			(4,379,667)	
Total other financing sources (uses)			<u>(4,379,667)</u>	
Revenues and other financing sources over (under) expenditures and other financing (uses)	3,871	96,152	(2,033,476)	3,967
Fund balances (deficits) at beginning of year (as restated)		(95,316)	3,267,835	205,638
Fund balances (deficits) at end of year	<u>\$ 3,871</u>	<u>\$ 836</u>	<u>\$ 1,234,359</u>	<u>\$ 209,605</u>

Exhibit B-2

Moody Civic Center	Street Improvements	Grants and Government Contracts Fund	Project Specific Fund	Totals	
				2002	2001
\$	\$	\$	\$	\$ 1,021,426	\$ 936,703
				3,105,951	3,118,681
		3,072,598	60,237	5,484,574	5,345,832
				608,241	669,902
			191,505	191,505	
244	336	9,539	34,326	65,140	237,343
		101,384	265,907	568,608	651,704
244	336	3,183,521	551,975	11,045,445	10,960,165
		2,190	127,264	129,454	428,022
		421,567	97,908	519,475	1,051,963
					576,213
763		208,402	1,000	1,227,720	1,079,608
		3,243,777		3,243,777	1,439,804
			65,587	3,130,732	4,056,645
				776,488	781,368
					371,879
763		3,875,936	291,759	9,027,646	9,785,502
(519)	336	(692,415)	260,216	2,017,799	1,174,663
					157,837
					600,000
				(4,379,667)	(1,361,125)
				(4,379,667)	(603,288)
(519)	336	(692,415)	260,216	(2,361,868)	571,375
14,082	18,398	632,671	783,374	4,826,682	4,255,307
\$ 13,563	\$ 18,734	\$ (59,744)	\$ 1,043,590	\$ 2,464,814	\$ 4,826,682

CITY OF GALVESTON, TEXAS

SPECIAL REVENUE FUNDS

ROSENBERG LIBRARY

Exhibit B-3

STATEMENT OF REVENUES, AND EXPENDITURES -
BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	2002			2001
	Budget	Actual	Variance favorable (unfavorable)	Actual
Revenues:				
Property taxes - current	\$ 1,017,555	\$ 1,002,904	\$ (14,651)	\$ 923,115
Property taxes - MUD #29 contract		(18,894)	(18,894)	(16,198)
Property taxes - delinquent		37,416	37,416	29,786
Total revenues	1,017,555	1,021,426	3,871	936,703
Expenditures:				
Current:				
Culture and recreation				
Payments to Rosenberg Library	1,017,555	1,017,555		936,703
Revenues over expenditures	\$	\$ 3,871	\$ 3,871	\$

CITY OF GALVESTON, TEXAS

SPECIAL REVENUE FUNDS

Exhibit B-4

ISLAND TRANSIT FUND

**STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN
FUND BALANCES (DEFICIT) - BUDGET AND ACTUAL (BUDGETARY BASIS)**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	2002			2001
	Budget	Actual	Variance favorable (unfavorable)	Actual
Revenues				
Intergovernmental-Federal	\$ 1,385,000	\$ 1,441,739	\$ 56,739	\$ 979,230
Intergovernmental-State	350,000	350,000		313,600
Intergovernmental-Local	480,000	480,000		440,000
Fare box revenues	220,000	268,342	48,342	444,407
Charges for services	343,860	319,899	(23,961)	
Other	205,140	201,317	(3,823)	47,114
Total operating revenues	2,984,000	3,061,297	77,297	2,224,351
Expenditures				
Current				
Transportation system:				
Transit system:				
Personal services	1,500,055	1,517,432	(17,377)	1,337,109
Materials and supplies	339,449	342,354	(2,905)	381,541
Contractual services	28,083	24,380	3,703	19,709
Other charges	91,452	7,339	84,113	105,200
Total transit system expenditures	1,959,039	1,891,505	67,534	1,843,559
Trolley system:				
Personal services	108,297	130,984	(22,687)	93,170
Materials and supplies	26,498	25,552	946	33,842
Contractual services	27,023	28,217	(1,194)	13,930
Total trolley system expenditures	161,818	184,753	(22,935)	140,942
Demand response:				
Personal services	134,293	135,764	(1,471)	137,849
Materials and supplies	65,948	64,904	1,044	58,765
Contractual services	36,500	27,554	8,946	29,425
Total demand response expenditures	236,741	228,222	8,519	226,039
Administration:				
Personal services	473,846	519,583	(45,737)	366,995
Materials and supplies	47,364	38,992	8,372	52,884
Contractual services	86,671	100,613	(13,942)	89,139
Other charges	1,495	1,477	18	3,266
Total administration expenditures	609,376	660,665	(51,289)	512,284
Total expenditures	2,966,974	2,965,145	1,829	2,722,824
Revenues over (under) expenditures	17,026	96,152	79,126	(498,473)
Other financing sources:				
Operating transfers in				461,524
Revenues and other sources over (under) expenditures	17,026	96,152	79,126	(36,949)
Fund balance (deficit) at beginning of year	(95,316)	(95,316)		(58,367)
Fund balance (deficit) at end of year	\$ (78,290)	\$ 836	\$ 79,126	\$ (95,316)



**DEBT
SERVICE
FUND**

DEBT SERVICE FUND

To account for the accumulation of resources for and payment of general long-term debt principal, interest and related costs.

CITY OF GALVESTON, TEXAS
DEBT SERVICE FUND
COMPARATIVE BALANCE SHEETS
SEPTEMBER 30, 2002 AND 2001

Exhibit C-1

	<u>2002</u>	<u>2001</u>
<u>Assets</u>		
Cash and temporary investments	\$ 4,501,749	\$ 3,124,161
Receivables:		
Property taxes	127,238	189,353
Interest and dividends	2,826	12,268
Total assets	<u>\$ 4,631,813</u>	<u>\$ 3,325,782</u>
<u>Liabilities and Fund Equity</u>		
Liabilities:		
Other current liabilities	\$ 56,409	\$ 56,409
Due to other governments	29,525	769
Deferred revenues	127,237	189,353
Total liabilities	<u>213,171</u>	<u>246,531</u>
Fund balances:		
Reserved for debt service		
Industrial Development Corporation bonds	1,219,000	1,821,130
Hotel Occupancy Tax bonds	1,670,978	
Other bonded debt	1,528,664	1,258,121
Total fund balances	<u>4,418,642</u>	<u>3,079,251</u>
Total liabilities and fund balances:	<u>\$ 4,631,813</u>	<u>\$ 3,325,782</u>

CITY OF GALVESTON, TEXAS

DEBT SERVICE FUND

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES, AND

CHANGE IN FUND BALANCE-BUDGET (GAAP) BASIS AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE ACTUAL TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	2002			2001
	Budget	Actual	Variance favorable (unfavorable)	Actual
Revenues:				
Property taxes	\$ 1,290,389	\$ 1,548,969	\$ 258,580	\$ 1,257,974
Earnings on investments	108,692	69,894	(38,798)	209,864
Other revenues		101	101	56,873
Total revenues	<u>1,399,081</u>	<u>1,618,964</u>	<u>219,883</u>	<u>1,524,711</u>
Expenditures:				
Principal retirement	1,211,632	1,415,252	(203,620)	1,150,332
Interest and fiscal agent fees	<u>1,498,923</u>	<u>1,158,490</u>	<u>340,433</u>	<u>1,223,679</u>
Total expenditures	<u>2,710,555</u>	<u>2,573,742</u>	<u>136,813</u>	<u>2,374,011</u>
Revenues over (under) expenditures	(1,311,474)	(954,778)	356,696	(849,300)
Other financing sources:				
Operating transfers in:				
Industrial Development Corporation	1,368,907	1,373,409	4,502	1,361,125
Proceeds from issuance of debt	9,524,684	11,195,662	1,670,978	1,098,590
Payment to refunded bonds escrow agent	<u>(9,610,618)</u>	<u>(9,610,618)</u>		<u>(1,098,590)</u>
Total other financing sources (uses)	<u>1,282,973</u>	<u>2,294,169</u>	<u>1,011,196</u>	<u>1,361,125</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	(28,501)	1,339,391	1,367,892	511,825
Fund balances at beginning of year	<u>3,079,251</u>	<u>3,079,251</u>		<u>2,567,426</u>
Fund balance at end of year	<u>\$ 3,050,750</u>	<u>\$ 4,418,642</u>	<u>\$ 1,367,892</u>	<u>\$ 3,079,251</u>



**CAPITAL
PROJECTS
FUNDS**

CAPITAL PROJECTS FUNDS

To account for the acquisition and construction of major capital facilities other than those financed by proprietary and trust funds.

Public Improvements – to account for capital outlay for general governmental purposes.

Public Safety Improvements – to account for capital outlay for police, fire and emergency purposes.

Drainage and Street Improvements – to account for capital outlay for improving drains and streets financed by Industrial Development Corporation.

Sewer Improvements – to account for capital outlay for sewer improvements financed by Industrial Development Corporation.

General Fund Capital Projects – to account for capital outlay for planning and community enrichment projects.

Bond 2001 Capital Projects – to account for capital outlay financed by the proceeds from the General Obligation and Refunding Bonds, Series 2001.

Convention Center Capital Projects . to account for capital outlay financed by Series 2002, Hotel Occupancy Tax Revenue Bonds .

CITY OF GALVESTON, TEXAS
CAPITAL PROJECTS FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2002
WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2001

	<u>Public Improvements</u>	<u>Public Safety Improvements</u>	<u>Drainage and Street Improvements</u>	<u>Sewer Improvements</u>
<u>Assets</u>				
Cash and temporary investments	\$ 1,000	\$ 14,081	\$ 767,997	\$ 3,562,750
Receivables:				
Interest and dividends			837	3,835
Total assets	<u>\$ 1,000</u>	<u>\$ 14,081</u>	<u>\$ 768,834</u>	<u>\$ 3,566,585</u>
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$	\$	\$ 238,135	\$ 65,066
Total liabilities			<u>238,135</u>	<u>65,066</u>
Fund balance				
Unreserved				
Designated for construction	<u>1,000</u>	<u>14,081</u>	<u>530,699</u>	<u>3,501,519</u>
Total liabilities and fund balances	<u>\$ 1,000</u>	<u>\$ 14,081</u>	<u>\$ 768,834</u>	<u>\$ 3,566,585</u>

Exhibit D-1

<u>General Fund Capital Projects</u>	<u>Bond 2001 Capital Projects</u>	<u>Convention Center Capital Projects</u>	<u>Totals</u>	
			<u>2002</u>	<u>2001</u>
\$ 65,740	\$ 11,046,389	\$ 28,659,588	\$ 44,117,545	\$ 13,141,881
	13,053	3,899	21,624	4,616
<u>\$ 65,740</u>	<u>\$ 11,059,442</u>	<u>\$ 28,663,487</u>	<u>\$ 44,139,169</u>	<u>\$ 13,146,497</u>
\$	\$ 126,279	\$	\$ 429,480	\$ 173,116
	126,279		429,480	173,116
65,740	10,933,163	28,663,487	43,709,689	12,973,381
<u>\$ 65,740</u>	<u>\$ 11,059,442</u>	<u>\$ 28,663,487</u>	<u>\$ 44,139,169</u>	<u>\$ 13,146,497</u>

