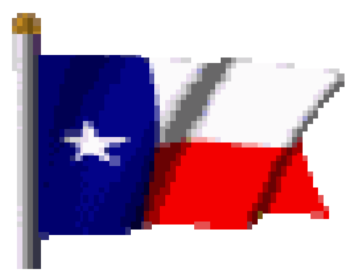
Galveston County, Texas

BONDED DEBT REPORT



AT SEPTEMBER 30, 2007

GALVESTON COUNTY, TEXAS

BONDED DEBT REPORT

At September 30, 2007

Prepared by:

The Galveston County, Texas, Auditor's Office

Galveston County, Texas
Bonded Debt Report
At September 30, 2007

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Cliff Billingsley, CPA
County Auditor

Ron Chapa, CPA
First Assistant County Auditor -
Director of Internal Audit

Freeman Mendell
First Assistant County Auditor -
Director of I.T. Systems

Jeff Modzelewski, CPA
First Assistant County Auditor -
Director of Accounting

THE COUNTY OF GALVESTON

COUNTY AUDITOR'S OFFICE
P.O. Box 1418
Galveston, TX 77553-1418
Tel.: 409-770-5300

April 7, 2008

To the Honorable District Judges of Galveston County, Texas:
David E. Garner, 10th Judicial District
Lonnie Cox, 56th Judicial District
John A. Ellisor, Jr., 122nd Judicial District
Susan E. Criss, 212th Judicial District
Janis L. Yarbrough, 306th Family District
Wayne J. Mallia, 405th Judicial District;

to the Honorable Members of the Galveston County, Texas, Commissioners' Court:
James D. Yarbrough, County Judge
Patrick Doyle, Commissioner - Precinct 1
Bryan Lamb, Commissioner - Precinct 2
Stephen D. Holmes, Commissioner - Precinct 3
Kenneth D. Clark, Commissioner - Precinct 4;

and to the Citizens of Galveston County, Texas:

The Auditor's Office of the County of Galveston, Texas (the "county"), is pleased to have prepared and to now issue this Bonded Debt Report of the county at September 30, 2007.

What Is "Bonded Debt," and Why Is There a Need for a Bonded Debt Report?
"Bonded debt" is the debt incurred by borrowing money through the issuance of bonds, certificates of obligation, and other interest-bearing instruments through which the issuer promises to pay the holder a specified sum(s) on a specified date(s). The county generally issues bonded debt either:

- to finance capital projects (e.g., the construction of a courthouse, jail, park, road, etc.), or
- to refinance existing bonded debt, either to take advantage of available interest rates which are lower than those of that existing debt, or to otherwise improve cash flow (e.g., to obtain a loan term longer that that of the existing debt and thereby lessen the amount of the individual periodic payments to be made). Technical differences cause a refinancing to be called by one or more of a number of terms – e.g., "refinancing," "refunding," "advance refunding," "defeasance" – but in general, a debt "refunding" (the broad term that we will use throughout this report for all refinancings) produces two effects:
    - the county's long-term economic and/or cash-flow position is improved, and
    - the county's responsibility for the refunded debt ends - the older debt is replaced on the county's financial statements by the new debt issued.

Bonded debt is only one of many components of the county's financial data published each spring in the "Comprehensive Annual Financial Report" (the "CAFR"). Why does the county publish a separate report for bonded debt alone?

The separate Bonded Debt Report is useful for a number of reasons, but perhaps chief among them are the following two. First, the debt service requirements of even a single issuance of bonded debt often total tens of millions of dollars and can impact the county's financial condition for twenty years and more, so bonded debt outstanding is a key factor used in determining the county's creditworthiness. Information about bonded debt may therefore be of relatively greater importance to various parties, including potential vendors and investors, than is information about many other specific elements of the county's financial statements.

Second, by publishing a separate Bonded Debt Report the county is able to present information about this important financial component in significantly greater detail than is permissible in the general-purpose CAFR.

This Report
This Bonded Debt Report is divided into the following sections:

- this Letter of Transmittal, and
- a comprehensive perspective on the county's bonded debt, including:
  - an overview of restrictions on the issuance of bonded debt, and on the servicing of same through ad-valorem taxation, by Texas counties
  - summary information about the county's bonded debt position and related data of interest for recent fiscal years
  - detailed information for each outstanding series of bonded debt, and
  - a cross-reference of refunded/refunding issues.

Please note that the verbiage in the detailed information for each outstanding series of bonded debt is selective and is not always cited verbatim from the referenced documents. Our intention therein is to provide the most pertinent summary information only, as the complete documentation for each series is voluminous. We do, however, include specific citations for further research.

Bonded Debt Activity in the Fiscal Year Ended September 30, 2007
The county made all scheduled principal and interest payments timely during the fiscal year ended September 30, 2007. It issued one new series of bonded debt in that year, the Pass-Through Toll Revenue and Limited Tax Bonds Series 2007, dated August 1, 2007.

Bonded Debt Activity Subsequent to September 30, 2007, but Prior to Issuance of This Report
The county issued $88,425,000 in principal of General Obligation Refunding Bonds Series 2007 dated November 1, 2007, and $7,000,000 in principal of Certificates of Obligation Series 2008 dated March 12, 2008. Detail on these issues will be included in next fiscal year's Bonded Debt Report.

Should you wish to discuss the content of this report, please do not hesitate to contact me at 409-770-5301, or Jeff Modzelewski, my First Assistant County Auditor–Director of Accounting, at 409-770-5328.

Respectfully submitted,

Cliff Billingsley, CPA
County Auditor
Galveston County, Texas

An Overview of Restrictions on the Issuance of Bonded Debt, and on the Servicing of Same through Ad-Valorem Taxation, by Texas Counties

The *Texas Constitution*, *Texas Government Code*, *Texas Local Government Code*, and other state oversight dictate restrictions on the issuance of bonded debt, and on the servicing of same through ad-valorem taxation, by Texas counties. An exhaustive treatment of this topic lies beyond the intended scope of this report, but the following provides an overview of the subject, arranged by type of debt.

Limited Tax Bonds, Time Warrants, and Certificates of Obligation

Article VIII, Section 9, of the *Texas Constitution* imposes an ad-valorem tax limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including the debt service of bonds, time warrants, and certificates of obligation issued against such funds. Administratively, the Attorney General of Texas will not approve the issuance of debt in an amount which would produce a debt-service requirement exceeding that which could be paid from $0.40 of this $0.80 maximum tax rate, calculated at 90% collection.

The same *Texas Constitution* citation allows, upon voter approval, an additional tax, not to exceed $0.15 per $100 assessed valuation, to be levied and collected specifically for maintenance of public roads, the cost of which would otherwise have to be funded from those taxes subject to the $0.80 per $100 limitation mentioned in the preceding paragraph.

Texas Government Code Chapter 1301 imposes concurrent restrictions limiting the amounts of bonds issued for several purposes to specific percentages, capped at 5% in the aggregate, of county taxable values. These purposes include, among others, the construction of bridges, jails, courthouses, and facilities for the needy or indigent, and the maintenance and improvement of public roads. As examples of such limits, the amount of jail bonds and courthouse bonds issued may not exceed 1-1/2% and 2%, respectively, of taxable values.

Unlimited Tax Bonds

Article III, Section 52, of the *Texas Constitution* provides for an unlimited tax rate for the debt service of obligations issued for:

- the improvement of rivers, creeks, and streams to prevent overflows, and to permit the navigation thereof, the irrigation thereof, or in aid of such purposes;
- the construction and maintenance of pools, lakes, reservoirs, dams, canals, and waterways for the purposes of irrigation, drainage, or navigation, or in aid thereof; and
- the construction, maintenance, and operation of macadamized, graveled, or paved roads and turnpikes, or in aid thereof.

The total amount of debt issued per this statute may not exceed 25% of the assessed valuation of the issuer's real property.

Texas Government Code Chapter 1471 addresses similarly the third of the three bullet points listed above; it provides for an unlimited ad-valorem tax for the redemption of, and the payment of interest on, road debt. Referencing the above-noted Article III, Section 52, of the *Texas Constitution*, *Texas Government Code* Chapter 1471 authorizes a county or county road district to issue debt, including tax anticipation notes, bond anticipation notes, and other obligations, to construct, purchase, maintain, or operate a macadamized, graveled, or paved road or turnpike, or in aid thereof, in an amount not to exceed 25% of the assessed valuation of the issuer's real property.

Farm-to-Market and Flood Control Bonds

Article VIII, Section 1-a, of the *Texas Constitution*, and other statutory authority, provide for a tax of $0.30 per $100 assessed valuation, after the deduction of a mandatory $3,000 homestead exemption, for the construction and maintenance of farm-to-market roads or for flood control.

Flood Control and Seawall Bonds

Texas Local Government Code Chapter 421 authorizes a county to issue debt to:

- establish, construct, extend, maintain, or improve a seawall, breakwater, levee, floodway, or drain-way; and
- improve, maintain, or beautify a boulevard erected in connection with the seawall, breakwater, levee, floodway, or drain-way.

The tax imposed to service such debt may not exceed $0.50 per $100 of property value taxable by the issuer of such debt.

The county, through its investment advisor and bond counsel, monitors its legal debt margins, and at September 30, 2007, the amount of the county's outstanding debt is well below the statutory ceilings. For more information, please see the schedules presented in the "Debt Capacity" portion of the Statistical Section of the September 30, 2007, CAFR.

SUMMARY INFORMATION ABOUT THE COUNTY'S BONDED DEBT POSITION AND RELATED DATA OF INTEREST FOR RECENT FISCAL YEARS

GALVESTON COUNTY, TEXAS
Bonded Debt Service Requirements to Maturity, by Issue
At September 30, 2007

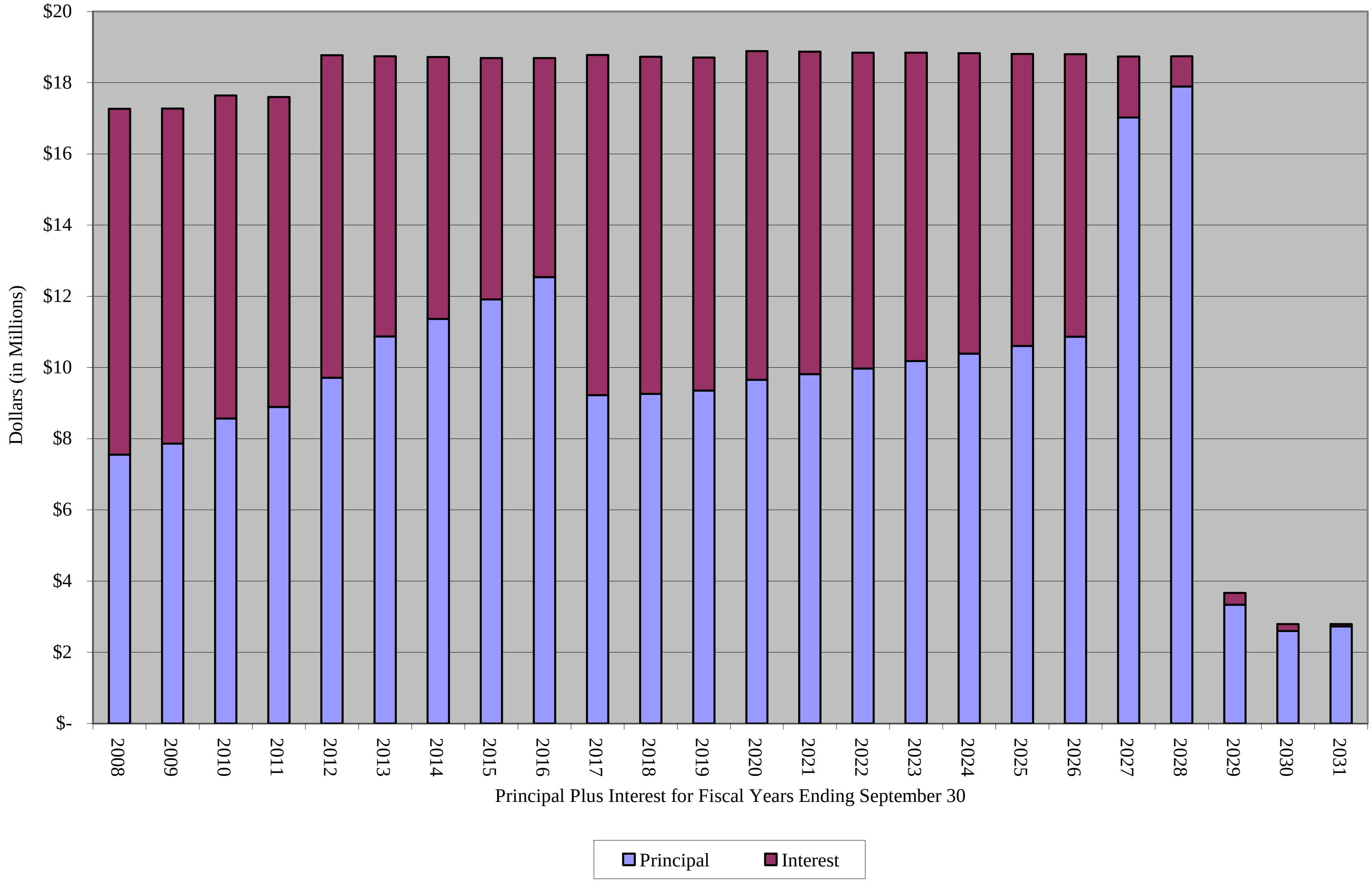
Series	Remaining Interest Rates / Yields to Maturity (%) (1)	Final Maturity	Authorized and Issued	Bonded Debt Service Requirements at September 30, 2007 {A} Principal	{B} Interest	{C} = {A} + {B} Total
Tax and Revenue Certificates of Obligation Series 1999	5.0, 5.1, 5.2, 5.3, 5.4, 5.5, 5.6	2/1/2014	$ 12,365,000.00	$ 2,275,000.00	$ 242,595.00	$ 2,517,595.00
Justice Center and Public Safety Building Bonds Series 2001	4.125, 4.2, 4.3, 4.4, 5.38, 5.45, 5.5, 5.57, 5.6, 5.62, 5.63, 5.65, 5.66	2/1/2026	34,822,062.35	19,942,062.35	27,852,777.03	47,794,839.38
Unlimited Tax Road Bonds Series 2001	4.125, 4.2, 4.3, 4.4, 5.38, 5.45, 5.5, 5.57, 5.6, 5.62, 5.63, 5.65, 5.66	2/1/2026	26,151,371.95	14,981,371.95	20,935,834.30	35,917,206.25
Combination Tax and Revenue Certificates of Obligation Series 2002	4.0, 4.2, 4.3, 4.375, 4.5, 4.6, 4.7, 4.8, 5.0	2/1/2017	7,150,000.00	5,270,000.00	1,343,273.75	6,613,273.75
Combination Tax and Revenue Certificates of Obligation Series 2002A	4.0, 4.2, 4.3, 4.375, 4.5, 4.6, 4.7, 4.8, 5.0	2/1/2017	5,115,000.00	3,775,000.00	962,793.75	4,737,793.75
Limited Tax Forward Refunding Bonds Series 2003	4.0, 5.0	2/1/2010	10,170,000.00	3,060,000.00	229,375.00	3,289,375.00
Limited Tax Criminal Justice Bonds Series 2003A	3.0, 3.75, 4.0, 4.25, 5.0, 5.25	2/1/2028	57,245,000.00	52,895,000.00	32,967,600.00	85,862,600.00
Unlimited Tax Road Bonds Series 2003B	3.0, 3.75, 4.0, 4.25, 4.5, 4.625, 4.75, 5.0	2/1/2028	9,625,000.00	8,860,000.00	5,207,893.75	14,067,893.75
Combination Tax and Revenue Certificates of Obligation Series 2003C	3.0, 3.75, 4.0, 4.25, 4.5, 5.0, 5.25	2/1/2028	40,890,000.00	40,815,000.00	32,909,918.75	73,724,918.75
General Obligation 1999/2001 Refunding Bonds Series 2004	3.0, 3.5, 4.0, 4.25, 5.0, 5.25, 5.5	2/1/2016	22,295,000.00	22,175,000.00	6,640,937.50	28,815,937.50
Unlimited Tax Road Refunding Bonds Series 2004A	3.0, 3.25, 3.375, 3.5, 3.625, 4.05, 4.5, 5.5	2/1/2016	10,129,988.00	9,844,988.00	3,876,399.54	13,721,387.54
Pass-Through Toll Revenue and Limited Tax Bonds Series 2007	4.125, 4.25, 4.375, 4.5, 4.625, 4.75	2/1/2031	48,270,000.00	48,270,000.00	32,858,940.80	81,128,940.80
				$ 232,163,422.30	$ 166,028,339.17	$ 398,191,761.47

(1) Interest rates for current-interest bonds; yields-to-maturity for capital-appreciation bonds.

GALVESTON COUNTY, TEXAS
Bonded Debt Service Requirements to Maturity, by Fiscal Year
At September 30, 2007

Fiscal Year Ending September 30,	{A} Principal	{B} Interest	{C} = {A}+{B} Total	{D} = Prior Year {D} Minus Current Year {C} Balance at Fiscal Year-End
	Bonded Debt Service Requirements			
2007	$ -	$ -	$ -	$ 398,191,761.47
2008	7,555,000.00	9,714,494.39	17,269,494.39	380,922,267.08
2009	7,860,000.00	9,410,457.51	17,270,457.51	363,651,809.57
2010	8,565,000.00	9,073,141.89	17,638,141.89	346,013,667.68
2011	8,890,000.00	8,703,861.27	17,593,861.27	328,419,806.41
2012	9,714,988.00	9,054,742.02	18,769,730.02	309,650,076.39
2013	10,870,000.00	7,869,211.27	18,739,211.27	290,910,865.12
2014	11,365,000.00	7,353,716.89	18,718,716.89	272,192,148.23
2015	11,915,000.00	6,777,598.13	18,692,598.13	253,499,550.10
2016	12,540,000.00	6,152,762.50	18,692,762.50	234,806,787.60
2017	9,222,138.40	9,553,424.10	18,775,562.50	216,031,225.10
2018	9,257,087.50	9,469,362.50	18,726,450.00	197,304,775.10
2019	9,350,488.60	9,356,627.03	18,707,115.63	178,597,659.47
2020	9,654,272.75	9,229,914.76	18,884,187.51	159,713,471.96
2021	9,810,964.90	9,059,816.36	18,870,781.26	140,842,690.70
2022	9,971,821.60	8,870,884.66	18,842,706.26	121,999,984.44
2023	10,176,619.75	8,664,749.01	18,841,368.76	103,158,615.68
2024	10,390,405.65	8,434,700.61	18,825,106.26	84,333,509.42
2025	10,605,544.20	8,198,262.06	18,803,806.26	65,529,703.16
2026	10,864,090.95	7,935,609.06	18,799,700.01	46,730,003.15
2027	17,025,000.00	1,710,115.64	18,735,115.64	27,994,887.51
2028	17,895,000.00	848,806.26	18,743,806.26	9,251,081.25
2029	3,340,000.00	330,175.00	3,670,175.00	5,580,906.25
2030	2,600,000.00	191,187.50	2,791,187.50	2,789,718.75
2031	2,725,000.00	64,718.75	2,789,718.75	0.00
	$ 232,163,422.30	$ 166,028,339.17	$ 398,191,761.47	$ 0.00

GALVESTON COUNTY, TEXAS
Bonded Debt Service Requirements to Maturity, by Fiscal Year
At September 30, 2007

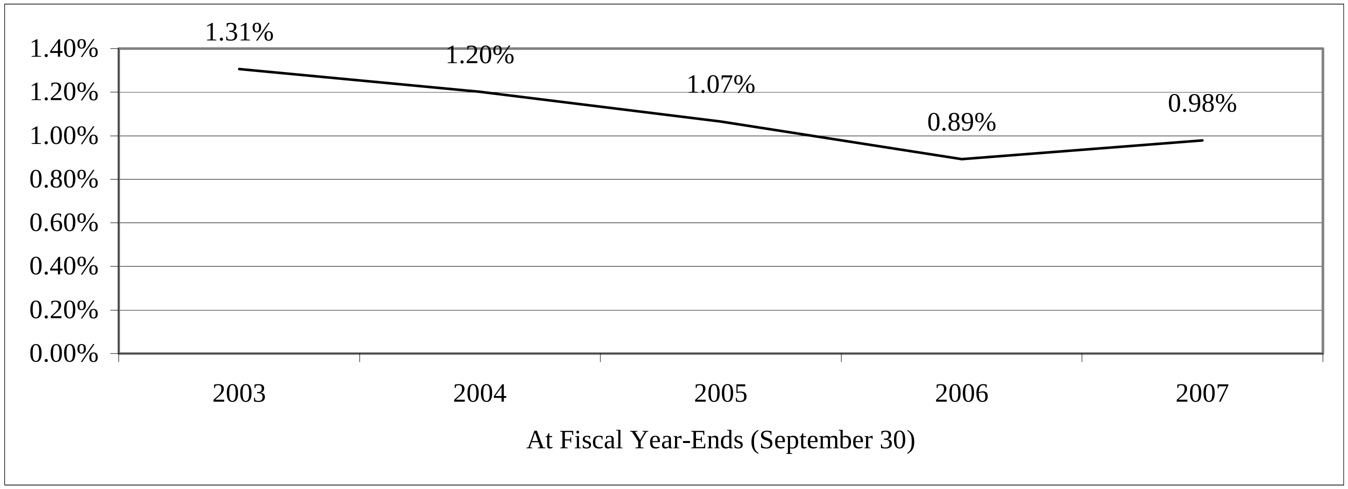


GALVESTON COUNTY, TEXAS
Bonded Debt Service Requirements by Issue and Payment Date for the Next Fiscal Year
At September 30, 2007

	{A}	{B}	{C}={A}+{B}	{D}	{E}={B}+{D}	{F}={A}+{E}
	Due February 1, 2008			Due August 1, 2008	Total Interest Due,	Total Principal and Interest Due,
Series	Principal	Interest	Total	Interest *	Fiscal Year 2008	Fiscal Year 2008
Tax and Revenue Certificates of Obligation Series 1999	$1,350,000.00	$ 58,565.00	$ 1,408,565.00	$ 24,815.00	$ 83,380.00	$ 1,433,380.00
Justice Center and Public Safety Building Bonds Series 2001	1,475,000.00	139,649.38	1,614,649.38	109,227.50	248,876.88	1,723,876.88
Unlimited Tax Road Bonds Series 2001	1,110,000.00	104,786.25	1,214,786.25	81,892.50	186,678.75	1,296,678.75
Combination Tax and Revenue Certificates of Obligation Series 2002	430,000.00	89,621.25	519,621.25	112,271.25	201,892.50	631,892.50
Combination Tax and Revenue Certificates of Obligation Series 2002A	310,000.00	64,211.25	374,211.25	80,386.25	144,597.50	454,597.50
Limited Tax Forward Refunding Bonds Series 2003	975,000.00	71,625.00	1,046,625.00	52,125.00	123,750.00	1,098,750.00
Limited Tax Criminal Justice Bonds Series 2003A	1,465,000.00	1,284,312.50	2,749,312.50	1,262,337.50	2,546,650.00	4,011,650.00
Unlimited Tax Road Bonds Series 2003B	270,000.00	203,156.25	473,156.25	199,106.25	402,262.50	672,262.50
Combination Tax and Revenue Certificates of Obligation Series 2003C	30,000.00	1,006,631.25	1,036,631.25	1,006,181.25	2,012,812.50	2,042,812.50
General Obligation 1999/2001 Refunding Bonds Series 2004	40,000.00	554,537.50	594,537.50	553,937.50	1,108,475.00	1,148,475.00
Unlimited Tax Road Refunding Bonds Series 2004A	100,000.00	215,537.50	315,537.50	214,037.50	429,575.00	529,575.00
Pass-Through Toll Revenue and Limited Tax Bonds Series 2007	-	1,085,959.38	1,085,959.38	1,085,959.38	2,171,918.76	2,171,918.76
	$7,555,000.00	$4,878,592.51	$12,433,592.51	$ 4,782,276.88	$ 9,660,869.39	$ 17,215,869.39

* All principal on outstanding bonded debt, when due, is paid just in February, so August payments consist of interest only.

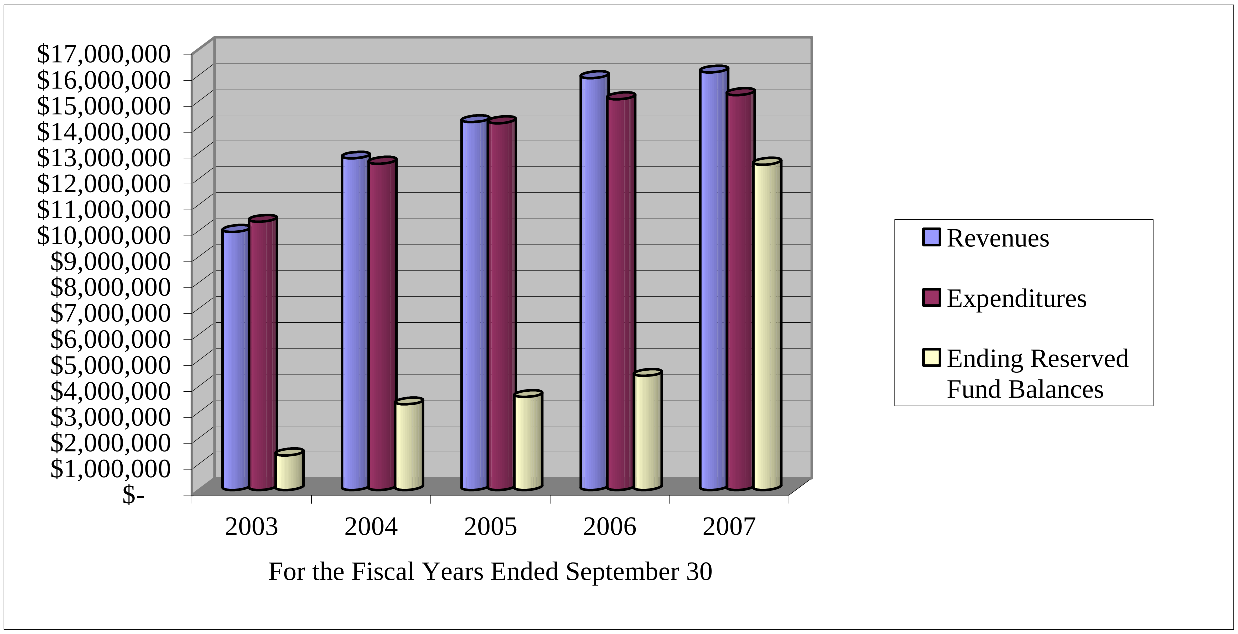
GALVESTON COUNTY, TEXAS
Ratio of Net General Obligation Bonded Debt to Assessed Value
At the Five Most Recent Fiscal Year-Ends (September 30), 2003 Through 2007



The data which feeds the above graph is presented below, with all dollar amounts expressed in thousands (000's):

	{A}	{B}	{C}	{D}={A}-{B}-{C}	{E}	{F}={D}/{E}
At Fiscal Year-End (9/30)	Gross General Obligation Bonded Debt	Less: General Obligation Bonded Debt Payable from Enterprise Revenues	Less: Fund Balances of Debt Service Funds	Equals: Net General Obligation Bonded Debt	Assessed Value	Ratio of Net General Obligation Bonded Debt to Assessed Value
2003	$ 210,661	$ -	$ 1,337	$ 209,324	$16,033,878	1.31%
2004	208,405	-	2,773	205,632	17,103,540	1.20%
2005	204,331	-	3,586	200,745	18,831,397	1.07%
2006	199,289	-	4,398	194,891	21,835,071	0.89%
2007	242,183	-	12,542	229,641	23,444,128	0.98%

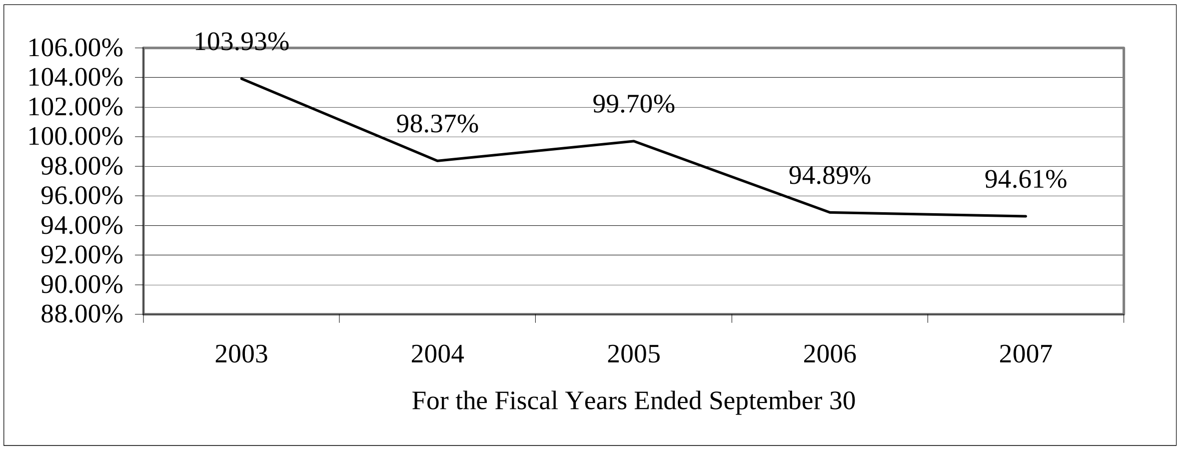
GALVESTON COUNTY, TEXAS
Revenues, Expenditures, and Ending Reserved Fund Balances of Debt Service Funds
For the Five Most Recent Fiscal Years, Ended September 30, 2003 Through 2007



The data which feeds the above graph is presented below:

Fiscal Years Ended 9/30,	Debt Service Funds: Revenues	Expenditures	Ending Reserved Fund Balances
2003	$ 9,955,248	$10,346,747	$ 1,336,897
2004	12,788,209	12,580,032	3,301,484
2005	14,189,877	14,147,838	3,585,732
2006	15,886,060	15,074,193	4,397,599
2007	16,102,244	15,234,395	12,542,422

GALVESTON COUNTY, TEXAS
Debt Service Fund Expenditures as a Percentage of Debt Service Fund Revenues
For the Five Most Recent Fiscal Years, Ended September 30, 2003 Through 2007



The data which feeds the above graph is presented below:

Fiscal Years Ended 9/30,	{A} Debt Service Fund Revenues	{B} Debt Service Fund Expenditures	{C} = {B} / {A} Debt Service Fund Expenditures as a Percentage of Debt Service Fund Revenues
2003	$ 9,955,248	$ 10,346,747	103.93%
2004	12,788,209	12,580,032	98.37%
2005	14,189,877	14,147,838	99.70%
2006	15,886,060	15,074,193	94.89%
2007	16,102,244	15,234,395	94.61%

GALVESTON COUNTY, TEXAS
Tax Levy
For the Fiscal Year Ending September 30, 2008 (the Tax Year Ended July 31, 2007)

	Fund Number	Debt Series	Rate	Current Taxes (1)	Delinquent Taxes (1)	Total Taxes
Constitutional Levy						
Operations:						
General Fund	1101	N/A	0.465170	$ 87,730,566.00	$ 2,200,000.00	$ 89,930,566.00
Road and Bridge	2301	N/A	0.015100	2,721,732.00	45,000.00	2,766,732.00
Mosquito Control District	2410	N/A	0.005400	973,335.00	22,000.00	995,335.00
Total Operations			0.485670	91,425,633.00	2,267,000.00	93,692,633.00
Debt Service (Within $0.80 Levy):						
Tax and Revenue Certificates of Obligation	4205	1999	0.007000	1,261,728.00	7,000.00	1,268,728.00
Combination Tax and Revenue Certificates of Obligation	4214	2003C	0.012076	2,176,665.00	35,000.00	2,211,665.00
Justice Center and Public Safety Building Bonds	4215	2001	0.010120	1,824,101.00	22,000.00	1,846,101.00
Limited Tax Criminal Justice Bonds	4216	2003A	0.020000	3,604,943.00	78,000.00	3,682,943.00
Combination Tax and Revenue Certificates of Obligation	4230	2002A	0.002592	467,201.00	9,000.00	476,201.00
Limited Tax Forward Refunding Bonds	4282	2003	0.005999	1,081,303.00	62,000.00	1,143,303.00
General Obligation 1999/2001 Refunding Bonds	4284	2004	0.007184	1,294,896.00	20,000.00	1,314,896.00
Combination Tax and Revenue Certificates of Obligation	4362	2002	0.003494	629,784.00	8,000.00	637,784.00
Total Debt Service (Within $0.80 Levy)			0.068465	12,340,621.00	241,000.00	12,581,621.00
Total Constitutional Levy			0.554135	103,766,254.00	2,508,000.00	106,274,254.00
Road Bonds (Unlimited)						
Unlimited Tax Road Bonds	4368	2001	0.007185	1,295,076.00	8,000.00	1,303,076.00
Unlimited Tax Road Bonds	4369	2003B	0.003508	632,307.00	18,000.00	650,307.00
Unlimited Tax Road Refunding Bonds	4370	2004A	0.003772	679,892.00	8,500.00	688,392.00
Total Road Bonds (Unlimited)			0.014465	2,607,275.00	34,500.00	2,641,775.00
Road and Flood Operations						
Farm to Market-Lateral Road and Flood	2303		-	-	2,000.00	2,000.00
Flood Control Fund	2370		0.011400	2,116,866.00	48,000.00	2,164,866.00
Total Road and Flood Operations			0.011400	2,116,866.00	50,000.00	2,166,866.00
Total Tax Levy			0.580000	$ 108,490,395.00	$ 2,592,500.00	$ 111,082,895.00

(1) Current tax revenues are budgeted in Object Code 4111010; delinquent tax revenues are budgeted in Object Code 4111011.

ARBITRAGE COMPLIANCE

Per Section 148 of the *Internal Revenue Code of 1986* as amended (the "code"), the county must meet certain criteria with regard to interest earnings on its unexpended proceeds from long-term debt issuances in order for the interest paid on those obligations to be considered tax-exempt income of the debt holders. Related *United States Treasury Regulations* promulgated under that same code section generally provide that the initial determination of the taxable or tax-exempt status of long-term debt is made as of the date such obligation is issued, based on reasonable expectations regarding the timing of the use of the resulting proceeds.