CITY OF GALVESTON, TEXAS

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	<u>Public Improvements</u>	<u>Public Safety Improvements</u>	<u>Drainage and Street Improvements</u>	<u>Sewer Improvements</u>
Revenue:				
Earnings on investments	\$ 17	\$ 252	\$ 16,850	\$ 81,156
Other			29,667	
Total revenues	<u>17</u>	<u>252</u>	<u>46,517</u>	<u>81,156</u>
Expenditures:				
Capital outlay:				
Public works and streets			432,602	173,643
Parks and recreation				
Traffic safety				
Transit system				
Bond issuance costs				
Total expenditures	<u></u>	<u></u>	<u>432,602</u>	<u>173,643</u>
Revenues over (under) expenditures	17	252	(386,085)	(92,487)
Other financing sources (uses):				
Operating transfer in			718,488	2,952,054
Proceeds from issuance of long term debt				
Total other financing sources (uses)	<u></u>	<u></u>	<u>718,488</u>	<u>2,952,054</u>
Revenues and other financing sources over (under) expenditures and other financing (uses)	17	252	332,403	2,859,567
Fund balances at beginning of year	<u>983</u>	<u>13,829</u>	<u>198,296</u>	<u>641,952</u>
Fund balances at end of year	<u>\$ 1,000</u>	<u>\$ 14,081</u>	<u>\$ 530,699</u>	<u>\$ 3,501,519</u>

Exhibit D-2

General Fund Capital Projects	Bond 2001 Capital Projects	Convention Center Capital Projects	Totals	
			2002	2001
\$ 1,104	\$ 241,596	\$ 8,438	\$ 349,413	\$ 222,094
			29,667	143,591
<u>1,104</u>	<u>241,596</u>	<u>8,438</u>	<u>379,080</u>	<u>365,685</u>
37,541	9,273		653,059	290,732
	176,164		176,164	
	371,409		371,409	
	763,606		763,606	
	4,125	1,335,058	1,339,183	314,267
<u>37,541</u>	<u>1,324,577</u>	<u>1,335,058</u>	<u>3,303,421</u>	<u>604,999</u>
(36,437)	(1,082,981)	(1,326,620)	(2,924,341)	(239,314)
			3,670,542	
		29,990,107	29,990,107	12,174,434
		29,990,107	33,660,649	12,174,434
(36,437)	(1,082,981)	28,663,487	30,736,308	11,935,120
102,177	12,016,144		12,973,381	1,038,261
<u>\$ 65,740</u>	<u>\$ 10,933,163</u>	<u>\$ 28,663,487</u>	<u>\$ 43,709,689</u>	<u>\$ 12,973,381</u>



ENTERPRISE FUNDS

ENTERPRISE FUNDS

To account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods and services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Waterworks System – to account for the provision of water to the residents of Galveston, including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

Sewer System – to account for the provision of a sewer system to the residents of Galveston, including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

Sanitation Services – to account for the provision of a sanitation system to the residents of Galveston, including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

Drainage Utility – to account for the provision of a utility drainage system to the residents of Galveston, including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

Airport – to account for the provision of a municipal airport including but not limited to administration, operations, maintenance, financing and related debt services, and billing and collections.

Golf Course – to account for the provision of a municipal golf course including but not limited to administration, operations, maintenance, financing and related debt services.

CITY OF GALVESTON, TEXAS

ENTERPRISE FUNDS

COMBINING BALANCE SHEET

SEPTEMBER 30, 2002

WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2001

	<u>Waterworks System</u>	<u>Sewer System</u>	<u>Sanitation Services</u>
<u>Assets</u>			
Current assets:			
Cash and temporary investments	\$ 342,137	\$ 9,121,720	\$
Receivables (net of allowance for estimated uncollectibles):			
Accounts	2,524,247	1,196,698	602,787
Interest and dividends	4,244	12,131	
Intergovernmental	29,972		
Due from other funds	863,282		
Inventory, at cost	223,290		
Prepaid items	214,130	4,115	1,000
Total current assets	<u>4,201,302</u>	<u>10,334,664</u>	<u>603,787</u>
Restricted assets:			
Cash and temporary investments	2,871,125	2,316,889	
Interest receivable			
Other assets with trustee	15,568,292		
Total restricted assets	<u>18,439,417</u>	<u>2,316,889</u>	
Noncurrent assets			
Deferred charges	1,936,551	130,074	
Contractual rights to water supply	19,706,929		
Total noncurrent assets	<u>21,643,480</u>	<u>130,074</u>	
Property and equipment			
Land	517,100	168,011	
Buildings	7,933,202	16,088,778	
Improvements other than buildings	33,881,920	28,348,511	108,348
Equipment	1,982,982	3,122,867	4,258,584
Construction in progress	8,389,808	3,151,140	50,000
	<u>52,705,012</u>	<u>50,879,307</u>	<u>4,416,932</u>
Less accumulated depreciation	(20,259,354)	(17,146,966)	(2,829,507)
Net property and equipment	<u>32,445,658</u>	<u>33,732,341</u>	<u>1,587,425</u>
Total assets	<u>\$76,729,857</u>	<u>\$46,513,968</u>	<u>\$2,191,212</u>

Drainage Utility	Municipal Airport	Golf Course	Totals	
			2002	2001
\$	\$ 721,656	\$	\$ 10,185,513	\$ 7,501,373
128,520	7,310 752		4,459,562 17,127 29,972 863,282	3,766,232 73,582
		50,197	273,487 219,245	2,625,420 67,971
<u>128,520</u>	<u>729,718</u>	<u>50,197</u>	<u>16,048,188</u>	<u>14,034,578</u>
			5,188,014	9,887,607 80,805
			<u>15,568,292</u>	<u>12,577,021</u>
			<u>20,756,306</u>	<u>22,545,433</u>
			2,066,625	637,371
			<u>19,706,929</u>	<u>24,640,000</u>
			<u>21,773,554</u>	<u>25,277,371</u>
	24,141	1,206,623	1,915,875	1,859,224
	2,120,201	610,384	26,752,565	26,769,141
	2,169,872	1,992,891	66,501,542	62,068,715
	225,552	15,636	9,605,621	9,020,175
323,982	70,000		11,984,930	12,852,443
<u>323,982</u>	<u>4,609,766</u>	<u>3,825,534</u>	<u>116,760,533</u>	<u>112,569,698</u>
	(2,390,889)	(1,359,850)	(43,986,566)	(42,007,541)
<u>323,982</u>	<u>2,218,877</u>	<u>2,465,684</u>	<u>72,773,967</u>	<u>70,562,157</u>
<u>\$452,502</u>	<u>\$2,948,595</u>	<u>\$ 2,515,881</u>	<u>\$ 131,352,015</u>	<u>\$132,419,539</u>

ENTERPRISE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2002
WITH COMPARATIVE TOTALS AS OF SEPTEMBER 30, 2001

	<u>Waterworks System</u>	<u>Sewer System</u>	<u>Sanitation Services</u>
<u>Liabilities and Fund Equity</u>			
<u>Liabilities</u>			
Current liabilities:			
Salaries and benefits payable	\$ 51,091	\$ 55,446	\$ 24,152
Accrued compensated absences	54,468	37,115	21,999
Accounts payable	1,313,427	330,511	188,779
Due to other funds			563,807
Capital leases payable			242,804
Estimated liability claims	2,796	12,136	27,549
Deferred revenues			12,125
Total current liabilities	<u>1,421,782</u>	<u>435,208</u>	<u>1,081,215</u>
Current liabilities payable from restricted assets:			
Current portion of contract payable	1,028,129		
Revenue bonds payable-current	428,820	1,082,917	
Accrued revenue bond interest	423,002	247,049	
Deposits	991,174	986,923	
Total current liabilities payable from restricted assets	<u>2,871,125</u>	<u>2,316,889</u>	
Noncurrent liabilities			
Compensated absences payable	292,136	184,020	106,911
Revenue bonds	2,983,286	8,092,184	
Capital leases payable			
Long term contracts payable	45,470,981		
Estimated liability claims	69,505	68,320	63,961
Total noncurrent liabilities	<u>48,815,908</u>	<u>8,344,524</u>	<u>170,872</u>
Total liabilities	<u>53,108,815</u>	<u>11,096,621</u>	<u>1,252,087</u>
Fund equity			
Contributed capital	10,283,738	11,498,693	146,549
Retained earnings	13,337,304	23,918,654	792,576
Total fund equity	<u>23,621,042</u>	<u>35,417,347</u>	<u>939,125</u>
Total liabilities and fund equity	<u>\$76,729,857</u>	<u>\$46,513,968</u>	<u>\$2,191,212</u>

Drainage Utility	Municipal Airport	Golf Course	Totals	
			2002	2001
\$ 9,127	\$ 5,099	\$ 13,139	\$ 158,054	\$ 321,516
7,922	4,779	16,262	142,545	
920	18,278	25,473	1,877,388	3,072,842
20,859		842,423	1,427,089	1,315,986
	43,019		285,823	630,605
4,198	1,254	1,826	49,759	24,353
			12,125	
<u>43,026</u>	<u>72,429</u>	<u>899,123</u>	<u>3,952,783</u>	<u>5,365,302</u>
			1,028,129	10,790,000
			1,511,737	1,448,032
			670,051	357,864
			1,978,097	1,749,478
			<u>5,188,014</u>	<u>14,345,374</u>
36,999	27,426	89,542	737,034	634,811
			11,075,470	12,584,668
	362,630		362,630	648,334
			45,470,981	35,480,668
	8,597	9,799	220,182	507,924
<u>36,999</u>	<u>398,653</u>	<u>99,341</u>	<u>57,866,297</u>	<u>49,856,405</u>
<u>80,025</u>	<u>471,082</u>	<u>998,464</u>	<u>67,007,094</u>	<u>69,567,081</u>
178,982	1,804,697	509,196	24,421,855	24,460,294
193,495	672,816	1,008,221	39,923,066	38,392,164
<u>372,477</u>	<u>2,477,513</u>	<u>1,517,417</u>	<u>64,344,921</u>	<u>62,852,458</u>
<u>\$452,502</u>	<u>\$2,948,595</u>	<u>\$ 2,515,881</u>	<u>\$ 131,352,015</u>	<u>\$132,419,539</u>

CITY OF GALVESTON, TEXAS

ENTERPRISE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN RETAINED EARNINGS (DEFICIT)

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Waterworks System	Sewer System	Sanitation Services
Operating revenues:			
Charges for services	\$ 9,560,728	\$ 7,049,952	\$ 3,616,382
Other operating revenues	158,890	136,467	24,717
Total operating revenues	<u>9,719,618</u>	<u>7,186,419</u>	<u>3,641,099</u>
Operating expenses:			
Personal services	2,224,105	2,161,594	1,218,194
Materials and supplies	784,097	966,138	33,423
Contractual services	643,576	966,102	982,051
Surface water contract	3,572,042		
Other charges	155,931	226,876	84,972
Bad debts			
Administrative service charge	325,000	275,000	200,000
Payment in lieu of taxes	200,000	200,000	200,000
Depreciation and amortization	2,042,668	1,242,579	372,974
Total operating expenses	<u>9,947,419</u>	<u>6,038,289</u>	<u>3,091,614</u>
Operating income	(227,801)	1,148,130	549,485
Nonoperating revenues (expenses):			
Gain on sale of capacity			
Earnings on investments	288,922	287,286	
Interest expense	(207,928)	(620,042)	(28,383)
Amortization of bond issuance cost	(96,716)	(37,766)	
Loss on retirement of fixed assets			
Total nonoperating revenues (expenses)	<u>(15,722)</u>	<u>(370,522)</u>	<u>(28,383)</u>
Net income (loss) before operating transfers	(243,523)	777,608	521,102
Operating transfers			
Operating transfers in		409,443	
Operating transfers (out)	<u>(409,443)</u>	<u>409,443</u>	
Net income (loss)	(652,966)	1,187,051	521,102
Add depreciation on contributed fixed assets	207,990	258,560	30,954
Increase in retained earnings	(444,976)	1,445,611	552,056
Retained earnings at beginning of year	<u>13,782,280</u>	<u>22,473,043</u>	<u>240,520</u>
Retained earnings at end of year	<u>\$13,337,304</u>	<u>\$23,918,654</u>	<u>\$ 792,576</u>