Long-term debt that does not initially meet, and continue to meet, the minimum criteria of Section 148 of the code and the related *United States Treasury Regulations*, and particularly the requirement to rebate certain "arbitrage profits" to the federal government, is considered "arbitrage bonds" and forfeits its tax-exempt status. Arbitrage profits result when the interest rate earned on unexpended debt proceeds is materially greater than that paid to holders of that debt, as calculated beginning on the third anniversary of the debt's issuance. Accordingly, any proceeds unexpended more than three years after debt issuance are subject to yield restriction. Yield restrictions may be satisfied by making yield-reduction payments pursuant to *United States Treasury Regulations* Section 1.148-5(c). The county's obligation to calculate and, if necessary, make rebate payments continues as long as proceeds of debt remain unexpended.

The county presently:

- has unexpended proceeds from certain debt issues, the yield of which is restricted;
- is in compliance with such yield restrictions; and therefore
- does not anticipate any non-compliance issues.

The county continues to exercise reasonable diligence to apply any remaining unexpended debt proceeds to qualifying capital projects and to retire related debt issues still outstanding.

Since 1998, the county has contracted annually with Arbitrage Compliance Specialists, Inc., of Greenwood, Colorado, to perform annual arbitrage calculations required under Section 148(f) of the code. The most recent calculations were made at February 25, 2008. Because interest rates have risen over the past year, the county is approaching arbitrage rebate liabilities on some unexpended debt proceeds. The county will work with Arbitrage Compliance Specialists, Inc., to correctly report on and rebate any such liabilities timely.

The following page presents data adapted from the calculations of Arbitrage Compliance Specialists, Inc., at February 25, 2008, mentioned above.

Galveston County, Texas

Arbitrage Compliance Summary (1)

Dated February 25, 2008

Ctl.	Issue	Par	Issue Date	Final Maturity	Last Rebate Report Completed (2)	Next IRS Filing Date (2)	Bond Yield	Investment Yield	Rebate Liability as of Current Rebate Report Period (2)
1	Unlimited Tax Refunding and Road Bonds 1987 (refunded by General Obligation Refunding Bonds 1991)	$ 19,299,960.75	06/18/87	02/01/03	02/01/03 - R	N/A	7.756%	4.521%	$ (7,377,878.61) - R
2	Combination Tax & Revenue Certificates of Obligation 1988	1,700,000.00	03/03/88	02/01/99	N/A	N/A	N/A	N/A	N/A
3	Hospital Tax and Revenue Refunding Bonds 1989 (refunded by Limited Tax Refunding Bonds 1993)	9,909,713.40	11/15/89	02/01/05	02/01/05 - R	N/A	7.154%	6.852%	(153,747.43) - R
4	Flood Control Refunding Bonds 1991	3,399,995.65	01/15/92	02/01/01	02/01/01 - R	N/A	6.189%	5.294%	(174,925.59) - R
5	Limited Tax Bonds 1991 (refunded by General Obligation Refunding Bonds 1999)	4,500,000.00	01/15/92	08/01/01	08/01/01 - R	N/A	6.553%	4.044%	(614,508.35) - R
6	Road Refunding Bonds 1991	4,584,870.05	01/15/92	02/01/04	02/01/04 - R	N/A	6.431%	4.787%	(1,057,523.79) - R
7	Combination Tax and Revenue Certificates of Obligation 1991 (refunded by Limited Tax Refunding Bonds 1993)	5,500,000.00	04/30/91	02/01/01	02/01/01 - R	N/A	6.197%	4.341%	(197,744.68) - R
8	Hospital Refunding Bonds 1991	7,841,546.00	01/15/92	02/01/02	02/01/02 - R	N/A	6.220%	6.075%	(82,606.79) - R
9	Combination Tax and Revenue Certificates of Obligation 1991A (refunded by Limited Tax Refunding Bonds 1993)	9,499,992.50	01/15/92	02/01/06	02/01/06 - R 12/31/01 - YR	N/A	6.622%	3.334%	(2,075,595.70) - R (9,395.44) - YR
10	Limited Tax Refunding Bonds 1993 (refunded by Limited Tax Forward Refunding Bonds 2003)	18,325,000.00	08/31/93	02/01/04	02/01/04 - R	N/A	4.888%	4.785%	(131,043.13) - R
11	General Obligation Refunding Bonds 1999	1,305,000.00	11/18/99	02/01/14	12/31/07 - R 11/18/04 - YR	11/18/09 (10th) - R, YR	5.409%	3.146%	(1,053,349.04) - R (106,544.03) - YR
12	Tax and Revenue Certificates of Obligation 1999 (refunded by General Obligation 1999/2001 Refunding Bonds 2004)	12,365,000.00	11/18/99	02/01/14	12/31/07 - R 11/18/04 - YR	11/18/09 (10th) - R, YR	5.409%	3.146%	(1,053,349.04) - R (106,544.03) - YR
13	Unlimited Tax Road Bonds 2001 (refunded by Unlimited Tax Road Refunding Bonds 2004A)	26,151,371.95	03/22/01	02/01/26	12/31/07 - R 03/22/06 - YR	03/22/11 (10th) - R, YR	5.253%	3.494%	(2,110,594.32) - R (58,841.85) - YR
14	Justice Center & Public Safety Building Bonds 2001 (refunded by General Obligation 1999/2001 Refunding Bonds 2004)	34,822,062.35	03/22/01	02/01/26	12/31/07 - R 03/22/06 - YR	03/22/11 (10th) - R, YR	5.253%	3.932%	(1,903,609.92) - R (65,167.04) - YR
15	Combination Tax and Revenue Certificates of Obligation 2002	7,150,000.00	04/04/02	02/01/15	12/31/07 - R	04/04/12 (10th) - R	4.617%	2.636%	(202,845.10) - R
16	Combination Tax and Revenue Certificates of Obligation 2002A	5,115,000.00	04/04/02	02/01/15	12/31/07 - R 04/04/07 - YR	04/04/12 (10th) - R	4.618%	2.791%	(203,804.76) - R (717.22) - YR
17	Limited Tax Forward Refunding Bonds Series 2003	10,170,000.00	12/02/03	02/01/10	12/31/07 - R	12/02/08 (5th) - R 02/01/10 (Final) - R	2.951%	0.000%	(1,094.44) - R
18	Limited Tax Criminal Justice Bonds 2003A	57,245,000.00	09/04/03	02/01/13	12/31/07 - R	09/04/08 (5th) - R, YR	4.918%	2.931%	(4,162,300.57) - R
19	Combination Tax and Revenue Certificates of Obligation 2003C	40,890,000.00	09/04/03	02/01/13	12/31/07 - R	09/04/08 (5th) - R, YR	4.918%	2.931%	(4,162,300.57) - R
20	Unlimited Tax Road Bonds 2003B	9,625,000.00	09/04/03	02/01/13	12/31/07 - R	09/04/08 (5th) - R, YR	4.812%	3.865%	(433,458.07) - R
21	General Obligation 1999/2001 Refunding Bonds 2004	22,295,000.00	08/23/04	02/01/16	12/31/07 - R		3.881%	3.881%	(3,222.56) - R
22	Unlimited Tax Road Refunding Bonds 2004A	10,129,988.00	08/26/04	02/01/16	12/31/07 - R	08/26/09 (5th) - R	3.883%	3.887%	54.32 - R
24	Pass-Through Toll Revenue and Limited Tax Bonds 2007	48,270,000.00	08/08/07	02/01/31		08/08/12 (5th) - R	4.685%		
25	General Obligation Refunding Bonds 2007	88,425,000.00	11/20/07	02/01/28		11/20/12 (5th) - R	4.390%		

(1) This data was adapted from a schedule prepared for the county by Arbitrage Compliance Specialists, Inc., of Greenwood, Colorado. That schedule also includes information about construction fund balances at the third anniversay of related debt issuance (a key arbitrage calculation date) and at 12/31/07.

(2) "R" = Rebate; "YR" = Yield Restriction.

DETAILED INFORMATION FOR EACH OUTSTANDING SERIES OF BONDED DEBT

Details of Issue

Name of Issue: Tax and Revenue Certificates of Obligation Series 1999 (Fund 4205)
Face Value of Issue: $12,365,000.00
Certificates Dated: October 1, 1999
Certificate Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1

Tax and Revenue Certificates of Obligation Series 1999 (Fund 4205)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate	Principal	Interest February 1	Interest August 1	Total Interest	Total Debt Service
2008	0.05000	$ 1,350,000.00	$ 58,565.00	$ 24,815.00	$ 83,380.00	$ 1,433,380.00
2009	0.05100	135,000.00	24,815.00	21,372.50	46,187.50	181,187.50
2010	0.05200	140,000.00	21,372.50	17,732.50	39,105.00	179,105.00
2011	0.05300	150,000.00	17,732.50	13,757.50	31,490.00	181,490.00
2012	0.05400	160,000.00	13,757.50	9,437.50	23,195.00	183,195.00
2013	0.05500	165,000.00	9,437.50	4,900.00	14,337.50	179,337.50
2014	0.05600	175,000.00	4,900.00	-	4,900.00	179,900.00
	Totals	$ 2,275,000.00	$ 150,580.00	$ 92,015.00	$ 242,595.00	$ 2,517,595.00

The majority of the principal and interest due in fiscal years 2009 through 2014 was refunded by the General Obligation 1999/2001 Refunding Bonds Series 2004 (Fund 4284) in August, 2004. See the detail for that debt issue in this report.

Purpose of Issue

Proceeds from the sale of the Tax and Revenue Certificates of Obligation Series 1999 (the "certificates") were to be used to build and improve facilities within Galveston County, Texas (the "county") and to pay the costs associated with the issuance of the certificates. [*Official Statement* dated October 14, 1999, "Purpose," cover page.]

Authority

The certificates were issued per an order (the "Order") adopted by the Commissioners' Court of the county on October 14, 1999, pursuant to the *Constitution* and laws of the State of Texas, including Chapter 271, *Texas Local Government Code,* as amended. [*Official Statement* dated October 14, 1999, "Introduction," page 1.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was the Bank of New York, New York City, New York. [*Official Statement* dated October 14, 1999, "Payment Terms," cover page.]

Accounting of Funds

The proceeds from the sale of the certificates, the interest earned thereon, and the use thereof are accounted for in the Construction/Improvement Tax/Revenue Certificates of Obligation Series 1999 Capital Projects Fund (Fund 3205). Principal and interest are paid from the Tax and Revenue Certificates of Obligation Series 1999 Debt Service Fund (Fund 4205). [General Ledger.]

Source of Payment

The certificates are payable both as to principal and interest from an ad-valorem tax levied against all taxable property within the county, within the limits prescribed by law. The certificates are also payable from and secured by a subordinate pledge of the net revenues of the county's parking facilities. [*Official Statement* dated October 14, 1999, "Source of Payment," page 4.]

Tax Rate Limitations

The *Texas Constitution* (Article VIII, Section 9) imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, or certificates of obligation issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax bonds in an amount which produces a debt service requirement exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection. The certificates are limited tax obligations payable from this constitutional tax. [*Official Statement* dated October 14, 1999, "Tax Rate Limitations," page 11.]

Security for the Certificates

To provide for the payment of principal of and interest on the certificates, there was to be levied, within the limits prescribed by law, for the current year and each succeeding year thereafter, while the certificates or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax upon all taxable property within the county sufficient to pay the interest on the certificates and to create and provide a sinking fund of not less than 2% of the principal amount of the certificates or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes, when collected, shall be applied to the payment of principal of and interest on the certificates by deposit to a debt service fund and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the certificates, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any certificates remain outstanding, all moneys on deposit in, or credited to, the debt service fund were to be secured by a pledge of security, as provided by law for counties in the State of Texas.

In addition, the county also pledged the revenues to be derived from the parking facilities, after the payment of all operation and maintenance expenses thereof (the "Net Revenues"), to the payment of the principal of and interest on the certificates to the extent that the ad-valorem taxes referred to in the Order are ever insufficient or unavailable for such purpose, provided that the pledge of Net Revenues is and shall be junior and subordinate in all respects to the pledge of Net Revenues to the payment of any obligation of the county, whether authorized heretofore or hereafter, which the county designates as having a pledge senior to the pledge of the Net Revenues to the payment of the certificates. The county also reserved the right to issue, for any lawful purpose at any time, in one or more installments, certificates, certificates of obligation and other obligations of any kind, secured in whole or in part by a pledge of Net Revenues, that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Net Revenues securing the certificates.

The county appropriated, from current funds on hand and legally available therefor, funds sufficient, when added to the accrued interest received from the sale of the certificates, to pay the interest on the certificates payable on February 1, 2000.

A debt service fund was created as a special fund solely for the benefit of the certificates. The county was to establish and maintain such fund at an official county depository and keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund was to be maintained by the county in trust for the registered owners of the certificates. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, was to be used only to pay the principal of, premium, if any, and interest on the certificates. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Certificates," pages 15-16.]

Tax Exemption

In the opinion of Mayor, Day, Caldwell & Keeton, L.L.P., Houston, Texas, bond counsel, interest on the certificates is (1) excludable under Section 103 of the *Internal Revenue Code of 1986* as amended (the "code") from gross income of the owners thereof for federal income tax purposes and (2) is not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the certificates. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the certificates in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel assumed continuing compliance by the county with certain covenants of the Order authorizing the issuance of the certificates and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel did not independently verify. The covenants and representations relate to, among other things, the use of certificate proceeds and any facilities financed therewith, the source of repayment of the certificates, the investment of certificate proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of certificate proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the certificates that are contained in the Order should be determined to be inaccurate or incomplete, interest on the certificates could become taxable from the date of delivery of the certificates, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated October 14, 1999, "Tax Exemption," page 25.]

Optional Redemption

The certificates maturing on February 1, 2009 and thereafter are subject to optional redemption by the county in whole, or from time to time in part, on February 1, 2008 or any date thereafter at par plus accrued interest to the date of redemption. [*Official Statement* dated October 14, 1999, "Optional Redemption," cover page.]

Details of Issue

Name of Issue: Justice Center and Public Safety Building Bonds Series 2001 (Fund 4215)
Face Value of Issue: $34,822,062.35
Bonds Dated: March 1, 2001
Bond Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1
Other: Issued Partly as Current Interest Bonds and Partly as Capital Appreciation Bonds

Justice Center and Public Safety Building Bonds Series 2001 (Fund 4215)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate or Yield (1)	Principal	Interest February 1	Interest August 1	Total Interest	Total Debt Service
2008	0.04125	$ 1,475,000.00	$ 139,649.38	$109,227.50	$ 248,876.88	$ 1,723,876.88
2009	0.04200	1,580,000.00	109,227.50	76,047.50	185,275.00	1,765,275.00
2010	0.04300	1,685,000.00	76,047.50	39,820.00	115,867.50	1,800,867.50
2011	0.04400	1,810,000.00	39,820.00	-	39,820.00	1,849,820.00
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	0.05380	1,673,968.80	2,211,031.20	-	2,211,031.20	3,885,000.00
2018	0.05450	1,585,464.50	2,339,535.50	-	2,339,535.50	3,925,000.00
2019	0.05500	1,504,638.20	2,460,361.80	-	2,460,361.80	3,965,000.00
2020	0.05570	1,421,174.25	2,583,825.75	-	2,583,825.75	4,005,000.00
2021	0.05600	1,350,787.30	2,694,212.70	-	2,694,212.70	4,045,000.00
2022	0.05620	1,285,631.20	2,799,368.80	-	2,799,368.80	4,085,000.00
2023	0.05630	1,225,578.75	2,899,421.25	-	2,899,421.25	4,125,000.00
2024	0.05630	1,170,656.55	2,994,343.45	-	2,994,343.45	4,165,000.00
2025	0.05650	1,112,895.30	3,092,104.70	-	3,092,104.70	4,205,000.00
2026	0.05660	1,061,267.50	3,188,732.50	-	3,188,732.50	4,250,000.00
	Totals	$19,942,062.35	$27,627,682.03	$225,095.00	$27,852,777.03	$47,794,839.38

(1) Interest rate for current-interest bonds; yield for capital-appreciation bonds.

The bonds maturing in 2017 through 2026 are capital-appreciation bonds.

The principal and interest due in fiscal years 2012 through 2016 were refunded by the General Obligation 1999/2001 Refunding Bonds Series 2004 (Fund 4284) in August, 2004. See the detail for that debt issue in this report.

Purpose of Issue

Proceeds from the sale of the Justice Center and Public Safety Building Bonds Series 2001 (the "bonds") were to be used to build, improve, and equip buildings, jails, and court facilities within Galveston County, Texas (the "county"); to purchase and improve necessary sites and related parking facilities therefor; and to pay the costs associated with the issuance of the bonds. [*Official Statement* dated March 7, 2001, "Purpose," cover page.]

Authority

The bonds were authorized per an order (the "Order") adopted by the Commissioners' Court of the county on March 1, 2001, and issued pursuant to the *Constitution* and general laws of the State of Texas, including Chapters 1471 and 1473 of the *Texas Government Code*, as amended. [*Official Statement* dated March 7, 2001, "Introduction," page 1.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was the Bank of New York, New York City, New York. [*Official Statement* dated March 7, 2001, "Payment Terms," cover page.]

Accounting for Funds

The proceeds from the sale of the bonds, the interest earned thereon, and the use thereof are accounted for in the Justice Center and Public Safety Building Bonds Series 2001 Capital Projects Fund (Fund 3220). Principal and interest are paid from the Limited Tax Justice Center Bonds Series 2001 Debt Service Fund (Fund 4215). [General Ledger.]