Exhibit E-2

Drainage Utility	Municipal Airport	Golf Course	Totals	
			2002	2001
\$ 762,670	\$ 758,812	\$ 912,829	\$22,661,373	\$21,388,303
			320,074	24,142
<u>762,670</u>	<u>758,812</u>	<u>912,829</u>	<u>22,981,447</u>	<u>21,412,445</u>
432,893	288,911	538,546	6,864,243	5,644,328
17,685	64,837	245,574	2,111,754	2,533,568
193,555	96,980	160,660	3,042,924	3,159,277
			3,572,042	4,675,694
4,751	94,772	46,887	614,189	867,634
				474,232
	35,000		835,000	835,000
			600,000	600,000
	182,730	73,362	3,914,313	2,488,211
<u>648,884</u>	<u>763,230</u>	<u>1,065,029</u>	<u>21,554,465</u>	<u>21,277,944</u>
113,786	(4,418)	(152,200)	1,426,982	134,501
				2,591,300
4,058	16,209	27	596,502	1,842,059
	(30,572)	(8,231)	(895,156)	(1,149,679)
			(134,482)	(161,508)
		(49,181)	(49,181)	
<u>4,058</u>	<u>(14,363)</u>	<u>(57,385)</u>	<u>(482,317)</u>	<u>3,122,172</u>
117,844	(18,781)	(209,585)	944,665	3,256,673
			409,443	1,230,260
			(409,443)	(1,230,260)
<u>117,844</u>	<u>(18,781)</u>	<u>(209,585)</u>	<u>944,665</u>	<u>3,256,673</u>
	76,350	12,383	586,237	511,196
117,844	57,569	(197,202)	1,530,902	3,767,869
75,651	615,247	1,205,423	38,392,164	34,624,295
<u>\$ 193,495</u>	<u>\$ 672,816</u>	<u>\$ 1,008,221</u>	<u>\$39,923,066</u>	<u>\$38,392,164</u>

CITY OF GALVESTON, TEXAS

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Waterworks System	Sewer System	Sanitation Services
Cash flows from operating activities:			
Cash received from customers	\$ 8,580,598	\$ 7,319,176	\$ 3,712,738
Cash payments to suppliers for goods and service	(8,036,717)	(2,940,413)	(1,497,574)
Cash payments to employees	(2,038,334)	(2,058,979)	(1,144,885)
Payment in lieu of taxes	(200,000)	(200,000)	(200,000)
Other operating revenues	158,890	136,467	24,717
Net cash provided by operating activities	<u>(1,535,563)</u>	<u>2,256,251</u>	<u>894,996</u>
Cash flows from noncapital and related financing activities:			
Due from other funds	(863,282)	3,545,420	(189,231)
Interfund transfers	<u>(409,443)</u>	<u>409,443</u>	
Net cash used for noncapital and related financing activities	<u>(1,272,725)</u>	<u>3,954,863</u>	<u>(189,231)</u>
Cash flows from capital and related financing activities:			
Proceeds from issuance of contractual obligations	11,315,000		
Payments for capital acquisitions	(887,319)	(3,300,976)	(252,984)
Principal paid on revenue bonds	(311,490)	(999,521)	
Principal payments on long term contracts	(10,093,039)		
Principal paid on capital leases			(424,398)
Interest paid on revenue bonds	(51,300)	(639,367)	
Interest paid of capital leases			(28,383)
Interest paid on interfund loan payable			
Contributed capital		169,050	
Net cash provided by (used for) capital and related financing activities	<u>(28,148)</u>	<u>(4,770,814)</u>	<u>(705,765)</u>
Cash flows from investing activities:			
Interest on investments	<u>284,678</u>	<u>275,155</u>	
Net increase (decrease) in equity in pooled cash and investments	(2,551,758)	1,715,455	
Cash and temporary investments, beginning of year	<u>5,765,020</u>	<u>9,723,154</u>	
Cash and temporary investments, end of year	<u>\$ 3,213,262</u>	<u>\$ 11,438,609</u>	<u>\$</u>
Cash and temporary investments per balance sheet			
Unrestricted	\$ 342,137	\$ 9,121,720	\$
Restricted	<u>2,871,125</u>	<u>2,316,889</u>	
Cash and temporary investments, end of year	<u>\$ 3,213,262</u>	<u>\$ 11,438,609</u>	<u>\$</u>

Exhibit E-3
Page 1 of 2

Drainage Utility	Municipal Airport	Golf Course	Totals	
			2002	2001
\$ 703,915 (194,212) (374,647)	\$ 765,270 (475,950) (287,499)	\$ 912,829 (469,482) (559,325)	\$ 21,994,526 (13,614,348) (6,463,669) (600,000) 320,074	\$ 21,831,362 (11,120,407) (5,514,025) (600,000)
135,056	1,821	(115,978)	1,636,583	4,596,930
20859 -13-38		842,423 279,475	2,772,382	(573,804)
		279,475	2,772,382	(573,804)
(323,982)	(199,725)	(156,336)	11,315,000 (5,121,322) (1,311,011) (10,093,039) (464,338) (690,667) (58,955) (8,231) 348,032	(5,899,612) (1,301,399) (768,573) (1,074,184) (96,862)
178,982	(39,940) (30,572)	(8,231)	56,856	
(145,000)	(270,237)	(164,567)	(6,084,531)	(9,083,774)
4,058	16,209	13	580,113	1,847,455
(5,886)	(252,207)	(1,057)	(1,095,453)	(3,213,193)
5,886	973,863	1,057	16,468,980	20,602,173
\$	\$ 721,656	\$	\$ 15,373,527	\$ 17,388,980
\$	\$ 721,656	\$	\$ 10,185,513 5,188,014	\$ 7,501,373 9,887,607
\$	\$ 721,656	\$	\$ 15,373,527	\$ 17,388,980

CITY OF GALVESTON, TEXAS

ENTERPRISE FUNDS

COMBINING STATEMENT OF CASH FLOWS

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	<u>Waterworks System</u>	<u>Sewer System</u>	<u>Sanitation Services</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ (227,801)	\$ 1,148,130	\$ 549,485
Adjustments to reconcile operating income to net cash provided by operating activities:			
Amortization and depreciation expense	2,042,668	1,242,579	372,974
(Increase) decrease in accounts receivable	(980,130)	269,224	96,356
Decrease in interfund receivable			
(Increase) decrease in deferred charges	(1,467,019)	37,765	
(Increase) decrease in inventory and prepaid	(456,644)	(4,115)	(1,000)
Increase (decrease) in salaries and benefits payable	25,364	(75,494)	6,465
Increase (decrease) in accounts payable	(544,333)	(456,641)	3,872
Increase (decrease) in interfund payable			
Increase (decrease) in customer deposits	111,925	116,694	
Increase (decrease) in estimated liability claims	(91,363)	(6,133)	(146,762)
Increase (decrease) in compensated absences payable	51,770	(15,758)	13,606
Total adjustments	<u>(1,307,762)</u>	<u>1,108,121</u>	<u>345,511</u>
Net cash provided by operating activities	<u><u>\$(1,535,563)</u></u>	<u><u>\$ 2,256,251</u></u>	<u><u>\$ 894,996</u></u>

<u>Drainage Utility</u>	<u>Municipal Airport</u>	<u>Golf Course</u>	<u>Totals</u>	<u>Totals</u>
			<u>2001</u>	<u>2001</u>
\$ 113,786	\$ (4,418)	\$ (152,200)	\$ 1,426,982	\$ 134,501
(58,755)	182,730 6,458	73,362	3,914,313 (666,847)	2,488,211 559,313
			(1,429,254)	
		(1,450)	(463,209)	(6,971)
17,049	371	5,328	(20,917)	61,898
920	(184,361)	(14,911)	(1,195,454)	1,407,785
20,859			20,859	
			228,619	(89,391)
4,198	(2,964)	(37,708)	(280,732)	75,461
36,999	4,005	11,601	102,223	(33,877)
<u>21,270</u>	<u>6,239</u>	<u>36,222</u>	<u>209,601</u>	<u>4,462,429</u>
<u>\$ 135,056</u>	<u>\$ 1,821</u>	<u>\$ (115,978)</u>	<u>\$ 1,636,583</u>	<u>\$ 4,596,930</u>

CITY OF GALVESTON, TEXAS

WATERWORKS SYSTEM ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

Exhibit E-4

	2002			2001
	Budget	Actual	Variance favorable (unfavorable)	Actual
Operating revenues:				
Charges for services:				
Water sales	\$ 10,810,000	\$ 9,374,994	\$ (1,435,006)	\$ 9,505,745
Tap fees	125,000	185,734	60,734	132,407
Other operating revenues	35,000	158,890	123,890	10,776
Total operating revenues	<u>10,970,000</u>	<u>9,719,618</u>	<u>(1,250,382)</u>	<u>9,648,928</u>
Operating expenses:				
Personal services	2,413,101	2,224,105	188,996	1,947,310
Materials and supplies	935,759	784,097	151,662	1,014,404
Contractual services	729,280	643,576	85,704	709,420
Surface water contract	4,521,788	3,572,042	949,746	4,675,694
Other charges	169,500	155,931	13,569	115,373
Bad debts				285,651
Administrative service charge	325,000	325,000		325,000
Payment in lieu of taxes	200,000	200,000		200,000
Amortization of water rights				
Depreciation and amortization	950,000	2,042,668	(1,092,668)	879,210
Total operating expenses	<u>10,244,428</u>	<u>9,947,419</u>	<u>297,009</u>	<u>10,152,062</u>
Operating income	<u>725,572</u>	<u>(227,801)</u>	<u>(953,373)</u>	<u>(503,134)</u>
Nonoperating revenues (expenses):				
Gain on sale of capacity				2,591,300
Interest earned	750,000	288,922	(461,078)	828,347
Interest expense	(599,893)	(207,928)	391,965	(369,981)
Amortization of bond issuance costs		(96,716)	(96,716)	(126,382)
Total nonoperating revenues (expenses)	<u>150,107</u>	<u>(15,722)</u>	<u>(165,829)</u>	<u>2,923,284</u>
Net income (loss) before operating transfers	875,679	(243,523)	(1,119,202)	2,420,150
Operating transfer in (out) - Sewer Fund		(409,443)	(409,443)	(1,230,260)
Net income (loss)	875,679	(652,966)	(1,528,645)	1,189,890
Add depreciation on contributed fixed assets		207,990	207,990	148,365
Increase in retained earnings	875,679	(444,976)	(1,320,655)	1,338,255
Retained earnings at beginning of year	<u>13,782,280</u>	<u>13,782,280</u>		<u>12,444,025</u>
Retained earnings at end of year	<u>\$ 14,657,959</u>	<u>\$ 13,337,304</u>	<u>\$ (1,320,655)</u>	<u>\$ 13,782,280</u>