Source of Payment

The bonds constitute direct obligations of the county payable both as to principal and interest from an ad-valorem tax levied against all taxable property within the county, which tax is within the limits prescribed by law. [*Official Statement* dated March 7, 2001, "Payment Terms," cover page.] All taxable property within the county is subject to a continuing direct annual ad-valorem tax levied by the county, within the limits prescribed by law, sufficient to provide for the payment of principal of and interest on the bonds. [*Official Statement* dated March 7, 2001, "Security and Source of Payment," page 3.]

Tax Rate Limitations

The *Texas Constitution* (Article VIII, Section 9) imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, or certificates of obligation issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax bonds in an amount which produces a debt service requirement exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection. The bonds are limited tax bonds payable from this constitutional tax. [*Official Statement* dated March 7, 2001, "Tax Rate Limitations," page 8.]

Security for the Bonds

To provide for the payment of principal of and interest on the bonds, there was to be levied, and annually assessed and collected in due time, form and manner, for the current year and each succeeding year thereafter, while the bonds or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax, within the limits prescribed by law, upon all taxable property within the county sufficient to pay the interest on the bonds and to create and provide a sinking fund of not less than 2% of the principal amount of the bonds or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes are hereby irrevocably pledged, and when collected shall be applied, to the payment of principal of and interest on the bonds by deposit to a debt service fund and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the bonds, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any bond remains outstanding, all amounts on deposit in, or credited to, the debt service fund shall be secured by a pledge of security, as provided by law for counties in the State of Texas.

A debt service fund is to be created as a special fund solely for the benefit of the bonds. The county shall establish and maintain such fund at an official county depository and shall keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund shall be maintained by the county in trust for the registered owners of the bonds. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the bonds. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Bonds," page 27.]

Tax Exemption

In the opinion of Mayor, Day, Caldwell & Keeton, L.L.P., Houston, Texas, bond counsel, interest on the bonds is (1) excludable under Section 103 of the *Internal Revenue Code of 1986* as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order authorizing the issuance of the bonds and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the bonds, the investment of bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of bond proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the bonds that are contained in the Order should be determined to be inaccurate or incomplete, interest on the bonds could become taxable from the date of delivery of the bonds, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated March 7, 2001, "Tax Exemption," pages 23-24.]

Optional Redemption

The current-interest bonds maturing on February 1, 2012, and thereafter are subject to optional redemption by the county in whole, or from time to time in part, on February 1, 2011, or any date thereafter at par value plus accrued interest to the date of redemption. The capital-appreciation bonds are not subject to redemption prior to maturity. [*Official Statement* dated March 7, 2001, "Optional Redemption," cover page.]

Details of Issue

Name of Issue: Unlimited Tax Road Bonds Series 2001 (Fund 4368)
Face Value of Issue: $26,151,371.95
Bonds Dated: March 1, 2001
Bond Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1
Other: Issued Partly as Current Interest Bonds and Partly as Capital Appreciation Bonds

Unlimited Tax Road Bonds Series 2001 (Fund 4368)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate or Yield (1)	Principal	Interest February 1	Interest August 1	Total Interest	Total Debt Service
2008	0.04125	$ 1,110,000.00	$ 104,786.25	$ 81,892.50	$ 186,678.75	$ 1,296,678.75
2009	0.04200	1,185,000.00	81,892.50	57,007.50	138,900.00	1,323,900.00
2010	0.04300	1,265,000.00	57,007.50	29,810.00	86,817.50	1,351,817.50
2011	0.04400	1,355,000.00	29,810.00	-	29,810.00	1,384,810.00
2012	-	-	-	-	-	-
2013	-	-	-	-	-	-
2014	-	-	-	-	-	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	0.05380	1,258,169.60	1,661,830.40	-	1,661,830.40	2,920,000.00
2018	0.05450	1,191,623.00	1,758,377.00	-	1,758,377.00	2,950,000.00
2019	0.05500	1,130,850.40	1,849,149.60	-	1,849,149.60	2,980,000.00
2020	0.05570	1,068,098.50	1,941,901.50	-	1,941,901.50	3,010,000.00
2021	0.05600	1,015,177.60	2,024,822.40	-	2,024,822.40	3,040,000.00
2022	0.05620	966,190.40	2,103,809.60	-	2,103,809.60	3,070,000.00
2023	0.05630	921,041.00	2,178,959.00	-	2,178,959.00	3,100,000.00
2024	0.05630	879,749.10	2,250,250.90	-	2,250,250.90	3,130,000.00
2025	0.05650	837,648.90	2,327,351.10	-	2,327,351.10	3,165,000.00
2026	0.05660	797,823.45	2,397,176.55	-	2,397,176.55	3,195,000.00
	Totals	$14,981,371.95	$20,767,124.30	$ 168,710.00	$20,935,834.30	$35,917,206.25

(1) Interest rate for current-interest bonds; yield for capital-appreciation bonds.

The bonds maturing in 2017 through 2026 are capital-appreciation bonds.

The principal and interest due in fiscal years 2012 through 2016 were refunded by the Unlimited Tax Road Refunding Bonds Series 2004A (Fund 4370) in August, 2004. See the detail for that debt issue in this report.

Purpose of Issue

Proceeds from the sale of the Unlimited Tax Road Bonds Series 2001 (the “bonds”) were to be used to build and improve roads within Galveston County, Texas (the “county”), and to pay the costs associated with the issuance of the bonds. [*Official Statement* dated March 7, 2001, “Purpose,” cover page.]

Authority

The bonds were authorized per an order (the "Order") adopted by the Commissioners' Court of the county on March 1, 2001, and issued pursuant to the *Constitution* and general laws of the State of Texas, including Chapters 1471 and 1473 of the *Texas Government Code*, as amended. [*Official Statement* dated March 7, 2001, "Introduction," page 1.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was the Bank of New York, New York City, New York. [*Official Statement* dated March 7, 2001, "Payment Terms," cover page.]

Accounting for Funds

The proceeds from the sale of the bonds, the interest earned thereon, and the use thereof are accounted for in the Unlimited Tax Road Bonds Series 2001 Capital Projects Fund (Fund 3308). Principal and interest are paid from the Unlimited Tax Road Bonds Series 2001 Debt Service Fund (Fund 4368). [General Ledger.]

Source of Payment

The bonds constitute direct obligations of the county payable both as to principal and interest from an ad-valorem tax levied against all taxable property within the county, which tax is without legal limit as to rate or amount. [*Official Statement* dated March 7, 2001, "Payment Terms," cover page.] All taxable property within the county is subject to a continuing direct annual ad-valorem tax levied by the county, without legal limit as to rate or amount, sufficient to provide for the payment of principal of and interest on the bonds. [*Official Statement* dated March 7, 2001, "Security and Source of Payment," page 3.]

Tax Rate Limitations

An unlimited tax rate is authorized for debt service by Article III, Section 52, of the *Texas Constitution*; however, total debt cannot exceed 25% of assessed valuation. The bonds are unlimited tax bonds payable from this constitutional tax. [*Official Statement* dated March 7, 2001, "Tax Rate Limitations," page 8.]

Security for the Bonds

To provide for the payment of principal of and interest on the bonds, there was levied, and there shall be annually assessed and collected in due time, form and manner, for the current year and each succeeding year thereafter, while the bonds or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax, without limit as to rate or amount, upon all taxable property within the county sufficient to pay the interest on the bonds and to create and provide a sinking fund of not less than 2% of the principal amount of the bonds or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes are irrevocably pledged, and when collected shall be applied, to the payment of principal of and interest on the bonds by deposit to a debt service fund and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the bonds, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any Bond remains outstanding, all amounts on deposit in, or credited to, the debt service fund shall be secured by a pledge of security, as provided by law for counties in the State of Texas.

A debt service fund was created as a special fund solely for the benefit of the bonds. The county shall establish and maintain such fund at an official county depository and shall keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund shall be maintained by the county in trust for the registered owners of the bonds. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the bonds. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Bonds," page 28.]

Tax Exemption

In the opinion of Mayor, Day, Caldwell & Keeton, L.L.P., Houston, Texas, bond counsel, interest on the bonds is (1) excludable under Section 103 of the *Internal Revenue Code of 1986* as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order authorizing the issuance of the bonds and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the bonds that are contained in the Order should be determined to be inaccurate or incomplete, interest on the bonds could become taxable from the date of delivery of the bonds, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated March 7, 2001, "Tax Exemption," pages 23-24.]

Optional Redemption

The current-interest bonds maturing on February 1, 2012, and thereafter are subject to optional redemption by the county in whole, or from time to time in part, on February 1, 2011, or any date thereafter at par value plus accrued interest to the date of redemption. The capital-appreciation bonds are not subject to redemption prior to maturity. [*Official Statement* dated March 7, 2001, "Optional Redemption," cover page.]

Details of Issue

Name of Issue: Combination Tax and Revenue Certificates of Obligation Series 2002 (Fund 4362)
Face Value of Issue: $7,150,000.00
Certificates Dated: April 1, 2002
Certificate Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1

Combination Tax and Revenue Certificates of Obligation Series 2002 (Fund 4362)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate	Principal	Interest February 1	Interest August 1	Interest Total Interest	Total Debt Service
2008	0.04000	$ 430,000.00	$120,871.25	$112,271.25	$ 233,142.50	$ 663,142.50
2009	0.04200	450,000.00	112,271.25	102,821.25	215,092.50	665,092.50
2010	0.04300	470,000.00	102,821.25	92,716.25	195,537.50	665,537.50
2011	0.04375	490,000.00	92,716.25	81,997.50	174,713.75	664,713.75
2012	0.04500	510,000.00	81,997.50	70,522.50	152,520.00	662,520.00
2013	0.04600	530,000.00	70,522.50	58,332.50	128,855.00	658,855.00
2014	0.04700	555,000.00	58,332.50	45,290.00	103,622.50	658,622.50
2015	0.04800	585,000.00	45,290.00	31,250.00	76,540.00	661,540.00
2016	0.05000	610,000.00	31,250.00	16,000.00	47,250.00	657,250.00
2017	0.05000	640,000.00	16,000.00	-	16,000.00	656,000.00
	Totals	$5,270,000.00	$732,072.50	$611,201.25	$1,343,273.75	$6,613,273.75

Purpose of Issue

Proceeds from the sale of the Combination Tax and Revenue Certificates of Obligation Series 2002 (the "certificates") were to be used to repair and improve the San Luis Pass Bridge and to pay the costs associated with the issuance of the certificates. [*Official Statement* dated March 18, 2002, "Purpose," cover page.]

Authority

The certificates were issued per an order (the "Order") adopted by the Commissioners' Court of Galveston County, Texas (the "county"), on March 18, 2002, pursuant to the *Constitution* and general laws of the State of Texas, including Chapter 271 of the *Texas Local Government Code*, as amended. [*Official Statement* dated March 18, 2002, "Introduction," page 2.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was Bank One, National Association, Austin, Texas. [*Official Statement* dated March 18, 2002, "Payment Terms," cover page.]

Accounting of Funds

The proceeds from the sale of the certificates, the interest earned thereon, and the use thereof are accounted for in the San Luis Pass Bridge Certificates of Obligation Series 2002 Capital Projects Fund (Fund 3309). Principal and interest are paid from the San Luis Pass Bridge Certificates of Obligation Series 2002 Debt Service Fund (Fund 4362). [General Ledger.]

Source of Payment

The certificates constitute direct obligations of the county payable both as to principal and interest from an ad-valorem tax levied against all property within the county, which tax is within the limits prescribed by law. In addition, the certificates are payable from and secured by a limited pledge of the revenues from the operation of the San Luis Pass Bridge. [*Official Statement* dated March 18, 2002, "Source of Payment," cover page.] In the Order, the county covenants to levy a tax sufficient to pay the principal of and interest on the certificates, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in a debt service fund and used to pay principal of and interest on the certificates, when due. [*Official Statement* dated March 18, 2002, "Security and Source of Payment," page 4.]

Tax Rate Limitations

The *Texas Constitution* (Article VIII, Section 9) imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, or certificates of obligation issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax bonds in an amount which produces a debt service requirement exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection. The certificates are limited tax bonds payable from this constitutional tax. [*Official Statement* dated March 18, 2002, "Tax Rate Limitations," page 9.]

Security for the Certificates

To provide for the payment of principal of and interest on the certificates, there was levied, within the limits prescribed by law, for the current year and each succeeding year thereafter, while the certificates or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax upon all taxable property within the county sufficient to pay the interest on the certificates and to create and provide a sinking fund of not less than 2% of the principal amount of the certificates or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes, when collected, shall be applied to the payment of principal of and interest on the certificates by deposit to a debt service fund and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the certificates, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any certificates remain outstanding, all moneys on deposit in, or credited to, the debt service fund shall be secured by a pledge of security, as provided by law for counties in the State of Texas.

In addition, the county also pledged the revenues to be derived from the bridge (the "Bridge Revenues") to the payment of the principal of and interest on the certificates to the extent that the ad-valorem taxes referred to in the Order are ever insufficient or unavailable for such purpose, provided that the pledge of Bridge Revenues is and shall be junior and subordinate in all respects to the pledge of Bridge Revenues to the payment of any obligation of the county, whether authorized heretofore or hereafter, which the county designates as having a pledge senior to the pledge of the Bridge Revenues to the payment of the certificates. The county also reserves the right to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation, and other obligations of any kind, secured in whole or in part by a pledge of Bridge Revenues, that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Bridge Revenues securing the certificates.

A debt service fund was to be created as a special fund solely for the benefit of the certificates. The county was to establish and maintain such fund at an official county depository and shall keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund shall be maintained by the county in trust for the registered owners of the certificates. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the certificates. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Certificates," pages 16-17.]

Tax Exemption

In the opinion of Andrews & Kurth L.L.P., Houston, Texas, bond counsel, interest on the certificates is (1) excludable under Section 103 of the *Internal Revenue Code of 1986* as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the certificates. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the certificates in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order authorizing the issuance of the certificates and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of Certificate proceeds and any facilities financed therewith, the source of repayment of the certificates, the investment of Certificate proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Certificate proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the certificates that are contained in the Order should be determined to be inaccurate or incomplete, interest on the certificates could become taxable from the date of delivery of the certificates, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated March 18, 2002, "Tax Exemption," page 26.]

Optional Redemption

The certificates maturing on February 1, 2013, and thereafter are subject to optional redemption by the county in whole, or from time to time in part, on February 1, 2012, or any date thereafter at par plus accrued interest to the date of redemption. [*Official Statement* dated March 18, 2002, "Optional Redemption," cover page.]

Details of Issue

Name of Issue: Combination Tax and Revenue Certificates of Obligation Series 2002A (Fund 4230)
Face Value of Issue: $5,115,000.00
Certificates Dated: April 1, 2002
Certificate Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1

Combination Tax and Revenue Certificates of Obligation Series 2002A (Fund 4230)
Debt Service Requirements
At September 30, 2007

Fiscal	Interest		Interest			Total
Year	Rate	Principal	February 1	August 1	Total Interest	Debt Service
2008	0.04000	$ 310,000.00	$ 86,586.25	$ 80,386.25	$ 166,972.50	$ 476,972.50
2009	0.04200	320,000.00	80,386.25	73,666.25	154,052.50	474,052.50
2010	0.04300	335,000.00	73,666.25	66,463.75	140,130.00	475,130.00
2011	0.04375	350,000.00	66,463.75	58,807.50	125,271.25	475,271.25
2012	0.04500	365,000.00	58,807.50	50,595.00	109,402.50	474,402.50
2013	0.04600	380,000.00	50,595.00	41,855.00	92,450.00	472,450.00
2014	0.04700	400,000.00	41,855.00	32,455.00	74,310.00	474,310.00
2015	0.04800	420,000.00	32,455.00	22,375.00	54,830.00	474,830.00
2016	0.05000	435,000.00	22,375.00	11,500.00	33,875.00	468,875.00
2017	0.05000	460,000.00	11,500.00	-	11,500.00	471,500.00
	Totals	$3,775,000.00	$524,690.00	$438,103.75	$ 962,793.75	$4,737,793.75

Purpose of Issue

Proceeds from the sale of the Combination Tax and Revenue Certificates of Obligation Series 2002A (the “certificates”) were to be used to repair and improve park roads and parking lots within Galveston County, Texas (the “county”), and to pay the costs associated with the issuance of the certificates. [*Official Statement* dated March 18, 2002, “Purpose,” cover page.]

Authority

The certificates were issued per an order (the “Order”) adopted by the Commissioners’ Court of the county on March 18, 2002, pursuant to the *Constitution* and general laws of the State of Texas, including Chapter 271 of the *Texas Local Government Code*, as amended. [*Official Statement* dated March 18, 2002, “Introduction,” page 2.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was Bank One, National Association, Austin, Texas. [*Official Statement* dated March 18, 2002, “Payment Terms,” cover page.]

Accounting of Funds

The proceeds from the sale of the certificates, the interest earned thereon, and the use thereof are accounted for in the Park Roads/Parking Lots Certificates of Obligation Series 2002A Capital Projects Fund (Fund 3273). Principal and interest are paid from the Park Roads/Parking Lots Certificates of Obligation Series 2002A Debt Service Fund (Fund 4230). [General Ledger.]