CITY OF GALVESTON, TEXAS

SEWER SYSTEM ENTERPRISE FUND

Exhibit E-5

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN RETAINED EARNINGS - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	2002			2001
	Budget	Actual	Variance favorable (unfavorable)	Actual
Operating revenues:				
Charges for sales and services:				
Sewer charges	\$ 7,220,000	\$ 6,902,198	\$ (317,802)	\$ 6,384,189
Tap fees	26,675	31,449	4,774	51,743
Waste hauler fees	150,000	116,305	(33,695)	94,635
Other revenues	30,000	136,467	106,467	10,679
Total operating revenues	<u>7,426,675</u>	<u>7,186,419</u>	<u>(240,256)</u>	<u>6,541,246</u>
Operating expenses:				
Personal services	2,492,140	2,161,594	330,546	1,858,417
Materials and supplies	1,121,098	966,138	154,960	1,122,757
Contractual services	1,292,941	966,102	326,839	1,122,519
Other charges	358,791	226,876	131,915	177,287
Bad debts				137,576
Administrative service charge	275,000	275,000		275,000
Payment in lieu of taxes	200,000	200,000		200,000
Depreciation	950,000	1,242,579	(292,579)	992,449
Total operating expenses	<u>6,689,970</u>	<u>6,038,289</u>	<u>651,681</u>	<u>5,886,005</u>
Operating income	<u>736,705</u>	<u>1,148,130</u>	<u>411,425</u>	<u>655,241</u>
Nonoperating revenues (expenses):				
Interest earned	300,000	287,286	(12,714)	946,295
Interest expense	(352,170)	(620,042)	(267,872)	(682,836)
Amortization of bond issuance costs		(37,766)	(37,766)	(35,126)
Total nonoperating revenues (expense)	<u>(52,170)</u>	<u>(370,522)</u>	<u>(318,352)</u>	<u>228,333</u>
Net income before operating transfers	684,535	777,608	93,073	655,241
Operating transfer in (out) - Waterworks Fund		409,443	409,443	
Net income	684,535	1,187,051	502,516	655,241
Add depreciation on contributed fixed assets		258,560	258,560	292,392
Increase in retained earnings	684,535	1,445,611	761,076	947,633
Retained earnings at beginning of year	22,473,043	22,473,043		21,297,077
Retained earnings at end of year	<u>\$ 23,157,578</u>	<u>\$ 23,918,654</u>	<u>\$ 761,076</u>	<u>\$ 22,473,043</u>

CITY OF GALVESTON, TEXAS

SANITATION SERVICES ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN RETAINED EARNINGS (ACCUMULATED DEFICIT) - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

Exhibit E-6

	2002		Variance	2001
	Budget	Actual	favorable (unfavorable)	Actual
Operating revenues:				
Charges for services	\$ 3,807,500	\$ 3,616,382	\$ (191,118)	\$ 3,444,949
Other operating revenues		24,717	2,687	2,687
Total operating revenues	<u>3,807,500</u>	<u>3,641,099</u>	<u>(188,431)</u>	<u>3,447,636</u>
Operating expenses:				
Personnel Services	1,451,105	1,218,194	232,911	1,131,348
Materials and Supplies	63,180	33,423	29,757	61,036
Contractual Services	1,053,111	982,051	71,060	1,078,102
Other Services	85,000	84,972	28	230,458
Bad Debts				51,005
Administrative service charge	200,000	200,000		200,000
Payment in lieu of taxes	200,000	200,000		200,000
Depreciation	350,000	372,974	(22,974)	352,975
Total operating expenses	<u>3,402,396</u>	<u>3,091,614</u>	<u>310,782</u>	<u>3,304,924</u>
Operating income (loss)	405,104	549,485	144,381	142,712
Nonoperating expenses:				
Interest expenses	<u>(26,000)</u>	<u>(28,383)</u>	<u>(2,383)</u>	<u>(42,875)</u>
Net income (loss)	379,104	521,102	141,998	99,837
Add depreciation on contributed fixed assets		30,954	26,030	26,030
Increase (decrease) in retained earnings	379,104	552,056	168,028	125,867
Retained earnings at beginning of year	<u>240,520</u>	<u>240,520</u>		<u>114,653</u>
Retained earnings at end of year	<u>\$ 619,624</u>	<u>\$ 792,576</u>	<u>\$ 168,028</u>	<u>\$ 240,520</u>

CITY OF GALVESTON, TEXAS

DRAINAGE UTILITY

Exhibit E-7

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN RETAINED EARNINGS (DEFICIT) - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	2002			2001
	Budget	Actual	Variance favorable (unfavorable)	Actual
Operating revenues:				
Charges for sales and services:	\$ 750,000	\$ 762,670	\$ 12,670	\$ 75,606
Operating expenses:				
Personal services	414,035	432,893	(18,858)	
Materials and supplies	23,700	17,685	6,015	
Contractual services	308,500	193,555	114,945	
Other charges	4,751	4,751		
Total operating expenses	750,986	648,884	102,102	
Operating income (loss)	(986)	113,786	114,772	75,606
Nonoperating revenues (expenses):				
Interest earned		4,058	4,058	45
Total non-operating revenues (expenses)		4,058	4,058	45
Net income (loss) before operating transfers	(986)	117,844	118,830	75,651
Operating transfer in				
Net income (loss)	(986)	117,844	118,830	75,651
Retained earnings at beginning of year	75,651	75,651		
Retained earnings at end of year	\$ 74,665	\$ 193,495	\$ 118,830	\$ 75,651

CITY OF GALVESTON, TEXAS

MUNICIPAL AIRPORT ENTERPRISE FUND

Exhibit E-8

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN RETAINED EARNINGS (DEFICIT)-BUDGET (GAAP BASIS) AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	2002		Variance	2001
	Budget	Actual	favorable (unfavorable)	Actual
Operating revenues:				
Charges for sales and services:				
Building rental	\$ 174,005	\$ 169,140	\$ (4,865)	\$ 168,556
Hangar rental	73,485	72,564	(921)	73,001
Terminal space rental	53,565	45,678	(7,887)	36,807
Land lease rental	478,925	423,732	(55,193)	398,996
Oil company receipts	68,900	40,516	(28,384)	57,406
Miscellaneous	2,298	7,182	4,884	15,023
Total operating revenues	<u>851,178</u>	<u>758,812</u>	<u>(92,366)</u>	<u>749,789</u>
Operating expenses:				
Personal services	286,788	288,911	(2,123)	255,565
Materials and supplies	87,491	64,837	22,654	80,870
Contractual services	66,412	96,980	(30,568)	67,397
Other charges	115,018	94,772	20,246	311,128
Administrative Service Charge	35,000	35,000		35,000
Depreciation	182,000	182,730	(730)	186,910
Total operating expenses	<u>772,709</u>	<u>763,230</u>	<u>9,479</u>	<u>936,870</u>
Operating income (loss)	<u>78,469</u>	<u>(4,418)</u>	<u>(82,887)</u>	<u>(187,081)</u>
Nonoperating revenues (expenses):				
Interest earned	16,333	16,209	(124)	67,359
Interest expense	(30,572)	(30,572)		(33,329)
Total nonoperating revenues (expenses)	<u>(14,239)</u>	<u>(14,363)</u>	<u>(124)</u>	<u>34,030</u>
Net income (loss)	<u>64,230</u>	<u>(18,781)</u>	<u>(83,011)</u>	<u>(153,051)</u>
Add depreciation on contributed fixed assets		<u>76,350</u>	<u>76,350</u>	<u>29,661</u>
Increase (decrease) in retained earnings	<u>64,230</u>	<u>57,569</u>	<u>(6,661)</u>	<u>(123,390)</u>
Retained earnings at beginning of year	<u>615,247</u>	<u>615,247</u>		
Retained earnings at end of year	<u>\$ 679,477</u>	<u>\$ 672,816</u>	<u>\$ (6,661)</u>	<u>\$ (123,390)</u>

CITY OF GALVESTON, TEXAS

MUNICIPAL GOLF COURSE ENTERPRISE FUND

STATEMENT OF REVENUES, EXPENSES, AND

CHANGES IN RETAINED EARNINGS (DEFICIT) - BUDGET AND ACTUAL

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE ACTUAL AMOUNTS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

Exhibit E-9

	2002			2001
	Budget	Actual	Variance favorable (unfavorable)	Actual
Operating revenues:				
Charges for sales and services:	\$ 1,246,100	\$ 912,829	\$ (333,271)	\$ 949,240
Operating expenses:				
Personal services	583,617	538,546	45,071	451,688
Materials and supplies	330,825	245,574	85,251	254,501
Contractual services	213,908	160,660	53,248	181,839
Other charges	52,122	46,887	5,235	33,388
Depreciation	75,103	73,362	1,741	76,667
Total operating expenses	1,255,575	1,065,029	190,546	998,083
Operating income (loss)	(9,475)	(152,200)	(142,725)	(48,843)
Nonoperating revenues (expenses):				
Interest earned		27	27	13
Interest expense	(8,231)	(8,231)		(20,658)
Loss on retirement of fixed assets		(49,181)	(49,181)	
Total non-operating revenues (expenses)	(8,231)	(57,385)	(49,154)	(20,645)
Net income (loss) before operating transfers	(17,706)	(209,585)	(191,879)	(69,488)
Operating transfer in				1,230,260
Net income (loss)	(17,706)	(209,585)	(191,879)	1,160,772
Add depreciation on contributed fixed assets		12,383	12,383	14,748
Increase (decrease) in retained earnings	(17,706)	(197,202)	(179,496)	1,175,520
Retained earnings at beginning of year	1,205,423	1,205,423		
Retained earnings at end of year	\$ 1,187,717	\$ 1,008,221	\$ (179,496)	\$ 1,175,520



**INTERNAL
SERVICE
FUNDS**

INTERNAL SERVICE FUNDS

To account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

Central Services – to account for the financing of providing stores, mailing, printing and data processing services to user departments.

Insurance – to account for City insurance costs and financing through charges to user departments.

Central Garage – to account for the financing of garage activities through charges to user departments.