Security

The certificates constitute direct obligations of the county payable both as to principal and interest from an ad-valorem tax levied against all property within the county, which tax is within the limits prescribed by law. In addition, the certificates are payable from and secured by a limited pledge of the net revenues of the county's parking lots and garage. [*Official Statement* dated March 18, 2002, "Source of Payment," cover page.] In the Order, the county covenants to levy a tax sufficient to pay the principal of and interest on the certificates, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in a debt service fund and used to pay principal of and interest on the certificates, when due. [*Official Statement* dated March 18, 2002, "Security and Source of Payment," page 4.]

Tax Rate Limitations

The *Texas Constitution* (Article VIII, Section 9) imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, or certificates of obligation issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax bonds in an amount which produces a debt service requirement exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection. The certificates are limited tax bonds payable from this constitutional tax. [*Official Statement* dated March 18, 2002, "Tax Rate Limitations," page 9.]

Source of Payment

To provide for the payment of principal of and interest on the certificates, there was to be levied, within the limits prescribed by law, for the current year and each succeeding year thereafter, while the certificates or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax upon all taxable property within the county sufficient to pay the interest on the certificates and to create and provide a sinking fund of not less than 2% of the principal amount of the certificates or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes, when collected, shall be applied to the payment of principal of and interest on the certificates by deposit to a debt service fund and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the certificates, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any certificates remain outstanding, all moneys on deposit in, or credited to, the debt service fund shall be secured by a pledge of security, as provided by law for counties in the State of Texas.

In addition, the county also pledged the revenues to be derived from the parking facilities (the "Parking Revenues") to the payment of the principal of and interest on the certificates to the extent that the ad-valorem taxes referred to in the Order are ever insufficient or unavailable for such purpose, provided that the pledge of Parking Revenues is and shall be junior and subordinate in all respects to the pledge of Parking Revenues to the payment of any obligation of the county, whether authorized heretofore or hereafter, which the county designates as having a pledge senior to the pledge of the Parking Revenues to the payment of the certificates. The county also reserves the right to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation, and other obligations of any kind, secured in whole or in part by a pledge of Parking Revenues, that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Parking Revenues securing the certificates.

A debt service fund was to be created as a special fund solely for the benefit of the certificates. The county shall establish and maintain such fund at an official county depository and shall keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund shall be maintained by the county in trust for the registered owners of the certificates. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the certificates. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Certificates," pages 16-17.]

Tax Exemption

In the opinion of Andrews & Kurth L.L.P., Houston, Texas, bond counsel, interest on the certificates is (1) excludable under Section 103 of the *Internal Revenue Code of 1986* as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the certificates. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the certificates in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order authorizing the issuance of the certificates and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of Certificate proceeds and any facilities financed therewith, the source of repayment of the certificates, the investment of Certificate proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Certificate proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the certificates that are contained in the Order should be determined to be inaccurate or incomplete, interest on the certificates could become taxable from the date of delivery of the certificates, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated March 18, 2002, "Tax Exemption," page 26.]

Optional Redemption

The certificates maturing on February 1, 2013, and thereafter are subject to optional redemption by the county in whole, or from time to time in part, on February 1, 2012, or any date thereafter at par value plus accrued interest to the date of redemption. [*Official Statement* dated March 18, 2002, "Optional Redemption," cover page.]

Details of Issue

Name of Issue: Limited Tax Forward Refunding Bonds Series 2003 (Fund 4282)
Face Value of Issue: $10,170,000.00
Bonds Dated: December 2, 2003
Bond Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1

Limited Tax Forward Refunding Bonds Series 2003 (Fund 4282)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate	Principal	Interest February 1	Interest August 1	Total Interest	Total Debt Service
2008	0.04000	$ 975,000.00	$ 71,625.00	$52,125.00	$ 123,750.00	$1,098,750.00
2009	0.05000	1,015,000.00	52,125.00	26,750.00	78,875.00	1,093,875.00
2010	0.05000	1,070,000.00	26,750.00	-	26,750.00	1,096,750.00
	Totals	$3,060,000.00	$150,500.00	$78,875.00	$ 229,375.00	$3,289,375.00

Purpose of Issue

The Limited Tax Forward Refunding Bonds Series 2003 (the "bonds") were issued by Galveston County, Texas (the "county"), to refund a portion of the county's outstanding Limited Tax Refunding Bonds Series 1993 Fund (Fund 4282) and to pay related costs of issuance of the bonds. [*Official Statement* dated August 14, 2003, "Purpose," cover page.]

Details of the refunded debt are as follows:

Obligations Refunded by Limited Tax Forward Refunding Bonds Series 2003 (Fund 4282)

	Maturity Date	Interest Rate	Par Amount	Call Date	Price
Limited Tax Refunding Bonds Series 1993 (Fund 4281)	02/01/2004	4.85%	$ 2,500,000.00	N/A	N/A
	02/01/2005	4.95%	3,685,000.00	02/01/2004	101
	02/01/2006	5.0%	3,920,000.00	02/01/2004	101
			$10,105,000.00		

[*Official Statement* dated August 14, 2003, "Appendix B: Schedule of Refunded Bonds," page B-1.]

Authority

The bonds are being issued per an order (the "Order") adopted by the Commissioners' Court of the county pursuant to the *Constitution* and general laws of the State of Texas, including Chapters 1207, *Texas Government Code*, as amended. [*Official Statement* dated August 14, 2003, "Introduction," page 2.] The Order was adopted on August 14, 2003. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Bonds," cover page.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was Wachovia Bank, N.A. [*Official Statement* dated August 14, 2003, "Payment Terms," cover page.]

Escrow

The principal and interest due on the refunded bonds are to be paid on the scheduled interest payment dates and the respective redemption and maturity dates of such refunded bonds, from funds to be deposited pursuant to a certain deposit agreement (the "Deposit Agreement") between the county and Wachovia Bank, N.A. (the "Deposit Agent"). The Order provides that the county will deposit with the Deposit Agent from the proceeds of the sale of the bonds received from the underwriter, the amount necessary to accomplish the discharge and the final payment of the refunded bonds on their respective redemption and maturity dates. Such funds will be held by the Deposit Agent in a special payment account (the "Payment Account") and used to pay and/or redeem the refunded bonds on February 1, 2004. Under the Deposit Agreement, the Payment Account is irrevocably pledged to the payment of the principal of and interest on the refunded bonds.

By the deposit to the Payment Account with the Deposit Agent pursuant to the Deposit Agreement, the county will have effected the defeasance of all of the refunded bonds in accordance with the law. It is the opinion of bond counsel that as a result of such defeasance, the refunded bonds will be outstanding only for the purpose of receiving payments from the Payment Account held for such purpose by the Deposit Agent, and such refunded bonds will not be deemed as being outstanding obligations of the county.

The county has covenanted in the Deposit Agreement to make timely deposits to the Payment Account, from lawfully available funds, of any additional amounts required to pay the principal of and interest on the refunded bonds, if for any reason the cash balances on deposit in the Payment Account are insufficient to make such payment. [*Official Statement* dated August 14, 2003, "Purpose of the Bonds," page 2.]

Accounting for Funds

Proceeds, net of issuance expenses, from the sale of the bonds were applied to the refunding of debt discussed above under **Purpose of Issue**. [*Official Statement* dated August 14, 2003, "Sources and Uses of the Bonds," page 3.] Principal and interest are paid from the Limited Tax Forward Refunding Bonds Series 2003 Debt Service Fund (Fund 4282). [General Ledger.]

Security and Source of Payment

The bonds constitute direct obligations of the county payable both as to principal and interest from an ad-valorem tax levied against all taxable property within the county, which tax is within the limits prescribed by law. [*Official Statement* dated August 14, 2003, "Source of Payment," cover page.]

Tax Rate Limitations

The *Texas Constitution* (Article VIII, Section 9) imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, or certificates of obligation issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax bonds in an amount which produces a debt service requirement exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection. The bonds are limited tax bonds payable from this constitutional tax. [*Official Statement* dated August 14, 2003, "Tax Rate Limitations," page 11.]

Security for the Bonds

To provide for the payment of principal of and interest on the bonds, there was to be levied, within the limits prescribed by law, for the current year and each succeeding year thereafter, while the bonds or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax upon all taxable property within the county sufficient to pay the interest on the bonds and to create and provide a sinking fund of not less than 2% of the principal amount of the bonds or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes, when collected, shall be applied to the payment of principal of and interest on the bonds by deposit to the Debt Service Fund (defined below) and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the bonds, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any bonds remain outstanding, all moneys on deposit in, or credited to, the Debt Service Fund shall be secured by a pledge of security, as provided by law for counties in the State of Texas.

A debt service fund was created as a special fund solely for the benefit of the bonds. The county was to establish and maintain such fund at an official county depository and keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund was to be maintained by the county in trust for the Registered Owners of the bonds. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, was to be used only to pay the principal of, premium, if any, and interest on the bonds. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Bonds," pages 13 - 14.]

Tax Exemption

In the opinion of Andrews & Kurth L.L.P., Houston, Texas, bond counsel, interest on the bonds is (1) excludable under Section 103 of the Internal *Revenue Code of 1986* as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the bonds that are contained in the Order should be determined to be inaccurate or incomplete, interest on the bonds could become taxable from the date of delivery of the bonds, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated August 14, 2003, "Tax Exemption," page 27.]

No Optional Redemption

The bonds are not subject to redemption prior to their scheduled maturity. [*Official Statement* dated August 14, 2003, cover page.]

Details of Issue

Name of Issue: Limited Tax Criminal Justice Bonds Series 2003A (Fund 4216)
Face Value of Issue: $57,245,000.00
Bonds Dated: August 1, 2003
Bond Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1
Other: Issued Partly as Serial Bonds and Partly as Term Bonds

Limited Tax Criminal Justice Bonds Series 2003A (Fund 4216)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate	Principal	Interest February 1	Interest August 1	Total Interest	Total Debt Service
2008	0.03000	$ 1,465,000.00	$ 1,284,312.50	$ 1,262,337.50	$ 2,546,650.00	$ 4,011,650.00
2009	0.03000	1,390,000.00	1,262,337.50	1,241,487.50	2,503,825.00	3,893,825.00
2010	0.03750	1,385,000.00	1,241,487.50	1,215,518.75	2,457,006.25	3,842,006.25
2011	0.04000	1,720,000.00	1,215,518.75	1,181,118.75	2,396,637.50	4,116,637.50
2012	0.04000	1,790,000.00	1,181,118.75	1,145,318.75	2,326,437.50	4,116,437.50
2013	0.04250	1,865,000.00	1,145,318.75	1,105,687.50	2,251,006.25	4,116,006.25
2014	0.05250	1,955,000.00	1,105,687.50	1,054,368.75	2,160,056.25	4,115,056.25
2015	0.05250	2,060,000.00	1,054,368.75	1,000,293.75	2,054,662.50	4,114,662.50
2016	0.05250	2,175,000.00	1,000,293.75	943,200.00	1,943,493.75	4,118,493.75
2017	0.05250	2,295,000.00	943,200.00	882,956.25	1,826,156.25	4,121,156.25
2018	0.05250	2,415,000.00	882,956.25	819,562.50	1,702,518.75	4,117,518.75
2019	0.05250	2,540,000.00	819,562.50	752,887.50	1,572,450.00	4,112,450.00
2020	0.05250	2,685,000.00	752,887.50	682,406.25	1,435,293.75	4,120,293.75
2021	0.05250	2,825,000.00	682,406.25	608,250.00	1,290,656.25	4,115,656.25
2022	0.05000	2,975,000.00	608,250.00	533,875.00	1,142,125.00	4,117,125.00
2023	0.05000	3,130,000.00	533,875.00	455,625.00	989,500.00	4,119,500.00
2024	0.05000	3,290,000.00	455,625.00	373,375.00	829,000.00	4,119,000.00
2025	0.05000	3,460,000.00	373,375.00	286,875.00	660,250.00	4,120,250.00
2026	0.05000	3,635,000.00	286,875.00	196,000.00	482,875.00	4,117,875.00
2027	0.05000	3,820,000.00	196,000.00	100,500.00	296,500.00	4,116,500.00
2028	0.05000	4,020,000.00	100,500.00	-	100,500.00	4,120,500.00
	Totals	$52,895,000.00	$17,125,956.25	$15,841,643.75	$32,967,600.00	$85,862,600.00

The bonds maturing in 2025 through 2028 are Term Bonds.

Purpose of Issue

Proceeds from the sale of the Limited Tax Criminal Justice Bonds Series 2003A (the "bonds") were to be used to build, improve, and equip buildings, jails, and court facilities in Galveston County, Texas (the "county"), and to pay the costs associated with the issuance of the bonds. [*Official Statement* dated August 14, 2003, "Purpose," cover page.]

Authority

The bonds were issued per an order (the "Order") adopted by the Commissioners' Court of the county pursuant to the *Constitution* and general laws of the State of Texas, including Chapters 1471 and 1473 of the *Texas Government Code*, as amended, and Chapter 271, *Texas Local Government Code*, as amended.

[*Official Statement* dated August 14, 2003, "Introduction," page 3.] The Order was adopted on August 14, 2003. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Bonds," cover page.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was Wachovia Bank, N.A. [*Official Statement* dated August 14, 2003, "Payment Terms," cover page.]

Accounting for Funds

The proceeds from the sale of the bonds, the interest earned thereon, and the use thereof are accounted for in the Limited Tax Criminal Justice Bonds Series 2003A Capital Projects Fund (Fund 3222). Principal and interest are paid from the Limited Tax Criminal Justice Bonds Series 2003A Debt Service Fund (Fund 4216). [General Ledger.]

Source of Payment

The bonds constitute direct obligations of the county payable both as to principal and interest from an ad-valorem tax levied against all taxable property within the county, within the limits prescribed by law. [*Official Statement* dated August 14, 2003, "Source of Payment," cover page.]

Tax Rate Limitations

The *Texas Constitution* (Article VIII, Section 9) imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, or certificates of obligation issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax bonds in an amount which produces a debt service requirement exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection. The bonds are limited tax bonds payable from this constitutional tax. [*Official Statement* dated August 14, 2003, "Tax Rate Limitations," page 11.]

Security for the Bonds

To provide for the payment of principal of and interest on the bonds, there was to be levied, and to be annually assessed and collected in due time, form and manner, for the current year and each succeeding year thereafter, while the bonds or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax, within the limits prescribed by law, upon all taxable property within the county sufficient to pay the interest on the bonds and to create and provide a sinking fund of not less than 2% of the principal amount of the bonds or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes are hereby irrevocably pledged, and when collected shall be applied, to the payment of principal of and interest on the bonds by deposit to the debt service fund (hereinafter defined) and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the bonds, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any Bond remains outstanding, all amounts on deposit in, or credited to, the debt service fund shall be secured by a pledge of security, as provided by law for counties in the State of Texas.

A debt service fund was to be created as a special fund solely for the benefit of the bonds. The county was to establish and maintain such fund at an official county depository and keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund shall be maintained by the county in trust for the registered owners of the bonds. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the bonds. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Bonds," page 21.]

Tax Exemption

In the opinion of Andrews & Kurth L.L.P., Houston, Texas, bond counsel, interest on the bonds is (1) excludable under Section 103 of the *Internal Revenue Code of 1986* as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order authorizing the issuance of the bonds and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the bonds that are contained in the Order should be determined to be inaccurate or incomplete, interest on the bonds could become taxable from the date of delivery of the bonds, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated August 14, 2003, "Tax Exemption," pages 26-27.]

Optional and Mandatory Redemption

The bonds maturing on February 1, 2014, and thereafter are subject to optional redemption by the county in whole, or from time to time in part, on February 1, 2013, or any date thereafter at par plus accrued interest to the date of redemption. In addition to the foregoing optional redemption provision, the Term Bonds maturing on February 1, 2028, are subject to mandatory redemption. [*Official Statement* dated August 14, 2003, "Optional and Mandatory Redemption," cover page.]

Details of Issue

Name of Issue: Unlimited Tax Road Bonds Series 2003B (Fund 4369)
Face Value of Issue: $9,625,000.00
Bonds Dated: August 1, 2003
Bond Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1
Other: Issued Partly as Serial Bonds and Partly as Term Bonds

Unlimited Tax Road Bonds Series 2003B (Fund 4369)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate	Principal	Interest February 1	Interest August 1	Total Interest	Total Debt Service
2008	0.03000	$ 270,000.00	$ 203,156.25	$ 199,106.25	$ 402,262.50	$ 672,262.50
2009	0.03000	275,000.00	199,106.25	194,981.25	394,087.50	669,087.50
2010	0.03750	285,000.00	194,981.25	189,637.50	384,618.75	669,618.75
2011	0.03750	295,000.00	189,637.50	184,106.25	373,743.75	668,743.75
2012	0.04000	310,000.00	184,106.25	177,906.25	362,012.50	672,012.50
2013	0.04250	320,000.00	177,906.25	171,106.25	349,012.50	669,012.50
2014	0.04250	335,000.00	171,106.25	163,987.50	335,093.75	670,093.75
2015	0.04250	350,000.00	163,987.50	156,550.00	320,537.50	670,537.50
2016	0.04500	365,000.00	156,550.00	148,337.50	304,887.50	669,887.50
2017	0.04500	380,000.00	148,337.50	139,787.50	288,125.00	668,125.00
2018	0.04625	400,000.00	139,787.50	130,537.50	270,325.00	670,325.00
2019	0.04625	420,000.00	130,537.50	120,825.00	251,362.50	671,362.50
2020	0.04750	440,000.00	120,825.00	110,375.00	231,200.00	671,200.00
2021	0.05000	460,000.00	110,375.00	98,875.00	209,250.00	669,250.00
2022	0.05000	485,000.00	98,875.00	86,750.00	185,625.00	670,625.00
2023	0.05000	510,000.00	86,750.00	74,000.00	160,750.00	670,750.00
2024	0.05000	535,000.00	74,000.00	60,625.00	134,625.00	669,625.00
2025	0.05000	560,000.00	60,625.00	46,625.00	107,250.00	667,250.00
2026	0.05000	590,000.00	46,625.00	31,875.00	78,500.00	668,500.00
2027	0.05000	620,000.00	31,875.00	16,375.00	48,250.00	668,250.00
2028	0.05000	655,000.00	16,375.00	-	16,375.00	671,375.00
	Totals	$8,860,000.00	$2,705,525.00	$2,502,368.75	$5,207,893.75	$14,067,893.75

The bonds maturing in 2025 through 2028 are Term Bonds.