CITY OF GALVESTON, TEXAS
INTERNAL SERVICE FUNDS
COMBINING BALANCE SHEET
SEPTEMBER 30, 2002
WITH COMPARATIVE TOTALS FOR SEPTEMBER 30, 2001

	Central Services	Insurance	Central Garage
<u>Assets</u>			
Current assets:			
Cash and temporary investments	\$ 249,180	\$	\$ 296,879
Receivables:			
Accounts		138,213	31,249
Interest and dividends	273		
Inventory, at cost	13,289		88,803
Prepaid items	5,500	118,307	
Due from other funds			227,839
Total current assets	<u>268,242</u>	<u>256,520</u>	<u>644,770</u>
Restricted assets:			
Deposits		81,513	
Property and equipment			
Improvements other than building	468,308		
Equipment	<u>1,148,372</u>	<u>30,540</u>	
	1,616,680	30,540	
Less accumulated depreciation	<u>(938,724)</u>	<u>(30,540)</u>	
Net fixed assets	<u>677,956</u>		
Total assets	<u>\$ 946,198</u>	<u>\$ 338,033</u>	<u>\$ 644,770</u>
<u>Liabilities and Fund Equity</u>			
Liabilities:			
Current liabilities:			
Salaries and benefits payable	12,826	\$ 2,926	\$ 14,930
Accrued compensated absences	11,183	5,565	7,155
Accounts payable	138,755	205,835	53,879
Due to other funds		227,839	
Capital lease payable - current portion	53,006		
Claims payable - current portion	<u>4,550</u>	<u>9,242</u>	<u>10,507</u>
Total current liabilities	<u>220,320</u>	<u>451,407</u>	<u>86,471</u>
Noncurrent liabilities:			
Compensated absences payable	58,014	32,145	83,482
Capital lease payable	80,784		
Claims payable		637,611	15,195
Total noncurrent liabilities	<u>138,798</u>	<u>669,756</u>	<u>98,677</u>
Total liabilities	<u>359,118</u>	<u>1,121,163</u>	<u>185,148</u>
Fund equity			
Retained earnings (deficit)	<u>587,080</u>	<u>(783,130)</u>	<u>459,622</u>
Total fund equity	<u>587,080</u>	<u>(783,130)</u>	<u>459,622</u>
Total liabilities and fund equity	<u>\$ 946,198</u>	<u>\$ 338,033</u>	<u>\$ 644,770</u>

Exhibit F-1

Total	
2002	2001
\$ 546,059	\$ 1,209,917
169,462	80,202
273	576
102,092	101,645
123,807	171,061
227,839	
<u>1,169,532</u>	<u>1,563,401</u>
81,513	128,000
468,308	206,527
<u>1,178,912</u>	<u>1,043,202</u>
1,647,220	1,249,729
(969,264)	(870,652)
<u>677,956</u>	<u>379,077</u>
<u>\$ 1,929,001</u>	<u>\$ 2,070,478</u>
\$ 30,682	\$ 39,026
23,903	
398,469	230,395
227,839	38,031
53,006	54,137
24,299	12,710
<u>758,198</u>	<u>374,299</u>
173,641	78,238
80,784	129,493
652,806	25,520
<u>907,231</u>	<u>233,251</u>
<u>1,665,429</u>	<u>607,550</u>
263,572	1,462,928
<u>263,572</u>	<u>1,462,928</u>
<u>\$ 1,929,001</u>	<u>\$ 2,070,478</u>

CITY OF GALVESTON, TEXAS

INTERNAL SERVICE FUNDS

**COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN RETAINED EARNINGS**

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	<u>Central Services</u>	<u>Insurance</u>	<u>Central Garage</u>
Operating revenues:			
Charges for services	\$ 1,427,193	\$ 4,972,179	\$ 2,350,732
Other revenues		260,734	
Total operating revenues	<u>1,427,193</u>	<u>5,232,913</u>	<u>2,350,732</u>
Operating expenses:			
Personal services	596,070	142,837	904,117
Materials and supplies	281,858	4,221	999,390
Contractual services	399,186	9,291	331,440
Insurance policies in force		1,852,244	
Other charges	22,191	477,551	444,250
Depreciation	126,149	795	
Group health claims		3,627,766	
Total operating expenses	<u>1,425,454</u>	<u>6,114,705</u>	<u>2,679,197</u>
Operating income (loss)	1,739	(881,792)	(328,465)
Nonoperating revenues (expenses):			
Earnings on investments	7,388	2,113	9,406
Interest expense	(9,745)		
Total nonoperating revenues (expenses)	<u>(2,357)</u>	<u>2,113</u>	<u>9,406</u>
Net income (loss)	(618)	(879,679)	(319,059)
Retained earnings at beginning of year	<u>587,698</u>	<u>96,549</u>	<u>778,681</u>
Retained earnings at end of year	<u>\$ 587,080</u>	<u>\$ (783,130)</u>	<u>\$ 459,622</u>

Exhibit F-2

Total	
2002	2001
\$ 8,750,104	\$ 5,731,850
260,734	3,388
9,010,838	5,735,238
1,643,024	624,951
1,285,469	318,513
739,917	333,475
1,852,244	3,646,914
943,992	547,065
126,944	145,661
3,627,766	
10,219,356	5,616,579
(1,208,518)	118,659
18,907	20,027
(9,745)	(11,444)
9,162	8,583
(1,199,356)	127,242
1,462,928	1,335,686
\$ 263,572	\$ 1,462,928

CITY OF GALVESTON, TEXAS
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002
WITH COMPARATIVE TOTALS FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2001

	Central Services	Insurance	Central Garage
Cash flows from operating activities:			
Cash received from customers	\$ 1,427,193	\$ 5,174,902	\$ 2,319,483
Cash payments to suppliers for goods and services	(601,956)	(5,234,371)	(1,712,818)
Cash payments to employees	(588,735)	(132,452)	(810,875)
Net cash provided by (used for) operating activities	236,502	(191,921)	(204,210)
Cash flows from noncapital and related financing activities:			
Interfund advances		189,808	(227,839)
Cash flows from capital and related financing activities:			
Payment for capital acquisition	(425,823)		
Principal paid on capital leases	(49,840)		
Interest paid on capital lease	(9,745)		
Net cash used for capital and related financing activities	(485,408)		
Cash flows from investing activities:			
Interest on investments	7,691	2,113	9,416
Net increase (decrease) in equity in pooled cash and investments	(241,215)		(422,633)
Equity in pooled cash and investments, October 1	490,395		719,512
Equity in pooled cash and investments, September 30	\$ 249,180	\$	\$ 296,879
<u>Reconciliation of Operating Income (Loss)</u> <u>to Net Cash Provided by (Used for) by Operating Activities</u>			
Operating income (loss)	\$ 1,739	\$ (881,792)	\$ (328,465)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	126,149	795	
Increase in interest receivable			
Decrease (increase) in accounts receivable		(58,011)	(31,249)
Increase in deposits		46,487	
Decrease (increase) in due to other funds			
Decrease (increase) in inventory and prepaid items	60,766	(9,350)	(4,609)
Increase (decrease) in salaries payable	(8,245)	(2,704)	2,605
Increase (decrease) in accounts payable	35,963	78,232	53,879
Increase (decrease) in compensated absences	15,580	13,089	90,637
Increase (decrease) in claims payable	4,550	621,333	12,992
Total adjustments	234,763	689,871	124,255
Net cash provided by (used for) operating activities	\$ 236,502	\$ (191,921)	\$ (204,210)

Exhibit F-3

Totals	
2002	2001
\$ 8,921,578	\$ 4,663,387
(7,549,145)	(4,306,418)
(1,532,062)	(304,569)
(159,629)	52,400
(38,031)	(38,031)
(425,823)	(83,198)
(49,840)	(38,815)
(9,745)	
(485,408)	(122,013)
19,220	4,211
(663,848)	(65,402)
1,209,907	355,955
\$ 546,059	\$ 1,209,907
\$ (1,208,518)	\$ (10,088)
126,944	197,966
(89,260)	41,585
46,487	(10,000)
	(904)
46,807	(74,280)
(8,344)	2,607
168,074	28,736
119,306	5,973
638,875	(129,195)
1,048,889	62,488
\$ (159,629)	\$ 52,400



**TRUST
AND
AGENCY
FUNDS**

TRUST AND AGENCY FUNDS

To account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governments and /or other funds. These funds include Pension Trust and Agency Funds.

Pension Trust – to account for the accumulated of resources to be used for retirement annuity payments at appropriate amounts and times in the future. These funds are reported on a calendar year basis for the year ended December 31, 2000.

Agency – custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.



CITY OF GALVESTON, TEXAS

**TRUST AND AGENCY FUNDS
COMBINING BALANCE SHEET
DECEMBER 30, 2001**

Exhibit G-1

WITH COMPARATIVE TOTALS FOR DECEMBER 30, 2000

	Pension Trust Funds		Totals	
	Retirement Funds	Agency Fund*	2001	2000
<u>Assets</u>				
Cash and temporary investments	\$ 5,676,975	\$ 447,872	\$ 6,124,847	\$ 3,213,363
Investments at fair value	84,268,551		84,268,551	90,481,944
Receivables:				
Interest and dividends	315,504		315,504	542,925
Loans to participants	35,547		35,547	10,742
Contributions	127,373		127,373	229,853
Prepaid items	367,131		367,131	145,235
Total assets	<u>\$ 90,791,081</u>	<u>\$ 447,872</u>	<u>\$91,238,953</u>	<u>\$94,624,062</u>
<u>Liabilities and Net Assets</u>				
Liabilities:				
Accounts payable	\$ 2,210,230	\$ 112,507	\$ 2,322,737	\$ 538,176
Due to others		335,365	335,365	179,429
Total liabilities	<u>2,210,230</u>	<u>447,872</u>	<u>2,658,102</u>	<u>717,605</u>
Net Assets				
Net Assets held in trust for pension benefits	<u>88,580,851</u>		<u>88,580,851</u>	<u>93,906,457</u>
Total liabilities and fund balances	<u>\$ 90,791,081</u>	<u>\$ 447,872</u>	<u>\$91,238,953</u>	<u>\$94,624,062</u>

*Reported as of September 30, 2002

CITY OF GALVESTON, TEXAS
PENSION TRUST FUNDS
COMBINING STATEMENTS OF PLAN NET ASSETS
DECEMBER 30, 2001
WITH COMPARATIVE TOTALS FOR DECEMBER 30, 2000

	<u>City Employees Retirement</u>	<u>Fireman's Relief and Retirement</u>	<u>Police Retirement</u>
Assets			
Cash and temporary investments	\$ 4,007,587	\$ 1,419,090	\$ 250,298
Receivables:			
Interest and dividends	125,710	67,153	122,641
Contributions	52,044	40,367	34,962
Loans to participants			35,547
Prepaid items	204,173		162,958
Investments at fair value	36,276,744	24,197,737	23,794,070
Total assets	<u>40,666,258</u>	<u>25,724,347</u>	<u>24,400,476</u>
Liabilities:			
Accounts payable	<u>2,123,406</u>	<u>45,795</u>	<u>41,029</u>
Total liabilities	<u>2,123,406</u>	<u>45,795</u>	<u>41,029</u>
Net assets held in trust for pension benefits	<u>\$ 38,542,852</u>	<u>\$ 25,678,552</u>	<u>\$ 24,359,447</u>

Exhibit G-2

Total	
2001	2000
\$ 5,676,975	\$ 2,940,411
315,504	542,925
127,373	229,853
35,547	10,742
367,131	145,235
84,268,551	90,481,944
90,791,081	94,351,110
2,210,230	444,653
2,210,230	444,653
\$ 88,580,851	\$ 93,906,457

CITY OF GALVESTON, TEXAS

PENSION TRUST FUNDS

COMBINING STATEMENTS OF CHANGES IN PLAN NET ASSETS

FOR THE YEAR ENDED DECEMBER 31, 2001

WITH COMPARATIVE TOTALS FOR THE YEAR ENDED DECEMBER 31, 2000

	<u>City Employees Retirement</u>	<u>Fireman's Relief and Retirement</u>	<u>Police Retirement</u>
Additions			
Contributions:			
Employer	\$ 627,944	\$ 577,495	\$ 325,804
Plan members	604,079	427,775	651,608
Total contributions	<u>1,232,023</u>	<u>1,005,270</u>	<u>977,412</u>
Investment income:			
Net appreciation (depreciation) in fair value of investments	(3,312,190)	(917,317)	(1,003,524)
Interest	939,172	573,804	619,599
Dividends	211,616	230,243	193,854
	<u>(2,161,402)</u>	<u>(113,270)</u>	<u>(190,071)</u>
Less investment expense	<u>199,675</u>	<u>181,635</u>	<u>146,109</u>
Net investment income	(2,361,077)	(294,905)	(336,180)
Other income	<u>45,945</u>		
Total additions	<u>(1,083,109)</u>	<u>710,365</u>	<u>641,232</u>
Deductions			
Benefits paid	1,823,876	1,364,655	1,630,768
Refunds of contributions	292,079		
Administrative expenses	156,173	55,445	271,098
Total deductions	<u>2,272,128</u>	<u>1,420,100</u>	<u>1,901,866</u>
Net increase (decrease) in plan net assets	(3,355,237)	(709,735)	(1,260,634)
Net assets held in trust for pension benefits, beginning of year	<u>41,898,089</u>	<u>26,388,287</u>	<u>25,620,081</u>
Net assets held in trust for pension benefits, end of year	<u>\$ 38,542,852</u>	<u>\$ 25,678,552</u>	<u>\$ 24,359,447</u>

Exhibit G-3

Total	
2001	2000
\$ 1,531,243	\$ 1,435,770
1,683,462	1,624,643
<u>3,214,705</u>	<u>3,060,413</u>
(5,233,031)	(1,442,249)
2,132,575	2,300,062
635,713	780,946
<u>(2,464,743)</u>	<u>1,638,759</u>
527,419	(546,110)
(2,992,162)	1,092,649
<u>268,488</u>	<u>4,153,062</u>
4,819,299	4,112,979
292,079	403,009
482,716	296,955
<u>5,594,094</u>	<u>4,812,943</u>
(5,325,606)	(659,881)
<u>93,906,457</u>	<u>94,566,338</u>
<u>\$ 88,580,851</u>	<u>\$ 93,906,457</u>

CITY OF GALVESTON, TEXAS

AGENCY FUND

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002**

Exhibit G-4

	Balance at September 30, 2001	Additions	Retirements	Balance at September 30, 2002
Assets:				
Cash and temporary investments	\$ 272,952	\$	\$ (174,920)	\$ 447,872
Total Assets	<u>\$ 272,952</u>	<u>\$</u>	<u>\$ (174,920)</u>	<u>\$ 447,872</u>
Liabilities:				
Accounts payable	\$ 93,523	\$ 18,984	\$	\$ 112,507
Due to other governments	179,429	155,936		335,365
Total liabilities	<u>\$ 272,952</u>	<u>\$ 174,920</u>	<u>\$</u>	<u>\$ 447,872</u>

**GENERAL FIXED
ASSETS
ACCOUNT GROUP**

***GENERAL FIXED ASSET
ACCOUNT GROUP***

To account for fixed assets not used in proprietary fund operations or accounted for in Trust Funds.



CITY OF GALVESTON, TEXAS
COMPARATIVE SCHEDULE OF GENERAL FIXED ASSETS
BY SOURCES
SEPTEMBER 30, 2002

Exhibit H-1

	<u>2002</u>	<u>2001</u>
General Fixed Assets		
Land	\$ 1,673,302	\$ 1,673,302
Buildings	8,049,686	8,049,686
Improvements other than Buildings	3,507,824	3,480,662
Infrastructure	66,420,856	66,366,023
Equipment	6,203,459	5,912,631
Licensed Vehicles	14,993,915	13,741,968
Construction in progress	446,915	
Total General Fixed Assets	<u>\$ 101,295,957</u>	<u>\$ 99,224,272</u>
	-	
Investments in General Fixed Assets from:		
General Fund revenue	\$ 75,123,255	\$ 73,051,570
Federal grants	13,330,334	13,330,334
Donations	1,130,000	1,130,000
General fixed assets acquired before July 1, 1956	11,712,368	11,712,368
Total Investment in General Fixed Assets	<u>\$ 101,295,957</u>	<u>\$ 99,224,272</u>

CITY OF GALVESTON, TEXAS
SCHEDULE OF CHANGES IN GENERAL FIXED ASSETS
BY FUNCTION AND ACTIVITY
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2002

	Beginning Balance	Additions	(Deletions)	Other Adjustments	Ending Balance
General Government					
Legislative	\$ 601,161	\$	\$	\$	\$ 601,161
Judicial	116,470				116,470
Flagship Hotel	4,155,755				4,155,755
Garage	740,778				740,778
Other-Unclassified	84,125				84,125
Total General Government	5,698,289				5,698,289
Public Safety					
Police	6,261,111	25,542	(143,978)		6,142,675
Communications	1,493,205	-			1,493,205
Fire	3,759,086	720,000	(16,050)		4,463,036
EMS	931,357		(143,595)		787,762
Total Public Safety	12,444,759	745,542	(303,623)		12,886,678
Public Works and Streets					
Public Works	43,854,451	719,027	(356,339)	242,861	44,460,000
Traffic Control	15,504,406	430,816			15,935,222
Total Public Works and Streets	59,358,857	1,149,843	(356,339)	242,861	60,395,222
Culture and Recreation	4,003,201	661,213	(67,812)		4,596,602
Housing	126,249				126,249
Transportation System	4,678,687				4,678,687
Trolley	12,914,230				12,914,230
Grand Total General Fixed Assets	\$ 99,224,272	\$ 2,556,598	\$ (727,774)	\$ 242,861	\$ 101,295,957

Land	Buildings	Improvements other than Buildings	Infrastructure	Equipment	Licensed Vehicles	Construction in Progress	Total Fixed Assets
\$ 39,827	\$ 444,926	\$ 18,565	\$	\$ 50,000	\$ 47,843	\$	\$ 601,161
				96,690	19,780		116,470
462	4,155,293						4,155,755
24,330	597,437	119,011					740,778
84,125							84,125
148,744	5,197,656	137,576		146,690	67,623		5,698,289
	841,512	186,595		3,083,674	2,030,894		6,142,675
				1,493,205			1,493,205
3,152	648,215	75,883		180,459	3,555,327		4,463,036
	23,831	4,860			759,071		787,762
3,152	1,513,558	267,338		4,757,338	6,345,292		12,886,678
			41,905,430	676,946	1,877,624		44,460,000
	130,361	1,518,725	13,785,760		128,967	371,409	15,935,222
	130,361	1,518,725	55,691,190	676,946	2,006,591	371,409	60,395,222
1,513,786	636,460	1,308,899	29,666	469,587	562,698	75,506	4,596,602
	36,103	41,353			48,793		126,249
7,620	405,671	151,031		128,307	3,986,058		4,678,687
	129,877	82,902	10,700,000	24,591	1,976,860		12,914,230
\$ 1,673,302	\$ 8,049,686	\$ 3,507,824	\$ 66,420,856	\$ 6,203,459	\$ 14,993,915	\$ 446,915	\$ 101,295,957



**GENERAL
LONG-TERM
OBLIGATION
ACCOUNT GROUP**

***GENERAL LONG-TERM DEBT
ACCOUNT GROUP***

To account for long-term liabilities expected to be financed from governmental funds.



CITY OF GALVESTON, TEXAS
GENERAL LONG-TERM DEBT
COMPARATIVE SCHEDULE OF GENERAL LONG-TERM DEBT
SEPTEMBER 30, 2002 AND 2001

Exhibit I-1

	<u>2002</u>	<u>2001</u>
Amount available and to be provided for the payment of General Long-Term Debt		
Amount available in debt service	\$ 4,686,116	\$ 3,340,828
Amount to be provided for retirement of long-term debt	<u>66,056,189</u>	<u>35,725,857</u>
Total available and to be provided	<u>\$ 70,742,305</u>	<u>\$ 39,066,685</u>
General Long-Term Debt payable		
Accrued compensated absences payable	\$ 5,575,671	\$ 4,946,809
General obligation bonds payable	18,334,425	18,701,931
Special obligation bonds payable	43,170,000	11,615,000
Capital lease payable	3,072,890	2,633,990
Contracts payable	71,210	190,030
Estimated liability claims	<u>518,109</u>	<u>978,925</u>
Total general long-term debt payable	<u>\$ 70,742,305</u>	<u>\$ 39,066,685</u>



STATISTICAL SECTION

UNAUDITED STATISTICAL SECTION

CITY OF GALVESTON, TEXAS**GENERAL GOVERNMENT EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>General Government</u>	<u>Public Safety</u>	<u>Public Works and Streets</u>	<u>Culture and Recreation</u>	<u>Planning and Community Development</u>	<u>Transportation System</u>
1993	\$ 3,254,930	\$ 12,353,160	\$ 4,102,256	\$ 2,370,914	\$ 1,948,261	\$ 550,159
1994	2,500,385	12,886,755	3,730,027	2,782,680	2,272,956	383,675
1995	2,359,599	12,600,909	4,906,846	2,516,368	2,371,822	1,202,718
1996	2,064,842	11,886,837	5,279,023	1,800,224	2,619,320	921,937
1997	2,236,073	11,517,481	6,096,608	1,954,131	2,400,092	301,628
1998	2,368,826	12,474,926	5,221,263	1,823,792	3,441,887	402,600
1999	3,210,409	14,638,579	3,912,071	1,981,478	3,735,695	3,046,353
2000	4,328,701	18,822,739	2,923,468	2,084,407	2,555,148	2,210,209
2001	4,499,673	19,856,393	2,822,852	2,244,369	2,376,734	4,181,645
2002	4,116,076	20,249,092	2,725,219	2,498,976	4,259,306	3,780,732

Includes all Governmental Fund Types

- (1) Categories have been allocated to functional expenditures for fiscal years 2000 and 2001
- (2) Other Activities includes self insurance claims and judgments.

Exhibit I

<u>Inter- governmental</u>	<u>Capital Outlay</u>	<u>Pension and Fringe Benefits (1)</u>	<u>Other Activities (1)(2)</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 819,669	\$ 2,641,720	\$2,188,931	\$ 1,540,013	\$ 31,770,013
	16,326	2,750,523	884,185	1,816,784	30,024,296
852,714		3,512,696	1,162,486	2,492,789	33,978,947
578,048		2,574,860	2,802,198	2,905,950	33,433,239
611,695		2,470,563	2,670,931	2,614,686	32,873,888
641,847		2,473,598	2,971,631	2,645,353	34,465,723
694,563	1,319,117	1,951,528	2,986,886	2,663,325	40,140,004
743,417	2,474,572			2,631,986	38,774,647
781,368	2,461,694			2,374,011	41,598,739
776,488	4,457,737			2,573,742	45,437,368

CITY OF GALVESTON
GENERAL GOVERNMENT REVENUES BY SOURCE
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Property Taxes</u>	<u>Sales and Use Taxes</u>	<u>Franchise Taxes</u>	<u>Licenses and Permits</u>	<u>Inter- governmental</u>
1993	\$9,755,999	\$8,184,585	\$ 3,797,826	\$ 365,292	\$ 3,798,268
1994	9,089,376	8,842,446	3,801,185	271,355	2,940,212
1995	8,758,805	9,402,017	3,480,667	270,795	3,552,354
1996	9,094,969	10,129,964	3,621,658	375,492	3,383,254
1997	9,289,272	10,030,302	3,845,031	424,449	3,046,876
1998	9,671,598	10,530,429	3,772,582	459,177	4,070,571
1999	9,313,827	11,396,831	4,361,024	398,011	7,031,295
2000	9,863,934	12,201,729	4,518,987	462,939	5,051,429
2001	10,636,480	12,802,191	5,472,040	461,130	6,456,727
2002	11,660,813	12,757,466	4,680,348	970,459	6,700,295