Purpose of Issue

Proceeds from the sale of the Unlimited Tax Road Bonds Series 2003B (the “bonds”) were to be used to build and improve roads within Galveston County, Texas (the “county”), and to pay the costs associated with the issuance of the bonds. [*Official Statement* dated August 14, 2003, “Purpose,” cover page.]

Authority

The bonds were issued per an order (the “Order”) adopted by the Commissioners’ Court of the county pursuant to the *Constitution* and general laws of the State of Texas, including Chapters 1471 and 1473 of the *Texas Government Code*, as amended, and Chapter 271, *Texas Local Government Code*, as amended.

[*Official Statement* dated August 14, 2003, “Introduction,” page 3.] The Order was adopted on August 14, 2003. [*Transcript of Proceedings*, “Order Authorizing Issuance of the Bonds,” cover page.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was Wachovia Bank, N.A. [*Official Statement* dated August 14, 2003, “Payment Terms,” cover page.]

Accounting for Funds

The proceeds from the sale of the bonds, the interest earned thereon, and the use thereof are accounted for in the Unlimited Tax Road Bonds Series 2003B Capital Projects Fund (Fund 3307). Principal and interest are paid from the Unlimited Tax Road Bonds Series 2003B Debt Service Fund (Fund 4369). [General Ledger.]

Security and Source of Payment

The bonds constitute direct obligations of the county payable both as to principal and interest from an ad-valorem tax levied against all taxable property in the county, which tax is without legal limit as to rate or amount. [*Official Statement* dated August 14, 2003, “Source of Payment,” cover page.]

Tax Rate Limitations

An unlimited tax rate is authorized for debt service by Article III, Section 52, of the *Texas Constitution*; however, total debt cannot exceed 25% of assessed valuation. The bonds are payable from this unlimited tax. [*Official Statement* dated August 14, 2003, “Tax Rate Limitations,” page 11.]

Security for the Bonds

To provide for the payment of principal of and interest on the bonds, there was to be levied, and to be annually assessed and collected in due time, form and manner, for the current year and each succeeding year thereafter, while the bonds or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax, without limit as to rate or amount, upon all taxable property within the county sufficient to pay the interest on the bonds and to create and provide a sinking fund of not less than 2% of the principal amount of the bonds or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes are hereby irrevocably pledged, and when collected shall be applied, to the payment of principal of and interest on the bonds by deposit to the debt service fund (hereinafter defined) and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the bonds, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any Bond remains outstanding, all amounts on deposit in, or credited to, the debt service fund shall be secured by a pledge of security, as provided by law for counties in the State of Texas.

A debt service fund was to be created as a special fund solely for the benefit of the bonds. The county was to establish and maintain such fund at an official county depository and keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund shall be maintained by the county in trust for the Registered Owners of the bonds. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the bonds. [*Transcript of Proceedings*, “Order Authorizing Issuance of the Bonds,” page 21.]

Tax Exemption

In the opinion of Andrews & Kurth L.L.P., Houston, Texas, bond counsel, interest on the bonds is (1) excludable under Section 103 of the *Internal Revenue Code of 1986* as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order authorizing the issuance of the bonds and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the bonds that are contained in the Order should be determined to be inaccurate or incomplete, interest on the bonds could become taxable from the date of delivery of the bonds, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated August 14, 2003, "Tax Exemption," pages 26-27.]

Optional and Mandatory Redemption

The bonds maturing on February 1, 2014, and thereafter are subject to optional redemption by the county in whole, or from time to time in part, on February 1, 2013, or any date thereafter at par plus accrued interest to the date of redemption. In addition to the foregoing optional redemption provision, the term bonds maturing on February 1, 2028, are subject to mandatory redemption. [*Official Statement* dated August 14, 2003, "Optional and Mandatory Redemption," cover page.]

Details of Issue

Name of Issue: Combination Tax and Revenue Certificates of Obligation Series 2003C (Fund 4214)
Face Value of Issue: $40,890,000.00
Bonds Dated: August 1, 2003
Bond Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1
Other: Issued Partly as Serial Certificates and Partly as Term Certificates

Combination Tax and Revenue Certificates of Obligation Series 2003C (Fund 4214)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate	Principal	Interest February 1	Interest August 1	Total Interest	Total Debt Service
2008	0.03000	$ 30,000.00	$ 1,006,631.25	$ 1,006,181.25	$ 2,012,812.50	$ 2,042,812.50
2009	0.03000	90,000.00	1,006,181.25	1,004,831.25	2,011,012.50	2,101,012.50
2010	0.03750	90,000.00	1,004,831.25	1,003,143.75	2,007,975.00	2,097,975.00
2011	0.03750	805,000.00	1,003,143.75	988,050.00	1,991,193.75	2,796,193.75
2012	0.04000	785,000.00	988,050.00	972,350.00	1,960,400.00	2,745,400.00
2013	0.04000	745,000.00	972,350.00	957,450.00	1,929,800.00	2,674,800.00
2014	0.04250	700,000.00	957,450.00	942,575.00	1,900,025.00	2,600,025.00
2015	0.04250	635,000.00	942,575.00	929,081.25	1,871,656.25	2,506,656.25
2016	0.04500	615,000.00	929,081.25	915,243.75	1,844,325.00	2,459,325.00
2017	0.04500	560,000.00	915,243.75	902,643.75	1,817,887.50	2,377,887.50
2018	0.05250	1,630,000.00	902,643.75	859,856.25	1,762,500.00	3,392,500.00
2019	0.05250	1,630,000.00	859,856.25	817,068.75	1,676,925.00	3,306,925.00
2020	0.05250	1,820,000.00	817,068.75	769,293.75	1,586,362.50	3,406,362.50
2021	0.05250	1,835,000.00	769,293.75	721,125.00	1,490,418.75	3,325,418.75
2022	0.05000	1,835,000.00	721,125.00	675,250.00	1,396,375.00	3,231,375.00
2023	0.05000	1,850,000.00	675,250.00	629,000.00	1,304,250.00	3,154,250.00
2024	0.05000	1,860,000.00	629,000.00	582,500.00	1,211,500.00	3,071,500.00
2025	0.05000	1,860,000.00	582,500.00	536,000.00	1,118,500.00	2,978,500.00
2026	0.05000	1,870,000.00	536,000.00	489,250.00	1,025,250.00	2,895,250.00
2027	0.05000	9,540,000.00	489,250.00	250,750.00	740,000.00	10,280,000.00
2028	0.05000	10,030,000.00	250,750.00	-	250,750.00	10,280,750.00
	Totals	$40,815,000.00	$16,958,275.00	$15,951,643.75	$32,909,918.75	$73,724,918.75

The bonds maturing in 2025 through 2028 are Term Bonds.

Purpose of Issue

Proceeds from the sale of the Combination Tax and Revenue Certificates of Obligation Series 2003C (the "certificates") were to be used to purchase, among other things, materials, supplies, equipment, machinery, buildings, land, and rights-of-way for authorized needs and purposes; to construct public works within Galveston County, Texas (the "county"); and to pay the costs associated with the issuance of the certificates. [*Official Statement* dated August 14, 2003, "Purpose," cover page.]

Authority

The certificates were issued per an order (the "Order") adopted by the Commissioners' Court of the county pursuant to the *Constitution* and general laws of the State of Texas, including Chapters 1471 and 1473 of the *Texas Government Code*, as amended, and Chapter 271, *Texas Local Government Code*, as amended. [*Official Statement* dated August 14, 2003, “Introduction,” page 3.] The Order was adopted on August 14, 2003. [*Transcript of Proceedings*, “Order Authorizing Issuance of the Certificates,” page 1.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was Wachovia Bank, N.A. [*Official Statement* dated August 14, 2003, “Payment Terms,” cover page.]

Accounting for Funds

The proceeds from the sale of the certificates, the interest earned thereon, and the use thereof are accounted for in the Combination Tax and Revenue Certificates of Obligation Series 2003C Capital Projects Fund (Fund 3206). Principal and interest are paid from the Combination Tax and Revenue Certificates of Obligation Series 2003C Debt Service Fund (Fund 4214). [General Ledger.]

Security and Source of Payment

The certificates constitute direct obligations of the county payable both as to principal and interest from an ad-valorem tax levied against all taxable property within the county, within the limits prescribed by law. The certificates are additionally payable from and secured by a limited and subordinate pledge of the net revenues from the county’s parking lots and garage. [*Official Statement* dated August 14, 2003, “Source of Payment,” cover page.]

Tax Rate Limitations

The *Texas Constitution* (Article VIII, Section 9) imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county’s General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, or certificates of obligation issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax bonds in an amount which produces a debt service requirement exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection. The certificates are limited tax bonds payable from this constitutional tax. [*Official Statement* dated August 14, 2003, “Tax Rate Limitations,” page 11.]

Security for the Certificates

To provide for the payment of principal of and interest on the certificates, there was to be levied, within the limits prescribed by law, for the current year and each succeeding year thereafter, while the certificates or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax upon all taxable property within the county sufficient to pay the interest on the certificates and to create and provide a sinking fund of not less than 2% of the principal amount of the certificates or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes, when collected, shall be applied to the payment of principal of and interest on the certificates by deposit to the debt service fund (defined below) and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the certificates, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any certificates remain outstanding, all moneys on deposit in, or credited to, the debt service fund shall be secured by a pledge of security, as provided by law for counties in the State of Texas.

In addition, the county also pledged the net revenues to be derived from the parking facilities (the “Parking Revenues”) to the payment of the principal of and interest on the certificates to the extent that the ad-valorem taxes referred to in the Order are ever insufficient or unavailable for such purpose, provided that the pledge of Parking Revenues is and shall be junior and subordinate in all respects to the pledge of Parking Revenues to the payment of any obligation of the county, whether authorized heretofore or hereafter, which the county designates as having a pledge senior to the pledge of the Parking

Revenues to the payment of the certificates. The county also reserves the right to issue, for any lawful purpose at any time, in one or more installments, bonds, certificates of obligation, and other obligations of any kind, secured in whole or in part by a pledge of Parking Revenues, that may be prior and superior in right to, on a parity with, or junior and subordinate to the pledge of Parking Revenues securing the certificates.

A debt service fund is to be created as a special fund solely for the benefit of the certificates. The county is to establish and maintain such fund at an official county depository and keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund shall be maintained by the county in trust for the registered owners of the certificates. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the certificates. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Certificates," pages 17-18.]

Tax Exemption

In the opinion of Andrews & Kurth L.L.P., Houston, Texas, bond counsel, interest on the certificates is (1) excludable under Section 103 of the *Internal Revenue Code of 1986* as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the certificates. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the certificates in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order authorizing the issuance of the certificates and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of Certificate proceeds and any facilities financed therewith, the source of repayment of the certificates, the investment of Certificate proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Certificate proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the certificates that are contained in the Order should be determined to be inaccurate or incomplete, interest on the certificates could become taxable from the date of delivery of the certificates, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated August 14, 2003, "Tax Exemption," pages 26-27.]

Optional and Mandatory Redemption

The certificates maturing on February 1, 2014, and thereafter are subject to optional redemption by the county in whole, or from time to time in part, on February 1, 2013, or any date thereafter at par plus accrued interest to the date of redemption. In addition to the foregoing optional redemption provision, the term certificates maturing on February 1, 2028, are subject to mandatory redemption. [*Official Statement* dated August 14, 2003, "Optional and Mandatory Redemption," cover page.]

Details of Issue

Name of Issue: General Obligation 1999/2001 Refunding Bonds Series 2004 (Fund 4284)
Face Value of Issue: $22,295,000.00
Bonds Dated: August 1, 2004
Bond Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1

General Obligation 1999/2001 Refunding Bonds Series 2004 (Fund 4284)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate	Principal	Interest February 1	Interest August 1	Total Interest	Total Debt Service
2008	0.03000	$ 40,000.00	$ 554,537.50	$ 553,937.50	$1,108,475.00	$ 1,148,475.00
2009	0.03500	1,315,000.00	553,937.50	530,925.00	1,084,862.50	2,399,862.50
2010	0.04250	1,370,000.00	530,925.00	501,812.50	1,032,737.50	2,402,737.50
2011	0.04000	1,420,000.00	501,812.50	473,412.50	975,225.00	2,395,225.00
2012	0.05000	3,410,000.00	473,412.50	388,162.50	861,575.00	4,271,575.00
2013	0.05000	3,625,000.00	388,162.50	297,537.50	685,700.00	4,310,700.00
2014	0.05250	3,860,000.00	297,537.50	196,212.50	493,750.00	4,353,750.00
2015	0.05500	3,455,000.00	196,212.50	101,200.00	297,412.50	3,752,412.50
2016	0.05500	3,680,000.00	101,200.00	-	101,200.00	3,781,200.00
	Totals	$22,175,000.00	$3,597,737.50	$3,043,200.00	$6,640,937.50	$28,815,937.50

Purpose of Issue

The General Obligation 1999/2001 Refunding Bonds Series 2004 (the "bonds") were issued by Galveston County, Texas (the "county"), to refund a portion of the county's outstanding Tax and Revenue Certificates of Obligation Series 1999 (Fund 4205) and a portion of the county's outstanding Justice Center and Public Safety Building Bonds Series 2001 (Fund 4215) (such refunded portions referred to collectively herein as the "Refunded Obligations"), and to pay related costs of issuance of the bonds. [*Official Statement* dated July 15, 2004, "Purpose," cover page.]

Details of the advance-refunded debt follow.

Obligations Refunded by General Obligation 1999/2001
Refunding Bonds Series 2004 (Fund 4284)

	Maturity Date	Interest Rate	Par Amount	Call Date	Price
Tax and Revenue Certificates of Obligation Series 1999 (Fund 4205)	02/01/2009	5.1%	$1,280,000	02/01/2008	100%
	02/01/2010	5.2%	1,350,000	02/01/2008	100%
	02/01/2011	5.3%	1,420,000	02/01/2008	100%
	02/01/2012	5.4%	1,500,000	02/01/2008	100%
	02/01/2013	5.5%	1,585,000	02/01/2008	100%
	02/01/2014	5.6%	1,675,000	02/01/2008	100%
Justice Center and Public Safety Building Bonds Series 2001 (Fund 4215)	02/01/2012	5.5%	$1,925,000	02/01/2011	100%
	02/01/2013	5.5%	2,075,000	02/01/2011	100%
	02/01/2014	5.5%	2,235,000	02/01/2011	100%
	02/01/2015	5.5%	3,515,000	02/01/2011	100%
	02/01/2016	5.5%	3,745,000	02/01/2011	100%

[*Official Statement* dated July 15, 2004, "Appendix B: Schedule of Refunded Obligations," page B-1.]

Authority

The bonds were issued pursuant to the *Constitution* and general laws of the State of Texas, including Chapter 1207, *Texas Government Code*, as amended. The bonds were authorized pursuant to (i) an order (the "Order") adopted by the Commissioners' Court of the county authorizing the sale and delivery of the bonds under certain parameters as set forth more particularly in the Order and (ii) a pricing certificate executed by the County Judge pursuant to the authority delegated to him under the Order, setting forth the terms of the bonds. [*Official Sta*tement dated July 15, 2004, page 1.] The Order was adopted on April 5, 2004. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Bonds," cover page.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was Wachovia Bank, N.A. [*Official Statement* dated July 15, 2004, "Payment Terms," cover page.]

Escrow

The principal and interest due on the Refunded Obligations were to be paid on the scheduled interest payment dates and the respective redemption and maturity dates of such Refunded Obligations, from funds to be deposited pursuant to a certain escrow agreement (the "Escrow Agreement") between the county and Wachovia Bank, N.A. (the "Escrow Agent"). The Order provides that from the proceeds of the sale of the bonds to the Underwriters, the county will deposit with the Escrow Agent in an escrow fund (the "Escrow Fund") the amount, together with the investment earnings thereon, necessary to accomplish the discharge and final payment of the Refunded Obligations. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest of the Refunded Obligations. Funds deposited into the Escrow Fund will be used to purchase direct obligations of the United States of America, which will be used to pay the interest and principal of the Refunded Obligations.

As verification agent, The Arbitrage Group, Inc. (the "Verification Agent"), will verify at the time of the delivery of the bonds to the underwriters listed on the front cover page of this *Official Statement* (the "Underwriters") the mathematical accuracy of the schedules that demonstrate that the federal securities to be acquired and held in the Escrow Fund under the Escrow Agreement (the "Federal Securities") will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. The Escrow Fund and the maturing principal of and interest on the Federal Securities will not be available to pay the bonds.