Includes all Governmental Fund Types

Exhibit II

<u>Charges for Services</u>	<u>Fines and Forfeitures</u>	<u>Earnings on Investments</u>	<u>Other</u>	<u>Total</u>
\$ 870,481	\$ 924,262	\$ 185,613	\$1,609,745	\$ 29,492,071
1,054,223	805,485	239,330	630,882	27,674,494
1,591,598	983,491	539,199	632,561	29,211,487
1,763,794	1,184,788	832,792	403,666	30,790,377
1,696,991	1,347,405	655,797	1,395,012	31,731,135
1,790,317	1,591,543	635,976	945,719	33,467,912
1,628,048	1,682,468	547,181	1,467,525	37,826,210
2,796,569	1,757,325	478,547	987,007	38,118,466
2,920,992	1,665,389	835,654	1,442,479	42,693,082
2,615,041	1,919,173	654,674	1,696,143	43,654,412

CITY OF GALVESTON, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Total current tax levy</u>	<u>Current tax collections</u>	<u>Percent of current levy collected</u>	<u>Delinquent tax collections</u>	<u>Total tax collections</u>
1993	\$ 8,929,494	\$ 8,461,446	94.8%	\$ 563,352	\$ 9,024,798
1994	8,989,388	8,555,286	95.2%	431,232	8,986,518
1995	8,833,162	8,425,318	95.4%	394,212	8,819,530
1996	8,931,302	8,515,541	95.3%	505,473	9,021,014
1997	9,211,093	8,877,425	96.4%	390,828	9,268,253
1998	9,496,924	9,225,231	97.1%	421,153	9,646,384
1999	9,583,462	9,169,794	95.7%	373,059	9,542,853
2000	9,652,260	9,450,127	97.9%	261,835	9,711,962
2001	10,627,198	10,233,447	96.3%	327,631	10,561,078
2002	11,798,824	11,214,542	95.0%	410,797	11,625,339

Exhibit III

<u>Percent of total tax collections to current levy</u>	<u>Outstanding delinquent taxes by tax year</u>	<u>Percent of delinquent taxes to current tax levy</u>
101.1%	\$ 2,417,331	27.1%
100.0%	2,150,456	23.9%
99.8%	2,445,605	27.7%
101.0%	2,381,265	26.7%
100.6%	2,487,505	27.0%
101.6%	2,568,093	27.0%
99.6%	1,293,883	13.5%
100.6%	1,459,760	15.1%
99.4%	1,502,877	14.1%
98.5%	1,448,173	12.3%

CITY OF GALVESTON, TEXAS
ASSESSED AND ACTUAL VALUE OF TAXABLE AND NONTAXABLE PROPERTY
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Tax Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>Total Value</u>	<u>Exemptions*</u>
1993	1992	\$1,507,977,092	\$ 260,436,581	\$1,768,413,673	\$ 219,630,268
1994	1993	1,539,205,092	238,810,777	1,778,015,869	156,457,105
1995	1994	1,513,426,407	270,758,648	1,784,185,055	163,502,660
1996	1995	1,555,952,645	233,265,992	1,789,218,637	167,157,796
1997	1996	1,617,891,554	238,449,582	1,856,341,136	178,093,125
1998	1997	1,686,337,630	231,850,167	1,918,187,797	186,163,134
1999	1998	1,712,403,966	217,292,758	1,929,696,724	188,376,774
2000	1999	1,786,250,158	222,790,255	2,009,040,413	195,430,697
2001	2000	1,906,082,465	241,140,604	2,147,223,069	210,953,229
2002	2001	2,115,860,748	260,088,183	2,375,948,931	223,055,537

* This category includes only exemptions which reduce taxable property liability. Separately, the Central Appraisal District reports \$971 million in totally tax-exempt property (non-profit, school district, city, county, etc.)

All assessments are at 100% of market value.

Source: Central Appraisal District

Exhibit IV

**Net Assessed
Value**

\$1,548,783,405
1,621,558,764
1,620,682,395
1,622,060,841
1,678,248,011
1,732,024,663
1,741,319,950
1,813,609,716
1,936,269,840
2,152,893,394

CITY OF GALVESTON, TEXAS
PROPERTY TAX RATES - ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Fiscal Year	Tax Year	City of Galveston				Total
		General Fund	Pension Fund	Library Fund	Debt Service Fund	
1993	1992	\$ 0.2606	\$ 0.1750	\$ 0.0500	\$ 0.0750	\$ 0.5606
1994	1993	0.2559	0.1885	0.0500	0.0615	0.5559
1995	1994	0.2480	0.1885	0.0500	0.0615	0.5480
1996	1995	0.2469	0.1885	0.0500	0.0615	0.5469
1997	1996	0.2472	0.1885	0.0500	0.0615	0.5472
1998	1997	0.2472	0.1885	0.0500	0.0615	0.5472
1999	1998	0.4255	-	0.0500	0.0739	0.5494
2000	1999	0.4271	-	0.0500	0.0728	0.5499
2001	2000	0.4314	-	0.0500	0.0672	0.5486
2002	2001	0.4421	-	0.0500	0.0638	0.5559

(1) Contains the Pension Fund beginning fiscal year 1999.

Exhibit V

<u>Galveston I.S.D.</u>	<u>Junior College</u>	<u>Navigation District No. 1</u>	<u>Galveston County</u>	<u>Total millage</u>
\$ 0.6285	\$ 0.1775	\$ 0.0245	\$ 0.4450	\$ 1.8361
1.6322	0.1775	0.0282	0.4650	2.8588
1.5000	0.1775	0.0292	0.4650	2.7197
1.5000	0.1775	0.0322	0.4850	2.7416
1.5000	0.1775	0.0342	0.5075	2.7664
1.5000	0.1878	0.0396	0.5200	2.7946
1.5200	0.1878	0.0400	0.5200	2.8172
1.5200	0.1978	0.0400	0.5450	2.8527
1.5200	0.1978	0.0406	0.5450	2.8520
1.5200	0.1952	0.0406	0.5654	2.8771

CITY OF GALVESTON, TEXAS**RATIO OF NET GENERAL OBLIGATION BONDED DEBT
TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population (2)</u>	<u>Assessed Value</u>	<u>Gross Bonded Debt (1)</u>	<u>Less Amount Available in Debt Service Fund</u>	<u>Less Debt Payable From Enterprise Revenues</u>
1993	59,070	\$1,548,783,405	\$11,281,985	\$1,608,133	\$ 2,105,000
1994	59,070	1,621,558,764	10,117,362	1,416,964	1,900,000
1995	59,070	1,620,682,395	8,903,859	1,174,740	1,685,000
1996	59,070	1,622,060,841	7,828,829	911,830	1,460,000
1997	59,070	1,678,248,011	6,758,861	693,357	1,225,000
1998	63,859	1,732,024,663	5,655,241	764,338	980,000
1999	63,859	1,741,319,950	4,595,817	825,189	720,000
2000	63,859	1,813,609,716	7,100,808	746,296	450,000
2001	57,247	1,936,269,840	18,871,931 (3)	1,258,121	170,000
2002	57,247	2,152,893,394	18,334,425	1,528,664	-

Notes: (1) Includes all long-term general obligation debt
(2) Bureau of Census figures 1990 and 2000
(3) Includes \$3,097,759 accretion.

Exhibit VI

<u>Net Bonded Debt</u>	<u>Ratio of Net Bonded Debt to Assessed Value</u>	<u>Net Bonded Debt per Capita</u>
\$ 7,568,852	0.49%	\$ 128
6,800,398	0.42%	115
6,044,119	0.37%	102
5,456,999	0.34%	92
4,840,504	0.29%	82
3,910,903	0.23%	61
3,050,628	0.18%	48
5,904,512	0.33%	92
17,443,810	0.90%	305
16,805,761	0.78%	294

CITY OF GALVESTON, TEXAS
COMPUTATION OF DIRECT AND OVERLAPPING
GENERAL OBLIGATION DEBT
September 30, 2002

Exhibit VII

<u>Governmental Unit</u>	<u>Net Debt Outstanding</u>		<u>Percentage Applicable to City of Galveston (1)</u>	<u>Amount Applicable to City of Galveston</u>
City of Galveston	\$ 16,805,761	(2)	100.00%	\$ 16,805,761
Galveston Independent School District	25,027,903		100.00%	25,027,903
Galveston County	97,095,845	(2)	14.84%	<u>14,409,023</u>
Total direct and overlapping debt				<u><u>\$ 56,242,687</u></u>

(1) Percentage will remain the same until annexation of Pirate's Beach is complete.

(2) Includes bond accretion

CITY OF GALVESTON, TEXAS**RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL EXPENDITURES
LAST TEN FISCAL YEARS***Exhibit VIII*

<u>Fiscal Year</u>	<u>Principal (1)</u>	<u>Interest (2)</u>	<u>Total Debt Service</u>	<u>Total General Governmental Expenditures (3)</u>	<u>Ratio of Debt Service to Total General Governmental Expenditures</u>
1993	\$ 1,121,582	\$ 418,431	\$ 1,540,013	\$ 31,770,013	4.85%
1994	959,623	253,729	1,213,352	30,024,296	4.04%
1995	998,503	235,487	1,233,990	33,978,947	3.63%
1996	834,968	408,685	1,243,653	33,433,239	3.72%
1997	858,620	413,343	1,271,963	32,873,888	3.87%
1998	799,424	486,499	1,285,923	34,465,723	3.73%
1999	927,151	625,436	1,552,587	40,140,004	3.87%
2000	735,332	565,458	1,300,790	38,774,647	3.35%
2001	375,252	963,748	1,339,000	41,598,739	3.22%
2002	375,252	514,748	890,000	45,437,368	1.96%

(1) General obligation bonds reported in the Enterprise Funds, Tax Reinvestment Zones, and Industrial Development Corporation have been excluded.

(2) Excludes advance refunding escrow.

(3) Includes General Fund, Pension and Fringe Benefits Fund, Rosenberg Fund, and Debt Service Fu

CITY OF GALVESTON, TEXAS
REVENUE BOND COVERAGE
WATER AND SEWER BONDS
LAST TEN FISCAL YEARS

<u>Fiscal Year</u>	<u>Operating and Nonoperating Revenues</u>	<u>Direct Operating Expenses</u>	<u>Adjustments to Direct Operating Expenses (1)</u>	<u>Net Revenue Available For Debt Service</u>
1993	\$ 15,530,356	\$ 11,552,264	\$ -	\$ 3,978,092
1994	15,517,424	12,329,315	-	3,188,109
1995	15,862,047	12,600,053	-	3,261,994
1996	15,727,889	14,076,621	4,222,052	5,873,320
1997	16,455,009	12,304,032	4,245,198	8,396,175
1998	16,822,624	12,198,874	4,713,739	9,337,489
1999	17,355,863	14,133,470	2,876,754	6,099,147
2000	18,277,247	14,445,017	2,719,964	6,552,194
2001	17,964,816	16,038,067	2,271,659	4,198,408
2002	17,482,245	15,985,708	3,685,247	5,181,784

(1) Depreciation, Interest expense, and Payments in lieu of taxes

Exhibit IX

Debt service requirements

<u>Principal</u>	<u>Interest</u>	<u>Total</u>	<u>Coverage</u>
\$ 965,377	\$ 972,027	\$ 1,937,404	2.05
835,000	644,166	1,479,166	2.16
880,000	565,964	1,445,964	2.26
930,000	514,884	1,444,884	4.06
990,000	458,972	1,448,972	5.79
1,120,000	331,466	1,451,466	6.43
1,077,459	368,050	1,445,509	4.22
1,310,549	1,045,753	2,356,302	2.78
1,448,032	851,017	2,299,049	1.83
1,311,011	690,667	2,001,678	2.59

CITY OF GALVESTON, TEXAS

WATERWORKS AND SEWER SYSTEM ENTERPRISE FUNDS

Exhibit X

**COMBINED SCHEDULE OF NET REVENUES AVAILABLE FOR DEBT SERVICE
FOR FISCAL YEAR ENDED SEPTEMBER 30, 2002**

	<u>Waterworks System</u>	<u>Sewer System</u>	<u>Total Waterworks & Sewer System</u>
Operating Revenues	\$ 9,719,618	\$ 7,186,419	\$ 16,906,037
Nonoperating Revenues	<u>288,922</u>	<u>287,286</u>	<u>576,208</u>
Adjusted revenues	<u>10,008,540</u>	<u>7,473,705</u>	<u>17,482,245</u>
Operating expenses	9,947,419	6,038,289	15,985,708
Less items excluded for purpose of computing net revenues available for debt service			
Depreciation and amortization	(2,042,668)	(1,242,579)	(3,285,247)
Payment in lieu of taxes	<u>(200,000)</u>	<u>(200,000)</u>	<u>(400,000)</u>
	<u>(2,242,668)</u>	<u>(1,442,579)</u>	<u>(3,685,247)</u>
Adjusted expenses	<u>7,704,751</u>	<u>4,595,710</u>	<u>12,300,461</u>
Net revenues available for debt service	<u>\$ 2,303,789</u>	<u>\$ 2,877,995</u>	<u>\$ 5,181,784</u>
Net revenue requirements pursuant to City of Galveston Water and Sewer System Revenue Bond Ordinances -Series 1989, 1993 and 2000			
125% times average annual current revenue bond debt service (\$296,290)	<u>\$ 370,363</u>		
125% times average annual current revenue bond debt service (\$761,358)		<u>\$ 951,698</u>	
			<u>\$ 1,322,060</u>

CITY OF GALVESTON, TEXAS
TEN LARGEST TAXPAYERS
September 30, 2002

Exhibit XI

<u>Taxpayer</u>	<u>2001 Assessed Valuation</u>	<u>Percentage of total assessed valuation</u>
Reliant Energy HL&P	\$ 41,418,660	1.92%
Southwestern Bell	20,964,540	0.97%
Wal-Mart Realty/Wal-Mart Stores	18,682,260	0.87%
Fertitta Hospitality	18,407,120	0.85%
Newpark Shipbuilding	13,324,280	0.62%
American National Insurance Co.	13,101,540	0.61%
MBP Corporation	11,340,710	0.53%
Sealy Smith Foundation	10,826,190	0.50%
Dawn on the Seawall Partnership	8,700,000	0.40%
Eighteen Seventy Strand Corp.	8,413,100	0.39%
Total	<u>\$ 165,178,400</u>	<u>7.67%</u>

Total Assessed Value	<u>\$ 2,152,893,394</u>
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Source: Galveston Central Appraisal District

CITY OF GALVESTON, TEXAS
NEW CONSTRUCTION AND PROPERTY VALUE
LAST TEN FISCAL YEARS

Fiscal year	New Construction Permits (1)			
	Commercial		Residential	
	Number of units	Value	Number of units	Value
1993	12	\$ 1,077,025	56	\$ 6,113,126
1994	11	20,103,855	84	9,270,778
1995	11	12,555,000	106	11,462,918
1996	6	5,209,500	78	15,558,989
1997	73	25,385,404	566	46,332,902
1998	22	44,394,700	202	26,440,094
1999	29	11,487,244	101	14,816,984
2000	19	5,667,417	159	26,478,271
2001	31	18,661,750	171	28,849,987
2002	31	53,858,013	153	21,274,383

* Assessed values on tax rolls prior to exemptions

** Over age 65; veteran's exemptions; 20% homestead exemption

*** Non Taxable property includes properties owned by government agencies,
non-profits, and religious organizations

**** Statistics not available from Central Appraisal District

Source: (1) City Planning Department
(2) Galveston Central Appraisal District

Property Value * (2)

Commercial	Residential	Exemptions**	Nontaxable ***
\$ 509,709,509	\$ 1,245,991,160	\$ 219,630,268	****
402,535,659	1,333,112,176	156,457,105	****
356,435,565	1,604,072,097	163,502,660	****
299,238,470	1,269,046,324	166,189,812	\$ 872,488,152
362,971,294	1,196,480,316	176,349,300	908,007,854
352,271,783	1,242,618,342	185,007,563	917,125,717
367,640,830	1,310,973,122	192,155,736	936,064,551
368,068,760	1,310,980,332	195,402,715	981,643,856
380,455,091	1,409,138,702	210,953,229	980,533,832
400,505,347	1,577,716,296	223,055,537	979,642,112

CITY OF GALVESTON, TEXAS
HISTORICAL WATER CONSUMPTION
LAST TEN FISCAL YEARS

Fiscal Year	Estimated City Population (1)	Number of Customers	Water Usage (MG)		
			Average Day Usage	Peak Day Usage	Peak Month Usage
1993	59,070	19,916	13.700	20.200	567.900
1994	63,859	20,122	12.100	22.900	632.400
1995	63,859	20,208	16.200	23.400	659.000
1996	63,859	20,473	14.700	24.400	706.100
1997	63,859	21,148	16.333	21.279	625.761
1998	63,859	20,116	14.026	22.750	500.611
1999	63,859	20,698	15.314	22.957	622.868
2000	57,247	21,003	17.192	24.272	657.125
2001	57,013	20,579	15.610	23.714	612.826
2002	57,027	18,432	12.440	16.150	500.500

- (1) Year 1993 based on the 1990 Census.
Years 1994-99 based on 1994 U.S. Census update.
Year 2000 based on the 2000 Census.
Years 2001-2002 based on Texas State Data Center, Texas A&M University

Exhibit XIII

<u>Total Usage</u>	<u>Operating Revenue</u>
4,983.400	\$ 9,061,645
4,419.700	9,102,779
5,923.900	9,130,903
5,366.100	9,310,005
5,945.359	9,792,137
5,119.522	9,399,966
5,496.860	10,035,831
6,292.100	10,948,771
5,698.000	9,648,928
4,623.100	9,719,618

CITY OF GALVESTON, TEXAS
NUMBER OF EMPLOYEES IN GOVERNMENT SERVICE
LAST TEN FISCAL YEARS

Exhibit XIV

<u>Fiscal Year</u>	<u>Civil Service</u>	<u>Non-Civil Service</u>	<u>Total</u>
1993	271	492	763
1994	269	492	761
1995	268	466	734
1996	258	475	733
1997	258	431	689
1998	258	387	645
1999	255	441	696
2000	258	498	756
2001	270	513	783
2002	255	514	769

CITY OF GALVESTON, TEXAS
DEMOGRAPHIC STATISTICS
LAST TEN FISCAL YEARS

Exhibit XV

<u>Fiscal year</u>	<u>Population</u>	<u>Per Capita income</u>	<u>Median age</u>	<u>School enrollment (5)</u>	<u>Unemployment (6)</u>
1993	59,070	(1) \$ 12,399	(1) 32.5	(1) 10,140	11.1%
1994	63,859	(2) 12,399	(2) 32.5	(2) 10,309	10.9%
1995	63,859	(2) 12,399	(2) 32.5	(2) 10,805	9.7%
1996	63,859	(2) 12,399	(2) 32.5	(2) 11,279	10.4%
1997	63,859	(2) 12,399	(2) 32.5	(2) 10,034	10.5%
1998	63,859	(2) 12,399	(2) 32.5	(2) 10,855	8.6%
1999	63,859	(2) 12,399	(2) 32.5	(2) 9,800	8.5%
2000	57,247	(3) 17,769	(3) 35.5	(3) 9,266	7.7%
2001	57,013	(4) 17,769	(3) 35.5	(3) 9,005	7.8%
2002	57,027	(4) 17,769	(3) 35.5	(3) 9,191	9.3%

Source: (1) 1990 U.S. Census.
(2) 1994 U.S. Census update.
(3) U.S. 2000 Census.
(4) Texas State Data Center, Texas A&M University
(5) Galveston Independent School District
(6) Texas Workforce Commission

Date of Incorporation	March 1839
Date of adoption of City Charter	April 19, 1960
Form of Government	Council-Manager
Area	264.66 square miles

City of Galveston facilities and services

Miles of streets:

Paved	270
Unpaved	18
Underground storm drains	75

Number of street lights:	3,812
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Police Protection:

Number of Stations	3
Number of police officers	164
Number of patrol units	61
Number of law violations	
Physical arrests	10,316
Traffic tickets issued	42,930
Parking violations issued	60,600

Fire Protection:

Number of stations	6
Number of firefighters	103
Number of fire calls answered	7,034
Number of inspections conducted	614

Parks and Recreation:

Number of community centers	2
Number of parks	16
Number of acres in parks	277
Municipal golf course	1
Number of tennis courts	15
Number of athletic fields	28
Number of cemeteries	7

Water System:

Miles of water main	240
Number of service connections	22,000
Number of fire hydrants	1,800
Daily average consumption in gallons	17,192,000
Maximum capacity in gallons	33,000,000

CITY OF GALVESTON, TEXAS**Miscellaneous Statistics****September 30, 2002****Exhibit XVI****Page 2 of 3****Sewerage System:**

Miles of sanitary sewers	220
Number of treatment plants	4
Average daily flow in gallons	10,000,000
Maximum daily capacity of plants in gallons	14,500,000

Number of City employees at September 30, 2001:

Civil Service	255
Non-Civil Service	514

Facilities and services not included in the reporting entity**Education:**

Colleges	3
High Schools	
Schools	2
Teachers	178
Enrollment	2,685
Elementary/Middle Schools	
Schools	14
Teachers	554
Enrollment	7,442

Rosenberg Public Library:

Materials	
Total Material Circulates	245,821
Catalogued Units	235,527
Utilization:	
Total Active Borrowers	20,342
Total Library Visits	247,175
Library Programs Conducted	1,281
Total Attendance at Library Programs Conducted	24,075
Computer Laboratory Usage (hours)	45,203

Galveston Wharves:

Number of piers	22
Number of warehouses	
Dockside	7
Other	5
Channel Depth in feet	40
Docking capacity (number of ships)	22

Hospitals:

Number of hospitals	6
Number of beds	795

CITY OF GALVESTON, TEXAS
Miscellaneous Statistics
September 30, 2002

Exhibit XVI
Page 3 of 3

<u>Year</u>	<u>Population</u>	<u>Percentage increase (decrease)</u>
1838	580	
1850	4,177	620%
1860	7,307	75%
1870	13,818	89%
1880	22,248	61%
1890	29,084	31%
1900	37,789	30%
1910	36,981	(2)%
1920	44,255	20%
1930	52,938	20%
1940	60,862	15%
1950	66,568	9%
1960	65,662	(1)%
1970	61,813	(6)%
1980	61,902	0%
1990	59,070	(5)%
2000	57,247	(3)%

END