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the county will have effected the defeasance of the Refunded Obligations in accordance with law. It is the opinion of bond counsel that, as a result of such defeasance and in reliance upon the report of the Verification Agent, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Federal Securities and cash held for such purpose by the Escrow Agent, and such Refunded Obligations will not be deemed as being outstanding for the purpose of any limitation on debt or the assessment of taxes.

The county has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund of any additional amounts required to pay the principal of and interest on the Refunded Obligations if, for any reason, the cash balance on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment. [*Official Statement* dated July 15, 2004, "Purpose of the Bonds," page 1.]

Accounting for Funds

Proceeds, net of issuance expenses, from the sale of the bonds were applied to the refunding of debt discussed above under <u>Purpose of Issue</u>. [*Official Statement* dated July 15, 2004, "Sources and Uses of the Bonds," page 2.] Principal and interest are paid from the General Obligation 1999/2001 Refunding Bonds Series 2004 Debt Service Fund (Fund 4284). [General Ledger.]

Security and Source of Payment

The bonds constitute direct obligations of the county payable both as to principal and interest from an annual ad-valorem tax levied, within the limits prescribed by law, against all taxable property within the county. [*Official Statement* dated July 15, 2004, "Source of Payment," cover page.]

Tax Rate Limitations

The *Texas Constitution* (Article VIII, Section 9) imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, or certificates of obligation issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax bonds in an amount which produces a debt service requirement exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection. The bonds are limited tax bonds payable from this Constitutional tax. [*Official Statement* dated July 15, 2004, "Tax Rate Limitations," page 7.]

Security for the Bonds

To provide for the payment of principal of and interest on the bonds, there was to be levied, within the limits prescribed by law, for the current year and each succeeding year thereafter, while the bonds or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax upon all taxable property within the county sufficient to pay the interest on the bonds and to create and provide a sinking fund of not less than 2% of the principal amount of the bonds or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes, when collected, shall be applied to the payment of principal of and interest on the bonds by deposit to the Debt Service Fund (defined below) and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the bonds, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any bonds remain outstanding, all moneys on deposit in, or credited to, the Debt Service Fund shall be secured by a pledge of security, as provided by law for counties in the State of Texas.

A debt service fund was to be created as a special fund solely for the benefit of the bonds. The county was to establish and maintain such fund at an official county depository and keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund shall be maintained by the county in trust for the Registered Owners of the bonds. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the bonds. [Transcript *of Proceedings*, "Order Authorizing Issuance of the Bonds," pages 15 - 16.]

Tax Exemption

In the opinion of Andrews Kurth LLP, Houston, Texas, bond counsel, interest on the bonds is (1) excludable under Section 103 of the *Internal Revenue Code of 1986* as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the bonds that are contained in the Order should be determined to be inaccurate or incomplete, interest on the bonds could become taxable from the date of delivery of the bonds, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated July 15, 2004, "Tax Exemption," page 23.]

No Optional Redemption

The bonds are not subject to redemption prior to their scheduled maturity. [*Official Statement* dated July 15, 2004, cover page.]

Details of Issue

Name of Issue: Unlimited Tax Road Refunding Bonds Series 2004A (Fund 4370)
Face Value of Issue: $10,129,988.00
Bonds Dated: August 1, 2004
Bond Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1
Other: Issued Partly as Current Interest Bonds and Partly as Capital Appreciation Bonds

Unlimited Tax Road Refunding Bonds Series 2004A (Fund 4370)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate or Yield (1)	Principal	Interest February 1	Interest August 1	Total Interest	Total Debt Service
2008	0.03000	$ 100,000.00	$ 215,537.50	$ 214,037.50	$ 429,575.00	$ 529,575.00
2009	0.03250	105,000.00	214,037.50	212,331.25	426,368.75	531,368.75
2010	0.03375	105,000.00	212,331.25	210,559.38	422,890.63	527,890.63
2011	0.03625	110,000.00	210,559.38	208,565.63	419,125.01	529,125.01
2012	0.04050	779,988.00	948,577.63	208,565.63	1,157,143.26	1,937,131.26
2013	0.03500	1,575,000.00	208,565.63	181,003.13	389,568.76	1,964,568.76
2014	0.03625, 0.04500	1,665,000.00	181,003.13	148,637.50	329,640.63	1,994,640.63
2015	0.05500	2,615,000.00	148,637.50	76,725.00	225,362.50	2,840,362.50
2016	0.05500	2,790,000.00	76,725.00	-	76,725.00	2,866,725.00
	Totals	$9,844,988.00	$2,415,974.52	$1,460,425.02	$3,876,399.54	$13,721,387.54

(1) Interest rate for current-interest bonds; yield for capital-appreciation bonds.

The bonds maturing in 2012 are capital-appreciation bonds.

The bonds maturing in 2014 include $1,165,000 at 3.625% and $500,000 at 4.5%.

Purpose of Issue

The Unlimited Tax Road Refunding Bonds Series 2004A (the "bonds") were issued by Galveston County, Texas (the "county"), to refund a portion of the outstanding Unlimited Tax Road Bonds Series 2001 (Fund 4368) (such refunded bonds referred to herein as the "Refunded Obligations"), and to pay related costs of issuance of the bonds. [*Official Statement* dated August 12, 2004, "Purpose," cover page.]

Details of the advance-refunded debt follow.

Obligations Refunded by Unlimited Tax Road Refunding Bonds Series 2004A (Fund 4370)

	Maturity Date	Interest Rate	Par Amount	Call Date	Price
Unlimited Tax Road Bonds Series 2001 (Fund 4368)	02/01/2012	5.5%	$1,445,000	02/01/2011	100%
	02/01/2013	5.5%	1,555,000	02/01/2011	100%
	02/01/2014	5.5%	1,675,000	02/01/2011	100%
	02/01/2015	5.5%	2,640,000	02/01/2011	100%
	02/01/2016	5.5%	2,815,000	02/01/2011	100%

[*Official Statement* dated August 12, 2004, "Appendix B: Schedule of Refunded Obligations," page B-1.]

Authority

The bonds were issued pursuant to the *Constitution* and general laws of the State of Texas, including Chapter 1207, *Texas Government Code*, as amended. The bonds were authorized pursuant to (i) an order adopted by the Commissioners' Court of the county (the "Order") authorizing the sale and delivery of the bonds under certain parameters as set forth more particularly in the Order and (ii) a pricing certificate executed by the County Judge pursuant to the authority delegated to him under the Order, setting forth the terms of the bonds. [*Official Statement* dated August 12, 2004, page 1.] The Order was adopted on April 5, 2004. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Bonds," cover page.]

Initial Paying Agent/Registrar

The initial paying agent/registrar was Wachovia Bank, N.A. [*Official Statement* dated August 12, 2004, "Payment Terms," cover page.]

Escrow

The principal and interest due on the Refunded Obligations are to be paid on the scheduled interest payment dates and the respective redemption and maturity dates of such Refunded Obligations, from funds to be deposited pursuant to a certain escrow agreement (the "Escrow Agreement") between the county and Wachovia Bank, N.A. (the "Escrow Agent"). The Order provided that from the proceeds of the sale of the bonds to the Underwriters, the county would deposit with the Escrow Agent in an escrow fund (the "Escrow Fund") the amount, together with the investment earnings thereon, necessary to accomplish the discharge and final payment of the Refunded Obligations. Under the Escrow Agreement, the Escrow Fund is irrevocably pledged to the payment of the principal and interest of the Refunded Obligations. Funds deposited into the Escrow Fund were to be used to purchase direct obligations of the United States of America, which will be used to pay the interest and principal of the Refunded Obligations.

As verification agent, The Arbitrage Group, Inc. (the "Verification Agent"), verified at the time of the delivery of the bonds to the underwriters listed on the front cover page of the *Official Statement* (the "Underwriters") the mathematical accuracy of the schedules that demonstrate that the federal securities to be acquired and held in the Escrow Fund under the Escrow Agreement (the "Federal Securities") will mature and pay interest in such amounts which, together with uninvested funds, if any, in the Escrow Fund, will be sufficient to pay, when due, the principal of and interest on the Refunded Obligations. The Escrow Fund and the maturing principal of and interest on the Federal Securities will not be available to pay the bonds.

By the deposit of the Federal Securities and cash with the Escrow Agent pursuant to the Escrow Agreement, the county will have effected the defeasance of the Refunded Obligations in accordance with law. It is the opinion of bond counsel that, as a result of such defeasance and in reliance upon the report of the Verification Agent, the Refunded Obligations will be outstanding only for the purpose of receiving payments from the Federal Securities and cash held for such purpose by the Escrow Agent and such Refunded Obligations will not be deemed as being outstanding for the purpose of any limitation on debt or the assessment of taxes.

The county has covenanted in the Escrow Agreement to make timely deposits to the Escrow Fund of any additional amounts required to pay the principal of and interest on the Refunded Obligations if, for any reason, the cash balance on deposit or scheduled to be on deposit in the Escrow Fund are insufficient to make such payment. [*Official Statement* dated August 12, 2004, "Purpose of the Bonds," page 1.]

Accounting for Funds

Proceeds, net of issuance expenses, from the sale of the bonds were applied to the refunding of debt discussed above under **Purpose of Issue**. [*Official Statement* dated August 12, 2004, "Sources and Uses of the Bonds," page 2.] Principal and interest are paid from the Unlimited Tax Road Refunding Bonds Series 2004A Debt Service Fund (Fund 4370). [General Ledger.]

Security and Source of Payment

The bonds constitute direct obligations of the county payable both as to principal and interest from an annual ad-valorem tax levied, without legal limit as to rate or amount, against all taxable property within the county. [*Official Statement* dated August 12, 2004, "Source of Payment," cover page.]

Tax Rate Limitations

An unlimited tax rate is authorized for debt service by Article III, Section 52 of the Texas Constitution; however, total debt cannot exceed 25% of assessed valuation. The bonds are unlimited tax bonds payable from this tax, which is unlimited in rate or amount. Administratively, the Attorney General of Texas will not approve limited tax obligations in an amount which produces a debt service requirement exceeding that which can be paid from $0.40 of a $0.80 maximum tax rate calculated at 90% collection. In the Order, the county covenants to levy a tax sufficient to pay the principal of and interest on the bonds, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the Debt Service Fund and used to pay principal of and interest on the bonds, when due. [*Official Statement* dated August 12, 2004, "Tax Rate Limitations," page 7.]

Security for the Bonds

To provide for the payment of principal of and interest on the bonds, there was to be levied, without limit as to rate or amount, for the current year and each succeeding year thereafter, while the bonds or any part of the principal thereof and the interest thereon remain outstanding and unpaid, an ad-valorem tax upon all taxable property within the county sufficient to pay the interest on the bonds and to create and provide a sinking fund of not less than 2% of the principal amount of the bonds or not less than the principal payable out of such tax, whichever is greater, with full allowance being made for tax delinquencies and the costs of tax collection, and such taxes, when collected, shall be applied to the payment of principal of and interest on the bonds by deposit to the Debt Service Fund (defined below) and to no other purpose.

The county declared its purpose and intent to provide and levy a tax legally sufficient to pay the principal of and interest on the bonds, it having been determined that the existing and available taxing authority of the county for such purpose is adequate to permit a legally sufficient tax. As long as any bonds remain outstanding, all moneys on deposit in, or credited to, the Debt Service Fund shall be secured by a pledge of security, as provided by law for counties in the State of Texas.

A debt service fund was to be created as a special fund solely for the benefit of the bonds. The county was to establish and maintain such fund at an official county depository and keep such fund separate and apart from all other funds and accounts of the county. Any amount on deposit in the debt service fund shall be maintained by the county in trust for the Registered Owners of the bonds. Such amount, plus any other amounts deposited by the county into such fund and any and all investment earnings on amounts on deposit in such fund, shall be used only to pay the principal of, premium, if any, and interest on the bonds. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Bonds," pages 20 - 21.]

Tax Exemption

In the opinion of Andrews Kurth LLP, Houston, Texas, bond counsel, interest on the bonds is (1) excludable under Section 103 of the *Internal Revenue Code of 1986* as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings and court decisions thereunder in existence on the date of issue of the bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of Bond proceeds and any facilities financed therewith, the source of repayment of the bonds, the investment of Bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of Bond proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the bonds that are contained in the Order should be determined to be inaccurate or incomplete, interest on the bonds could become taxable from the date of delivery of the bonds, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated August 12, 2004, "Tax Exemption," pages 24 - 25.]

No Optional Redemption

The bonds are not subject to redemption prior to maturity. [*Official Statement* dated August 12, 2004, cover page.]

Details of Issue

Name of Issue: Pass-Through Toll Revenue and Limited Tax Bonds Series 2007 (Fund 4358)
Face Value of Issue: $48,270,000.00
Bonds Dated: August 1, 2007
Bond Denomination: $5,000.00
Payments Due: Principal, February 1; Interest, February 1 and August 1
Other: Issued Partly as Serial Bonds and Partly as Term Bonds

Pass-Through Toll Revenue and Limited Tax Bonds Series 2007 (Fund 4358)
Debt Service Requirements
At September 30, 2007

Fiscal Year	Interest Rate	Principal	Interest February 1	Interest August 1	Total Interest	Total Debt Service
2008	-	$ -	$ 1,085,959.38	$ 1,085,959.38	$ 2,171,918.76	$ 2,171,918.76
2009	-	-	1,085,959.38	1,085,959.38	2,171,918.76	2,171,918.76
2010	0.04500	365,000.00	1,085,959.38	1,077,746.88	2,163,706.26	2,528,706.26
2011	0.04500	385,000.00	1,077,746.88	1,069,084.38	2,146,831.26	2,531,831.26
2012	0.04500	1,605,000.00	1,069,084.38	1,032,971.88	2,102,056.26	3,707,056.26
2013	0.04500	1,665,000.00	1,032,971.88	995,509.38	2,028,481.26	3,693,481.26
2014	0.04500	1,720,000.00	995,509.38	956,809.38	1,952,318.76	3,672,318.76
2015	0.04125	1,795,000.00	956,809.38	919,787.50	1,876,596.88	3,671,596.88
2016	0.04125	1,870,000.00	919,787.50	881,218.75	1,801,006.25	3,671,006.25
2017	0.04250	1,955,000.00	881,218.75	839,675.00	1,720,893.75	3,675,893.75
2018	0.04250	2,035,000.00	839,675.00	796,431.25	1,636,106.25	3,671,106.25
2019	0.04375	2,125,000.00	796,431.25	749,946.88	1,546,378.13	3,671,378.13
2020	0.04375	2,220,000.00	749,946.88	701,384.38	1,451,331.26	3,671,331.26
2021	0.04500	2,325,000.00	701,384.38	649,071.88	1,350,456.26	3,675,456.26
2022	0.04500	2,425,000.00	649,071.88	594,509.38	1,243,581.26	3,668,581.26
2023	0.04500	2,540,000.00	594,509.38	537,359.38	1,131,868.76	3,671,868.76
2024	0.04500	2,655,000.00	537,359.38	477,621.88	1,014,981.26	3,669,981.26
2025	0.04500	2,775,000.00	477,621.88	415,184.38	892,806.26	3,667,806.26
2026	0.04625	2,910,000.00	415,184.38	347,890.63	763,075.01	3,673,075.01
2027	0.04625	3,045,000.00	347,890.63	277,475.01	625,365.64	3,670,365.64
2028	0.04625	3,190,000.00	277,475.01	203,706.25	481,181.26	3,671,181.26
2029	0.04625	3,340,000.00	203,706.25	126,468.75	330,175.00	3,670,175.00
2030	0.04750	2,600,000.00	126,468.75	64,718.75	191,187.50	2,791,187.50
2031	0.04750	2,725,000.00	64,718.75	-	64,718.75	2,789,718.75
	Totals	$ 48,270,000.00	$ 16,972,450.09	$ 15,886,490.71	$ 32,858,940.80	$ 81,128,940.80

The bonds maturing in 2010 through 2027 are serial bonds; those maturing in 2028 through 2031 are term bonds.

Purpose of Issue

Proceeds from the sale of the Pass-Through Toll Revenue and Limited Tax Bonds Series 2007 (the "bonds") were to be used by Galveston County, Texas (the "county") for: i) designing, developing, financing, constructing, extending, expanding, or improving a non-toll project or facility for FM 646, a part of the state highway system located in the county; ii) paying interest on the bonds while the project is constructed; and iii) paying the costs of issuing the bonds. [*Official Statement* dated July 18, 2007, cover page.]

Authority

The bonds were issued pursuant to the authority granted to the county by Chapter 1479, *Texas Government Code*, as amended, and an order authorizing the issuance of the bonds (the "Order"). The Order authorizes the issuance of obligations payable in whole or in part from payments received by the county pursuant to a Pass-Through Toll Agreement (the "Agreement") between the county and the Texas Department of Transportation (the "Department"), an agency of the State of Texas charged with administering state and federal funds for highway construction and maintenance. [*Official Statement* dated July 18, 2007, page 1, "Introductory Statement," first paragraph.] The Order was adopted on July 18, 2007. [*Transcript of Proceedings*, "Certificate for Order," page 1.]

Paying Agent/Registrar

The initial paying agent/registrar for the bonds was U.S. Bank National Association. [*Official Statement* dated July 18, 2007, "Paying Agent/Registrar," page vii.]

Accounting for Funds

The proceeds from the sale of the bonds (less the capitalized interest), the interest earned thereon, and the use thereof are accounted for in the Pass-Through Toll Revenue and Limited Tax Bonds Series 2007 Capital Projects Fund (Fund 3310). Principal and interest are paid from the Pass-Through Toll Revenue and Limited Tax Bonds Series 2007 Debt Service Fund (Fund 4358), into which the capitalized interest portion of the proceeds was deposited. [General Ledger.]

Plan of Financing

Purpose

The Agreement currently provides funding for the construction or improvement of FM 646 from FM 1764 to FM 517 (the "South Project") and from I-45 to FM 517 (the "North Project," and together with the South Project, the "Project"). Construction improvements to FM 646 commenced in July, 2007, and are expected to be substantially complete by the end of 2010. The County anticipates that the first payments from the Department under the Agreement related to the North Project will commence in February, 2010, and that the first payments related to the South Project will commence in February, 2012.

The Agreement

The County has pledged revenues to secure payment of the bonds; however, the Agreement does not provide for the payment of, or obligate the Department to pay, amounts sufficient to pay debt service on the bonds. The amount of payments made by the Department will be determined by the terms of the Agreement, without regard to the actual debt service payable on the bonds.

Pursuant to Section 222.104, *Texas Transportation Code*, as amended, the Department is authorized to use any available funds for the purpose of making a pass-through toll payment (except for funds derived from the issuance of certain bonds). For fiscal years beginning September 1, 2007 and 2008, Section 222.104 requires the Department to make payments under its various pass-through toll agreements equal to, at a minimum, the yearly average of the amount paid under the various pass-through toll agreements since the inception of the pass-through toll program. The Agreement does not specify a particular source of funds for making payments under the Agreement, but the Department has stated that its current intention is to make payments from the State Highway Fund, which fund is subject to appropriation by the state legislature. As a result, the Department's obligation to pay amounts owed to the county pursuant to the terms of the Agreement is subject to appropriation by the state legislature of sufficient funds to discharge the obligations of the Department under the Agreement. The Department may, in the future, elect to pay amounts owed pursuant to the Agreement from other lawfully available funds; however, any such election by the Department would not affect the nature of the Department's obligations, which would continue to be subject to appropriation of such funds by the state legislature. In addition, the Department's obligation to pay amounts owed to the county pursuant to the Agreement is contingent on the completion of the Project. The Agreement does not expressly limit the ability of the Department and the county to amend or modify the Agreement without the consent of the owners of the bonds. Additionally, the Agreement may be terminated in writing with the mutual consent of the parties or by either party because of a material breach by the other party.

Pursuant to the Agreement, the county is required to pay a portion of the costs of the Project. Further, as described in more detail in the following paragraph, the Agreement does not require the Department to begin making substantial payments under the Agreement until several months after the North Project is complete and open to the public, and minimum payments under the Agreement are not required until both the North and South Projects are complete and open to the public. The county intends to use proceeds of the bonds to pay interest on the bonds while the Project is constructed. After this period of time, payments received from the Department under the Agreement and, if necessary, funds derived from the county's limited ad valorem tax pledge authorized in the Order will be sufficient to make annual debt service payments on the bonds.

It is anticipated that the North Project will be completed before the South Project. With regard to the North Project, the Department shall reimburse the county by paying an annual amount equal to $0.15 for each vehicle mile traveled on North Project highway improvements that were substantially complete and open to the public at any time during the previous year. The annual reimbursement in connection with North Project improvements will be no more than $5,365,200. There is no minimum reimbursement applicable to payments for North Project improvements. The total cumulative reimbursement by the Department for the North Project shall not exceed $17,700,000. Upon completion of South Project improvements, the Department shall reimburse the county by paying an annual amount equal to $0.15 for each vehicle mile traveled on the Project as a whole during the previous year. The annual reimbursement will be no less than $2,682,500 and no more than $5,365,200. Under no circumstances will the total payments under the Agreement exceed $53,650,000 unless the Agreement is amended.

The number of vehicle miles traveled on the Project during a year will be based on the Department's traffic estimates, which shall be derived from a mutually agreed-upon counting method and performed in good faith and shall be conclusive and not subject to litigation in any forum. The annual payments described in the preceding shall be made within 60 days after the first six months of the date on which each of the North Project and the South Project is substantially complete and opened to the public. Subsequent annual payments shall be made on or before each succeeding six-month anniversary of the first annual payment of each of the North Project and the South Project.

The Pass-Through Toll Program

The pass-through toll program was established as a means to benefit local areas by accelerating improvements in mobility and safety on the state highway system. Section 222.104(b), *Texas Transportation Code*, as amended, authorizes the Department to enter into an agreement with a public or private entity for the payment of pass-through tolls as reimbursement for costs associated with the planning, construction, or operation of a toll or non-toll facility on the state highway system. The pass-through toll is a dollar amount that is tied to a measure of actual usage of a highway and is used as a means of calculating the reimbursement.

The schedule of pass-through toll payments is calculated based on the Department's traffic projections for the highway, and the number and frequency of payments are negotiated between the Department and the public or private entity. The amount of the total reimbursement also incorporates the Department's estimated cost to construct the Project. Unless otherwise authorized by the Texas Transportation

Commission and incorporated in the pass-through agreement, the Department's liability under a pass-through agreement shall be neither increased nor decreased by cost overruns or underruns. [*Official Statement* dated July 18, 2007, "Plan of Financing," pages 1 - 3.]

Security for Payment

The bonds are payable in whole or in part from a first lien on the pledged revenues. The bonds are further secured by the county's pledge of an ad valorem tax, within the limits prescribed by law, upon all taxable property within the county in accordance with Section 1479.002(b)(2) of the *Texas Government Code*, as amended, to the extent pledged revenues are not sufficient to pay principal and interest on the bonds. [*Official Statement* dated July 18, 2007, "Security for Payment," page 4.]

Tax Rate Limitations

The *Texas Constitution* (Article VIII, Section 9) imposes a limit of $0.80 per $100 assessed valuation for all purposes of a county's General Fund, Permanent Improvement Fund, Road and Bridge Fund, and Jury Fund, including debt service of bonds, warrants, or certificates of obligation issued against such funds. Administratively, the Attorney General of Texas will not approve limited tax bonds in an amount which produces debt service requirements exceeding that which can be paid from $0.40 of the foregoing $0.80 maximum tax rate calculated at 90% collection. The bonds are limited tax bonds payable from this constitutional tax. In the Order, the county covenants to levy a tax sufficient to pay the principal of and interest on the bonds, to the extent that pledged revenues are insufficient to pay such principal and interest, with full allowance being made for delinquencies and costs of collection. Collected taxes will be placed in the debt service fund and used to pay principal of and interest on the bonds, when due. [*Official Statement* dated July 18, 2007, "Tax Rate Limitations," pages 10 - 11.]

Security and Sources of Payment

The county hereby covenants and agrees that all pledged revenues shall, as collected and received by the county, be deposited and paid into the special funds hereinafter recognized, confirmed, reaffirmed, created, or established and shall be applied in the manner hereinafter set forth, in order to provide for the payment of amounts due on or with respect to parity obligations, including the payment of principal, premium, if any, interest and redemption proceeds on parity obligations as the same shall become due and payable, and all expenses of paying the same, including the payment of principal, premium, if any, interest and redemption proceeds and related expenses of the bonds.

The bonds shall constitute special obligations of the county that shall be payable from and shall be equally and ratably secured by a first lien on the pledged revenues, as collected and received by the county. The pledged revenues shall be set aside for and irrevocably pledged to the payment of parity obligations which shall be in all respects on a parity with and of equal dignity with one another.

In addition to the pledged revenues pledged to the bonds, but only to the extent that such pledged revenues are insufficient to pay the principal and interest on the bonds, and to create a sinking fund for the payment of the principal when due, and to pay the expenses of assessing and collecting such taxes, there is hereby and there shall be levied, assessed, and collected on all taxable property in the county for each year while any of the bonds are outstanding, a continuing, direct annual ad valorem tax within the limits prescribed by law (but never less than two percent (2%) of the original principal amount of such bonds). All proceeds of such collections, except expenses incurred in that connection, shall be paid into the interest and sinking fund, and such proceeds shall be used for such purposes and no others. Notwithstanding the requirements of this section, if pledged revenues or other lawfully available funds are actually on deposit or budgeted for deposit in the interest and sinking fund in advance of the time when ad valorem taxes are scheduled to be levied for any year, than the amount of taxes which otherwise would have been required to be levied pursuant to this section may be reduced to the extent and by the amount of the pledged revenues and other lawfully available funds then on deposit in the interest and sinking fund or budgeted for deposit therein.

The interest and sinking fund shall be maintained by the paying agent/registrar, which shall hold such interest and sinking fund in trust for the registered owners of parity obligations, including the bonds. Monies shall be deposited to the interest and sinking fund and shall be used to pay amounts due on or with respect to parity obligations (including the bonds), including the principal of, premium, if any, and interest on parity obligations (including the bonds) as the same become due and payable. Ad valorem taxes deposited into the interest and sinking fund shall be kept separate and apart from all other funds and accounts of the county, and shall be used only for paying the interest on and principal of the bonds. The county shall maintain such interest and sinking fund as long as parity obligations are outstanding. Any monies remaining in the interest and sinking fund after all parity obligations are no longer outstanding shall be transferred by the paying agent/registrar to the revenue fund. [*Transcript of Proceedings*, "Order Authorizing Issuance of the Bonds," pages 12 - 13.]

Tax Exemption

In the opinion of Andrews Kurth LLP, Houston, Texas, bond counsel, interest on the bonds is (1) excludable under Section 103 of the *Internal Revenue Code of 1986*, as amended (the "code"), from gross income of the owners thereof for federal income tax purposes and (2) is not includable in the alternative minimum taxable income of individuals or corporations, with certain exceptions.

The foregoing opinions of bond counsel are based on the code and the regulations, rulings, and court decisions thereunder in existence on the date of issue of the bonds. Such authorities are subject to change and any such change could prospectively or retroactively result in the inclusion of the interest on the bonds in gross income of the owners thereof or change the treatment of such interest for purposes of computing alternative minimum taxable income.

In rendering its opinions, bond counsel has assumed continuing compliance by the county with certain covenants of the Order authorizing the issuance of the bonds and has relied on representations by the county with respect to matters solely within the knowledge of the county, which bond counsel has not independently verified. The covenants and representations relate to, among other things, the use of bond proceeds and any facilities financed therewith, the source of repayment of the bonds, the investment of bond proceeds and certain other amounts prior to expenditure, and requirements that excess arbitrage earned on the investment of bond proceeds and certain other amounts be paid periodically to the United States and that the county file an information report with the Internal Revenue Service. If the county should fail to comply with the covenants in the Order, or if its representations relating to the bonds that are contained in the Order should be determined to be inaccurate or incomplete, interest on the bonds could become taxable from the date of delivery of the bonds, regardless of the date on which the event causing such taxability occurs. [*Official Statement* dated July 18, 2007, "Tax Exemption," page 34.]

Redemption Provisions

The bonds maturing on and after February 1, 2015, are subject to redemption at the option of the county on February 1, 2014, or any date thereafter, in whole or in part, in principal amounts of $5,000 or any integral multiple thereof (and if within a stated maturity, selected at random and by lot by the paying agent/registrar), at the redemption price of par plus accrued interest. The bonds maturing on February 1 in the years 2029 and 2031 (the "term bonds") are subject to mandatory sinking fund redemption and shall be redeemed by the county prior to their scheduled maturities on February 1 in the years and in the amounts set forth at a redemption price equal to the principal amount redeemed plus accrued interest to the mandatory redemption date. [*Official Statement* dated July 18, 2007, "Redemption Provisions," page 4.]

A CROSS-REFERENCE OF REFUNDED/REFUNDING ISSUES

The county refunds existing debt either to take advantage of available interest rates which are lower than those of that existing debt, or to otherwise improve cash flow (e.g., to obtain a loan term longer that that of the existing debt and thereby lessen the amount of the individual periodic payments to be made). Technical differences cause refinancings to be called by different terms, but in general the refinancing of bonded debt by the county produces two effects:

- the county improves its financial or cash-flow position, and
- The new debt that is issued replaces the refinanced debt on the county's financial statements.

A refunding can be:

- A current refunding, where the proceeds of the refunding debt are applied immediately to redeem the old debt; or
- An advance refunding, where the proceeds of the refunding debt are placed into an escrow account to fund future debt-service payments until the old debt is callable or matures.

An advance refunding generally results in the defeasance of the old debt — i.e., for accounting purposes, the old debt is treated as though it has been redeemed and is replaced by the new debt in the financial statements of the issuer. [Source: *Governmental Accounting, Auditing, and Financial Reporting (Using the GASB 34 Model),* Government Finance Officers Association, Chicago, Illinois, 2001.]

The following cross-reference is sorted in ascending order by the year of issue of a series of debt, as reflected within the issue's name. Indented below the issue's name is information about any of its principal that was refunded, followed by information about any series of debt that it itself refunded.

Limited Tax Refunding Bonds Series 1985B (Fund-Cost Center 4001-810212)
  $6,953,500 of principal refunded by Limited Tax Refunding Bonds Series 1993

Flood Control Bonds Series 1986 (Fund-Cost Center 4001-810712)
  $3,400,000 of principal refunded by Flood Control Refunding Bonds Series 1991

Hospital Tax/Revenue Certificates of Obligation Series 1986 (Fund-Cost Center 4001-810311)
  $9,910,000 of principal refunded by Hospital Tax and Revenue Refunding Bonds Series 1989
  $485,000 of principal refunded by Limited Tax Refunding Bonds Series 1993

Refunding and Road Bonds 1987 (Fund-Cost Center 4001-810614)
  $4,585,000 of principal refunded by Road Refunding Bonds Series 1991
  $140,085 of principal refunded by General Obligation Refunding Bonds Series 1999

Combination Tax and Revenue Certificates of Obligation Series 1988 (Fund-Cost Center 4001-810115 or Fund 4203)
  $1,100,000 of principal refunded by Limited Tax Refunding Bonds Series 1993

Hospital Tax and Revenue Refunding Bonds Series 1989 (Fund 4260)
  $9,439,713 of principal refunded by Limited Tax Refunding Bonds Series 1993
  Refunded $9,910,000 of principal, Hospital Tax/Revenue Certificates of Obligation Series 1986
Combination Tax and Revenue Certificates of Obligation Series 1991 (Fund 4204)
  $4,700,000 of principal refunded by Limited Tax Refunding Bonds Series 1993

Combination Tax and Revenue Certificates of Obligation Series 1991A (Fund 4263)
  $9,499,993 of principal refunded by Limited Tax Refunding Bonds Series 1993

Flood Control Refunding Bonds Series 1991 (Fund 4391)
Refunded $3,400,000 of principal of Flood Control Bonds Series 1986

Hospital Refunding Bonds Series 1991 (Fund 4283)
$7,541,546 of principal refunded by Limited Tax Refunding Bonds Series 1993

Limited Tax Bonds Series 1991 (Fund 4241)
$3,680,000 of principal refunded January, 1994, from General Fund reserved fund balance
$820,000 of principal refunded by General Obligation Refunding Bonds Series 1999

Road Refunding Bonds Series 1991 (Fund 4381)
Refunded $4,585,000 of principal of Refunding and Road Bonds Series 1987

Limited Tax Refunding Bonds Series 1993 (Fund 4281)
$10,105,000 of principal refunded by Limited Tax Forward Refunding Bonds Series 2003
Refunded $6,953,500 of principal of Limited Tax Refunding Bonds Series 1985B
Refunded $485,000 of principal of Hospital Tax/Revenue Certificates of Obligation Series 1986
Refunded $1,100,000 of principal of Combination Tax/Revenue Certificates of Obligation Series 1988
Refunded $9,439,713 of principal of Hospital Tax and Revenue Refunding Bonds Series 1989
Refunded $4,700,000 of principal of Combination Tax/Revenue Certificates of Obligation Series 1991
Refunded $7,541,546 of principal of Hospital Refunding Bonds Series 1991
Refunded $9,499,993 of principal Combination Tax/Revenue Certificates of Obligation Series 1991A

Tax and Revenue Certificates of Obligation Series 1999 (Fund 4205)
$8,810,000 of principal refunded by General Obligation 1999/2001 Refunding Bonds Series 2004

General Obligation Refunding Bonds Series 1999 (Fund 4010)
Refunded $140,085 of principal of Refunding and Road Bonds Series 1987
Refunded $820,000 of principal of Limited Tax Bonds Series 1991

Justice Center and Public Safety Building Bonds Series 2001 (Fund 4215)
$13,495,000 of principal refunded by General Obligation 1999/2001 Refunding Bonds Series 2004

Unlimited Tax Road Bonds Series 2001 (Fund 4368)
$10,130,000 of principal refunded by Unlimited Tax Road Refunding Bonds Series 2004A

Limited Tax Forward Refunding Bonds Series 2003 (Fund 4282)
Refunded $10,105,000 of Limited Tax Refunding Bonds Series 1993

General Obligation 1999/2001 Refunding Bonds Series 2004 (Fund 4284)
Refunded $8,810,000 of principal of Tax and Revenue Certificates of Obligation Series 1999
Refunded $13,495,000 of principal, Justice Center/Public Safety Building Bonds Series 2001

Unlimited Tax Road Refunding Bonds Series 2004A (Fund 4370)
Refunded $10,130,000 of principal of Unlimited Tax Road Bonds Series 2001